HAITI

Table 1	2021
Population, million	11.5
GDP, current US$ billion	20.9
GDP per capita, current US$	1814.6
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)	10.5

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

Haiti's economy contracted for a third consecutive year in 2021, increasing the already high poverty levels. This reflects the deep structural challenges the country must surmount, including a deepening lingering political crisis, unprecedented level of insecurity, and weak governance, which, combined with relatively low skilled labor, leads to a strong dependence on imports. The country is also highly vulnerable to natural hazard shocks and is recovering from a devastating earthquake and tropical storm Grace in the Southern peninsula in 2021.

Key conditions and challenges

The political and institutional crisis, compounded by increasing levels of insecurity, continues to hinder Haiti's economic performance. Other key challenges to boost productivity and economic growth include deficient infrastructure, limited human capital, weak governance and institutions, and an unfavorable business environment characterized by uncertainty, under-developed finance markets, and limited market contestability.

Vulnerability to natural hazard shocks and climate change is likely to continue to hinder growth, hurting the poor and the vulnerable.

The lack of credibility in the policy framework and uncertainty of the political process erodes confidence and impair economic agents' ability to plan for the long term or create jobs. Moreover, limited access to quality healthcare and education hinders the possibility of building human capital to break the cycle of poverty.

Recent developments

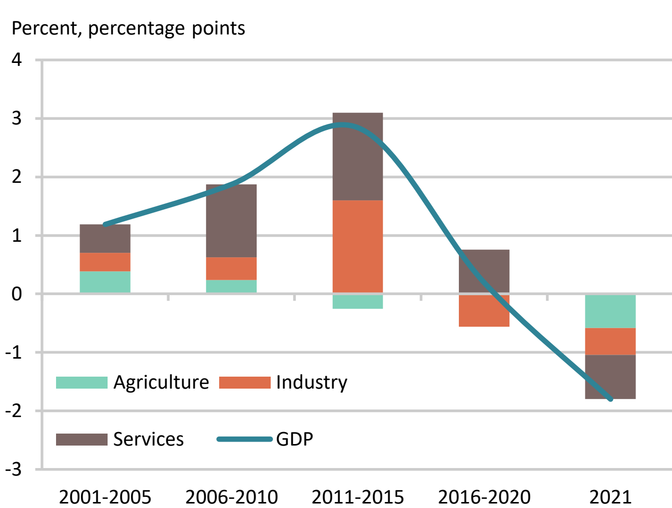
Political instability and security concerns due to armed gangs vying for control over business districts depressed investment which contracted by 21.8 percent in 2021, taking a toll on economic activity. Therefore, GDP contracted by 1.8 percent in 2021, marking the third consecutive year of negative growth. All three sectors of the economy declined, with agriculture registering the largest slide at 4.1 percent, partly as a result of watershed degradation and low rainfall. The economic slump affected households, with 68 percent of them reporting income drop compared to the pre-pandemic period (HFS).

On the fiscal front, the government struggled to mobilize tax revenues. The fiscal deficit is estimated at 2.5 percent of GDP in 2021, with direct subsidies to the energy sector accounting for 1.3 percent of GDP. In Q1 FY2022, however, the government partially removed oil subsidies, hiking retail fuel prices by 74.3 percent on average.

Due to the strong gourde policy engineered at the beginning of FY2021, the currency appreciated by 23.2 percent on average against the US dollar by the end of FY2021. Headline inflation consequently edged down to 15.9 percent and food inflation declined to 19.6 percent, from 27.5 percent the previous year. The poorest are disproportionally affected by the high inflation levels given their high share of household expenditures on food. In line with the reduced household incomes and high inflation levels, food insecurity has worsened, especially in the poorest rural households, where 80 percent reported running out of food. But the incidence of COVID-19 remained relatively mild, despite a vaccination rate below 1.0 percent. By the end of February 2022, about 26,000 positive cases had been officially reported.

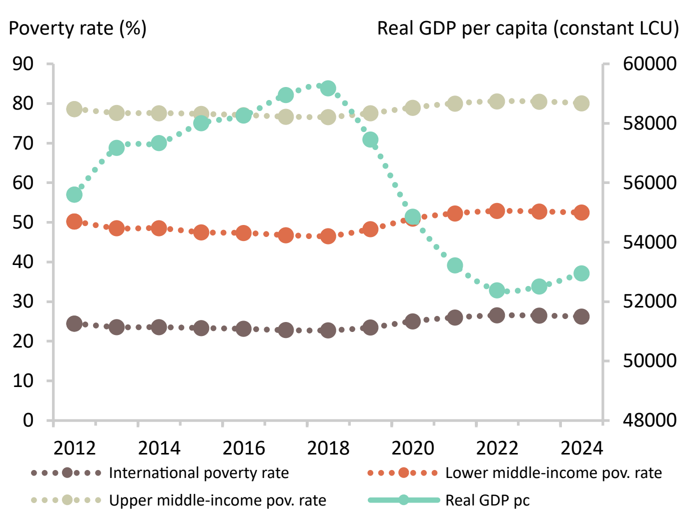
A corollary of the strong gourde policy is the depletion of net international reserves, which declined by 35.8 percent to stand

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



Source: Haiti Statistical Office (IHSI).

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



Source: World Bank staff calculations.

at US$ 457.6 million in FY2021. Gross reserves are, however, at a healthy level of 6.5 months of imports. The current account balance (CAB) remained positive at 0.7 percent of GDP, on large remittances inflows increase, higher exports, and the collapse in investment.

Despite a recent political agreement to form a new interim government, the political situation remains volatile. The government's most urgent task is to reestablish security and organize credible elections.

Outlook

The tense political context and heightened security concerns continue to depress private investment, with attendant consequences on growth. GDP is therefore expected to contract by 0.4 percent. Agriculture, on which most vulnerable and poor households depend for their livelihood, will continue to hamper growth; one reason for this is the constant reduction of arable land and low credit to the sector (0.1 percent of total commercial loans in FY2021).

While the recent fuel price adjustment provided temporary relief, given the ongoing Russia-Ukraine war, ensuring retail prices are adjusted regularly to reflect international market price conditions for all fuel products will be needed. Fiscal conditions will remain tight since the authorities stated their intentions to commit to fiscal consolidation within the IMF Staff Monitored Program (SMP) framework. Hence, the fiscal deficit is expected to narrow to 1.5 percent of GDP, albeit 1.9 percent of GDP of central bank (BRH) financing is anticipated. The fuel price increase, coupled with declining agricultural output and BRH financing, will exert pressure on CPI inflation, which is expected to close at around 26.2 percent, with the exchange rate moving pari passu. The resulting increase in the cost of basic goods would hurt the poorest.

Imports will grow at a faster rate, on higher fuel and food prices and material to meet post-earthquake reconstruction needs. However, the workers' strike at the beginning of FY2022 in the textile sector, coupled with rising insecurity, will affect the sector's output. Therefore, exports are expected to contract. Despite the global economic recovery and ensuing increasing remittances, the CAB will turn to a deficit of around 1.3 percent of GDP in FY2022.

The economy is expected to rebound in the medium term, supported by strong remittances and increased private investment as political tensions ease, and the security situation improves. GDP is expected to expand by 1.7 percent over the medium term. Donor support and finalization of the SMP with the IMF, with several structural measures focusing on tax revenue mobilization and greater spending efficiency, will likely help maintain the fiscal deficit at manageable levels over the medium term, easing pressure on prices. The CAB is expected to stabilize at around -2.0 percent of GDP, on stronger growth of remittances.

The outlook remains fraught and hinges strongly on how the political context evolves and security improves. Delay in implementing critical reforms, including in the electricity sector, customs, and internal revenue service, and vulnerability to natural hazard shocks may also hinder growth and achievement of shared prosperity.

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	-0.4	1.4	2.0
Private Consumption	-1.0	-4.0	1.2	1.0	1.8	0.9
Government Consumption	-8.6	11.1	9.7	9.5	8.1	-2.1
Gross Fixed Capital Investment	7.7	-20.6	-21.8	-0.8	-7.3	23.5
Exports, Goods and Services	6.8	-39.7	1.4	-1.0	4.0	2.0
Imports, Goods and Services	4.2	-18.3	2.7	6.2	2.5	3.1
Real GDP growth, at constant factor prices	-1.1	-2.9	-2.5	-0.1	1.4	2.0
Agriculture	-1.9	-2.5	-4.1	-1.1	0.9	1.0
Industry	-6.8	-6.9	-2.5	-1.5	1.7	1.5
Services	2.1	-1.2	-2.0	0.9	1.4	2.6
Inflation (Consumer Price Index)	17.3	22.9	15.9	26.2	18.9	13.4
Current Account Balance (% of GDP)	-1.1	1.5	0.7	-1.3	-2.1	-1.5
Net Foreign Direct Investment (% of GDP)	0.5	0.2	0.2	0.4	0.4	0.3
Fiscal Balance (% of GDP)	-2.0	-3.0	-2.5	-1.5	-1.7	-1.5
Debt (% of GDP)	26.2	24.4	25.6	26.1	21.8	23.2
Primary Balance (% of GDP)	-1.7	-2.7	-2.2	-1.2	-1.4	-1.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	23.5	25.1	26.0	26.5	26.5	26.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	48.3	51.0	52.3	52.9	52.8	52.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	77.6	79.0	80.0	80.6	80.5	80.1
GHG emissions growth (mtCO2e)	-0.6	-0.7	0.4	0.4	1.9	2.5
Energy related GHG emissions (% of total)	33.3	32.4	32.2	32.4	33.6	35.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on SEDLAC harmonization, using 2012-ECVMAS.Actual data: 2012. Nowcast: 2013-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2012) with pass-through = 0.87 based on GDP per capita in constant LCU.