HAITI

Table 1	2022
Population, million	11.6
GDP, current US$ billion	20.2
GDP per capita, current US$	1745.9
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]	64.1
Total GHG emissions (mtCO2e)	10.9

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

GDP contracted by 1.7 percent in 2022, amid a lingering political crisis and gang violence that curtailed economic activity. Recent gains in human capital accumulation have been reversed due to extended school closures in 2022 owing to insecurity. The country's institutional fragility exacerbates its vulnerability to natural hazard shocks, with attendant consequences on growth prospects. Poverty is rising, and high inflation is disproportionately impacting poorer households.

Public Disclosure Authorized

Key conditions and challenges

Haiti is a lower-middle-income country with a narrow industrial base and subsistence agriculture. The political and institutional crisis is generating increasing levels of public insecurity, hindering Haiti's economic performance and citizen well-being. Structural key challenges to growth include deficient infrastructure, limited human capital, weak governance and institutions, a non-enabling business environment, underdeveloped finance markets, and limited market contestability.

Growth challenges are exacerbated by the combination of weak structural drivers and sustainability issues. Importantly, low agricultural productivity is hampered by limited credit to the sector, as well as by watershed degradation and land fragmentation due to the inheritance system. Haiti's institutional fragility, coupled with extreme vulnerability to natural hazard shocks and climate change will likely continue to pose a threat to growth, hurting the poor and the vulnerable the hardest.

Moreover, limited access to quality healthcare and education inhibits the possibility of building human capital to break the cycle of poverty.

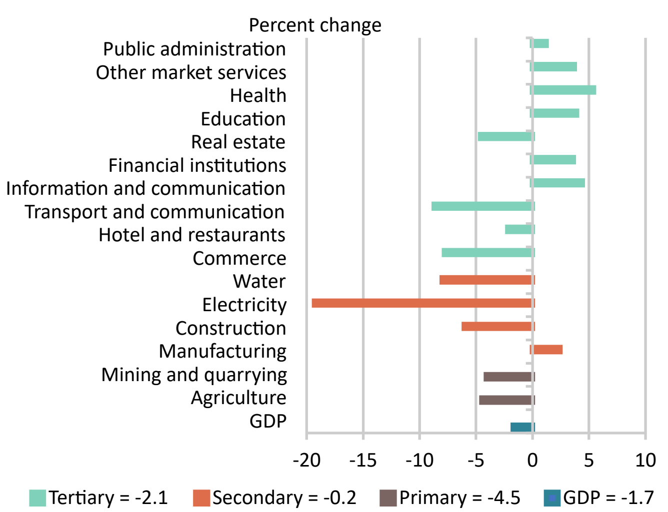
Recent developments

A political and power vacuum pushed gang violence to a crisis point and a GDP contraction by 1.7 percent in 2022, with agriculture, which employs 40 percent of the labor force, registering the largest decline (-4.5 percent). Combined also with an increase in food prices, the poverty rate at the international poverty line ($3.65 per day, 2017 PPP) is estimated to have increased to 62 percent in 2022, from 60 percent in 2021. The secondary sector contracted by 0.2 percent, despite a good performance in light manufacturing. Services contracted by 2.1 percent, led by hospitality (-7.8 percent).

With businesses shutting down owing to gang warfare, tax revenue dropped to 5.2 percent of GDP in 2022, down from 5.8 percent of GDP in 2021. Meanwhile, total expenditure rose on higher fuel subsidies, resulting in the widening of the fiscal deficit to 3.2 percent of GDP in 2022 (from 2.7 percent in 2021). The central bank (BRH) monetized 2.5 basis points of the deficit and the remaining gap (0.7 percent of GDP) was filled by T-bills and arrears. Consequently, the gourde depreciated by 17.4 percent against the US dollar over the fiscal year. The BRH enacted measures to mop up excess liquidity in the banking sector, hiked the key policy rate by 150 bps, and restricted forex transactions. But inflation edged up to 38.7 percent by end of FY22, led by higher food and fuel prices, and insecurity impeding the seamless flow of goods across regions. Rising food prices are especially hard on poor households as food tends to make up a larger share of their total expenditures.

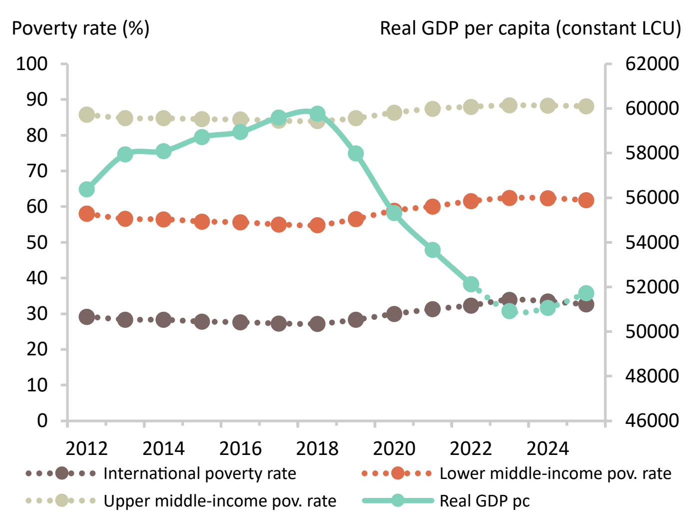
In the external sector, remittances inflow declined for the first time in decades. Despite an expansion of exports, the current

FIGURE 1 Haiti / Sectoral growth rates, year-over-year, FY22



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.

account turned into a deficit (2.5 percent of GDP), compared to a surplus (0.5 percent of GDP) in 2021. Foreign direct investment (0.2 percent of GDP) did not suffice to offset the CAD. The resulting balance of payments deficit (1.0 percent of GDP) was financed by an accumulation of arrears, debt write-off, and foreign exchange reserves drawdown. Net international reserves declined by 71 percent at the end of the fiscal year, closing at US$ 141 million. Gross reserves, however, were kept at a healthy level of around 5.4 months of imports.

Outlook

Private investment is expected to continue to fall as the political crisis and gang violence do not abate in FY23. Private consumption will remain subdued if inflation in the main remittance-sending countries does not recede and domestic agricultural productivity does not improve. All this will contribute to darken the outlook. As such, GDP is expected to contract by 1.1 percent in FY23. In the baseline, growth is expected to firm up into positive territory with a rebound in 2024, thanks to the resumption of economic activity assuming stabilization of the political context and improvements in security. However, growth will not be strong enough to reverse the poverty trend. Poverty is expected to remain elevated at about 62 percent in 2023 and 2024.

Thanks to fuel price adjustments in FY22, energy subsidies are expected to decline, narrowing the fiscal deficit that is expected to reach 3.0 percent of GDP in FY23, of which 1.3 bps will be monetized. The IMF will supply 0.6 bps of the financing. The remaining 1.2 bps are not likely to be covered by T-bills. Therefore, there will probably be a retrenchment of capital spending and/or additional financing from the BRH, with negative consequences for macroeconomic stability. Fiscal consolidation efforts are expected to continue over the medium term, bringing the fiscal deficit below the 2.0 percent of GDP mark.

Headwinds faced by garment factories at the end of FY22, principally due to the insecure business environment, will likely continue throughout FY23 and hence affect exports. Remittances are projected to decline further, in line with the economic situation in sending countries. The continued depreciation of the currency and a gradual easing of food and fuel prices are expected to dampen imports, outweighing the effect of lower exports and remittances, and leading to a current account surplus of 1.8 percent of GDP. Over the medium term, as investment picks up, the current account is set to register a deficit slightly above 2.0 percent of GDP, provided security improves and elections to be held in 2023 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 around 40 percent on average. High inflation will be an impediment to poverty reduction as the poor and the vulnerable's purchasing power is eroded.

High domestic and external uncertainty weigh on an outlook that is fraught with downside risks. There is a high risk that political turmoil continues and security does not improve. The fuel price adjustments were critical but re-enacting the automatic price adjustment mechanism will remain crucial to rein in the fiscal deficit and reduce monetary financing. Strengthening the institutional framework for disaster risk management, including better preparedness and response will be key to laying the foundations for sustained and inclusive growth over the long term.

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

	2019/20	2020/21	2021/22e	2022/23f	2023/24f	2024/25f
Real GDP growth, at constant market prices	-3.3	-1.8	-1.7	-1.1	1.5	2.5
Private Consumption	-4.0	1.2	-0.7	-0.2	0.9	0.7
Government Consumption	11.1	9.7	21.7	18.8	8.2	15.2
Gross Fixed Capital Investment	-20.6	-21.8	-13.8	-44.3	10.0	19.8
Exports, Goods and Services	-39.7	1.4	2.4	-2.6	2.8	2.1
Imports, Goods and Services	-18.3	2.7	4.9	-2.7	4.0	5.5
Real GDP growth, at constant factor prices	-2.9	-2.5	-2.1	-1.1	1.5	2.5
Agriculture	-2.5	-4.1	-4.5	-1.5	2.0	2.0
Industry	-6.9	-2.5	-0.4	-1.1	1.5	1.5
Services	-1.2	-2.0	-2.1	-1.0	1.3	3.1
Inflation (Consumer Price Index)	22.9	15.9	27.6	39.8	31.1	22.6
Current Account Balance (% of GDP)	1.1	0.5	-2.5	1.8	-2.0	-2.6
Net Foreign Direct Investment Inflow (% of GDP)	0.2	0.2	0.2	0.1	0.3	0.3
Fiscal Balance (% of GDP)	-3.0	-2.5	-3.2	-3.0	-2.3	-1.4
Revenues (% of GDP)	7.5	6.9	6.6	7.5	7.8	7.6
Debt (% of GDP)	23.5	28.4	27.6	28.5	29.4	26.2
Primary Balance (% of GDP)	-2.7	-2.2	-2.9	-2.7	-2.0	-1.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	29.9	31.3	32.3	33.9	33.5	32.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	58.9	60.1	61.6	62.5	62.4	61.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	86.4	87.5	88.0	88.4	88.3	88.2
GHG emissions growth (mtCO2e)	-1.5	-0.6	-0.3	0.2	0.7	0.7
Energy related GHG emissions (% of total)	35.0	33.9	32.8	32.1	31.9	31.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on SEDLAC harmonization, using 2012-ECVMAS. Actual data: 2012. Nowcast: 2013-2022. Forecasts are from 2023 to 2025.
b/ Projection using neutral distribution (2012) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.