# HAITI

| Table 1 | 2021 |
|---|---|
| Population, million | 11.5 |
| GDP, current US$ billion | 20.9 |
| GDP per capita, current US$ | 1814.6 |
| International poverty rate ($2.15)[a] | 29.2 |
| Lower middle-income poverty rate ($3.65)[a] | 58.0 |
| Upper middle-income poverty rate ($6.85)[a] | 85.8 |
| Gini index[a] | 41.1 |
| Life expectancy at birth, years[b] | 64.3 |
| Total GHG emissions (mtCO2e) | 11.2 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ Most recent WDI value (2020).

*GDP is expected to contract for a fourth consecutive year in 2022, against the backdrop of a continued institutional and political crisis. Increased insecurity creates an uncertain environment for businesses, which will further hamper growth. Beyond these challenges, low human capital accumulation and high vulnerability to shocks, including natural hazards, continue to hamper growth prospects, and limit social mobility and poverty reduction, especially given that the poorest take longer to recover after a disaster.*

## Key conditions and challenges

Haiti's political and institutional crisis, compounded by insecurity, continues to hinder economic performance. Other key challenges to growth include inadequate infrastructure, limited human capital, weak governance, and an unfavorable business environment characterized by uncertainty, under-developed finance markets, and limited market contestability. At below 6.0% of GDP, tax revenue is the lowest in the LAC region, while government spending priorities do not support growth-enhancing activities. A large informal sector with low-quality jobs combined with anemic growth makes escaping poverty elusive. Limited access to quality healthcare and education compounds the difficulty of building human capital and the ability to break the cycle of poverty.

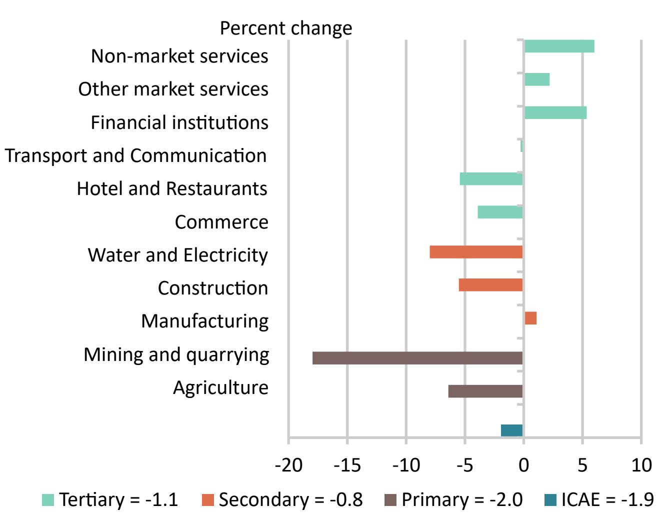
The structural issues that have constrained growth could rise in importance, including low agricultural productivity hampered by watershed degradation and land fragmentation. Vulnerability to natural hazard shocks and climate change will likely continue to hinder growth, hurting the poor and the vulnerable most.

## Recent developments

The index of economic activity fell by 1.9 percent y-o-y in Q2 FY22, amid depressed investor confidence due to continued political uncertainty and insecurity caused by violent gangs. Nearly all sectors of the economy contracted; the agricultural sector, where most poor households work and live, was affected to a greater extent. Agricultural output dipped 6.4% y-o-y in Q2 FY22, following low rainfall which adversely affected the spring harvest that accounts for 60% of yearly sector output. In the industrial sector, construction and electricity production, which are harbingers of future growth, registered their fourth consecutive quarterly decline. Manufacturing advanced slightly (1.0%), supported by a weakened gourde and labor expansion in the textile sector. All sub-branches of the services sector contracted, except the banking sector and non-market services. Being more directly impacted by increased insecurity, the decline in the hospitality sub-branch has been particularly severe.

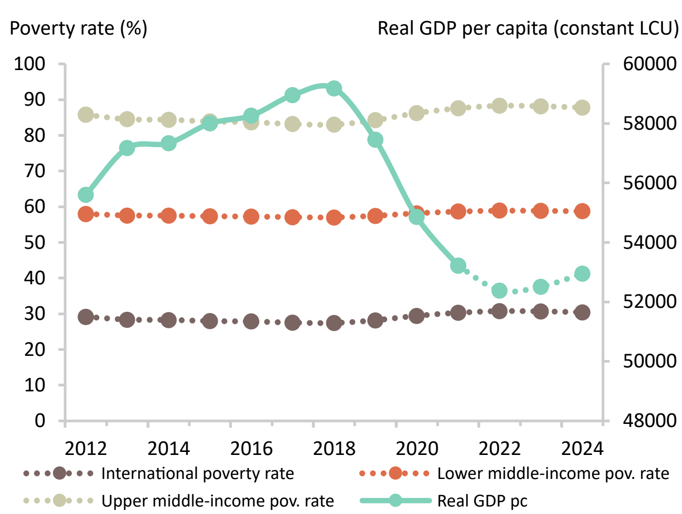
At the end of June, tax revenues were below the indicative target under the IMF's Staff Monitored Program, as security issues inhibited the normal operation of Customs administration and forced some businesses to close. Meanwhile, public expenditures rose, driven by fuel subsidies that reached 3.5% of GDP at the end of July because of rising oil prices triggered by the Russia-Ukraine war. The resulting deficit (2.0% of GDP) was monetized by the central bank (BRH), impacting the gourde which depreciated by 21.6% against the USD at the end of August. Inflation rose to 30.5% on deficit monetization, higher food and fuel prices, and insecurity that impeded the seamless flow of goods across regions.

**FIGURE 1 Haiti** / Sectoral growth rates, year-over-year




Source: Haiti Statistical Office (IHSI).

**FIGURE 2 Haiti** / Actual and projected poverty rates and real GDP per capita




Source: World Bank. Notes: see Table 2.

The negative impact will be disproportionately felt by the poor since they typically do not have the assets to hedge against inflation. The BRH enacted a series of restrictive measures to tame inflation, including mopping up excess liquidity in the banking sector through bond sales, hiking the key policy rate by 150 basis points, restrictions on forex transactions, and capital control.

In the external sector, despite export growth, the current account ran a 0.3% of GDP deficit due to low remittances and a high fuel and food import bill. Foreign direct investment was not enough to offset the CAD. The resulting balance of payments deficit (0.4% of GDP) was financed by an accumulation of arrears, debt write-off, and a drawdown of foreign exchange reserves. Net forex reserves are down by 39.2% in end-August, but gross reserves remain solid above five months of import.

## Outlook

Uncertainty around the political process and insecurity will continue to depress private investment and hinder growth. The restrictive policy measures taken by the BRH in Q4 FY22 will affect the efficiency of capital allocation and impair growth going forward. GDP is therefore expected to contract by 1.5 percent in FY22, with all three economic sectors receding, adversely impacting jobs, especially for women. In the baseline, growth is expected to firm up into positive territory with a rebound in 2024, assuming a resumption of economic activity should the political context following elections in 2023 becomes more stable and security improves. Growth, however, will not be strong enough to make much of a dent against poverty.

Despite tightening fiscal conditions under the IMF SMP, the fiscal deficit is expected to widen to 3.2% of GDP, mainly due to high energy sector subsidies. The deficit will be financed by the BRH at 2.4 percentage points of GDP and the remaining by T-bills. The fiscal deficit will continue to widen during the election year. But fiscal consolidation efforts are expected to resume over the medium term, bringing the fiscal deficit below the 3.0% of GDP mark.

Import volume is expected to contract but the value will expand on a higher fuel and food import bill. Concurrently, exports are set to expand thanks to greater output in the garment and apparel sector. Lower remittances due to higher inflation, and recession prospects in the major remittances-sending countries in North America and Europe mean that expectations for the CAD are around 1.4% of GDP. Over the medium term, this is expected to further widen as investment picks up, provided that security improves, and that elections are held in 2023 and are not contested.

Sustained high fuel and food prices coupled with low agricultural productivity will continue to exert pressure on CPI inflation, which is expected to close the fiscal year at 26.5% on average. The widening of the CAD toward the end of the FY will translate into increased depreciation of the gourde, creating a feedback loop between the exchange rate and inflation. This may exacerbate food insecurity that affected 5.6 million people in August 2022. Nonetheless, as BRH financing is gradually replaced by T-bills issuance, inflation is expected to trend down over the medium term.

The outlook is fraught with downside risks and depends heavily on the political process and the security context. Reforms in the energy sector are critical for creating fiscal space to expand spending in growth-enhancing sectors. Strengthening the institutional framework for disaster risk management, including better preparedness and response is key to laying the foundations for long-term, sustained, and inclusive growth.

**TABLE 2 Haiti** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2018/19 | 2019/20 | 2020/21 | 2021/22e | 2022/23f | 2023/24f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | -1.7 | -3.3 | -1.8 | -1.5 | -0.1 | 2.0 |
| Private Consumption | -1.0 | -4.0 | 1.2 | -1.1 | 0.4 | 0.9 |
| Government Consumption | -8.6 | 11.1 | 9.7 | 5.2 | 8.3 | 9.0 |
| Gross Fixed Capital Investment | 7.7 | -20.6 | -21.8 | -10.1 | -8.1 | 15.9 |
| Exports, Goods and Services | 6.8 | -39.7 | 1.4 | 2.0 | 4.0 | 2.0 |
| Imports, Goods and Services | 4.2 | -18.3 | 2.7 | -0.4 | 2.5 | 4.5 |
| **Real GDP growth, at constant factor prices** | -1.1 | -2.9 | -2.5 | -1.2 | -0.1 | 2.0 |
| Agriculture | -1.9 | -2.5 | -4.1 | -3.1 | 0.4 | 2.0 |
| Industry | -6.8 | -6.9 | -2.5 | -1.0 | 0.0 | 1.5 |
| Services | 2.1 | -1.2 | -2.0 | -0.7 | -0.3 | 2.2 |
| **Inflation (Consumer Price Index)** | 17.3 | 22.9 | 15.9 | 26.4 | 23.1 | 21.4 |
| **Current Account Balance (% of GDP)** | -1.1 | 1.5 | 0.7 | -1.4 | -2.6 | -2.5 |
| **Net Foreign Direct Investment Inflow (% of GDP)** | 0.5 | 0.2 | 0.2 | 0.5 | 0.5 | 0.5 |
| **Fiscal Balance (% of GDP)** | -2.0 | -3.0 | -2.5 | -3.2 | -3.3 | -1.9 |
| **Debt (% of GDP)** | 26.2 | 24.4 | 25.6 | 27.7 | 22.4 | 23.8 |
| **Primary Balance (% of GDP)** | -1.7 | -2.7 | -2.2 | -2.3 | -2.5 | -1.3 |
| **International poverty rate ($2.15 in 2017 PPP)[a,b]** | 28.2 | 29.5 | 30.3 | 30.8 | 30.7 | 30.5 |
| **Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]** | 57.5 | 58.2 | 58.7 | 58.9 | 58.9 | 58.8 |
| **Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]** | 84.3 | 86.3 | 87.6 | 88.3 | 88.2 | 87.8 |
| **GHG emissions growth (mtCO2e)** | 0.9 | 0.0 | 0.2 | 0.4 | 0.7 | 1.0 |
| **Energy related GHG emissions (% of total)** | 36.6 | 36.0 | 35.4 | 34.8 | 34.6 | 34.7 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on SEDLAC harmonization, using 2013-, 2019-, and 2012-ECVMAS. Actual data: 2012. Nowcast: 2013-2021. Forecasts are from 2022 to 2024.
b/ Projection using point-to-point elasticity (2013-2019) with pass-through = 0.87 based on GDP per capita in constant LCU.