

The way to go

General Information



GDP	USD20.421bn (World ranking 103, World Bank 2015)
Population	8.075mn (World ranking 97, World Bank 2015)
Form of state	Presidential republic
Head of government	Juan Orlando Hernández (right-wing), since 2014
Next elections	Presidential and legislative November 26 2017 (4-year term)



Strengths

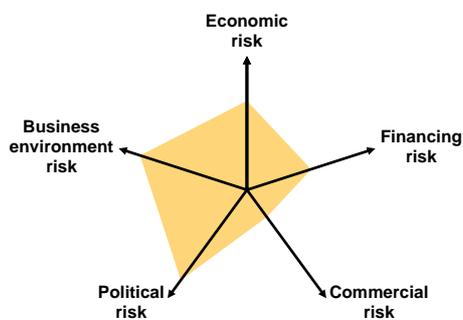
- Sound financial sector
- Free trade agreement with the US and Canada
- IMF support and successful policy implementation, such as the reduction of external debt

Weaknesses

- High current account deficit
- High dependence on the US economy
- Increasing dollarization of loans
- Weak business environment, rule of law and high level of corruption
- One of the poorest countries in the region
- High criminality

Country Rating

C2



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
United States	44% 1	41% United States
Germany	7% 2	11% China
El Salvador	6% 3	8% Guatemala
Guatemala	5% 4	7% Mexico
Nicaragua	5% 5	4% El Salvador

By product (% of total)

Exports	Rank	Imports
Coffee and tea	17% 1	23% Mineral fuels
Electrical machinery	14% 2	8% Electrical machinery
Fish and seafood	9% 3	7% Industrial machinery
Fruit	7% 4	5% Vehicles
Vegetable oil and fats	6% 5	5% Plastics

Source: Comtrade (2014)



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Economic Overview

Growth, a favorable environment, and stability push the economy forward

Honduras' economic expansion stayed on track in 2016. Supported by an accommodative monetary policy and stable external conditions, the short-term prospects look promising. Economic activity will benefit from low interest rates and easier access to credit, leading to an improved investment climate. The current account balance will stay in negative territory although exports are expected to remain buoyant. The moderation of oil prices throughout the year will curb end-of-year inflation. This should support purchasing power and consequently private consumption.

IMF support crucial for reforms and sustainable long-term growth

Thanks to the progress made over the last few years, notably the improved soundness of its financial system, Honduras benefited from the Heavily Indebted Poor Countries debt initiative launched by the IMF and the World Bank.

Newly-agreed terms grant more incentives for the government to pursue more reforms, such as the privatization of public services, better control of public spending, and higher public investment in housing and transport projects. All of these should help economic stability and strengthen growth.

Honduras remains one of the poorest countries in Latin America, heavily dependent on the US economy

Poverty is prevalent in Honduras, while high crime rates and corruption add to the country's woes. The US economy is in good shape. This may be a cause for some optimism as there are strong linkages between the two countries via remittances (accounting for about 15% of GDP), exports, and financials flows. Yet, strong ties can be a double-edged sword. If US economic activity slows down, Honduras might pay a hefty price.

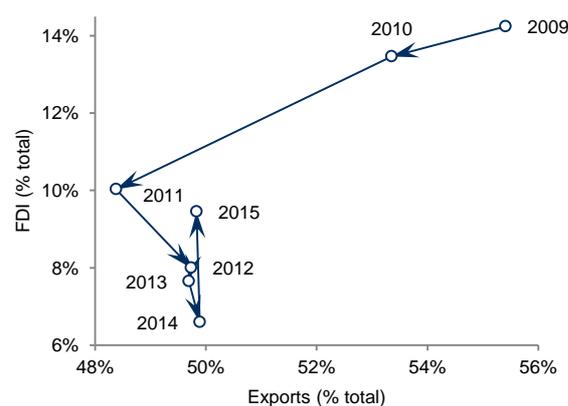
Trade is highly concentrated on both the partner and product level. Nevertheless, Honduras has progressively opened to new markets and diversified its exports, even if does so at a small pace.

Key economic forecasts

	2015	2016e	2017f	2018f
GDP (real, %)	3.6	3.6	3.7	3.8
Inflation (average-of-period, %)	3.2	3.1	4.1	4.5
Inflation (end-of-period, %)	2.4	4.7	4.5	4.5
Fiscal balance (% of GDP)	-1.4	-2.0	-2.0	-1.7
Public debt (% of GDP)	46.8	48.7	49.4	49.5
Foreign debt (% of GDP)	37.7	37.7	39.1	39.4
Current account (% of GDP)	-6.3	-5.7	-5.7	-5.6

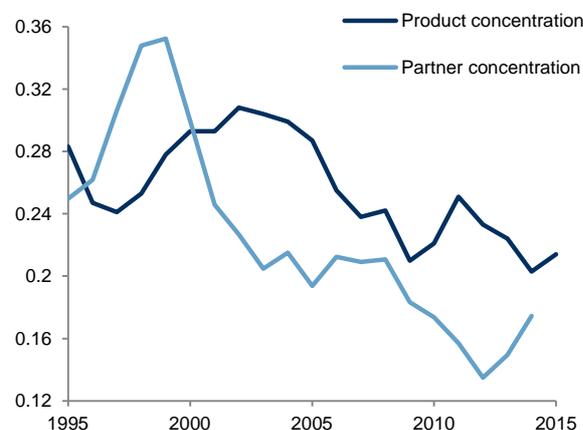
Sources: IMF, Euler Hermes

US FDI position and exports to the US



Sources: BEA, UNCTAD, Euler Hermes

Export concentration index



Sources: UNCTAD, Comtrade, Euler Hermes

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