

HONDURAS

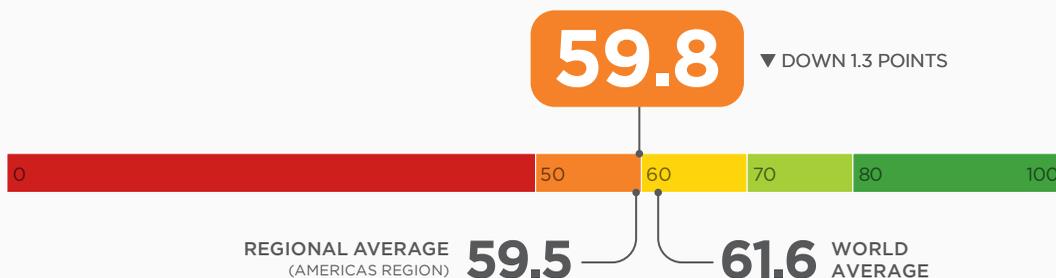
Honduras's economic freedom score is 59.8, making its economy the 98th freest in the 2021 *Index*. Its overall score has decreased by 1.3 points, primarily because of declines in **business freedom** and **trade freedom**. Honduras is ranked 19th among 32 countries in the Americas region, and its overall score is above the regional average but below the world average.

The Honduran economy has dropped back into the mostly unfree category after just three years in the ranks of the moderately free. To return to an upward trajectory toward greater economic freedom, the government would have to prioritize improvements in labor freedom and business freedom in addition to reducing corruption and improving the effectiveness of the judiciary.

IMPACT OF COVID-19: As of December 1, 2020, 2,918 deaths had been attributed to the pandemic in Honduras, and the economy was forecast to contract by 6.6 percent for the year.

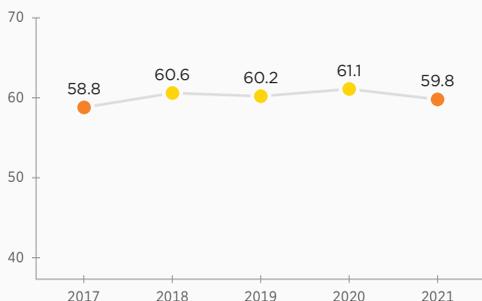


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
9.7 million

GDP (PPP):
\$51.4 billion
2.7% growth in 2019
5-year compound annual growth 3.8%
\$5,965 per capita

UNEMPLOYMENT:
5.4%

INFLATION (CPI):
4.4%

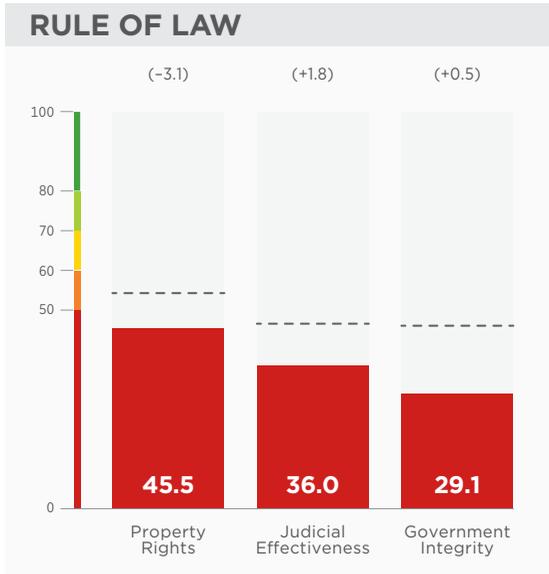
FDI INFLOW:
\$498.1 million

PUBLIC DEBT:
40.6% of GDP

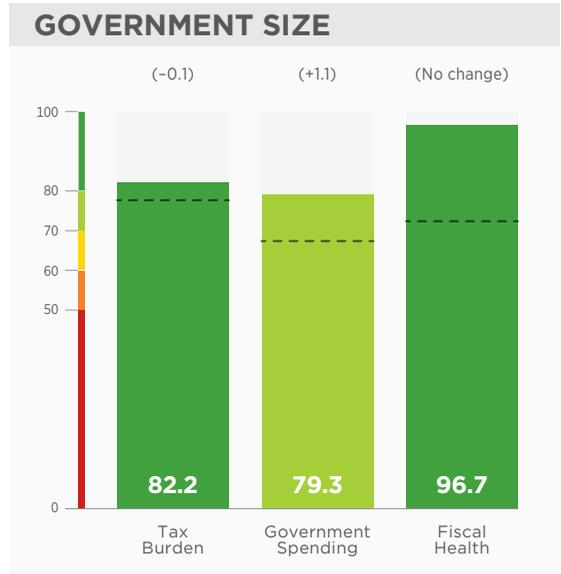
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Honduras is Central America's second-poorest country and has one of the world's highest homicide rates. Gangs and transnational criminal networks prey on communities, often in collusion with authorities. President Juan Orlando Hernández of the center-right National Party was reelected in 2017 amid allegations of fraud. A series of high-level corruption scandals, including the conviction of Hernández's brother in the U.S. for narco-trafficking, have undermined the president's credibility. The country's location leaves it vulnerable to narco-trafficking. High unemployment, violence, and lack of opportunity continue to encourage emigration. Historically dependent on exports of bananas and coffee, Honduras has diversified its export base to include apparel and automobile wire harnesses. Remittances account for more than one-fifth of GDP.

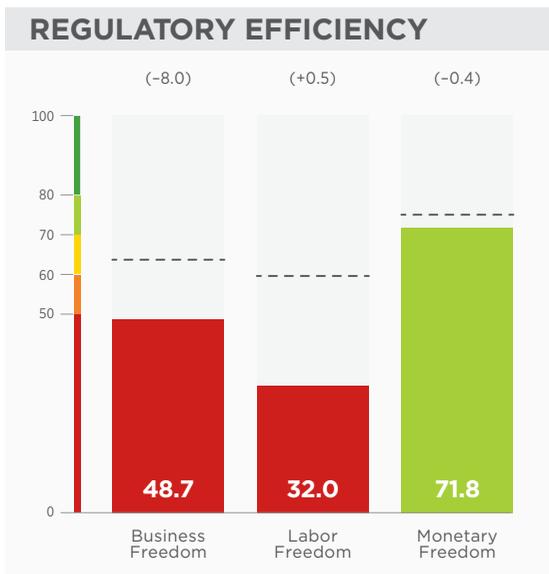
12 ECONOMIC FREEDOMS | HONDURAS



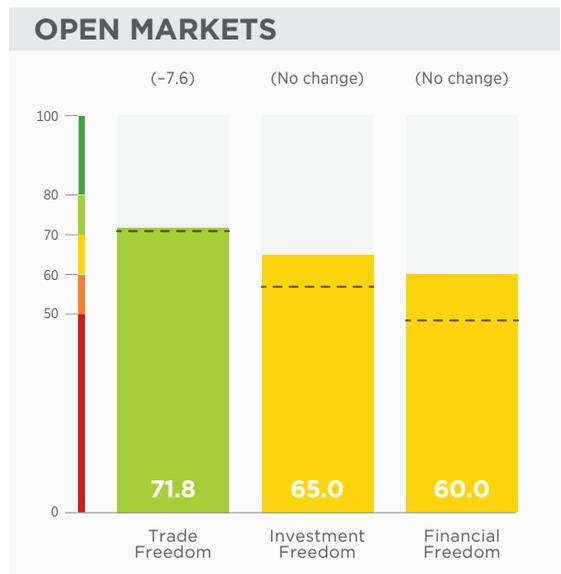
About four-fifths of privately held land in Honduras is either untitled or improperly titled. Because the judicial system is weak and politicized, it often takes years to resolve title disputes. Corruption, often related to organized crime, is pervasive in government procurement, the issuance of permits, customs, real estate transactions, and the regulatory system. Honduras has one of the world's highest murder rates.



The top individual income and corporate tax rates are 25 percent. Other taxes include a value-added tax. The overall tax burden equals 23.1 percent of total domestic income. Government spending has amounted to 26.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.04 percent of GDP. Public debt is equivalent to 40.6 percent of GDP.



Business freedom in Honduras has dropped significantly as the time needed to start a business and deal with construction permits has increased. Complicated and erratically enforced labor laws stifle labor freedom. The government maintains price controls for basic food items, fuel, water, telecommunications, and ports and often imposes temporary price controls on other basic goods.



Honduras has 11 preferential trade agreements in force. The trade-weighted average tariff rate is 6.6 percent. Additional barriers impede imports of certain agricultural goods. The regulatory systems may impede foreign investment. The financial sector remains relatively stable and continues to expand. About 50 percent of adult Hondurans have access to an account with a formal banking institution.