HAITI

Table 1	2020
Population, million	11.4
GDP, current US$ billion	14.5
GDP per capita, current US$	1271.9
International poverty rate ($1.9)[a]	24.5
Lower middle-income poverty rate ($3.2)[a]	50.3
Upper middle-income poverty rate ($5.5)[a]	78.6
Gini index[a]	41.1
Life expectancy at birth, years[b]	64.0
Total GHG Emissions (mtCO2e)[c]	10.6

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2012), 2011 PPPs.
(b) Most recent WDI value (2019).
(c) Most recent CAIT value (2018).

Challenges posed by the COVID-19 pandemic for Haiti, were further aggravated by the assassination of the President on July 7th and the earthquake that devastated part of the country on August 14th, followed by tropical storm Grace two days later on August 16th, disrupting health and education services, further affecting human capital formation, and contributing to low productivity. Political stability, credible institutions, and an economic plan to support sustainable economic growth and poverty reduction seem more elusive than last year.

Key conditions and challenges

Haiti faces deep structural challenges which are difficult to solve in the context of a lingering political and institutional crisis. The non-enabling business environment, an ongoing security crisis, a very slow vaccine rollout, and weak governance undermine growth.

The export base is narrow, with textiles representing over 90 percent of total export revenue.

Uncertainty surrounding the political process and vulnerability to natural hazard shocks and climate change will continue to undermine growth, hurting the poor and the vulnerable. Political instability is exacerbated by the rising insecurity caused by violent gangs that occasionally control large swathes of Port-au-Prince, the capital city, keeping economic activity subdued. This has consequences on job creation and economic opportunities, constraining poverty reduction. In addition, most jobs are informal and insecure, with earnings insufficient to escape poverty.

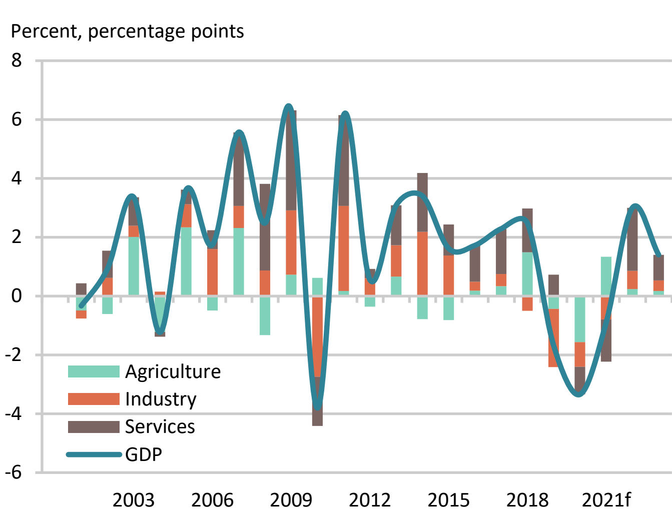
Domestic revenue mobilization remains weak at 7.0 percent of GDP on average over the past ten years, and untargeted fuel subsidies limit the fiscal space. The monetary and fiscal authorities struggle to comply with limits on monetary financing of deficits, as permitted by law. The lack of a credible policy framework erodes confidence and impairs economic agents' ability to plan for the long term, it also generates chronic inflation that mainly affects the poor as they typically cannot hedge inflation risk. In this context, according to a World Bank High Frequency Survey (HFS), roughly two-thirds of households in July 2021 reported a decrease in total income relative to February 2020.

Recent developments

After dipping 3.3 percent in 2020 due to a protracted political crisis exacerbated by the COVID-19 pandemic, GDP expanded by 0.9 percent during H1 FY2021, boosted by the service sector. The COVID-19 impact has been relatively mild in Haiti so far and its economic repercussions have been less severe compared to other Caribbean countries. At the time of writing, about 21,000 positive cases have been reported. Fatality rate, however, is high at 2.8 percent. Vaccination was rolled out only in July 2021 and about 0.2 percent of the population have been vaccinated so far despite a large donation of vaccines through COVAX.

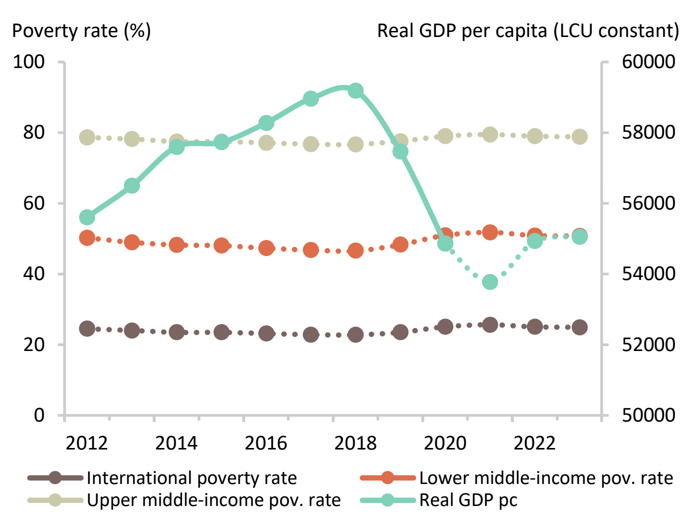
On July 7, President Jovenel Moïse was assassinated, further deepening political tensions. A transition government was established on July 19 and mandated with the organization of peaceful and credible elections. On August 14, just one month after the assassination, a magnitude 7.2 earthquake devastated Haiti's southern peninsula. The earthquake killed more than 2,000 people and caused damages estimated at US$ 1.1 billion or 7.0 percent of 2020 GDP. While the economic impact

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



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.

is expected to be lower than the 2010 earthquake, human suffering has intensified given existing high poverty and vulnerability levels; limited resources for rebuilding livelihoods; and constrained mobility as a result of the pandemic. The southern peninsula was hit by Hurricane Matthew in 2016, and the recent earthquake may deepen spatial inequalities in the country.

The strong gourde policy engineered by the authorities at the end of fiscal year 2020 continued to favor imports during the first half of FY2021, but the current account balance (CAB) remains in equilibrium thanks to increases in remittances and higher exports during that period.

Fiscal dominance and ensuing monetization of the government deficit continue to weaken the effectiveness of monetary policy. At the end of August, the fiscal deficit had already reached 3.6 percent of GDP, financed by the central bank (BRH). To limit the resulting inflationary pressures, the BRH intervened to mop up excess liquidity in the banking sector, potentially crowding out the private sector.

Headline, consumer price inflation is on a downward trend. After closing at an average 22.9 percent in 2020, CPI inflation started to slow at the beginning of fiscal year 2021 to close in July at 12.3 percent.

Outlook

The lack of consensus on the solution for the political crisis, the August earthquake, and the flooding caused by tropical storm Grace are projected to lead to a GDP contraction in 2021; this is despite strong expansion of government consumption in support programs to affected households in the earthquake-hit area and preparations for elections. As a result, poverty is expected to increase in 2021 leaving almost 52 percent of the population living on less than the lower middle income poverty line ($3.2 per day, 2011 PPP) and 26 percent below the international poverty line ($1.90 per day, 2011 PPP).

The economy is expected to rebound to 3.2 percent in 2022, driven by private consumption supported by increasing remittances from abroad. The rebound also assumes reconstruction efforts mainly supported by aid from the international community. Poverty is therefore expected to decrease mildly in 2022, but access to basic services will remain a challenge.

Imports will continue to grow, especially after the earthquake. However, stronger remittances growth from the two main remittances senders to Haiti, namely the USA and Canada, will help stabilize the CAB at about -1.5 percent of GDP over the medium term.

Since Haiti imports two-thirds of consumption goods, the pass-through effect from last year's strong gourde policy will help lower inflation, which is expected to close at 16.0 percent on average. However, because the earthquake and the flooding from tropical storm Grace mostly damaged rural infrastructure including agricultural, and with the perennial lack of investment to boost productivity in the agricultural sector, there will be additional pressure on food prices and on inflation in outer years.

The recent earthquake and flooding warranted additional spending in government programs to support the affected households, prompting the authorities to draft a supplemental budget with a higher deficit. The fiscal deficit is therefore expected to widen reaching about 4.7 percent of GDP in 2021, financed mainly by money creation, hurting the poor more severely.

The path ahead remains fraught and particularly exposed to ongoing political turmoil that could continue to hamper economic recovery and delay implementation of critical reforms needed to put Haiti on the path towards sustainable growth and poverty reduction.

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

	2017/18	2018/19	2019/20	2020/21 e	2021/22 f	2022/23 f
Real GDP growth, at constant market prices	1.7	-1.7	-3.3	-0.8	3.2	1.4
Private Consumption	4.1	-1.0	-4.0	-1.7	2.0	0.4
Government Consumption	4.2	-8.6	11.1	18.0	5.0	1.3
Gross Fixed Capital Investment	-5.2	7.7	-20.6	7.4	13.9	8.8
Exports, Goods and Services	-6.5	6.8	-39.7	5.0	4.0	2.0
Imports, Goods and Services	3.3	4.2	-18.3	6.0	5.0	2.0
Real GDP growth, at constant factor prices	0.7	-1.1	-2.9	-0.9	3.1	1.4
Agriculture	1.4	-1.8	-2.4	0.5	1.2	1.0
Industry	-1.9	-7.0	-7.2	0.9	2.0	1.5
Services	1.9	2.1	-1.2	-2.1	4.1	1.5
Inflation (Consumer Price Index)	13.5	17.2	22.8	16.0	19.0	15.7
Current Account Balance (% of GDP)	-2.9	-1.2	3.4	-1.0	-2.0	-1.1
Net Foreign Direct Investment (% of GDP)	0.6	0.5	0.1	0.2	0.5	0.5
Fiscal Balance (% of GDP)	-2.5	-2.2	-3.0	-4.7	-2.5	-2.1
Debt (% of GDP)	23.5	25.6	24.4	29.5	29.7	29.7
Primary Balance (% of GDP)	-2.3	-1.9	-2.5	-3.3	-2.1	-1.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	22.8	23.5	25.1	25.7	25.1	25.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	46.6	48.3	51.0	51.9	51.0	51.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	76.6	77.6	79.0	79.5	79.0	78.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Calculations based on SEDLAC harmonization, using 2012-ECVMAS.Actual data: 2012. Nowcast: 2013-2020. Forecast are from 2021 to 2023.
(b) Projection using neutral distribution (2012) with pass-through = 0.87 based on GDP per capita in constant LCU.