Real-Time Signals on Haiti's Economy:

The Nouvo Biznis Indicator (NBI)

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Executive Summary

The Nouvo Biznis Indicator (NBI) is a real-time proxy for economic growth in Haiti. It allows policymakers to evaluate policy decisions in a more timely manner. Since it is built on publicly available data, it is not subject to reporting interruptions or lags common in indicators tracked by government agencies. The NBI provides evidence that the Multinational Security Support (MSS) mission has lifted optimism in the economy, and it predicts that Haiti's GDP will grow 1.5-2.0% in 2025. This would end six years of decline, but the economy would still be around the level it was in 2023.

About the Author

Dr. Craig Palsson, PhD Yale, is an associate professor in the Jon Huntsman School of Business at Utah State University. He is a leading expert on the political economy of Haiti, exploring how institutions and elections have contributed to its economic development. His work on Haiti has been published in the *Journal of Economic History*, *Explorations in Economic History*, *Public Choice*, and *Contemporary Economic Policy*. He can be reached at craig.palsson@usu.edu.

INTRODUCTION

Haiti has experienced six consecutive years of economic decline. In 2024, its GDP shrank by 4.2%, the largest decline since the devastating 2010 earthquake. But evaluating the decline in real-time is difficult because there is so little data available in Haiti. In the U.S., GDP estimates are published every quarter, but Haiti publishes GDP estimates only once a year. But even in the U.S., policymakers use several sources of data because quarterly GDP estimates are too infrequent to inform policy decisions. Furthermore, Haiti's annual GDP estimates produce only one figure for the whole year. This prevents researchers and policymakers from examining variation within the year and how the timing of the economy's shifts.

In this report, I propose a new economic indicator: the Nouvo Biznis Indicator (NBI). The NBI measures the number of new businesses started in the formal sector over a given period. Its data is available daily and can therefore be aggregated at any time scale. It also is built from microdata that allows researchers to explore the economic mechanisms at play.

BUILDING THE NBI

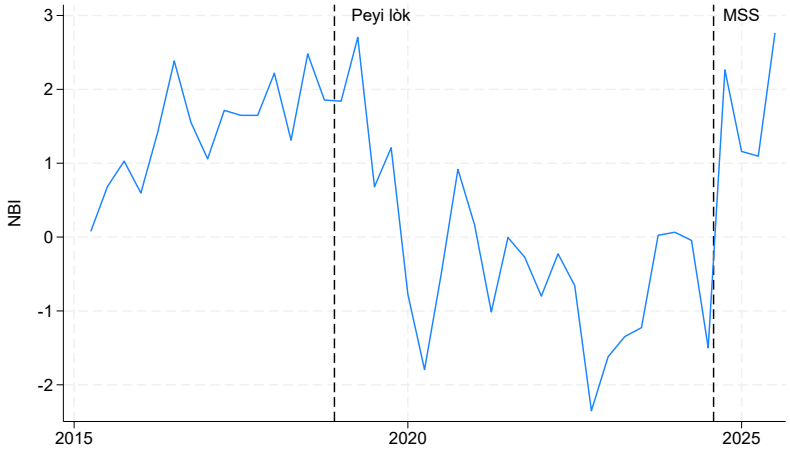
The NBI data come from public announcements of partnership formations. By law, anyone wishing to establish a formal partnership (société en nom collectif) must announce it in a daily newspaper of wide circulation in the capital.[1] The single largest newspaper in circulation is Le Nouvelliste. The NBI takes announcements from Le Nouvelliste and converts them into data suitable for an economic analysis (see Appendix: Methods for more details). Because it draws from public data, the NBI is not subject to reporting interruptions like indicators tracked by government agencies.

WHAT THE NBI SHOWS

The figure below shows the quarterly NBI from 2015 to 2025. It gives the number of new firms announced each quarter. Two major events are marked on the time series: the start of peyi lòk, the first major political event in the series that included COVID, the assassination of President

[1] https://mci.gouv.ht/enregistrement-dune-societe-en-nom-collectifet-commandite-simple.php

Jovenel Moise, and the recent surge in gang violence; and the beginning of the Multinational Security Support (MSS) Mission (25 June 2024).



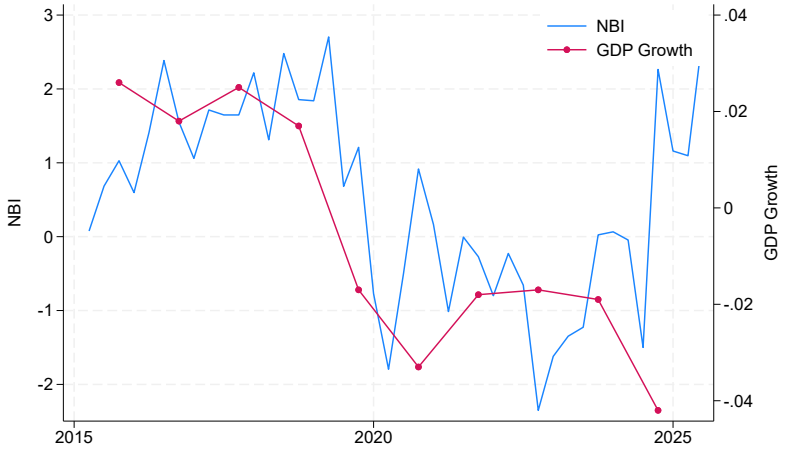
Before peyi lòk, the NBI shows behavior consistent with stable expectations of steady economic growth. Indeed, between 2015 and 2019, the NBI trended up. The variation in NBI is small over this period, with few significant swings. The NBI.

The NBI shifts significantly after peyi lòk, reflecting the significant uncertainty of the period. As the country was paralyzed by demonstrations and fuel shortages, NBI rapidly declined. In the first quarter of 2020, still before many global COVID interventions had been enforced, NBI declined again. The subsequent years brought huge fluctuations to NBI, with growth spurts followed by quick drops.

The final shift happens at the beginning of the MSS, possibly signaling optimism about the economy. Immediately, the NBI jumps to one of the highest point in the series. In the next three quarters, it returns to the pre-peyi lòk range. While the time series alone is insufficient for any conclusions about the effects of the MSS on the economy, it seems that it coincided with a shift in the economic environment.

The NBI not only tracks the major shifts in Haiti's economy, it predicts Haiti's GDP growth. In the figure below, the NBI is plotted along the ISHI's estimates of GDP growth from 2015-24. There is a tight correlation between the NBI and GDP growth. But GDP growth has two weaknesses. First, GDP growth is estimated only once annually. Second, the estimate is published three months

after the end of the fiscal year. The lag makes it unusable for countercyclical policies. The NBI, on the other hand, can be calculated in real time and can therefore notify policymakers of falls in GDP as they happen and can help them observe responses to policy.



U.S. Policy Recommendations

The NBI behavior clearly reflects changes in Haiti's economy. But it should not be interpreted as an indicator of current economic health. Economic health is determined by production, and at the time of the announcement, the firms have not produced anything. They are announcing their intent to produce. Thus, increases in NBI reflect optimism about the future, while declines reflect pessimism.

In contrast to the years of economic decline, the NBI predicts some economic growth in 2025. After six consecutive years of decline, mean reversion is expected. Even after the earthquake killed over 200,000 people and leveled the capital, GDP grew over 5%. The NBI is predicting a much lower rate of growth in 2025, around 1.5-2.0%. But it is a surprising shift with the persistent conflict and shortages in the country.

Does economic growth make sense in an environment so mired in conflict? Besides the fact that the index is based on business creation, there are two reasons to believe that the economic decline has halted. First, the reversal happened immediately following the beginning of the Multinational Security Support mission. Though many argue the MSS is underfunded and stretched thin, it may have encouraged the business community that something was happening.

Second, though gangs still control a significant of the capital, their economic model relies on extracting resources from the economy. Thus, they prosper when the economy prospers.

But an indicator predicting growth is not a sign that the situation in Haiti is resolved. Even if GDP growth in 2025 is indeed 2.0%, that would still leave it lower than what it produced in 2023. The years of economic decline have left Haiti in a pit. The policy recommendation from the NBI is that the current set of policies might have helped Haiti reach the bottom of the pit. More active policy is needed to help Haiti actually climb out. This could include greater U.S. support for the MSS mission, since it may have driven the increase in new businesses at the end of 2024 into the beginning of 2025.

Appendix: Methods

Economic health is measured through production. When comparing a rich country to a poor country, the rich country has more food, more healthcare, and more infrastructure. But these are not inexhaustible resources that can be constantly consumed. Once the food is eaten, it can't be consumed again. To get these goods and services, someone has to produce them. Therefore, the way we measure an economy's health is by measuring production. The most common measure of production is GDP (Gross Domestic Production), which is the market value of all final goods and services produced in a year. But GDP tends to undercount production in developing countries like Haiti because most production is in informal sectors or is not easily observed.

Instead of directly measuring production, we sometimes measure changes in the means of production. To get food, we need farms and farmers. To get healthcare, we need hospitals and doctors. If we see changes in the means of production, this forecasts changes to production. For example, the unemployment rate is not a direct measure of production, but since production requires labor, when the unemployment rate increases, we expect production to decline.

The NBI is similar to the unemployment rate, but it measures the number of new firms created. Firms are a fundamental unit in the economy because they produce goods and services. More firms start when the economy is expected to improve because firm founders expect to make higher profits on goods and services. But when the economy is in decline, fewer firms begin because the potential founders are discouraged by the lack of demand. Thus, new firms are responsive to expectations of future economic performance.

The NBI is calculated using an index of current and lagged firm creation. In this report, the quarterly NBI is used. It is the first component of a principal component analysis of the number of new firms created in the quarter and the maximum and minimum firms created in the four quarters ending in the current. By using current and lagged firm creation, it places firm creation in context of the surrounding economic environment.