



# HAITI

## ECONOMIC BRIEF

Haitian Gourdes (HTG\$): United States Dollar (US\$) US\$1 = HTG\$115.58



**Haiti faced daunting political, economic, and social challenges in 2022.** Against the backdrop of political uncertainty from a long-delayed election and the ongoing COVID-19 pandemic, the Haitian economy was buffeted by civil unrest, deteriorating security conditions, supply chain constraints, and price pressures related to the rise in commodity prices fueled by the Russia-Ukraine war. These conditions deepened macroeconomic instability and uncertainty that further weakened domestic production, amplifying persisting inflation, which was pushed up further by the depreciation in the exchange rate. Low tax collections contributed to sustaining another year of fiscal deficits and increased public debt. Gross international reserves (GIR) remain above the three-month international threshold, although the net international reserves (NIR) position was on a declining trajectory.

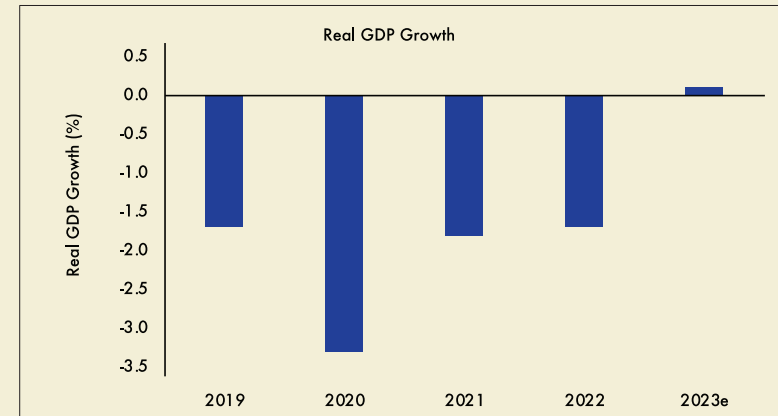
**The 2023 outlook remains highly uncertain.** It is expected that economic activity will remain relatively weak in 2023, with downside risks tilted heavily to the downside. Risks to the outlook include continued security and social challenges, further increases in food and fuel prices, and climate related disasters.

## KEY DEVELOPMENTS IN 2022

**Real gross domestic product (GDP) remained in recession for the fourth consecutive year.** Economic activity during fiscal year (FY ) 2021/22 contracted by 1.7% following declines of 1.7%, 3.3%, and 1.8% in FYs 2019, 2020, and 2021 (see Chart 1). This fall in economic output is mainly the result of the destabilising deterioration in the national security situation, and the fuel crisis which resulted in reduced business activity. Several strategic regions of the economic capital (Port-au-Prince) and some provincial towns were under siege by armed gangs who also disrupted fuel supplies by blockading a major fuel terminal. These actions blocked access and restricted mobility, reducing economic activity for several months. The impact was broad based

declines in the main sectors of the economy – primary (4.5%), secondary (0.2%), and tertiary (1.6%). The primary sector, which includes agricultural production, registered the deepest contraction partly because of the drought conditions during the period of review.

**Chart 1: Real Gross Domestic Product Growth**



**Sources:** Institute for Statistics and Informatics (IHSI) and Ministry of Planning and External Cooperation.

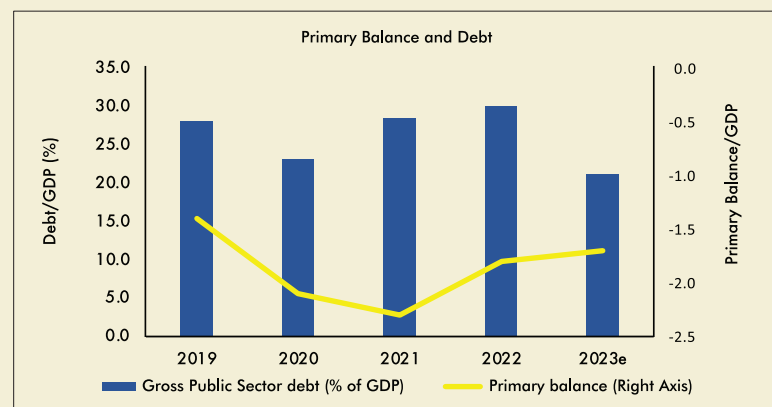
**Inflationary pressures accelerated due to rising international commodity prices, freight costs, and the depreciation of the exchange rate relative to the United States dollar (US\$).** Annual average inflation for the 2022 calendar year climbed steeply by 33.4% to its highest level in approximately 10 years, compared with 16.9% in the same period in 2021. The rise in annual inflation was driven mainly by changes in food and fuel prices which was adversely affected by rising international freight costs and the depreciation of the Gourde (G) relative to the US\$. In addition to imported inflation, fuel shortages and the repeated blockage of access roads and to markets also impacted domestic prices.

**The fiscal position remained weak as the Government grappled with low tax intake.** The result was a persistence of fiscal deficits for the fifth consecutive FY, with an overall

deficit of 2.1% of GDP estimated for FY 2021/2022. The tax-to-GDP ratio was approximately 8% and, although revenue collections were up by 16.7% for the first 9 months of FY 2021/22, it remained lower than the levels forecasted in the Budget. Weak economic activity together with strike and protest activity undermined tax collection efforts. However, tax reform associated with the International Monetary Fund (IMF) Staff Monitoring Programme (SMP) which started in June 2022, can improve revenue receipts going forward. Meanwhile, measures to rationalise expenditure through cancellations of most exemptions and the discontinuation of some subsidies helped to reduce spending levels. Total expenditure for the first 9 months of FY 2021/22 amounted to G104.9 billion (bn), which was 5% lower than the corresponding period in FY 2020/21.

**Public sector debt levels remain moderate but are increasing.** The debt-to-GDP ratio increased from 28.5% of GDP in FY 2020/21 to 30.1% in FY 2021/22 (see Chart 2). The rise in debt is due to weak economic activity, sustained fiscal primary deficits, and the depreciation of the exchange rate.

**Chart 2: Fiscal and Debt Performance**



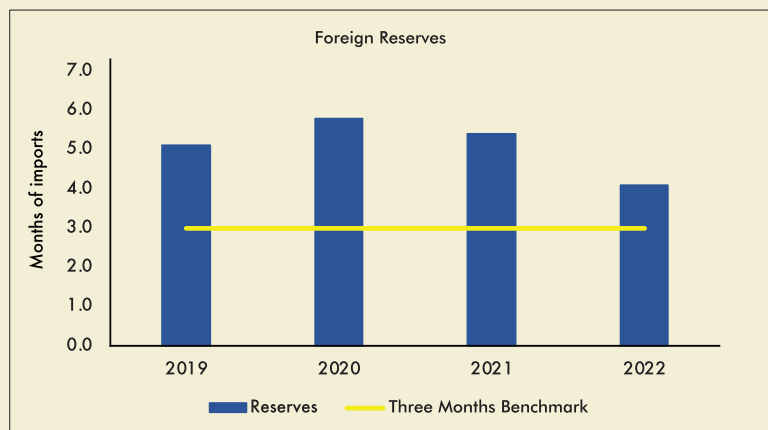
Sources: Ministry of Economy and Finance; Economic Commission for Latin America and the Caribbean; and the Caribbean Development Bank (CDB).

**The Bank of the Republic of Haiti (BRH) focused its monetary policy on securing macroeconomic stability within a context marked by uncertainty and rising prices.** While maintaining the status quo in terms of key rates and the reserve requirement, BRH continued its policy geared towards limiting the increase in excess liquidity and the adverse effects of monetary financing through issuing bonds. However, the outstanding amount of BRH bonds declined significantly to G900 million (mn) in 2022 from G4.62 bn in 2021, reflecting the decline in the level of commercial bank subscriptions.

**The Gourde depreciated relative to the US\$.** The average exchange rate stood at G115.68/US\$1.00 for the period January to December 2022 compared with G89.18/US\$1.00 in the same period in 2021. This represents a depreciation of 29.7%, notwithstanding the US\$ interventions of BRH into the market. The acceleration of inflation and weak economic performance has heightened the inflationary expectations of economic agents which have contributed to tensions in the foreign exchange market.

**GIR remain above the three-month import threshold, but NIR have been declining. GIR amounted to US\$2,067 mn (4.1 months of import cover).** Private transfers (remittances) are a major component of supply in the foreign exchange market. Remittances remained resilient in 2022 after surging in 2021 and were still higher than in the pre-COVID period (as a share of imports). However, NIR have been declining as a result of rising external liabilities of banks and amounted to US\$90 mn in 2022 compared with US\$452 mn in 2021.

**Chart 3: Gross International Reserves**



Sources: BRH and IMF.

## 2023 OUTLOOK

**Economic activity is expected to remain weak with real GDP growth of 0.1% in 2023, although downside risks remain.** This assumes some improvement in the political and national security situation, and that consumer spending will continue to be supported by strong remittance inflows from workers abroad. The forecast is subject to significant downside risks. These risks include the prolongation of the war in Ukraine which could lead to further increases in food and fuel prices, and adversely affect the poor and vulnerable while widening the current account deficit. Climate related disasters could also contribute to large economic and social losses and weaken economic activity. Accelerating economic activity would require sustained momentum in the reform process to enhance economic resilience and governance, and promote macroeconomic stability. Despite the challenging domestic environment, the authorities have adopted important fiscal policy reforms and have expressed interest in another SMP that can improve the fiscal situation over time and ease the pressures on public sector debt.

## DATA

The table below summarises the key economic and social indicators underpinning this country brief. These data are taken from several sources and are the latest available at time of publication. The 2023 data are estimates and are subject to revision. GDP, fiscal and debt data coverage is on a FY basis (October to September).

### Selected Indicators

	2019	2020	2021	2022	2023e
Real GDP Growth (%)	-1.7	-3.3	-1.8	-1.7	0.1
Average Inflation (%)	18.6	22.8	16.9	33.4	n.a.
Primary Balance (% of GDP)	-1.4	-2.1	-2.3	-1.8	-1.7
Public Debt (% of GDP)	28.1	23.3	28.5	30.1	21.3

Sources: BRH, IHSI, CDB.

Notes: e-estimate; n.a. – not available.