

# HONDURAS

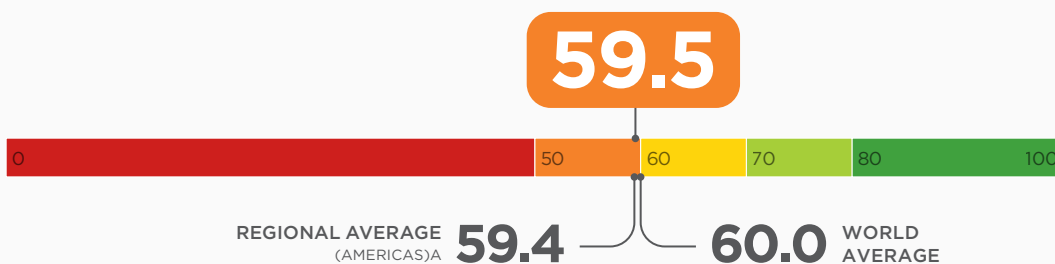
Honduras's economic freedom score is 59.5, making its economy the 92nd freest in the 2022 *Index*. Honduras is ranked 20th among 32 countries in the Americas region, and its overall score is above the regional average but below the world average.

Economic growth slowed over the past five years and turned sharply negative in 2020 before resuming in 2021. Economic freedom has retreated from its all-time high in 2020. With gains in **fiscal health** and **labor freedom** largely offset by decreases in **property rights**, **judicial effectiveness**, and **government integrity**, Honduras has registered a net gain in economic freedom of only 0.7 point since 2017 and remains in the "Mostly Unfree" category where it has been throughout most of its history in the *Index*. Monetary freedom and **trade freedom** are relatively strong, but rule of law and **labor freedom** score poorly.

**IMPACT OF COVID-19:** As of December 1, 2021, 10,402 deaths had been attributed to the pandemic in Honduras, and the government's response to the crisis ranked 53rd among the countries included in this *Index* in terms of its stringency. The economy contracted by 8.0 percent in 2020.

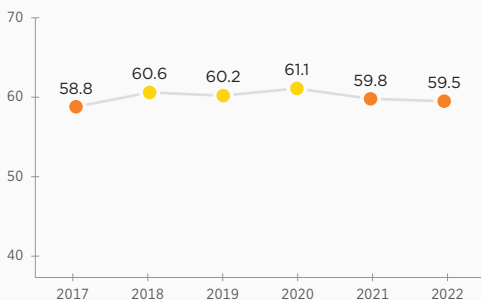


## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.5

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
9.9 million

**GDP (PPP):**  
\$54.2 billion  
-8.0% growth in 2020  
5-year compound annual growth 1.4%  
\$5,450 per capita

**UNEMPLOYMENT:**  
9.4%

**INFLATION (CPI):**  
3.5%

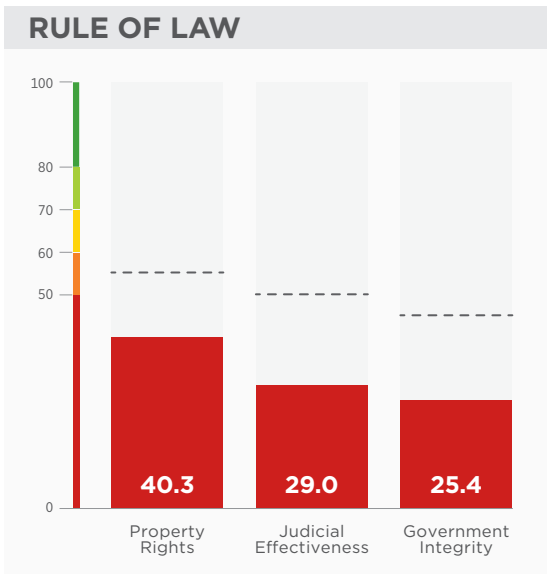
**FDI INFLOW:**  
\$419.0 million

**PUBLIC DEBT:**  
48.9% of GDP

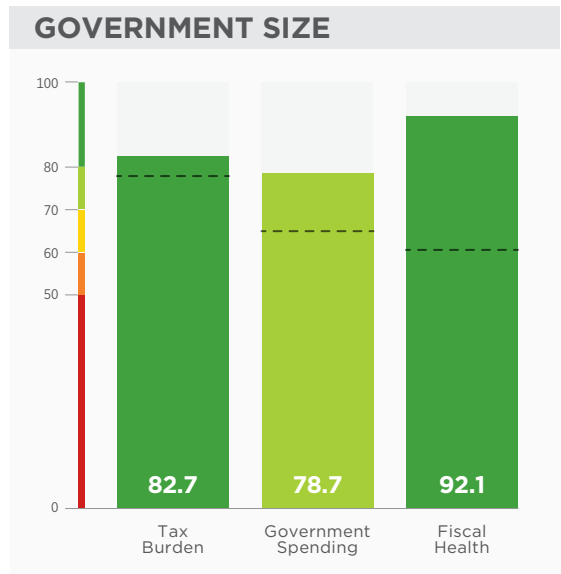
2020 data unless otherwise noted. Data compiled as of September 2021

**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. Xiomara Castro of the leftist Liberty and Refoundation party, whose husband (and former president) Manuel was deposed by a 2012 military coup, defeated Nasry Asfura of the formerly ruling but scandal-tainted center-right National Party in the November 2021 presidential election. 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 as much as one-fifth of GDP.

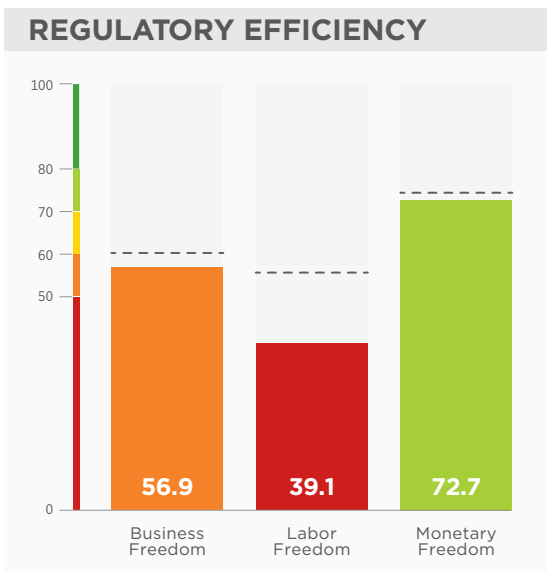
# 12 ECONOMIC FREEDOMS | HONDURAS



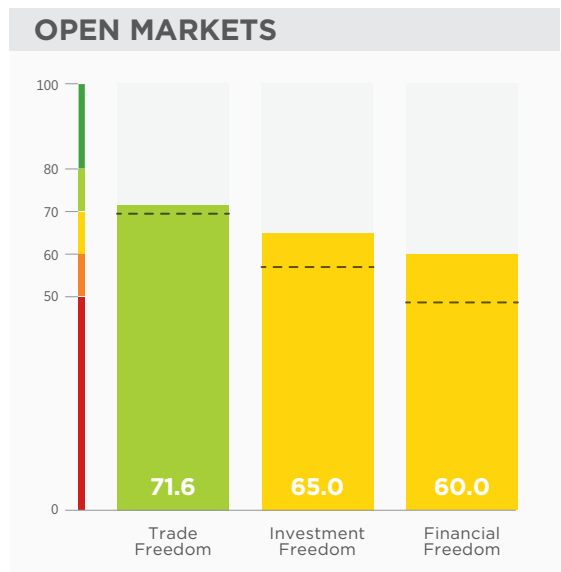
The Civil Procedures Code protects commercial transactions, property rights, and land tenure. Approximately 80 percent of privately held land is either untitled or improperly titled. The very slow judicial system lacks transparency and is vulnerable to favoritism, external pressure, and bribes. Corruption is pervasive in government procurement, issuance of government permits, customs, real estate transactions, performance requirements, and the regulatory system.



The top individual income and corporate tax rates are 25 percent. Other taxes include a value-added tax. The overall tax burden equals 21.9 percent of total domestic income. Government spending has amounted to 26.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.4 percent of GDP. Public debt is equivalent to 48.9 percent of GDP.



Crime, unreliable and expensive electricity, erratic tax enforcement, and poor infrastructure detract from business freedom. Recent hurricanes and COVID-19 restrictions have caused 18 percent of the labor force to lose their jobs. 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 13 preferential trade agreements in force. The trade-weighted average tariff rate is 6.7 percent, but various nontariff barriers remain onerous. The government is generally open to foreign investment, but the overall investment environment is negatively affected by weak institutions and high levels of crime. The banking sector is relatively stable. The overall financial sector is underdeveloped, and a modern capital market is largely absent.