

HONDURAS

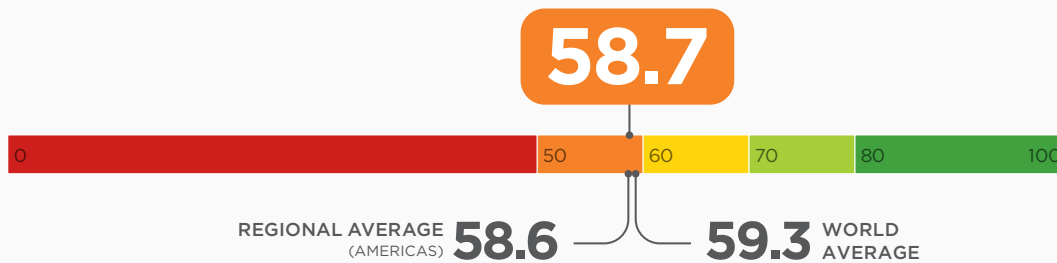
WORLD RANK: **94** REGIONAL RANK: **21**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Honduras's economic freedom score is 58.7, making its economy the 94th freest in the 2023 *Index*. Its score is 0.8 point lower than last year. Honduras is ranked 21st out of 32 countries in the Americas region, and its overall score is lower than the world average.

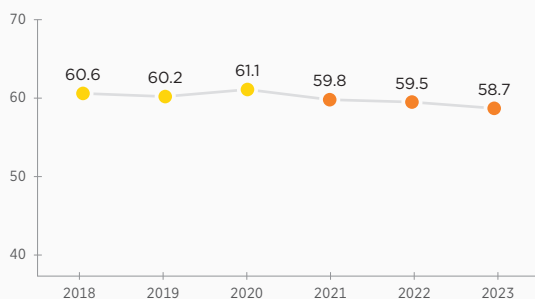
Deeper institutional reforms are needed to strengthen economic freedom and economic growth. Systemic weaknesses persist in the protection of property rights and enforcement of anticorruption measures. The judicial system is vulnerable to political influence. The economy receives relatively high scores for policies that support and sustain open markets.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +1.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.1 million

GDP (PPP):
\$62.9 billion
12.5% growth in 2021
5-year compound annual growth 3.0%
\$6,218 per capita

UNEMPLOYMENT:
11.0%

INFLATION (CPI):
4.5%

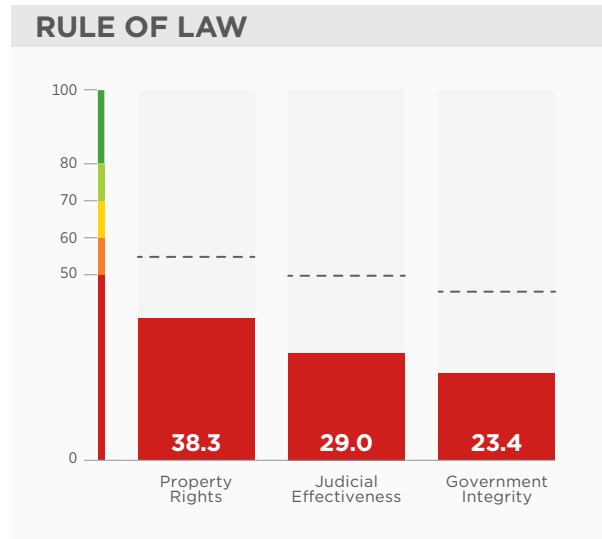
FDI INFLOW:
\$700.2 million

PUBLIC DEBT:
50.2% of GDP

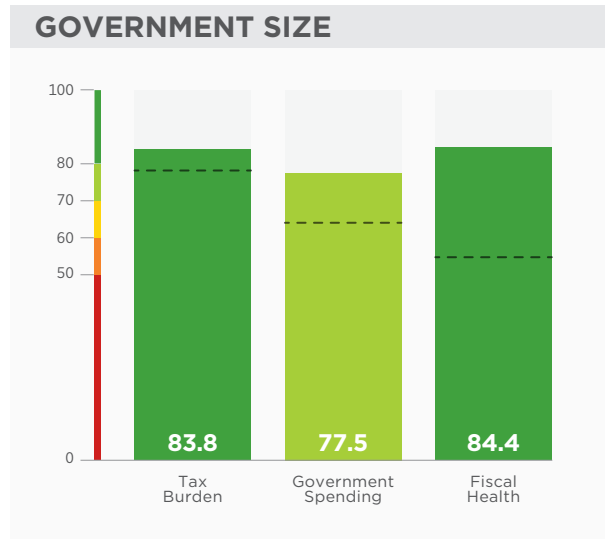
2021 data unless otherwise noted. Data compiled as of September 2022

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 Manuel was deposed in 2009, began her term as president in 2021. In 2022, a crisis ensued when a faction of her party refused to accept the results of a congressional leadership election. The country's location makes it vulnerable to narco-trafficking. Unemployment and violence continue to encourage emigration. Honduras has diversified its export base to include apparel and automobile wire harnesses.

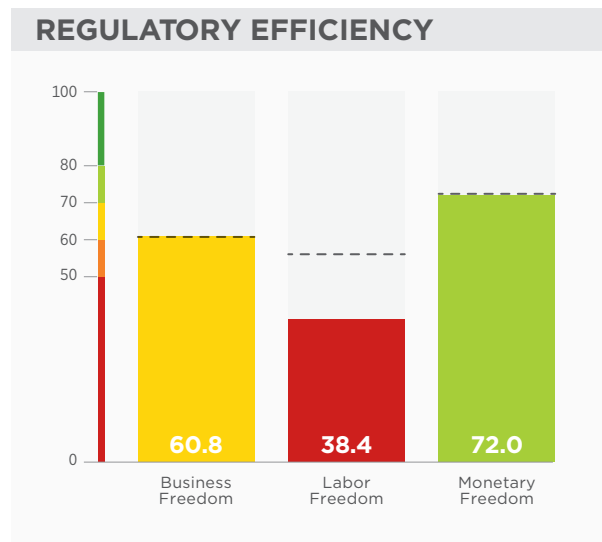
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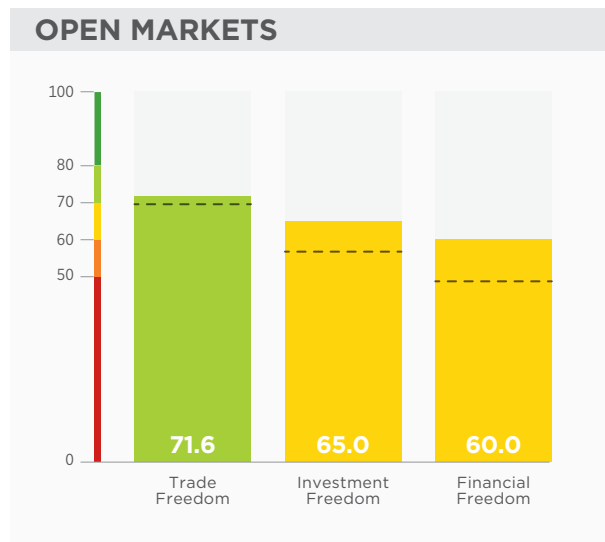
The overall rule of law is weak in Honduras. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are 25 percent. The tax burden equals 19.2 percent of GDP. Three-year government spending and budget balance averages are, respectively, 27.4 percent and -2.6 percent of GDP. Public debt equals 50.2 percent of GDP.



The regulatory environment continues to evolve, but the pace of reform has been sluggish. Labor regulations are burdensome and outmoded. A large part of the labor force relies on the informal sector for employment. The most recent available inflation rate is 4.5 percent.



The trade-weighted average tariff rate is 6.7 percent, and regulatory systems may act as barriers to 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.