

Haiti

Macroeconomic results in 2018 were modest and fell short of forecasts. Estimates are for GDP growth of just 1.4% (as against 1.2% in 2017), persistent inflation (of 14.6%, as against 15.4% in the fiscal year of 2017), a large fiscal deficit (6.5% of GDP in 2018, as against 3.9% in 2017) and an increased current account deficit (3.5% of GDP in 2018, as against 2.9% in 2017), coming on top of a severe depreciation of the gourde.

The last quarter of fiscal 2018, extending from October 2017 to September 2018, was marked by outbreaks of sociopolitical instability resulting from the failed attempt by the authorities to apply considerable fuel price rises (45%) last July. In this situation, the prime minister resigned and a new government was formed, although it was not fully confirmed until September 2018.

The programme signed with the International Monetary Fund (IMF) in February 2018 lapsed because of non-compliance with quantitative criteria (particularly the public sector deficit and the level of reserves) and structural guidelines such as reforms to the State-owned electricity corporation and reduction of fuel subsidies. This last item is a considerable drain on the public finances, costing an average of over US\$ 200 million annually.

Central government tax pressure was slightly lower in 2018 (12.7% of GDP) than the previous year (13.6% of GDP). The total tax take was down in real terms (-4%) because of declines in direct (-5%) and indirect (-11%) taxation and in tariff revenues (-8%). Total central government spending grew by 17.7% in real terms as a result of growth in current spending (17%), particularly subsidies (37%), but also in public investment (26%) for the first time in five years. The latter went into infrastructure programmes and projects and agricultural works.

The overall central government deficit (6.5% of GDP) was financed mainly out of record net contributions by the central bank, the Banque de la République d'Haïti (BRH) (4% of GDP), despite the “cash management” agreement (public spending matched to available revenues) signed between the Ministry of Economy and Finance (MEF) and the BRH in September 2017. Contributions of external resources in the form of direct budgetary aid were made in July 2018, with disbursements by the European Union (US\$ 30 million) and the World Bank (US\$ 20 million), the latter in response to the extraordinary circumstances of the time.

Haiti's overall external public debt came out at US\$ 2.122 billion (22% of GDP), with a slight increase of 0.2% in 2018. Fresh disbursements (Petróleos de Venezuela, OPEC) totalled just US\$ 27 million, which was similar to the cost of debt servicing (US\$ 21 million). The Bolivarian Republic of Venezuela is Haiti's main creditor under the Petrocaribe programme, although flows of resources have been curtailed considerably over the last three years.

A prudent monetary policy stance was adopted in 2018, with a focus on its two main objectives: reducing inflation and smoothing the depreciation of the gourde against the dollar. The BRH kept its reference interest rate at 12%. The legal reserve requirement for currency liabilities was altered, with an increase from 5% to 7.5% in the local currency cover required, with a view to freeing up a greater volume of currency in the foreign-exchange market and thereby counteracting the depreciation of the gourde. Net nominal domestic credit grew by 25%, with private sector credit increasing by just 9% and lending to the public sector by 140%. Deposit (4.8%) and lending (18%) rates remained practically unchanged.

Although the average exchange rate in 2018 (65.42 gourdes per dollar) was similar to that in 2017, there was depreciation in the nominal exchange rate during the fiscal year (11.6%), this being more rapid from March because of stricter requirements for dollar-denominated transactions (which were reversed in October) and speculation in response to the dollar shortage in the economy. Dollarization indicators remain high for both total deposits (60%) and M3 (52%). Net dollar sales by the BRH totalled US\$ 82 million (double the 2017 figure), contributing to a loss of almost US\$ 150 million in net international reserves, which totalled US\$ 775 million at the end of September, as against US\$ 924 million in 2017.

The current account deficit was 3.5% of GDP (as against 2.9% in 2017), driven by the trade deficit and partially offset by the flow of remittances. Goods imports grew by 26% and exports by 9%. The trade deficit of US\$ 3.5 billion, 32% up on 2017, was driven by rising international prices for hydrocarbons (33%) and to a lesser extent for other raw materials and foods. The level of exports was maintained thanks to exports by the wearing apparel maquila industry (8.5%), which represent 75% of total exports by value, and those of agricultural products, led by essential oils (US\$ 52 million).

The evolution of the terms of trade was unfavourable (-10%) because of rising prices for hydrocarbons and other commodities such as rice, chicken and wheat, which make up 75% of food imports from the United States, with increases averaging 11%.

Family remittances increased by 18% in 2018: boosted by the dynamism of the United States economy, they totalled US\$ 3.215 billion (as against US\$ 2.745 billion in 2017) and helped not only to contain the current account deficit but to stabilize the consumption of a great many households.

The 1.4% economic growth estimated for 2018 is expected to be underpinned by a positive (albeit very modest) performance by the agricultural sector, despite the partial cycle of drought that has affected the country. As of the third quarter of the fiscal year, the cumulative change in the short-term economic indicator (ICAE) for the sector still yielded a positive trend (1.1%), and the same was true of manufacturing (1.3%), the construction industry (2.8%) and the service sector (2.9%), with the latter probably the most affected by the July disturbances.

Year-on-year inflation to December 2018 is forecast at 15.3%, having been on a rising trend associated mainly with imported products, the transmission channel being currency depreciation.

Minimum wages for 2018 were announced in October, with an increase of 20% in the maquila industry (although this is just 5.7% in dollar terms), where employment grew by 15.6% from 44,707 to 51,669, mainly thanks to the Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE) arrangement with the United States. Meanwhile, the Institute of Statistics and Informatics of

Haiti: main economic indicators, 2016-2018

	2016	2017	2018 ^a
Annual growth rate			
Gross domestic product	1.5	1.2	1.4
Per capita gross domestic product	0.1	-0.1	0.1
Consumer prices	14.3	13.3	14.1 ^b
Money (M1)	6.0	16.6	19.3 ^c
Terms of trade	-6.1	6.3	-4.7
Annual average percentage			
Central government			
Overall balance / GDP	0.6	0.4	0.4
Nominal deposit rate ^d	5.0	4.5	4.9 ^e
Nominal lending rate ^f	19.7	18.0	17.9 ^e
Millions of dollars			
Exports of goods and services	1 602	1 558	1 643
Imports of goods and services	4 197	4 690	5 594
Current account balance	-83	-246	-358
Capital and financial balance ^g	164	273	159
Overall balance	81	27	-198

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Estimates.

b/ Figures as of August.

c/ Figures as of June.

d/ Average of highest and lowest deposit rates.

e/ Figures as of September.

f/ Average of highest and lowest lending rates.

g/ Includes errors and omissions.

Haiti (IHSI) employment index showed a positive year-on-year change of 2.5% to the third quarter, with the public sector contributing most.

The GDP growth rate targeted for 2019 is 2.8%, as there is an expectation of greater sociopolitical stability, social support programmes and perhaps a three-year IMF extended credit facility (ECF) agreement providing fresh financial resources and reactivating a larger volume of bilateral and multilateral donations. This forecast anticipates sustainable reforms in the provision of energy services and other basic services in a context of stable external demand (particularly for the maquila industry), reduced exchange-rate volatility, restrained inflation (still in double digits but trending downward) and an appreciable reduction in the fiscal deficit.