HAITI

Table 1	2019
Population, million	11.2
GDP, current US$ billion	8.5
GDP per capita, current US$	756
International poverty rate ($1.9)[a]	25.0
Lower middle-income poverty rate ($3.2)[a]	50.8
Upper middle-income poverty rate ($5.5)[a]	78.9
Gini index[a]	41.1
Life expectancy at birth, years[b]	63.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2012), 2011 PPPs.
(b) Most recent WDI value (2017).

GDP is estimated to have contracted by 0.9% during Haitian fiscal year (HFY) 2019, amid political turmoil, social discontent and protests against corruption. The economic slump coupled with a weak capability of revenue administration brought revenue down. Nonetheless, the fiscal deficit was contained due to severe cuts in capital investment and social programs, with attendant negative consequences on growth prospects and poverty reduction. The outlook is fraught with downside risks amid an unresolved political crisis and the COVID-19 pandemic.

Recent developments

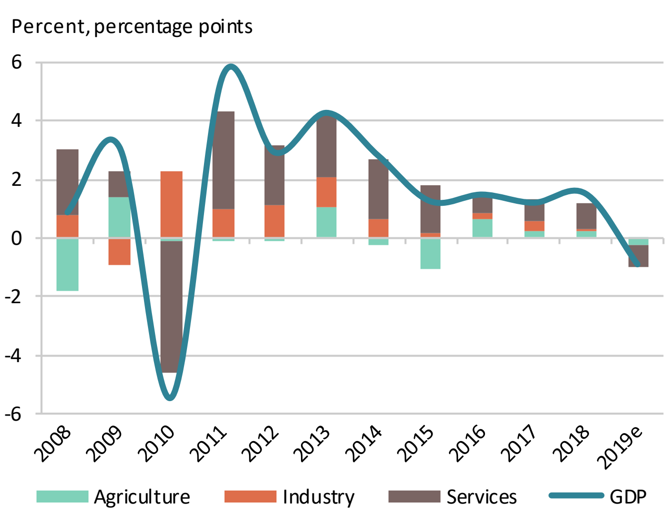
Haiti's GDP growth has been anemic over the past five years, barely keeping up with population growth of 1.5%. In HFY2019 the country remained engulfed in a protracted political crisis, with GDP estimated to have contracted by 0.9%, hampered by agriculture and the service sectors. The agricultural sector is host of poor workers (53% in 2012). Its contraction is likely to have a detrimental effect on them. The good performance of the textile sector – which employs 25% of formal labor– avoided a more acute decline of GDP. The fiscal deficit was contained at 4.0% of GDP at the expense of physical capital investment and social spending. Recurrent expenditures, however, rose by 14%. The debt/GDP ratio almost doubled over the past five years, from 23.7% in 2014 to 43.3% in 2019, reflecting the deterioration of the fiscal accounts. Debt service in 2019 was 2.0% of GDP, higher than spending in education (1.7%), health (0.6%) and social protection (0.1%). From a 2012 base of around 25%, extreme poverty has barely moved. Employment estimates point to enduring unemployment rates of around 13%, and around 30% among the youth. As of 2017, only 23% of the population was estimated to live within 5 kms of a health center with adequate services.

The central bank (BRH) has tightened its policy stance and kept monetary financing of the government deficit within the legal limit in HFY2019. BRH monetized the equivalent of 1.4% of GDP of the deficit, which it partially offset by raising its policy rate and depletion of net foreign reserves. The remaining deficit was covered either by accumulating arrears (1.9%) or by T-bills issuance (0.8%), which may have contributed to further crowding out of the private sector. Despite the tight monetary stance, the currency (gourde) depreciated by more than 22% over the fiscal year. Given the high exchange rate pass-through, the lag of the 2018 monetization and domestic food supply shortages during 2019, inflation remained in double digits, closing the fiscal year at over 20%. This has likely negatively affected households' purchasing power, leading to decline in consumption and/or a deterioration in the quality of the basket consumed. In fact, about half of households were considered food insecure at end September 2019.

The current account deficit (CAD) narrowed from 3.7% of GDP in 2018 to 0.4% of GDP in 2019 on weak import demand and increased remittances (now at 35% of GDP), principally coming from the US and the Dominican Republic, Haiti's top trading partners.

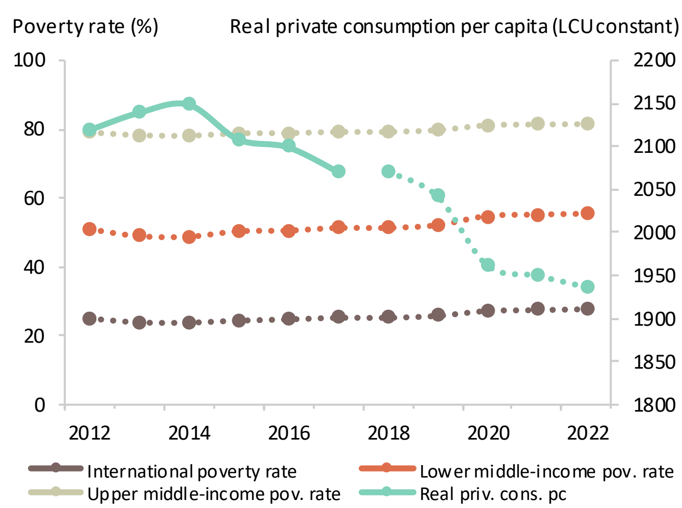
In Q1 HFY2020, political tensions heightened, and economic activity remained subdued, with GDP estimated to have contracted by 4.0% y/y. The continued decline in imports helped stabilize the gourde that depreciated by 15.1% y/y in January 2020 compared to a 25.5% y/y depreciation in September 2019. The Bank's inflation estimate for end-January stands at 22.5% (no official data has been published since August 2019). Overall uncertainty and the presence of violent

FIGURE 1 Haiti / Real GDP growth and sectoral contribution to real GDP growth



Sources: Haiti Statistical Office (IHSI).

FIGURE 2 Haiti / Actual and projected poverty rates and real private consumption per capita



Sources: World Bank. Notes: see Table 2.

The cut-off date for information in this MPO was April 06, 2020.

gangs in certain areas may have affected small entrepreneurial activities and agricultural households, which together account for about 70% of the workforce.

Outlook

A lull in political tensions is the silver lining of the COVID-19 pandemic, which will however wreak havoc on the economy. GDP is expected to contract by 3.5% in HFY2020, hindered by the services sector. On the demand side, private consumption is expected to dip due to decline in remittances as Haiti's top remittances-sending countries (US, Canada and France) enter into recession from the impact of COVID-19. This will affect more than a quarter of rural households who are remittances recipients. Attendant to the announced policy response to ease the stress the pandemic will inflict on the economy, government spending will pick up. Reduced tourist receipts and disrupted Haiti textile sector supply chains from China and the DR will prompt a decline in overall exports. Over the medium term, economic activity is expected to pick up, growing at 1.0% in 2021 and 1.3% in 2022, assuming the disruptions caused by COVID-19 do no linger and the fiscal stimulus has the expected impact on aggregate demand. Inflation will likely remain around 20% in the short term and should stabilize around 18% over the medium term, with attendant impact on purchasing power of the poor. Despite the positive shock of declining oil prices, the CAD is expected to widen to 6.1 % in HFY2020, on declining remittances and exports; but it is expected to narrow to 2.0% of GDP over the medium term as imports pick up and remittances and exports return to pre COVID-19 levels. The economic rebound is not expected to outpace population growth, however. Hence, no welfare improvement is expected and poverty incidence would likely increase.

Risks and challenges

Parliamentary elections scheduled to take place in October 2019 were scrapped, prompting president Jovenel Moïse to declare on January 13th, 2020 that Parliament had lapsed, ushering in another episode of institutional vacuum. This institutional void has led to a paralysis of needed reforms. Furthermore, the lack of recent economic and demographic data raises caution about the ultimate impacts of the ongoing crisis on the population, with greater welfare losses still possible. Haitian authorities announced the first cases of COVID-19 on March 19th. Even if this shock is short-lived, it will certainly strain the country's already weak health sector capabilities, with further adverse impact on the poor. Haiti is continuously battered by various shocks, particularly natural hazards and political instability, that have constrained its capacity to sustain growth over the long term and COVID-19 will represent a blow to the economy with greater impact on the most vulnerable. The textile industry, accounting for 25% of formal jobs, is at risk. A lack of protective measures for the informal sector workers may lead to further negative impacts. With the vast majority (over 90%) of workers uninsured, health shocks can lead to large income losses. The absence of a broad safety net can hinder efforts to roll out transfers to support the most vulnerable (such as the 65+ years cohort, of which 50% are considered poor).

TABLE 2 Haiti / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	1.2	1.5	-0.9	-3.5	1.0	1.3
Private Consumption	-0.1	1.2	-0.2	-2.8	0.5	0.4
Government Consumption	3.0	1.7	-7.0	9.5	1.1	6.0
Gross Fixed Capital Investment	0.9	12.5	-1.8	-6.1	7.0	2.4
Exports, Goods and Services	-1.2	2.0	-0.3	-2.1	2.0	2.0
Imports, Goods and Services	2.0	1.5	-1.0	-1.7	2.5	1.5
Inflation (Consumer Price Index)	14.7	13.5	17.2	20.0	18.0	17.0
Current Account Balance (% of GDP)	-1.0	-3.6	-0.4	-6.1	-1.3	-2.7
Net Foreign Direct Investment (% of GDP)	4.4	1.1	1.1	0.9	1.3	1.2
Fiscal Balance (% of GDP)[a]	-1.9	-4.3	-4.0	-6.7	-4.6	-2.5
Debt (% of GDP)[a]	35.6	38.3	43.3	49.7	53.0	54.1
Primary Balance (% of GDP)[a]	-1.6	-3.5	-3.2	-5.8	-2.1	-1.9
International poverty rate ($1.9 in 2011 PPP)[b,c]	25.2	25.2	25.8	27.2	27.5	27.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]	51.1	51.2	51.9	54.5	54.9	55.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]	79.1	79.1	79.6	81.1	81.3	81.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Figures reflect fiscal years (FY) going from October to September.
(b) Calculations based on SEDLAC harmonization, using 2012-ECVMAS. Actual data: 2012. Nowcast: 2013-2019. Forecast are from 2020 to 2022.
(c) Projection using neutral distribution (2012) with pass-through = 1 based on private consumption per capita in constant LCU.