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]	63.2
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 (2021).

The political crisis coupled with gang violence continues to negatively impact economic activity, with output declining in H1 FY23, hindering poverty reduction. Inflation remained high but is decelerating thanks to monetary policy tightening. Despite challenging conditions for the export-oriented textile sector, higher remittances inflow and a slowing of imports amid collapsing investment resulted in a current account surplus, easing external financing needs.

Key conditions and challenges

Haiti's economic performance continues to be hampered by political crisis and gang violence. Vulnerable to natural hazard shocks and with weak disaster risk management and response systems, Haiti is ill-suited to cope with the effects of climate change. Already limited human capital and institutional capability are being depleted by insecurity from gang warfare that has emerged as the binding constraint to growth. Violent gangs sprang up from poor neighborhoods due partly to limited public investment in education combined with a weak business environment that limited job opportunities for youth.

Headline inflation is trending down but food inflation remains high, impacting poor households the hardest. In line with a widening output gap, core inflation is declining after having peaked in January from second-round pass-through effects of retail fuel price adjustments in Q1 FY23. Keeping inflation on a downward trend will require addressing fiscal pressures from chronically low tax revenue collection.

Recent developments

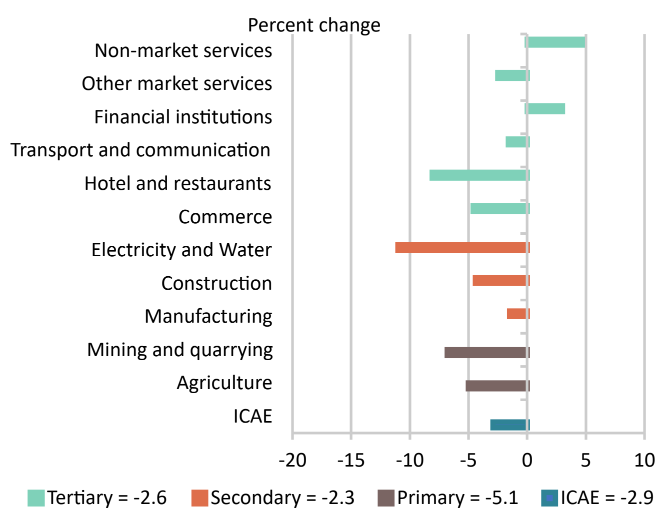
Output decline continued as the index of economic activity contracted by 2.9 percent in H1 FY23, amid insecurity from gang violence and continued uncertainty around the political process. On the supply side, all sectors contributed to the economic decline. Agriculture, which engages over 40 percent of the labor force, registered the largest decline (-5.0 percent). This has likely increased poverty and food insecurity because most poor households derive their livelihoods in that sector. Therefore, increasing agricultural productivity remains a key policy priority to promote inclusive growth and improve equity.

The textile sector, the largest formal private sector employer, shed more than 20,000 jobs (roughly one-third of the total) since the beginning of the fiscal year, due to insecurity. In the current context of limited economic opportunities, these layoffs are likely to push a large share of these workers and their families into poverty.

Construction, production of electricity and water, all three harbingers of future growth, continue their decline. Services contracted by 2.6 percent, led by hospitality.

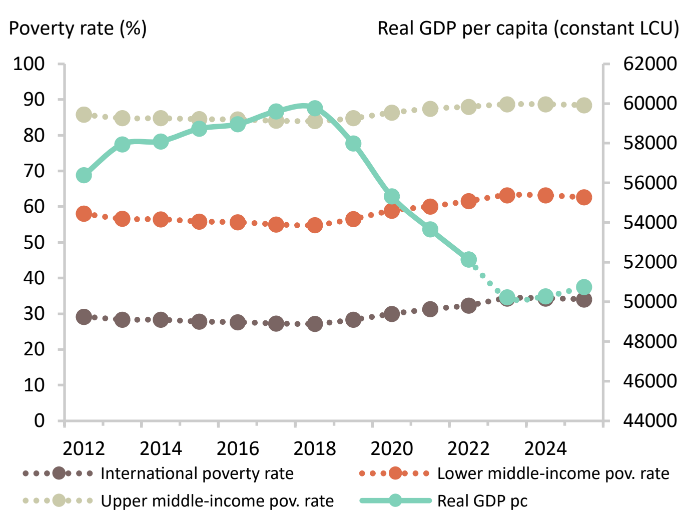
Tax revenue collection improved by 59.8 percent at the end of June 2023, thanks to tighter control at the customs administration and higher oil tax revenue. Tax to GDP remains weak, however, owing to the economic slump and governance issues at the customs and tax administrations. Nonetheless, energy subsidy cuts and retrenchment of capital spending helped improve the fiscal position, lowering financing needs and supporting fiscal consolidation efforts. This provided room for the

FIGURE 1 Haiti / Sectoral growth rates, y/y, Q2 FY23



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.

central bank to anchor its price stability objective, through a 74 percent reduction y-o-y of monetary financing of the deficit at the end of June, helping to decelerate inflation, which peaked at 49.3 percent y-o-y in January from the effect of fuel subsidy adjustment in December to 39.7 percent in July. Although on a downward trend, inflation remains high, especially food inflation (46.1 percent on average over the period compared to 27.7 percent last year). The drivers of high inflation are continued monetization of fiscal deficit, low agricultural productivity, and gang warfare impeding the seamless movement of goods from production sites to markets, with attendant consequences on the poor and vulnerable households. As of June 2023, 49 percent of Haiti's population was estimated to be acutely food insecure. The exchange rate appreciated by 0.1 percent over the period, compared to a 1.7 percent depreciation in the previous period. In the external sector, exports declined by 20 percent, principally due to textile sector performance. Imports edged down just 1 percent over the same period pushed up by higher fuel and food import bills. Remittances advanced by 8 percent, boosted by favorable economic prospects in the USA, where upward of 70 percent of remittances to Haiti originate.

Outlook

Private investment will continue to decline amid security concerns while persistent higher prices will dampen private consumption, despite social protection programs being implemented. GDP is expected to contract by 2.5 percent in FY23. In the baseline, growth is expected to firm up into positive territory with a rebound of 1.3 percent in 2024, assuming stabilization of the political context and improvements in security. However, with real GDP per capita growth of just 0.1 percent expected for 2024, the poverty rate (US$3.65 per day, 2017 PPP) will remain at 63.2 percent.

With the decline in energy subsidies and the resulting emerging fiscal space, the fiscal deficit is expected to narrow to 2.0 percent of GDP in FY23. Fiscal consolidation efforts are expected to continue over the medium term on revenue hikes, bringing the fiscal deficit below the 2.0 percent of GDP mark.

Sustained high fuel prices, low agricultural productivity, and the closing of the border between Haiti and the Dominican Republic will exert further price pressures, with inflation expected to close the fiscal year above 40 percent on average. The ensuing erosion of household purchasing power and the continuing economic slump are expected to exacerbate poverty and food insecurity. The effects of lower imports plus higher remittances will offset the expected drop in exports, leading to a current account surplus of 1.0 percent of GDP. Over the medium term, as investment picks up, the current account is expected to register a deficit above 2.0 percent of GDP. With growing security concerns and a deteriorating business environment, FDI inflow currently at 0.1 percent of GDP is expected to remain well below the CAD. Besides boosting exports or cutting down non-essential imports, Haiti's other CAD financing option is the continuous depletion of forex reserves, which could precipitate depreciation of the currency and fuel inflation, with further aggravating consequences for the poor.

Effective management of inflation through balanced macroeconomic interventions will remain key for macroeconomic stability and growth prospects. Reducing disaster risks through strengthening the institutional framework and response system remains essential for inclusive growth. A slower-than-expected improvement in the security situation is a significant downside risk.

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

	2019/20	2020/21	2021/22	2022/23e	2023/24f	2024/25f
Real GDP growth, at constant market prices	-3.3	-1.8	-1.7	-2.5	1.3	2.2
Private consumption	-4.0	1.2	-0.7	-1.6	0.7	0.6
Government consumption	11.1	9.7	21.7	18.8	8.2	15.2
Gross fixed capital investment	-20.6	-21.8	-13.8	-42.5	10.4	14.8
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	-2.6	1.3	2.1
Agriculture	-2.5	-4.1	-4.5	-4.1	2.0	2.0
Industry	-6.9	-2.5	-0.4	-1.1	1.5	1.5
Services	-1.2	-2.0	-2.1	-2.8	1.0	2.5
Inflation (consumer price index)	22.9	15.9	27.6	44.2	26.0	22.6
Current account balance (% of GDP)	1.1	0.5	-2.5	0.8	-2.5	-3.2
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	-2.2	-2.3	-1.4
Revenues (% of GDP)	7.5	6.9	6.6	7.7	7.9	7.7
Debt (% of GDP)	23.5	28.4	27.6	29.2	29.8	26.6
Primary balance (% of GDP)	-2.7	-2.2	-2.9	-1.9	-2.0	-1.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	29.9	31.3	32.3	34.3	34.3	34.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	58.9	60.1	61.6	63.2	63.2	62.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	86.4	87.5	88.0	88.7	88.7	88.4
GHG emissions growth (mtCO2e)	-0.8	1.2	0.5	-0.4	1.6	1.0
Energy related GHG emissions (% of total)	35.5	35.5	35.0	33.8	34.1	34.3

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.