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HONDURAS

Recent Economic Developments

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HONDURAS--Basic Data

Area and population

Area	112,088 sq. kilometers
Population (mid-1981)	3.8 million
Annual rate of population increase (1976-81)	3.6 per cent

GNP (1981) SDR 2,221 million

GNP per capita (1981 est.) SDR 584

	1979	1980 (per cent)	Prel. 1981
<u>Origin of GDP</u>			
Agriculture	32	31	32
Manufacturing	16	17	17
Construction	5	5	5
Transport and communications	8	9	9
Commercial services	13	13	13
Other	26	25	24

Ratios to GDP

Balance of payments current account deficit	8.9	12.6	10.8
Exports of goods and services	39.9	38.1	33.1
Imports of goods and services	49.8	51.6	44.9
Central government overall deficit	4.2	7.7	7.4
Central government revenues	(14.7)	(15.0)	(13.5)
Central government expenditures	(18.9)	(22.6)	(20.9)
External public debt (end of year)	39.7	43.5	47.8
External debt service payments	4.7	4.9	5.3
Gross domestic savings	25.1	21.2	18.0
Gross domestic investment	29.3	28.6	24.0
Money and quasi-money (end of year) ^{1/}	32.1	29.2	29.8

Annual rates of change in selected economic indicators

<u>GDP</u>			
Real GDP per capita	3.0	-1.1	-3.2
Real GDP	6.6	2.6	0.3
GDP at current prices	19.0	17.9	8.1
Domestic expenditure (at current prices)	18.4	21.5	6.7
Gross fixed investment	20.0	16.8	-2.8
Consumption	16.5	24.0	12.5

Prices

GDP deflator	11.6	14.9	7.8
Consumer prices (annual averages)	12.1	18.1	9.4

Central government finances

Central government revenues	16.4	19.9	-2.4
Central government expenditures	6.6	41.2	-0.3

Annual rates of change (continued)	1979	1980	Prel.
			1981
Money and credit		(per cent)	
Money and quasi-money <u>1/</u>	12.4	7.2	10.4
Money	(14.9)	(10.8)	(4.5)
Quasi-money <u>1/</u>	(10.8)	(4.8)	(14.4)
Domestic assets of the financial system <u>2/</u>	19.3	18.5	22.6
Credit to public sector (net)	(3.2)	(7.9)	(6.5)
Credit to private sector	(12.3)	(7.1)	(8.2)
Trade			
Merchandise exports (f.o.b.)	20.5	12.2	-6.4
Merchandise imports (c.i.f.)	19.7	22.7	-6.9
Central government finances		(millions of lempiras)	
Revenues	633	759	741
Expenditures	813	1,148	1,145
Current account surplus	87	—	-81
Overall deficit (-)	-180	-389	-404
External financing (net)	139	252	224
Internal financing (net)	41	137	180
Balance of payments		(millions of U.S. dollars)	
Merchandise exports (f.o.b.)	756	849	795
Merchandise imports (c.i.f.)	-852	-1,045	-973
Investment income (net)	-120	-154	-158
Other services and transfers (net)	24	29	40
Balance on current and transfer accounts	-192	-321	-296
Official capital (net)	100	144	159
Financial system capital (net) <u>3/</u>	63	24	-8
Private capital (net) <u>4/</u>	55	87	19
Net official international reserves (increase -)	-26	66	105
External debt arrears	--	--	21
International reserve position	Dec. 31 1980	March 31 1981	Dec. 31 1981 March 31 1982
	(millions of U.S. dollars)		
Central Bank (gross)	162.1	155.1	118.6 100.7
Central Bank (net)	115.8	119.0	10.5 -30.3
Rest of banking system (net)	-54.2	-32.8	-19.6 -20.8
IMF data (as of July 31, 1982)			
Article VIII status			
Intervention currency and rate	U.S. dollar at L 2 per US\$		
Present quota	SDR 51 million		
Cumulative purchases	SDR 127.6 million		
Regular purchases	SDR 63.6 million		
Oil facility purchases	SDR 16.8 million		
Extended Fund facility purchases	SDR 23.9 million		
Compensatory financing facility purchases	SDR 23.3 million		
Cumulative repurchases	SDR 61.8 million		
Fund holdings of lempiras under tranche policy	125.0 per cent of quota		
Total Fund holdings of lempiras	209.2 per cent of quota		
EFF arrangement (expired on June 28, 1982)	SDR 47.6 million		
Special Drawing Rights Department			
Cumulative SDR allocation	SDR 19.1 million		
Net acquisition or utilization (-) of SDRs	-SDR 17.1 million		
Holdings of SDRs	10.6 per cent of allocation		
Share of profits from gold sales	US\$4.0 million		

1/ Excludes bonds issued by the nonfinancial public sector and currency and deposits of nonbank private financial intermediaries.

2/ In relation to the stock of liabilities to the private sector at the beginning of the period

3/ Includes transactions with nonmonetary international agencies and allocation of SDRs.

4/ Includes net errors and omissions.

I. An Overview

Since 1979 the economic and financial position of Honduras has deteriorated substantially due to a combination of external and internal factors. The growth in real GDP decelerated from an average of 7 per cent in the period 1977-79 to 2-1/2 per cent in 1980 and virtually no growth was recorded in 1981. This decline was registered in all sectors of the economy and reflected the combined effects of a deterioration in the external terms of trade, and a drop in private investment and foreign trade associated with the political and economic crisis in Central America (Section II).

These same factors were at work in the balance of payments which registered large overall deficits in 1980-81, after several years of surplus. The effects of a deterioration in the terms of trade and high interest rates abroad were reflected in an increase in the current account deficit from an average of 8-1/2 per cent of GDP in 1977-79 to nearly 12 per cent in 1980-81. Through 1980, the increase in the current account deficit was partly offset by larger net capital inflows mainly because of a higher utilization of official aid associated with the execution of the public investment program. But in 1981, net capital inflows dropped sharply because of a decline in nonbank private capital inflows and a net repayment by domestic banks of foreign lines of credit due to a reduced exposure in the region by foreign banks. The overall balance of payments deficit in 1981 amounted to US\$126 million (including external debt arrears) and at the end of the year the gross international reserves of the Central Bank amounted to US\$119 million, or the equivalent of six weeks of imports (Section V).

The domestic counterpart of the external disequilibrium which emerged in 1980-81 was a sharp increase in the overall deficit of the public sector from the equivalent of 6 per cent of GDP in 1977-79 to nearly 9 per cent of GDP in 1980-81. During the earlier of the two time periods just mentioned, the fiscal deficit was financed mainly with disbursements of external aid linked with the public investment program. However, most of the increment in the deficit during 1980-81 was financed by domestic bank resources, as it reflected a deterioration in public savings more than an increase in public investment.

To some extent, the erosion in public savings in the last two years was induced by the effects of declining trade and domestic economic activity on revenue performance; however, a deterioration in tax administration, rising tax evasion, and delays in the adjustment of public enterprise tariffs also explain an important part of the weak performance in public sector revenues. At the same time, the growth in current expenditures accelerated, especially in 1980, because of the incorporation of new social programs in the budget, wage increases for government workers and extraordinary expenditures related to programs to handle refugees from neighboring countries.

Public investment outlays also rose sharply after 1979 because of the implementation of new development projects in the area of hydro-power generation, forestry, ports, and roads. In 1981, however, public investment fell considerably because of administrative bottlenecks, the lack of domestic counterpart funds and the suspension of work at an important port project (Puerto Castilla) due to a dispute between the Government and a foreign contractor (Section III).

Monetary developments during the last two years were characterized by a sharp decline in the growth of private financial savings and a rise in overall bank credit expansion mainly because of the domestic financing requirements of the public sector. The growth in credit to the private sector declined throughout the period under review, in part, because of the crowding-out effect of public sector credit expansion and, in part, because of the drain on the banks' loanable resources. In addition to the sharp deceleration in the growth of bank liabilities to the private sector during 1980-81, there was also a lower net inflow of foreign resources to the banks in the last two years because of the curtailment in foreign lines of credit referred to earlier (Section IV).

II. Expenditure, Output, and Prices

1. Overall trends

After a period of rapid economic growth during 1975-79, Honduras' economic and financial situation deteriorated in 1980-81 because of a combination of internal and external factors which affected negatively both exports and investment activity. As a result, the rate of growth in real GDP decelerated from an average of 7 per cent in 1975-79 to 2-1/2 per cent in 1980 and to less than 1/2 per cent in 1981. This deceleration was more striking in terms of changes in real national income (adjusted for the terms of trade) which declined by 1 per cent in 1980, and by a further 5 per cent in 1981 (compared with an average increase of 8 per cent registered in 1977-79). The much sharper decline in the growth of national income compared with output since 1978 reflected the sustained drop in the country's terms of trade in that period (Table 1).

The stagnation in exports in 1980-81 was caused by the decline in both regional and foreign demand and by the accompanying deterioration in the terms of trade. Underlying the drop in domestic investment activity was an erosion in confidence in the private sector, associated with the regional political crisis, and the financial constraints faced by the Government, particularly in 1981, which led to substantial cuts in the public investment program. While the trends in exports and investment were similar in 1980 and 1981, the rate of inflation differed widely in those years. The average rate of inflation in Honduras reached a record level of 18 per cent in 1980 and then dropped sharply in 1981, following rather closely the price performance of its main trading partners.

No real growth is anticipated for the Honduran economy in 1982 owing, as in the two previous years, to a combination of internal and external factors. Domestic investment is expected to fall in real terms because of a continuing lack of private sector confidence and the financial constraints faced by the Government, whereas exports are expected to decline because of the continuing weakness in international demand and stagnant commodity prices. The anticipated decline in aggregate demand and lower rates of inflation in Honduras' main trading partners are expected to hold the rate of inflation close to the level reached in 1981.

Table 1. Honduras: Annual Growth Rates of Production and National Income

(In per cent)

	1977	1978	1979	1980	Prel. 1981
Real GDP at 1966 prices ^{1/}	5.8	7.3	6.7	1.6	-0.4
Primary production	6.7	4.6	7.2	-2.4	1.0
Of which: agriculture and related sectors	(7.4)	(4.7)	(7.4)	(-2.8)	(1.0)
Secondary production	8.7	9.9	4.4	3.9	0.3
Of which: manufacturing	(9.8)	(10.2)	(3.5)	(5.6)	(2.5)
construction	(5.6)	(10.5)	(7.9)	(-2.9)	(-9.1)
Services	4.0	7.8	7.4	3.2	-1.4
Of which:					
transport and communications	(3.8)	(10.2)	(7.9)	(3.7)	(-1.2)
commercial services	(1.9)	(13.3)	(8.4)	(3.6)	(-3.0)
public administration	(10.5)	(6.3)	(6.0)	(4.2)	(--)
Real national income	5.5	6.2	5.5	0.4	-0.3
Real national income adjusted for the terms of trade ^{2/}	8.9	9.9	6.0	-1.3	-5.3
Per capita real national income adjusted for the terms of trade	5.1	6.1	2.3	-4.7	-8.6

Sources: Statistical Appendix Tables 15 and 16; Central Bank of Honduras; and Fund staff estimates.

^{1/} At factor cost.

^{2/} For purposes of comparability, the terms of trade adjustment is calculated using unit value indices (1966 = 100) prepared by the Central Bank of Honduras, and therefore differs from that calculated in Section V of the report.

2. Aggregate supply and demand

The intensification of the regional crisis in 1979 and the slow-down of the world economy in 1980 contributed to a sustained and sharp deceleration in the growth of real aggregate demand in the last two years. This deceleration was most noticeable in investment and exports and, as a result, consumption as a proportion of aggregate demand increased from 63 per cent in 1977 to 65 per cent in 1981, while investment dropped from 16 per cent to 14 per cent over the same period

(Table 2). Real fixed capital formation, which had grown at an average annual rate of 13 per cent in 1977-79, increased by only 2 per cent in 1980 and dropped by 16 per cent in 1981. Public investment declined by 25 per cent in 1981, as many important projects experienced delays and cutbacks due, in part, to the financial constraints faced by the public sector and, in part, to administrative problems associated with the electoral process. The estimated drop in private investment in 1981 (10 per cent) was caused by the negative impact of the regional crisis on confidence which was compounded by domestic political uncertainties and the crowding-out effect of public sector financing requirements. The growth of exports in real terms also slowed down from an average rate of 10 per cent in 1977-79 to 4 per cent in 1980, and then declined by 8 per cent in 1981. In 1981 the decline in exports was explained mostly by the weak performance of major exports (i.e., coffee, meat, and bananas), but exports to the rest of the Central American region also stagnated.

Table 2. Honduras: Changes in Supply and Demand Components

	Per Cent of Aggregate Demand		Percentage Change at 1966 Prices				
	1977	1981	1977	1978	1979	1980	Prel. 1981
<u>Gross domestic product</u>	<u>72.4</u>	<u>74.2</u>	<u>8.7</u>	<u>6.5</u>	<u>6.6</u>	<u>2.6</u>	<u>0.3</u>
<u>Foreign supply</u>	<u>27.6</u>	<u>25.8</u>	<u>23.5</u>	<u>12.7</u>	<u>10.4</u>	<u>8.1</u>	<u>-20.9</u>
<u>Aggregate supply and demand</u>	<u>100.0</u>	<u>100.0</u>	<u>12.4</u>	<u>8.2</u>	<u>7.7</u>	<u>4.2</u>	<u>-6.2</u>
<u>Foreign demand</u>	<u>21.2</u>	<u>20.8</u>	<u>15.3</u>	<u>4.0</u>	<u>11.6</u>	<u>4.4</u>	<u>-8.0</u>
<u>Gross domestic expenditure</u>	<u>78.8</u>	<u>79.2</u>	<u>11.7</u>	<u>9.3</u>	<u>6.7</u>	<u>4.2</u>	<u>-5.7</u>
Consumption	63.2	64.8	5.8	6.0	6.0	5.2	-1.0
Public	(11.0)	(11.0)	(5.0)	(6.3)	(6.5)	(3.9)	(-5.1)
Private	(52.2)	(53.8)	(10.1)	(4.6)	(3.3)	(11.4)	(-0.1)
Investment	15.6	14.4	44.0	23.0	9.2	0.8	-22.4
Fixed capital formation	(14.5)	(14.6)	(9.5)	(24.6)	(6.0)	(2.2)	(-15.5)
Public	/5.1/	/4.6/	/8.2/	/21.4/	/12.9/	/-2.0/	/-24.8/
Private	/9.4/	/10.0/	/12.0/	/30.6/	/-5.7/	/10.7/	/-10.3/
Change in inventories	(1.1)	(0.2)	(...)	(--)	(64.0)	(-14.6)	(...)

Source: Statistical Appendix Table 15.

In line with the increase in the share of consumption in aggregate demand noted above, gross domestic savings declined as a proportion of GDP from an average of 23 per cent in 1977-79 to 21 per cent in 1980, and to 18 per cent in 1981 (Table 3). This decline in the share of gross domestic savings is mainly a reflection of the sharp deterioration in public savings which averaged nearly 5-1/2 per cent of GDP in 1977-79, but subsequently dropped to 3 per cent in 1980 and to 1-1/2 per cent in 1981. Foreign savings, by contrast, showed a marginal increase from an average of 4-1/2 per cent of GDP to an average of 6-1/2 per cent in 1980-81, which was reflected to a large extent in a sharp drawdown of the Central Bank's net international reserves in the latter two years.

Table 3. Honduras: Savings and Investment

(In per cent of GDP)

	1977	1978	1979	1980	Prel. 1981
Gross domestic investment	26.1	28.3	29.3	28.6	24.0
Public fixed capital formation	10.4	10.8	10.0	10.2	7.9
Private fixed capital formation	14.4	16.2	17.2	16.8	16.4
Change in inventories	1.3	1.3	2.1	1.6	-0.3
Financing of investment	26.1	28.3	29.3	28.6	24.0
Gross domestic savings	21.3	23.5	25.0	21.2	18.0
Public savings	(5.5)	(5.0)	(5.8)	(2.8)	(1.8)
Private savings	(15.8)	(18.5)	(19.2)	(18.4)	(16.2)
Foreign savings	4.8	4.8	4.3	7.4	6.0
Net capital inflow ^{1/}	(12.0)	(9.7)	(9.9)	(9.9)	(6.8)
Net transfers	(0.9)	(0.9)	(1.0)	(0.8)	(1.0)
Allocation of SDRs	(--)	(--)	(0.2)	(0.2)	(0.2)
Net factor payments	(-4.5)	(-4.7)	(-5.6)	(-6.1)	(-5.8)
Change in net official foreign reserves (increase -)	(-3.6)	(-1.1)	(-1.2)	(2.6)	(3.8)

Sources: Statistical Appendix Tables 14 and 17.

^{1/} Includes errors and omissions and, in 1981, external debt arrears.

3. Production by sector

Since 1977 the structure of the Honduran economy, as measured by the sectoral distribution of real GDP at factor cost, has shown only marginal changes. The primary sector (mainly agriculture) accounted for nearly 30 per cent of GDP in 1981, whereas the secondary sector

(mainly manufacturing and construction) and the services sector accounted for 22 per cent and 48 per cent, respectively (Statistical Appendix Table 16).

In 1981 real GDP (at factor cost) declined by nearly 1/2 per cent, compared with an increase of 1-1/2 per cent in 1980 and an average rate of growth of 6-1/2 per cent in 1977-79. Contributing to the decline in 1981 were the decline in the value added of the services sector and the sharp slowdown in the growth of the secondary sector, which combined together outweighed the slight recovery registered by the agricultural sector (Chart 1).

a. Agriculture

Real value added in the agricultural sector increased by 1 per cent in 1981, after declining by nearly 3 per cent in 1980. During 1977-79 the average rate of growth of the agricultural sector amounted to 6-1/2 per cent. With the exception of bananas, cotton, and cattle slaughter, the increased output of most agricultural products contributed to the recovery of this sector last year.

Banana production fell by 7 per cent in 1981, in line with an equal drop in the cultivated area (Statistical Appendix Table 21). This was the first decline registered in banana production since the authorities established, in the aftermath of Hurricane Fifi (1974), a state-owned banana corporation (COHBANA) to oversee the programs of land recovery and of technical and financial assistance to small producers. The recovery of banana production was swift, increasing at an average annual rate of 8 per cent in the period 1975-80. Labor unrest, fueled by the electoral process, and management problems in some of COHBANA's main operations resulted in rising costs which was the main factor contributing to the decline in banana production in 1981.

Coffee production increased by 7 per cent in 1981 after a small decline in 1980. Since 1970, coffee production has increased at an average annual rate of 8 per cent, which can be attributed to the efforts of the Honduran Coffee Institute (IHCAFE) to introduce new technologies and to develop necessary infrastructure. As a result of IHCAFE's efforts, the cultivated area subject to new technology, as a proportion of the total cultivated area, increased from 32 per cent in 1974 to 55 per cent in 1981. The main element in IHCAFE's program has been the introduction of a technological package consisting of new varieties of coffee plants, more densely planted farms, more intensive use of fertilizers and insecticides, and the construction of access roads. These efforts have successfully boosted productivity in the coffee sector, despite the spread of rust disease in recent years. Since 1977 coffee production has increased at an average annual rate of nearly 13 per cent, while the cultivated area increased in the same period at an average annual rate of just over 1-1/2 per cent.

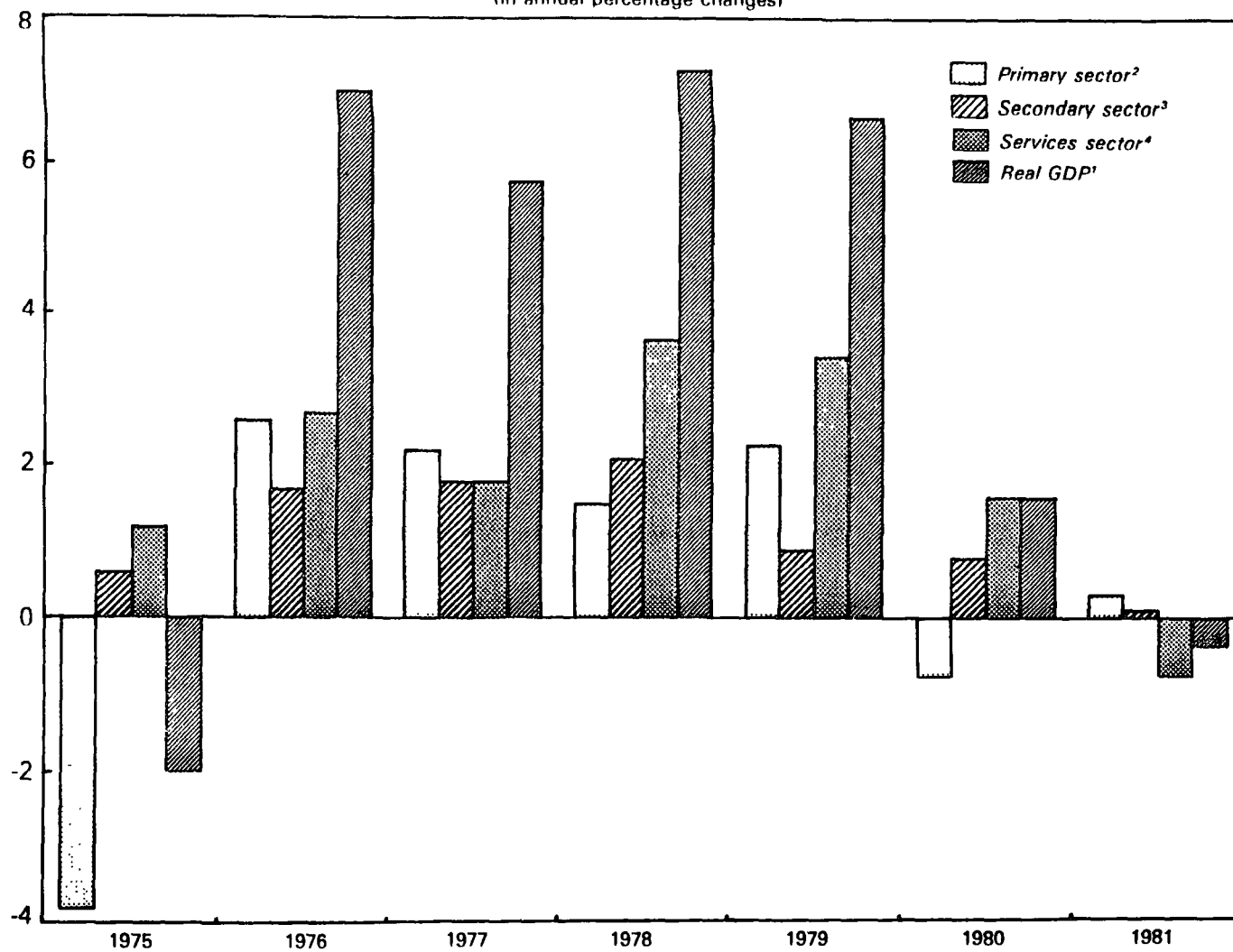
The production of cotton dropped by 14 per cent in 1981, as an increase in yield was more than offset by a reduction in cultivated area. Despite the sustained increase in the export price for cotton in the last five years, cotton production has shown wide swings during this period and the level of production in 1981 was only slightly higher than that reached in 1977. By contrast, the production of sugarcane responded strongly to the sustained increase registered in export prices through 1980. Sugar production increased at an average annual rate of nearly 10 per cent in 1978-80, with the area under cultivation increasing at practically the same pace. In 1981 sugar production increased by an additional 2 per cent, solely on the basis of an improved yield, as the area under cultivation remained practically unchanged.

In 1981 cattle slaughter continued to drop, reflecting the decline in beef exports which started in 1980. Cattle slaughter declined by 3 per cent in 1981 (with exports falling by 10 per cent), following a decline of 1-1/2 per cent in 1980 (when exports had dropped by 5 per cent). In 1978-79 cattle slaughter increased at an average annual rate of 16 per cent in line with a rapid growth in exports. The rise in beef exports in those years was due partly to an increase in Honduras' export quota in the U.S. market and partly to an increase in the herd size because of cattle migration from Nicaragua.

Although the production of basic grains (corn, beans, rice, and sorghum) as a whole remained stagnant through 1980, a sharp reversal in this trend took place in 1981, particularly in the case of corn and beans. In 1981 the production of corn increased by 11 per cent whereas the output of beans rose by 9 per cent. The increase in the bean crop was due principally to a sharp increase in yield, whereas the production of other basic grains was increased in line with an expansion in the area cultivated. The sharp increase in the production of basic grains in 1981 can be attributed to a number of factors. An increase in support prices for the 1981-82 crop, ranging from 10 per cent for rice to 37 per cent for beans, appears to have significantly changed relative prices in favor of the production of basic grains compared with what in the past had been more profitable crops (e.g., tomatoes, soybeans, sesame) (Statistical Appendix Table 20). Moreover, in contrast with previous years, the Agricultural Development Bank (BANADESA) provided adequate financing to the producers of basic grains and rains were abundant during the planting season.

Since its establishment in late 1978, the Honduran Institute of Agricultural Marketing (IHMA) has been responsible for setting support prices for basic grains and for marketing these crops. In 1980, IHMA found it necessary to import substantial quantities of basic grains at a time when their prices in the international market had increased substantially, but in 1981-82 IHMA has been forced to export corn at a loss, as the agency's storage capacity was exceeded by the level of production last year.

CHART 1
HONDURAS
SECTORAL CONTRIBUTION TO THE GROWTH OF REAL GDP¹
(In annual percentage changes)



Source: Central Bank of Honduras.

¹ At factor cost.

² Agriculture and mining.

³ Manufacturing, construction and utilities.

⁴ Transportation and communications, commercial, financial, housing and other services, and public administration.

b. Manufacturing

In 1981 real value added in the manufacturing sector increased by 2-1/2 per cent, the lowest rate registered in the last five years. After rising at an average rate of 10 per cent in 1977-78, in response to the rapid expansion of income and liquidity generated by the coffee boom of 1976-77, the growth in manufacturing output slowed to an average rate of 5 per cent in 1979-80 as a result of less buoyant domestic and foreign demand, in the wake of falling coffee prices and the intensification of recession in the industrialized countries. The further slowdown in the growth of manufacturing output in 1981 was due to the continuing deterioration of economic conditions in neighboring countries brought about by political strife in the region and compounded by a deterioration in Honduras' competitive position in the Central American Common Market. In addition, smuggling from bordering countries, induced by the relative appreciation of the lempira, has also hurt the domestic industry. A reduction in foreign lines of credit and the scarcity of foreign exchange and domestic credit have also contributed to the stagnation in manufacturing output.

Exports of manufactured goods falling under the provisions of the country's export promotion legislation, which had increased in 1977-80 at an average annual rate of 28 per cent, remained unchanged in 1981, providing an indication of the slowdown in manufacturing output. Still another indication is provided by the decline in the output of construction materials, textiles, and beer, and the slower expansion in the production of cement and matches last year.

c. Construction

The construction sector has also been adversely affected by the effects of the prevailing economic and political uncertainties in the region on financial savings and credit flows. Restrictive financial conditions, as well as the delays and cutbacks in the Government's public investment program mentioned earlier, have led to a sharp decline in construction activity in the last two years. Real value added in the construction sector declined by 3 per cent in 1980 and by 9 per cent in 1981, after an average rate of growth of 8 per cent during 1977-79. This decline was reflected in a lower rate of construction of residential as well as commercial and industrial structures.

4. Prices

The rate of inflation in Honduras has tended to follow closely that of its major trading partners, mainly the United States (Chart 2). Accordingly, the sharp rise in international inflation attendant upon the surge in petroleum prices in 1979-80 was an important factor contributing to the acceleration in the rate of inflation in Honduras that reached near record levels (12 per cent and 18 per cent, respectively, in those years), thus ending a period of relative price stability (Table 4). In 1981 the rate of inflation in Honduras dropped sharply

to just over 9 per cent, once again in line with a sharp decline in the inflation rates experienced by its main trading partners which accompanied the stabilization of petroleum prices. Another contributing factor to the acceleration of the rate of inflation in 1979-80 was the expansion of real aggregate demand in Honduras; its sharp contraction in 1981 helps to explain the decline in the rate of inflation last year. During the first four months of 1982, the rate of inflation, measured on both an average annual and end of year basis, was virtually unchanged from that registered in December 1981, i.e., 9-1/2 per cent.

Table 4. Honduras: Consumer Prices

(Percentage annual change)

	Weight	1978	1979	1980	1981	April 1982
<u>Total (end of period)</u>		<u>...</u>	<u>22.5</u>	<u>11.5</u>	<u>9.2</u>	<u>9.6</u> <u>1/</u>
<u>Total (period average)</u>		<u>5.7</u>	<u>12.1</u>	<u>18.1</u>	<u>9.4</u>	<u>9.4</u> <u>1/</u>
By item of expenditure						
Food	41.2	6.2	11.4	17.1	7.3	6.3
Housing	30.6	5.3	14.7	15.5	10.3	9.4
Clothing	9.1	4.4	12.1	29.4	15.0	19.0
Health care	4.0	7.8	11.6	12.8	14.6	15.1
Personal care	3.0	4.4	8.3	14.8	10.6	11.2
Beverages and tobacco	3.8	10.9	9.1	34.6	7.1	12.2
Transport	3.0	1.7	8.5	18.8	8.1	6.9
Other	5.3	6.0	9.8	14.3	10.5	10.4
By region						
Central <u>2/</u>	47.4	...	12.2	15.9	10.2	10.2
Northern <u>3/</u>	40.1	...	11.5	19.6	8.9	9.0
Southern <u>4/</u>	4.7	...	16.5	22.1	9.3	7.1
Eastern <u>5/</u>	5.9	...	13.6	21.6	8.3	7.6
Western <u>6/</u>	1.9	...	7.6	17.6	8.2	8.9

Source: Statistical Appendix Table 22.

1/ Year ended April 1982.

2/ Tegucigalpa and Comayagua.

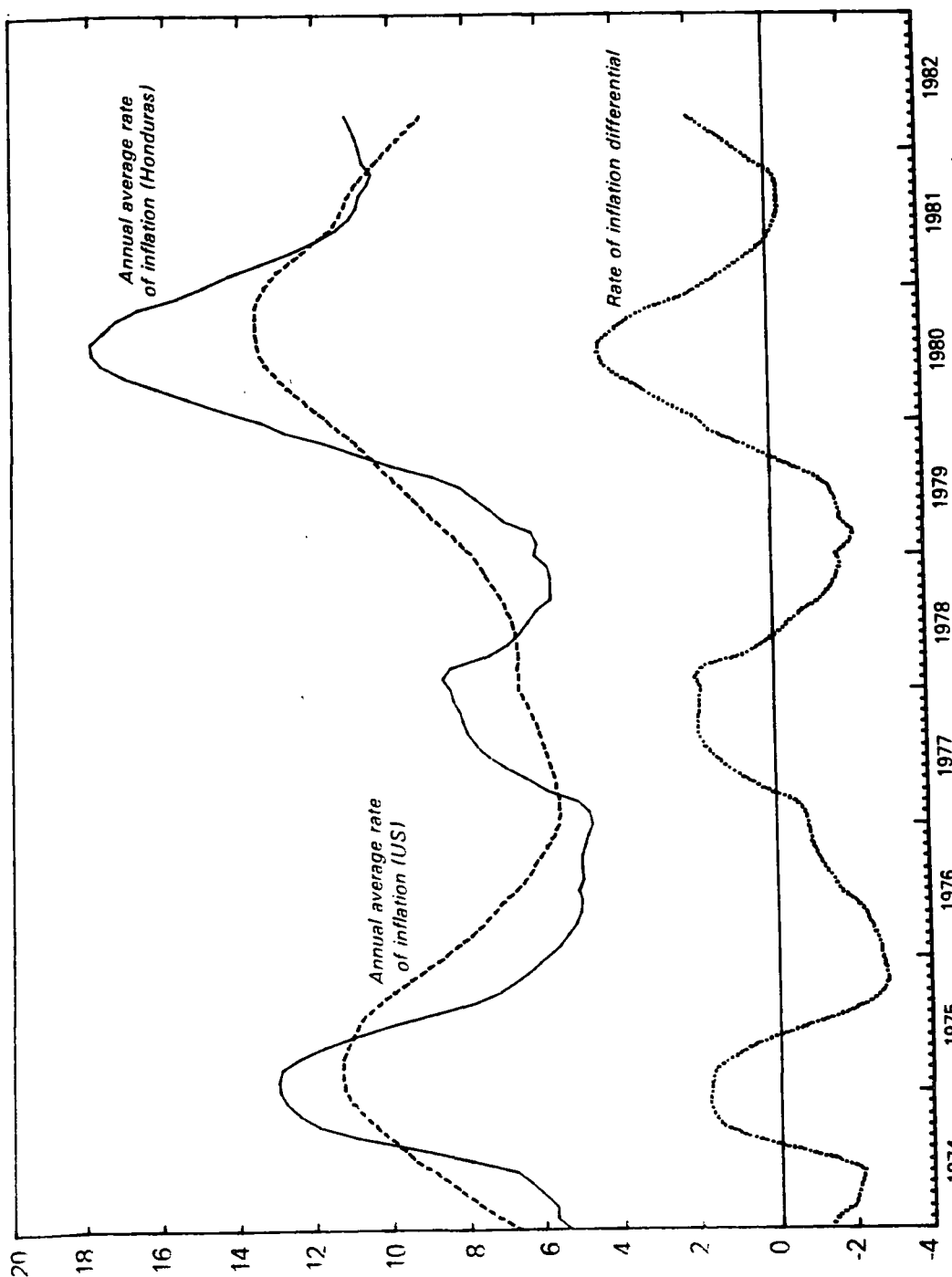
3/ San Pedro Sula, La Ceiba, El Progreso, and Trujillo.

4/ Choluteca.

5/ Juticalpa and Danli.

6/ Santa Rosa de Copan.

CHART 2
HONDURAS
INFLATION INDICATORS¹



Source: IMF, *International Financial Statistics*.

¹Using the consumer price index.

The sharp drop in the prices of basic grains, associated with the increase in output mentioned earlier, was the major factor accounting for a drop of more than one half in the rate of increase in food prices in 1981 with respect to 1980. The smuggling of foodstuffs from neighboring countries (mainly El Salvador) may also have contributed to this result. Other components of the price index, which include a substantial proportion of imported goods (housing, personal care, and transport), registered rates of increase which were one third to two thirds lower than those registered in 1980. Health care was the only component in the index that registered a higher rate of increase in 1981 than in the previous year.

In 1981 there was also a marked reduction in the dispersion of rates of inflation recorded in different regions of the country. In 1979-80 the rates of inflation in the southern and eastern regions were higher than in the rest of the country, reflecting an increase in the demand for foodstuffs by residents of neighboring countries (mainly El Salvador and Nicaragua) and by refugees from those countries who settled in those regions of Honduras. The reduction in the regional disparity in inflation rates last year suggests either that the increase in the production of basic grains and the reported smuggling of foodstuffs from neighboring countries contributed to an easing of the problem posed by the increased demand for foodstuffs by refugees in border areas, or that the refugees were by then settled in areas away from the borders.

The principal instruments of the Government's price control policy are encoded in the provisions of Decree No. 91 of November 1973 and are implemented through the marketing activities of the National Purchasing Agency (BANASUPRO) which was established in 1974. Through the end of 1981, price controls were applied to an extensive list of items classified according to 23 main categories. Sixteen of these categories covered foodstuffs, with the rest divided among personal care items, construction materials, fertilizers, tools, and batteries. In early 1982 the authorities eliminated 14 of the 23 main categories of goods covered by Decree No. 91 and many items from another 7 categories were also freed from price controls. Accordingly, price controls for only two categories of goods, namely, personal care items and fertilizers, were left untouched.

The objective of BANASUPRO is to regulate the prices of basic foodstuffs consumed by lower income groups and to distribute them not only in the principal cities, but also in the marginal rural communities. As of December 1981, BANASUPRO operated 84 retail outlets, and 2 wholesale outlets to prevent price speculation at that level. The Government is planning to increase the number of BANASUPRO's outlets in the future; the target for 1982 is to establish 25 new outlets, 15 of which will be financed with grants from the European Economic Community (EEC) and the rest with BANASUPRO's own resources. This planned expansion of the

the agency's outlets is designed to increase the agency's effectiveness, as heretofore BANASUPRO has only been able to control prices effectively in those markets where the agency has had a significant share of commercial activity.

In the last few years, particularly during 1979-80, when the rate of inflation surged, BANASUPRO's financial position deteriorated sharply. This was due in part to a policy of not passing on cost increases to consumers, but it was also due to inefficient management. In view of this problem, the Government is considering the possibility of leasing some of the existing outlets to small businesses and of installing some of the new outlets programmed for 1982-86 in partnership with established foodstuff retailers. The authorities believe that this strategy will allow for a substantial reduction in BANASUPRO's administrative costs, thus improving the agency's financial situation which now needs to be bolstered by grants obtained from the EEC.

5. Employment and wages

Honduras' labor force in 1981 numbered just over one million workers (Statistical Appendix Table 23). The distribution of the labor force among the main economic sectors has shifted only marginally since 1977, and in the same direction as the structure of GDP. The proportion of the labor force working in the agricultural sector has dropped at the same time that the proportion of workers in both the secondary and services sectors has increased. The labor force participation ratio has increased only marginally since 1977 and was estimated at 26.5 per cent of the total population in 1981. Only about 14 per cent of the labor force is unionized and two thirds of the unionized work force is in the agricultural sector. The strongest and most active unions are in the northern zone of the country (San Pedro Sula and the banana plantations).

Although complete information is not available, the number of labor conflicts has reportedly decreased from the peak reached in 1979, when strikes occurred in many areas, including the banana and sugar industries, beer factories, and among teachers in the public sector. The reduction in labor conflicts is probably related to the marked slowdown in the growth of real economic activity since 1979, which has resulted in a sharp decline in the level of employment. Since late last year, many enterprises have suspended temporarily all or part of their labor force under the provisions of Article 100 of the Labor Code, in view of the present economic crisis. In addition, the problem of refugees from other Central American countries (mainly El Salvador and Nicaragua) continues to create problems for Honduran workers who have been displaced in many instances by foreign workers willing to work for lower wages. In an effort to reduce this problem, the Government has been trying to enforce more strictly a law which stipulates that no more than 10 per cent of a company's labor force can be foreign and that no more than 15 per cent of a company's salary bill can be for foreign workers.

Information on wage trends in Honduras has only recently become available, but it is not presented in a readily usable form. This information suggests that real wages have dropped sharply since the surge in inflation in 1979-80. While nominal wages increased by 20 per cent during 1978-81, the consumer price index rose by 45 per cent in the same period. Recent information on wage awards in collective bargaining agreements would suggest, however, that the wage trends just described may be understated. The length of wage contracts negotiated under collective bargaining arrangements increased slightly from 40 months to 43 months in 1981, despite the acceleration in the inflation rate. These contracts tend to be front-loaded and in only a few cases (notably for the port workers) do they include automatic cost-of-living adjustments.

Minimum wage legislation was introduced in May 1974 with the provision that minimum wages were to be revised at least every two years, or at smaller intervals in the event of exceptional changes in economic conditions. The first adjustment in minimum wages was introduced in December 1978, but subsequently minimum wages were increased in June 1980 and in June 1981. The more frequent changes in minimum wages in recent years tends to confirm the indications that real wages have been eroded by the surge in inflation in 1979-80. The increase in minimum wages in June 1981 ranged from 12 per cent to 25 per cent for different categories of workers. The smallest increases were awarded to workers in the primary sector (mining and agriculture) and to workers in financial institutions, and the highest awards were made to artisans, port workers, workers in banana plantations, and laborers in the manufacturing and commercial sectors. Also, workers in rural areas obtained larger increases than those in the capital city and in the main industrial city (San Pedro Sula). The legal minimum wage is, in general, lower than the actual minimum wage paid to workers for nearly every job description. Thus, it is difficult to determine the impact that an increase in the minimum wage has on the wage bill of the economy.

III. Public Sector Operations

1. Introduction

The Honduran public sector includes (1) the Central Government,^{1/} whose operations are conducted under the authority of the budget, (2) ten decentralized agencies including the social security system, (3) the municipalities and local governments, and (4) eleven nonfinancial public enterprises. The operations of the Honduran public sector are dominated by the Central Government. During the period 1977-81, the Central Government accounted for 75 per cent to 80 per cent of consolidated public sector revenues and expenditures (Chart 3).

2. Overall trends

Public sector operations expanded rapidly during 1980-81. The rate of growth in total public sector expenditure accelerated from an average of 12-1/2 per cent during the 1977-79 period to one of 18 per cent in 1980-81. Accordingly, the ratio of public expenditure to GDP rose to 28 per cent in 1980-81, compared with 26-1/2 per cent in 1977-79 (Table 5).

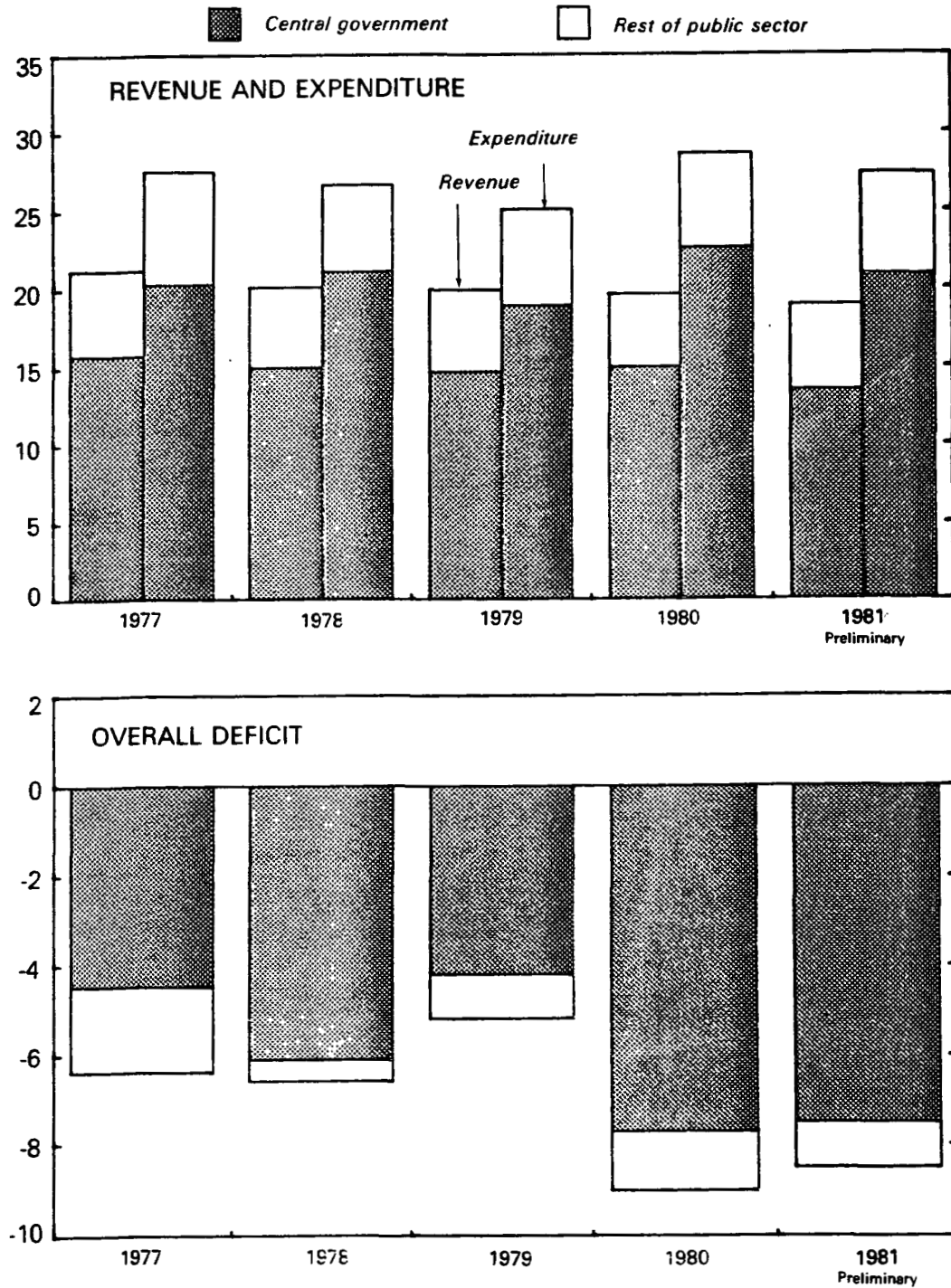
Contrary to fiscal developments during 1977-79, when the growth in expenditure was accompanied by parallel increases in revenue, public sector revenue lagged behind expenditure in 1980-81, giving way to significant increases in the overall deficit. As a result, the overall public sector deficit--which in 1977-79 had been fairly stable at the equivalent of 6 per cent of GDP--rose sharply in 1980-81 to nearly 9 per cent of GDP. Most of the increase in the deficit reflected a rise in current expenditure coupled with an inelastic revenue performance. Capital expenditure, which is largely financed by credits from international financial institutions and by other long-term development loans, remained relatively unchanged in 1980-81. Accordingly, the recent deterioration in public savings was accompanied by a sharp increase in domestic financing of the public sector deficit from an average of 1 per cent of GDP in 1977-79 to 3 per cent of GDP in 1980-81. Most of this increase was reflected in an expansion in net credit of the Central Bank.

The composition of public expenditure changed significantly in recent years as the share of current expenditure in total public expenditure rose from an average of 56 per cent in 1977-79 to 63 per cent in 1981. During 1977-79 both current and capital expenditure (including net lending operations) grew at roughly similar rates, but during 1980-81 the growth in current expenditure accelerated sharply, whereas the growth in capital expenditure declined. The increase in current expenditure in 1980-81 reflected a number of different factors: extraordinary expenditure associated with problems in the Central American

^{1/} Throughout this report, the Central Government refers to the Central Administration according to the Fund's GFS definition.

CHART 3
HONDURAS
PUBLIC SECTOR OPERATIONS

(In per cent of GDP)



Source: Statistical Appendix Table 24

Table 5. Honduras: Consolidated Operations of the Public Sector

	1977	1978	1979	1980 _a	Prel. 1981
(In millions of lempiras)					
<u>Total revenue</u>	656	725	858	994	1,038
Tax revenue	457	527	605	724	728
Nontax revenue	195	193	247	264	306
Central Government	(38)	(27)	(40)	(37)	(30)
Entities and local governments	(96)	(116)	(134)	(160)	(197)
Public enterprises ^{1/}	(61)	(50)	(73)	(67)	(79)
Capital revenue and other	4	5	6	6	4
<u>Total expenditure and net lending</u>	852	964	1,080	1,452	1,502
Current expenditure	482	539	603	845	935
Capital expenditure and net lending	370	425	477	607	567
Fixed investment and pre-investment	(321)	(392)	(432)	(516)	(434)
Capital transfers	(20)	(13)	(14)	(32)	(6)
Net lending	(29)	(20)	(31)	(59)	(127)
<u>Current surplus</u>	170	181	249	143	99
<u>Overall surplus or deficit (-)</u>	-196	-239	-222	-458	-464
Foreign financing (net)	153	210	201	289	317
Domestic financing (net)	43	29	21	169	147
Financial system	(40)	(38)	(44)	(166)	(133)
Bonded debt	(4)	(-3)	(-11)	(-13)	(22)
Other and residual	(-1)	(-6)	(-12)	(16)	(-8)
(In per cent of GDP)					
<u>Total revenue</u>	21.2	20.1	19.9	19.6	18.9
Tax revenue	14.8	14.6	14.1	14.3	13.3
Nontax revenue	6.3	5.4	5.7	5.2	5.6
Central Government	(1.2)	(0.8)	(0.9)	(0.7)	(0.6)
Entities and local government	(3.1)	(3.2)	(3.1)	(3.2)	(3.6)
Public enterprises	(2.0)	(1.4)	(1.7)	(1.3)	(1.4)
Capital revenue and other	0.1	0.1	0.1	0.1	--
<u>Total expenditure and net lending</u>	27.6	26.7	25.1	28.6	27.4
Current expenditure	15.6	14.9	14.0	16.6	17.2
Capital expenditure and net lending	12.0	11.8	11.1	12.0	10.1
Of which: investment	(10.4)	(10.8)	(10.0)	(10.2)	(7.9)
<u>Current account surplus or deficit</u>	5.5	5.0	5.8	2.8	1.8
<u>Overall surplus or deficit (-)</u>	-6.4	-6.6	-5.2	-9.0	-8.5
Foreign financing (net)	5.0	5.8	4.7	5.7	5.8
Domestic financing (net)	1.4	0.8	0.5	3.3	2.7

Sources: Statistical Appendix Tables 14 and 24.

^{1/} Operating surplus of public enterprises.

region, in part related to the large inflow of refugees from neighboring countries; the incorporation of a number of new social projects in the central government budget; and wage adjustments for public sector employees. By comparison, during the same time period, the increase in capital expenditure was moderate; many public sector investment projects lagged behind schedule either because of general administrative delays surrounding the electoral process of 1981, or because of specific problems such as a dispute with foreign contractors which paralyzed construction of the important port project of Puerto Castilla.

Despite several changes in the tax system aimed at boosting revenue, public sector revenue performed poorly during the 1977-81 period. Total revenues fell from the equivalent of around 21 per cent of GDP in 1977 to 19-1/2 per cent in 1980 and to less than 19 per cent in 1981. The performance of public sector revenue reflected, on one hand, the inelastic nature of the Honduran tax system and its heavy reliance on foreign trade taxes and, on the other hand, a gradual erosion in the financial performance of some of the public enterprises. Tax receipts continue to account for the bulk (70 per cent) of public sector revenue, while general government nontax receipts--mostly revenue accruing to the social security system--account for most of the remainder. The share of the public enterprises' operating surplus in total public sector revenue declined throughout the period because of the weak financial performance of public enterprises caused by delays in price adjustments, lower world prices for exports, and deficiencies in administration.

3. Central government operations

In 1981, both revenue and expenditure (including net lending operations) of the Central Government declined by about 1-1/2 per cent of GDP. The Central Government's revenue performance during 1981 reflected the combined effects of four major factors: (i) the structural inelasticity of the tax system; (ii) a deterioration in tax administration and increased tax evasion; (iii) the lapsing of nonrecurrent tax measures adopted in 1980; and (iv) reduced levels of domestic economic activity and foreign trade. As a result, central government revenue declined in 1981 below the level of the previous year to L 740 million, or the equivalent of 13-1/2 per cent of GDP.

Total central government expenditure remained unchanged in nominal terms last year, as the effect on total expenditure of a 10 per cent increase in current expenditure was offset by a 30 per cent decline in capital expenditure caused by delays in investment decisions associated with the electoral process, the lack of domestic counterpart funds, and adverse weather conditions. As a result, total central government expenditure declined from the equivalent of 22-1/2 per cent of GDP in 1980 to 21 per cent of GDP last year (Table 6).

The overall deficit on central government operations amounted to L 404 million in 1981 (7.4 per cent of GDP) compared with L 389 million in 1980 (7.7 per cent of GDP). Although the size of the overall deficit

Table 6. Honduras: Summary Central Government Operations

	1977	1978	1979	1980	1981
(In millions of lempiras)					
<u>Total revenue</u>	<u>489</u>	<u>544</u>	<u>633</u>	<u>759</u>	<u>741</u>
<u>Tax revenue</u>	<u>434</u>	<u>503</u>	<u>574</u>	<u>697</u>	<u>695</u>
Income tax	(91)	(123)	(140)	(230)	(179)
Property tax	(4)	(4)	(5)	(6)	(7)
Sales	(33)	(38)	(43)	(50)	(54)
Excise taxes	(96)	(107)	(129)	(132)	(142)
Import duties	(115)	(129)	(146)	(150)	(199)
Export taxes	(95)	(102)	(111)	(129)	(114)
Administrative fees and other	38	27	40	37	32
Transfers received	17	14	19	25	14
<u>Total expenditure and net lending</u>	<u>626</u>	<u>763</u>	<u>813</u>	<u>1,148</u>	<u>1,145</u>
Current	415	472	527	734	808
Capital	212	264	260	277	189
Net lending	-1	27	26	137	148
<u>Current account</u>					
<u>surplus or deficit (-)</u>	<u>57</u>	<u>58</u>	<u>87</u>	<u>--</u>	<u>-81</u>
<u>Overall surplus or deficit (-)</u>	<u>-137</u>	<u>-219</u>	<u>-180</u>	<u>-389</u>	<u>-404</u>
Foreign financing (net)	79	160	139	252	224
Domestic financing (net)	58	59	41	137	180
Financial system	(15)	(51)	(20)	(142)	(159)
Other	(43)	(8)	(21)	(-5)	(21)
(As per cent of GDP)					
<u>Total revenue</u>	<u>15.8</u>	<u>15.0</u>	<u>14.7</u>	<u>15.0</u>	<u>13.5</u>
<u>Tax revenue</u>	<u>14.0</u>	<u>13.9</u>	<u>13.3</u>	<u>13.7</u>	<u>12.7</u>
Administrative fees	1.2	0.7	0.9	0.8	0.6
Transfers	0.6	0.4	0.5	0.5	0.3
<u>Total expenditure and net lending</u>	<u>20.3</u>	<u>21.1</u>	<u>18.9</u>	<u>22.6</u>	<u>20.9</u>
Current	13.4	13.0	12.2	14.5	14.7
Capital	6.9	7.3	6.1	5.4	3.5
Net lending	--	0.8	0.6	2.7	2.7
<u>Current accounts surplus or</u>					
<u>deficit (-)</u>	<u>1.8</u>	<u>1.6</u>	<u>2.0</u>	<u>--</u>	<u>-1.5</u>
<u>Overall surplus or deficit (-)</u>	<u>-4.5</u>	<u>-6.1</u>	<u>-4.2</u>	<u>-7.7</u>	<u>-7.4</u>
Foreign financing (net)	2.6	4.4	3.2	5.0	4.1
Domestic financing (net)	1.9	1.7	1.0	2.7	3.3

Sources: Statistical Appendix Tables 14, 25, and 26.

in 1981 was not substantially different from that of the previous year, there were important changes in the sources of financing. Recourse to domestic financing increased by 30 per cent to the equivalent of 3-1/2 per cent of GDP, while the net inflow of foreign financing declined in 1981. The change in the composition of public sector financing reflected changes in the structure of central government expenditure. The decline in capital expenditure caused a similar reduction in disbursements of foreign loans, whereas the rise in current expenditure at a time of inelastic revenues necessitated a larger recourse to domestic financing.

a. Central government revenue

The bulk of central government revenue originates in taxation; over 40 per cent of tax revenue is derived from foreign trade taxes, whereas most of the remainder is accounted for by taxes on goods and services, and by income taxes (Chart 4). Nontax revenue accounts for about 8 per cent of total revenue and is generated from a number of items including administrative fees and transfer payments from two public sector entities.^{1/}

The structural weakness of the tax system caused central government tax revenue to decline in 1981 by 1 percentage point of GDP to 12.7 per cent. This performance was largely the result of a reduction in income tax collections--caused by the lapsing of nonrecurrent measures introduced in December 1979 ^{2/}--and lower tax collections on coffee and banana exports. The decline in export tax revenues was more than offset by a sizable recovery in import duty collections originating from the introduction of across-the-board customs duty surcharges which were introduced in April 1981.^{3/} Sales and excise tax collections performed well in 1981 with revenues growing in line with nominal GDP largely because of the introduction of a 6 per cent tax on the sales of liquor and cigarettes in March 1981.^{4/}

Receipts from taxes on international trade improved moderately in 1981 reaching over L 310 million (5.7 per cent of GDP) after a steady decline in previous years. The increase in taxes on international trade reflected a 33 per cent rise in import duties, to nearly L 200 million, which resulted from the introduction of surcharges amounting to 5 per cent for raw materials and capital goods, and of 10 per cent for final consumer goods. As a result of these surcharges, the effective customs duty rate (i.e., total import duty collections as a ratio to total imports) rose from 7 per cent in 1980 to 10 per cent in 1981

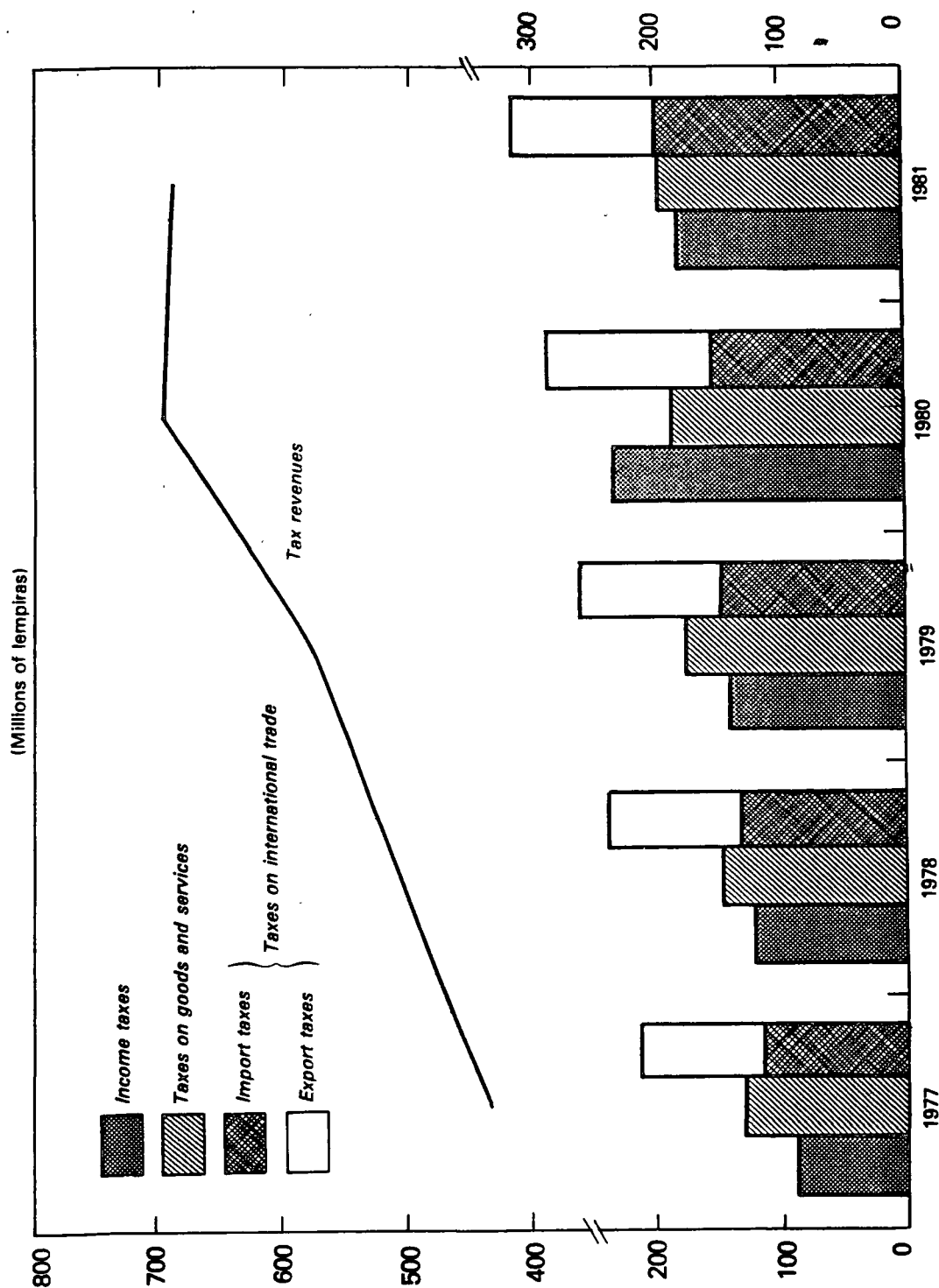
^{1/} These entities are the Honduran Forest Development Corporation (COHDEFOR) and the Foundation for Infancy Protection (PANI) which is financed by the National Lottery.

^{2/} These measures are described in detail in Appendix II of SM/80/175.

^{3/} Decree 14-54 of April 30, 1981.

^{4/} Decree 50 of March 30, 1981.

CHART 4
HONDURAS
COMPOSITION OF CENTRAL GOVERNMENT TAX REVENUES



Source: Statistical Appendix Table 25.

(Table 7). This increase reversed the declining trend of the previous years in the effective duty rate (from 9-1/2 per cent in 1977 to 7 per cent in 1980), which was caused by the existence of several specific customs duty rates and by a steady erosion in customs administration.

Table 7. Honduras: Central Government Revenue as Per Cent of GDP

(In per cent)

	1977	1978	1979	1980	1981
<u>Total revenue</u>	<u>15.8</u>	<u>15.0</u>	<u>14.7</u>	<u>15.0</u>	<u>13.5</u>
<u>Tax revenue</u>	<u>14.1</u>	<u>13.9</u>	<u>13.3</u>	<u>13.7</u>	<u>12.7</u>
Income tax	(2.9)	(3.4)	(3.2)	(4.5)	(3.3)
Property tax	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Sales tax	(1.1)	(1.0)	(1.0)	(1.0)	(1.0)
Excise taxes	(3.1)	(3.0)	(3.0)	(2.6)	(2.6)
Import duties	(3.7)	(3.6)	(3.4)	(3.0)	(3.6)
Export taxes	(3.1)	(2.8)	(2.6)	(2.5)	(2.1)
Administrative fees	1.2	0.7	0.9	0.8	0.6
Transfer	0.6	0.4	0.5	0.5	0.3
<u>Memorandum items:</u>					
Import duties, as per cent of total imports	9.6	9.1	8.6	7.2	10.2
Export taxes, as per cent of total exports	9.0	8.1	7.3	7.6	7.1

Sources: Statistical Appendix Tables 14 and 25.

Export taxes declined by 12 per cent in 1981 to L 115 million largely as a result of a sharp decline in receipts from coffee export taxes. Coffee exports are subject to a progressive tax whereby the average export duty moves in line with coffee export prices. As a result, the decline in coffee prices in 1981 was reflected in a more than proportional decline in tax collections. Export taxes also decreased last year because of a 10 per cent decline in banana exports. In line with these developments, the effective export duty rate (i.e., export tax collections as a ratio to total exports) declined in 1981 to 7 per cent of total export, compared with over 7-1/2 per cent in 1980 and 9 per cent in 1977.

Taxes on goods and services are levied in the form of a sales tax (which takes the form of a restricted value added tax) and a number of excise taxes. Total receipts from these taxes grew by 8 per cent in

1981 to nearly L 200 million. Collections from the sales tax were boosted by the introduction of a 6 per cent tax on liquor and cigarettes referred to earlier which increased collections by over 10 per cent, or by roughly the same growth rate as that of nominal GDP. Collections from the sales tax are relatively unimportant in Honduras--yielding only about 1 per cent of GDP--because of its low rate (3 per cent)^{1/} and its limited coverage.^{2/} Excise taxes are levied on beer, alcoholic beverages, cigarettes and petroleum derivatives. Because these taxes are structured on a specific basis, they tend to be inelastic with respect to price changes. Excise tax collections grew by 8 per cent in 1981 as a result of higher collections from taxes on petroleum derivatives, cigarettes and mineral water; but collections of excise taxes on beer and alcoholic beverages showed no increase in 1981.

Income tax collections declined in 1981 by over 20 per cent mainly because of the lapsing of the effect of a new payment system for income taxes which introduced provisional payments on account of the current year's tax liability in 1980. Income tax collections rose sharply in 1980 because of the once-and-for-all impact of this new income tax payment system. On the whole, the level of income tax collections in 1981 (equivalent of 3.3 per cent of GDP) can be regarded as a normal one as this is the same ratio achieved during the 1978-79 period. Income taxes are collected from both individuals and corporations, which are subject to the same tax schedule. Because the individual income tax has a large component of the tax subject to withholding at source, the introduction of provisional payments did not have any marked impact on their performance. By contrast, corporate income taxes increased by nearly 100 per cent in 1980, but then declined by 30 per cent in 1981. Despite this irregularity, corporate tax collections in 1981 were 45 per cent above the level of 1979 indicating that the performance of this tax has been quite elastic.

b. Central government expenditure

Total expenditure of the Central Government grew sharply in 1980, but then remained virtually unchanged in 1981 at L 1,145 million, equivalent to 21 per cent of GDP. This performance resulted from a sharp decline in capital expenditure which fully offset the combined effect of a 10 per cent increase in current expenditure and an 8 per cent increase in net lending operations. The growth in current expenditure was substantially below that of 1980, mainly because of a sharp decline in the growth rate of wages and salaries which account for over half of total current expenditure. Other current expenditure

^{1/} The rate of the sales tax was increased to 5 per cent in December 1981.

^{2/} The coverage of the sales tax is limited to a few manufactured goods and excludes most services as well as most agricultural goods, inputs, spare parts, food, medicines, fertilizers and machinery (Appendix I: Summary of the Tax System).

grew by about 15 per cent in 1981 because of higher interest payments and increased transfers to the rest of the public sector (in particular to the National University).

Capital expenditure fell by over 30 per cent to L 190 million in 1981. Most of the decline in capital expenditure resulted from lower fixed capital formation which dropped from nearly L 200 million in 1980 to L 120 million 1981. A large proportion of the Central Government's capital formation is undertaken by the Ministry of Public Works (SECOPT), whose expenditure was adversely affected by delays in investment activity related to administrative problems associated with the political transition and the lack of counterpart funds. Capital transfers to the rest of the public sector also declined last year because of lower contributions to the Agricultural Development Bank (BANADESA) and the Agrarian Reform Institute (INA) which more than offset a substantial increase in transfers to the National Electricity Enterprise (ENEE) to finance the hydroelectric project of El Cajon (Statistical Appendix Table 28).

Net lending operations of the Central Government, which include mainly funds on-lent to the rest of the public sector, rose to nearly L 150 million in 1981, after a large increase in 1980. Over one half of the Central Government's net lending operations in 1981 reflected loans to two major enterprises, ENEE and COHDEFOR, which are undertaking major investment projects, while the remainder of the Central Government's net lending was channeled to financial institutions to augment their loanable resources.

c. Prospects for 1982

During 1982 the Government has undertaken a number of measures in the revenue and expenditure fields to improve the public finances. In the revenue field, the authorities introduced in January 1982 ^{1/} a tax package which included an increase in the sales tax rate from 3 per cent to 5 per cent and the introduction of surcharges amounting to 10 per cent and 15 per cent for the highest brackets of the individual and corporate income tax schedule. Furthermore, in June 1982 the authorities introduced another tax package which included (i) the establishment of selective consumption duties on luxury goods ranging from 10 per cent to 50 per cent; (ii) a substantial increase in penalties for tax evasion and delays in tax payments; and (iii) a new regulation to improve administration of the sales tax. These tax measures are expected to yield additional revenue equivalent to about 1 per cent of GDP in 1982. On the expenditure side, the authorities introduced by executive order in March 1982 a 10 per cent cut in current expenditure below budgeted levels.

Despite the improvement in government savings expected from the measures described above, the overall deficit on central government operations is projected to increase this year because of a significant rise in net lending to entities outside the public sector to cover interest payments on foreign commercial debt with government guarantee.

^{1/} Decree 125 of December 31, 1981.

4. Rest of the general government

The combined operations of the decentralized agencies resulted in an overall surplus of L 50 million in 1981, equivalent to about 1 per cent of GDP, a proportion similar to that achieved in previous years. The largest share of the decentralized agencies' operations and the main source of their revenue is the social security system whose operations resulted in substantial surpluses throughout the 1977-81 period.^{1/} This performance reflected the fact that the social security system is relatively new and still in the process of accumulating actuarial reserve funds (Statistical Appendix Table 29). The decentralized agencies' aggregate revenue rose by 14 per cent in 1981 to L 275 million. About two thirds of the decentralized agencies' revenue originate in nontax revenues and other fees which grew by 22 per cent in 1981 reaching L 174 million. The other revenue of the decentralized agencies, which is derived from current and capital transfers from the Central Government, remained at virtually the same level last year as in 1980. Total expenditure of the decentralized agencies rose by about 9 per cent in 1981 to L 224 million in spite of the fact that combined outlays for capital expenditures and net lending operations declined by 12 per cent.

The financial position of the local governments is estimated to have improved strongly in 1981 yielding a surplus for the first time in the last five years. This shift in the local governments' finances was the result of a reduction in capital expenditures of about 70 per cent in 1981 to L 15 million. Current expenditure grew by 6 per cent last year. Local government revenue increased by 7 per cent in 1981 because of buoyant tax revenue and rising administrative fees which together more than compensated for a fall in funds transferred from, or on-lent by, the Central Government.

5. Public enterprises

The public enterprise sector in Honduras include some 12 institutions operating in the fields of public utilities; air and railroad transport; marketing and development of coffee and bananas undertaken by the Honduran Coffee Institute (IHCAFE) and the Honduran Banana Corporation (COHBANA), respectively; retail distribution of food and basic products by the National Food Purchasing Agency (BANASUPRO); and exploitation of forest resources and exports of lumber by the Honduran Forest Development Corporation (COHDEFOR).

The combined operating surplus of the Honduran public enterprises, defined to exclude transfer payments and contributions to or from the Central Government, increased by 18 per cent in 1981 to

^{1/} The social security system is composed of the Social Security Institute (IHSS) and two pension funds, one for civil servants (IJPEMP) and the other for school teachers (IJPM).

about L 80 million (Statistical Appendix Table 30). This internal generation of resources financed about one fourth of their combined investment (and net lending) expenditures during the last few years. The remaining financial requirements were covered mainly by disbursements from foreign loans, including those channeled through the Central Government. The combined investment expenditures of the public enterprises increased by 8 per cent to L 310 million in 1981, equivalent to over 5-1/2 per cent of GDP. Most of this increase was covered by net foreign borrowing which rose by more than twice the inflow in 1980 and amounted to L 92 million. By contrast, net lending from the Central Government and other domestic financing declined last year.

In terms of the volume of operations, the largest public enterprise is the National Electricity Corporation (ENEE), followed by the Telecommunications Agency (HONDUTEL) and the Port Authority (ENP). In 1981, ENEE accounted for 80 per cent of total enterprise investment expenditure, and almost 60 per cent of the total operating surplus of the enterprise sector (after current transfer payments to and from the Central Government). ENEE's investment expenditure rose by 35 per cent in 1981 to L 226 million reflecting progress in the construction of the hydroelectric plant of El Cajon, a project financed jointly by the IBRD and IDB, which is expected to be finished by 1985. ENEE's operating surplus grew by 25 per cent to L 45 million in 1981 (Statistical Appendix Table 30) as a result of a 10 per cent increase in revenue, reflecting mainly the introduction of a revised structure of tariffs and tariff surcharges linked to the increased use of petroleum by the thermoelectric power plants.

HONDUTEL accounted for less than 3 per cent of total public enterprise capital expenditure and over 18 per cent of their combined operating surplus in 1981. Although HONDUTEL's investment outlays declined steadily from L 33 million in 1978 to L 8 million in 1981, its operating surplus improved by 40 per cent in 1981 as a result of adjustments in its user rates ranging from 20 per cent to 25 per cent.

The operations of the National Port Authority (ENP) resulted in a modest operating surplus of L 5 million in 1981 which was 30 per cent lower than that registered in the 1978-79 period. This performance reflected to some extent a deterioration in the management of the enterprise and large wage awards, but it also reflected inelastic revenues associated with a decline in the volume of international trade due to the balance of payments constraints that the country faced in 1981. ENP is undertaking the construction of a major port at Puerto Castilla, but construction activities were interrupted in 1980 as a result of a dispute with the foreign contractor. As a result, the volume of capital expenditure of ENP declined from L 43 million in 1979 to L 6 million in 1981. It is anticipated that this project will be completed on a somewhat reduced scale during 1982.

IV. Financial Intermediation

1. Overall trends

Monetary developments in 1980-81 were characterized by a weak growth in loanable funds of the financial system, a strong increase in overall credit expansion, and a sharp decline in net official international reserves. After a strong growth in 1977-79, the expansion in the banks' loanable funds decelerated sharply in 1980 because of a significant weakening in the growth rate of both private sector financial savings and foreign liabilities of the financial system. In 1981 there was a modest recovery in the growth rate of financial savings, but in terms of GDP they were still--at year end--5 percentage points below the peak reached at the end of 1978. Total financial system credit expanded roughly in line with nominal GDP in 1977-79 and, after some deceleration in 1980, it rose rapidly in 1981 by the equivalent of 7 per cent of GDP (Table 8).

The strong growth in private sector financial savings during 1977-79, supplemented by an increase in the banks' foreign liabilities, enabled the Honduran financial system to finance a significant credit expansion to the private sector and, at the same time, enabled the Central Bank to accumulate net international reserves. In 1980 the slowdown in the growth of the banks' total liabilities induced a similar slowdown in the expansion of credit to the private sector; however, because of a sharp increase in net credit to the public sector, total credit expansion exceeded the growth in loanable funds and, as a result, there was a decline of US\$66 million in net official international reserves. In 1981 the expansion in total credit was well in excess of the growth in financial system loanable funds, and net international reserves of the Central Bank declined by US\$105 million.

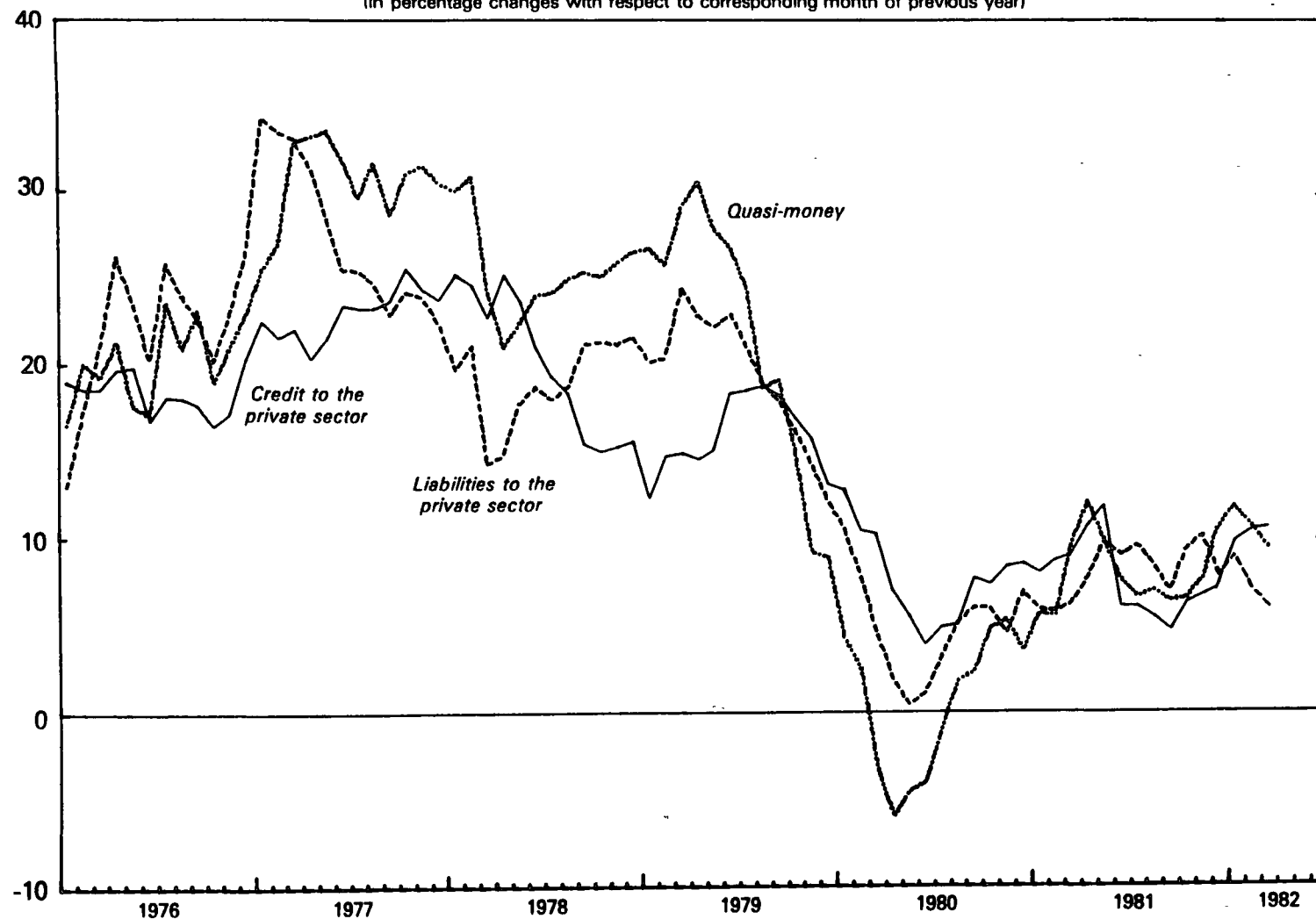
During the first few months of 1982, banking system credit continued to grow at a strong pace, whereas the expansion in the banks' liabilities to the private sector tended to weaken. As a result, net official international reserves declined by a further US\$40 million during the first quarter of the year, which is normally a period when there is a seasonal gain.

2. Loanable resources of the financial system

After a strong expansion during the three-year period through 1979, the growth in private sector financial savings slowed markedly in the last two years, as the growth of export income and domestic economic activity weakened. Accordingly, financial savings decelerated from an annual rate of more than 20 per cent through mid-1979 to an annual rate of 12 per cent toward the end of 1979 and to less than 1 per cent by mid-1980 (Chart 5). Although some recovery was observed thereafter, the annual rate of expansion reached only 7-1/2 per cent at the end of 1980 and was maintained at around 10 per cent throughout 1981. Accordingly, private sector financial assets declined from the equivalent of

CHART 5
HONDURAS
EXPANSION OF BANK CREDIT AND LIABILITIES TO THE PRIVATE SECTOR

(In percentage changes with respect to corresponding month of previous year)



Source: Central Bank of Honduras.

Table 8. Honduras: Changes in Credit by Origin, Destination, and Financing

	1977	1978	1979	1980	1981
(In millions of lempiras)					
<u>Total credit</u>	<u>222.0</u>	<u>226.0</u>	<u>269.1</u>	<u>291.4</u>	<u>382.5</u>
Origin					
Central Bank	-40.5	47.6	75.7	172.0	252.5
Rest of banking system	235.2	155.1	165.5	114.3	91.6
Total	(244.1)	(176.6)	(186.3)	(181.1)	(122.0)
With Central Bank credit					
(increase -)	(-8.9)	(-21.5)	(-20.8)	(-66.8)	(-30.4)
Nonbank intermediaries	23.9	10.3	22.5	21.7	37.5
Interbank float	3.4	13.0	5.4	-16.6	0.9
Destination					
Public sector	34.2	44.1	44.7	124.8	110.7
Central Government	(9.2)	(56.2)	(22.0)	(100.9)	(137.0)
Rest of public sector	(25.0)	(-12.1)	(22.7)	(23.9)	(-26.3)
Private sector	208.2	174.6	171.3	111.4	138.3
Other (net)	-20.4	7.3	53.1	55.2	133.5 <u>1/</u>
Financing					
Liabilities to private sector	209.1	243.3	180.9	118.9	172.8
Medium- and long-term foreign liabilities <u>2/</u>	100.8	57.5	57.0	54.9	68.0
Net foreign assets of the rest of the financial system					
(increase -)	24.3	-37.1	82.9	-13.9	-68.8
Net international reserves of the Central Bank (increase -)	-112.2	-37.7	-51.7	131.5	210.5
(As a per cent of GDP)					
<u>Total credit</u>	<u>7.2</u>	<u>6.2</u>	<u>6.3</u>	<u>5.7</u>	<u>7.0</u>
Destination					
Public sector	1.1	1.2	1.0	2.5	2.0
Private sector	6.7	4.8	4.0	2.2	2.5
Other	-0.6	0.2	1.3	1.0	2.5 <u>1/</u>
Financing					
Liabilities to private sector	6.8	6.7	4.2	2.3	3.2
Medium- and long-term foreign liabilities <u>2/</u>	3.3	1.6	1.3	1.1	1.2
Net international reserves of the banking system (increase -)	-3.0	-2.0	0.8	2.3	2.6
Nonbank intermediaries' net foreign assets (increase -)	0.1	-0.1	--	--	--
(Annual percentage changes)					
<u>Total credit</u> <u>3/</u>	<u>23.6</u>	<u>19.7</u>	<u>19.3</u>	<u>18.5</u>	<u>22.6</u>
Credit to private sector	22.9	15.6	13.3	7.6	8.8
Liabilities to private sector	22.3	21.2	13.0	7.6	11.0
Nominal GDP	19.9	17.0	19.0	17.9	8.1

Sources: Statistical Appendix Tables 14 and 31.

1/ Includes L 50.2 million in net credit to BANFINAN.

2/ Includes counterpart unrequited foreign exchange (allocation of SDRs and valuation adjustments of Fund accounts).

3/ In relation to the stock of liabilities to the private sector at the beginning of the year.

39-1/2 per cent of GDP at the end of 1978¹ to around 34 per cent in 1980-81. During the first quarter of 1982, the annual growth in private sector claims on the banking system amounted to about 6 per cent.

The reduction in the ratio of financial savings to GDP during 1979-80 is explained mostly by the relative decline in quasi-monetary assets, which fell from the equivalent of 22 per cent of GDP in 1977-78 to 18 per cent at the end of 1980. However, during 1981 quasi-money expanded faster than overall financial savings and, in terms of GDP, recovered to more than 19 per cent. By contrast, the narrow money supply (currency and deposits) has fluctuated less in recent years. The rate of expansion in this monetary aggregate declined from about 13 per cent of GDP in 1977-79 to 11-1/2 per cent at the end of 1981 (Table 9).

The weakening in the growth of private sector financial savings since mid-1979 has been both a reflection of regional and domestic political developments and a response to the deterioration in Honduras' general financial situation. The political turmoil in Central America touched off by the civil war in Nicaragua in mid-1979 and subsequent developments in El Salvador and Guatemala caused an erosion in private sector confidence in Honduras. Some uncertainty was also created by Honduras' own electoral process during 1980-81, which culminated in the election of a new constitutional government in November 1981. In addition, as explained below, the bankruptcy of a large private commercial bank at the end of 1980 and the deterioration in the financial position of two public financial institutions have contributed to the sluggish recovery of private financial savings within the Honduran banking system.

The delayed adjustments in domestic interest rates to the levels prevailing in foreign financial markets may also explain, in part, the weak growth in private financial savings in Honduras during the last two years. Although ceilings on deposit rates have been gradually eliminated since late 1978, the upward movement of the deposit rates has been constrained by the ceiling that the monetary authorities have maintained for lending rates. In turn, these ceilings have been adjusted slowly, the last significant upward adjustments having been made in late 1979 and early 1980. Although there was a differential in favor of the Honduran interest rates for a short period in the first half of 1980, this advantage was largely eroded by the end of 1980. In May 1982 the Central Bank authorities unified most bank lending rates at the prevailing level of 19 per cent and simplified the structure of lending and rediscount rates. In addition, a system was established whereby the ceilings on these rates would be revised according to developments in foreign financial markets at three-month intervals (Statistical Appendix Tables 33 and 34).^{1/}

^{1/} Recent changes in monetary policy instruments since early 1980 are described in Appendix II.

Table 9. Honduras: Stock of Private Sector
Financial Assets (At Year End)

	1977	1978	1979	1980	1981
<u>(As a per cent of GDP)</u>					
<u>Total</u>	<u>38.3</u>	<u>39.3</u>	<u>37.1</u>	<u>33.5</u>	<u>34.3</u>
<u>Money</u>	<u>13.3</u>	<u>13.1</u>	<u>12.7</u>	<u>11.9</u>	<u>11.5</u>
Currency in circulation	(6.1)	(5.8)	(6.1)	(5.3)	(5.4)
Demand deposits	(7.2)	(7.3)	(6.6)	(6.6)	(6.1)
<u>Quasi-money</u>	<u>20.7</u>	<u>21.8</u>	<u>20.0</u>	<u>17.5</u>	<u>18.6</u>
Time, savings, and other deposits	(15.6)	(16.4)	(14.7)	(13.5)	(14.3)
Bonds <u>1/</u>	(2.9)	(3.1)	(2.9)	(1.5)	(1.5)
Other claims on financial institutions <u>2/</u>	(2.2)	(2.3)	(2.4)	(2.5)	(2.8)
Financial institutions' private capital and reserves	4.3	4.4	4.4	4.1	4.2
<u>(As a per cent of total financial assets)</u>					
Money	34.7	33.3	34.2	35.6	33.6
Quasi-money	54.0	55.4	53.9	52.2	54.3
Private capital and reserves	11.3	11.3	11.9	12.2	12.1
<u>(Annual percentage changes)</u>					
<u>Total</u>	<u>21.9</u>	<u>20.3</u>	<u>11.9</u>	<u>6.6</u>	<u>10.6</u>
<u>Money</u>	<u>14.2</u>	<u>15.6</u>	<u>14.9</u>	<u>10.8</u>	<u>4.5</u>
Currency in circulation	(11.7)	(11.0)	(25.8)	(2.0)	(10.5)
Demand deposits	(16.5)	(19.5)	(6.3)	(19.1)	(-0.3)
<u>Quasi-money</u>	<u>28.4</u>	<u>23.5</u>	<u>9.0</u>	<u>3.2</u>	<u>15.1</u>
Time, savings, and other deposits	(27.7)	(23.0)	(6.6)	(8.2)	(14.6)
Other	(30.6)	(25.0)	(16.2)	(-10.8)	(16.4)
<u>(In millions of lempiras)</u>					
<u>Memorandum item</u>					
Stock of private sector financial assets	1,184	1,424	1,595	1,700	1,880

Sources: Statistical Appendix Tables 14, 31, and 37.

1/ Includes bonds issued by the Central Government and the rest of the nonfinancial public sector.

2/ Excludes currency and deposits held by nonbank intermediaries in the banking system

The weakening in the expansion of private sector financial savings was aggravated by a reduction in the commercial banks' use of foreign funds in the last two years. This reduction occurred, in part, because at times interest rates abroad were higher than the maximum authorized domestic lending rate, but also because of the apparent reluctance of foreign banks to increase their exposure in Central America. In addition, the Central Bank had less recourse to medium-term foreign borrowing than expected during 1981, as it was only able to use less than half of the credits potentially available under the Mexican-Venezuelan regional oil facility. As a result of these developments, the liquidity situation of the Honduran financial system tightened sharply. In an attempt to supplement their loanable funds, commercial banks reduced their reserve deposits with the Central Bank and incurred reserve deficiencies on several occasions, thus exerting additional pressure on the Central Bank's net domestic assets and on its net international reserves (Statistical Appendix Table 35).

3. Credit operations of the financial system

Developments in the lending operations of the financial system in the last four years have been characterized by a strong rate of expansion in total credit and by a shift in both the destination of credit from the private to the public sector and the origin of credit from the rest of the banking system to the Central Bank. Total financial system credit expanded at an average annual rate of 19 per cent during 1978-79, and, after it slowed somewhat in 1980, the growth rate accelerated to 23 per cent last year, when the growth in domestic prices and general economic activity subsided considerably. In terms of GDP, overall credit expansion of the financial system increased from an average of about 6 per cent in 1978-80 to 7 per cent in 1981.

Since late 1980 there has been a marked shift in the distribution of credit flows between the private and public sectors. Credit expansion to the private sector decelerated in line with the tightening in the banks' liquidity position, declining from an annual rate of growth of more than 18 per cent in the third quarter of 1979 to 4 per cent by mid-1980. Although a slight recovery to an annual rate of increase of about 8 per cent was reached toward the end of 1980, it remained at about this same rate throughout 1981. In terms of GDP, credit expansion to the private sector declined from 5 per cent at the end of 1978 to around 2-1/2 per cent in 1980-81. By contrast, the expansion in financial system credit to the public sector accelerated rapidly in the last two years because of the sharp increase in current expenditures of the Central Government in the face of a weak growth in government revenues. As a result, the flow of public sector credit increased from the equivalent of 1 per cent of GDP during 1978-79 to nearly 2-1/2 per cent in 1980-81.

In contrast with the period through mid-1979 when the growth of credit to the private sector was largely demand-determined, as financial system loanable resources rose faster than overall credit, during

1980-81 the credit flow to the private sector was limited on the supply side. Although the growth in private sector demand for credit declined in line with a weakening in private investment and overall production, the expansion in financial system claims on the public sector in the last two years crowded out credit flows to the private sector. This effect was brought about by the fact that the Central Bank, in the light of a strong credit demand by the public sector, had to curtail the growth in its loans and advances to the rest of the banking system in an attempt to limit the expansion in its net domestic assets and the loss in its net international reserves.

As regards the origin of credit, the Central Bank has steadily expanded its share in total credit expansion of the Honduran financial system during the last four years, rising from less than 1 per cent of GDP in 1978-79 to more than 4-1/2 per cent in 1981. The strong growth in total Central Bank credit in 1980-81 was due largely to the expansion in its credit to the public sector, but it also reflected the support that the Central Bank extended to several banking institutions which experienced financial difficulties.

During the last few years, the financial position of a large private financial institution (BANFINAN) weakened as a result of a number of unprofitable lending operations owing to poor management and the lack of bank supervision. After being unable to service its domestic and foreign debt for almost a year, this institution was forced into liquidation at the end of 1980. During 1981 the Central Bank extended extraordinary credits amounting to L 50 million (the equivalent of roughly 1 per cent of GDP) in order to pay off BANFINAN's outstanding deposit liabilities. In addition, there was a sharp deterioration during 1981 in the financial position of two public financial institutions, the National Investment Corporation (CONADI) and the Agricultural Development Bank (BANADESA). CONADI's direct and guaranteed lending operations expanded indiscriminately for a number of years and, as a result, this institution is now burdened with a significant number of nonperforming loans. At present, CONADI is unable to service its foreign debt and requires heavy financial support from the Central Government and the Central Bank. BANADESA's loan recovery performance has also deteriorated with the result that it has been unable to service its domestic debt. Since late 1980, it has run up a large overdraft position with the Central Bank.

With respect to the destination of banking system credit by sector of economic activity, the agricultural sector has been the most important recipient and increased its relative share in the four years ending in 1980. However, in 1981, due to an absolute decline in credit for coffee and basic grains production, the share of credit to the agricultural sector declined from 20 per cent of the total in 1980 to 16-1/2 per cent last year. Credit to the construction industry increased faster than the total in the last three years, largely because of an expansion in the operations of the National Housing Finance Institution (FINAVI), but also because of the greater impact of the adjustments in the maximum lending rates on this sector. By contrast, credit

growth to commercial activities lagged behind total credit growth because of restrictions on the banks' loan portfolio established by the Central Bank since late 1979.^{1/} Credit to the manufacturing sector expanded at roughly the same rate as overall banking credit through 1980 and represented about one fifth of the banking system's total portfolio. In 1981 the rate of bank credit expansion to the manufacturing sector accelerated because of larger lending activity to the cement and textile industries, and its share in the total rose to 23 per cent (Statistical Appendix Table 36).

^{1/} As of November 1979, the Central Bank established that a minimum of 55 per cent of the increase in the banks' credit to the private sector had to be channeled to agriculture, manufacturing, and export activities.

V. The External Sector

1. Overall trends

After several years in which the overall balance of payments was in surplus, Honduras' external position weakened considerably in 1980 and 1981, registering overall deficits of US\$66 million and US\$127 million in each year, respectively (Table 10). The overall deficit in 1981 included the accumulation of external debt arrears of US\$21 million. The swing into overall deficit in 1980 reflected a sharp deterioration in the current account deficit which more than offset the rise in total capital inflows in that year. The former was a consequence of an acceleration in the rate of growth of imports at a time when the rate of increase of exports was decelerating, as well as a sharp rise in net factor payments. Although export income declined in 1981, there was a modest improvement in the current account position as a result of the decline in the value of imports and net service payments. This improvement, however, was more than offset by a large fall in net capital inflows (Chart 6). Net official international reserves, which had averaged US\$158 million, or 9-1/2 weeks of imports during 1977-79, declined to US\$11 million, or less than one week of imports by the end of 1981 (Statistical Appendix Table 38).

The outlook for 1982 indicates that the overall balance of payments deficit will be somewhat lower than in 1981 with the improvement coming from the capital account. As a percentage of GDP, the current account deficit is expected to be about the same as in 1981. Despite a significant increase in banana exports, total exports are expected to remain largely unchanged from the level reached in 1981, and imports are expected to increase only marginally as a result of the low rate of economic growth. The deficit in the net services and transfer account is projected to rise moderately as a result of increases in both remittance of profits abroad, associated with a recovery of banana exports, and interest payments on public external debt. The projected increase in net capital inflows, to about 9 per cent of GDP, would reflect the disbursement of bilateral aid under the United States Caribbean Basin Initiative, debt relief provided from the renegotiation of a part of the foreign commercial debt, and an increase in official loan disbursements associated with the public investment program.

Honduras' exchange and trade system has traditionally been free of restrictions on payments and transfers for current transactions; however, delays on import payments have occurred since the end of 1981 giving rise to arrears estimated at about US\$13.5 million in mid-1982.^{1/} Since November 1980, Honduras has maintained regulations for exchange approval and export surrender which are designed to restrain capital outflows. These regulations were intensified in September 1981 and

^{1/} The external debt arrears shown in Table 10 represent defaults of the private sector and CONADI, and are therefore not considered exchange restrictions.

Table 10. Honduras: Summary Balance of Payments

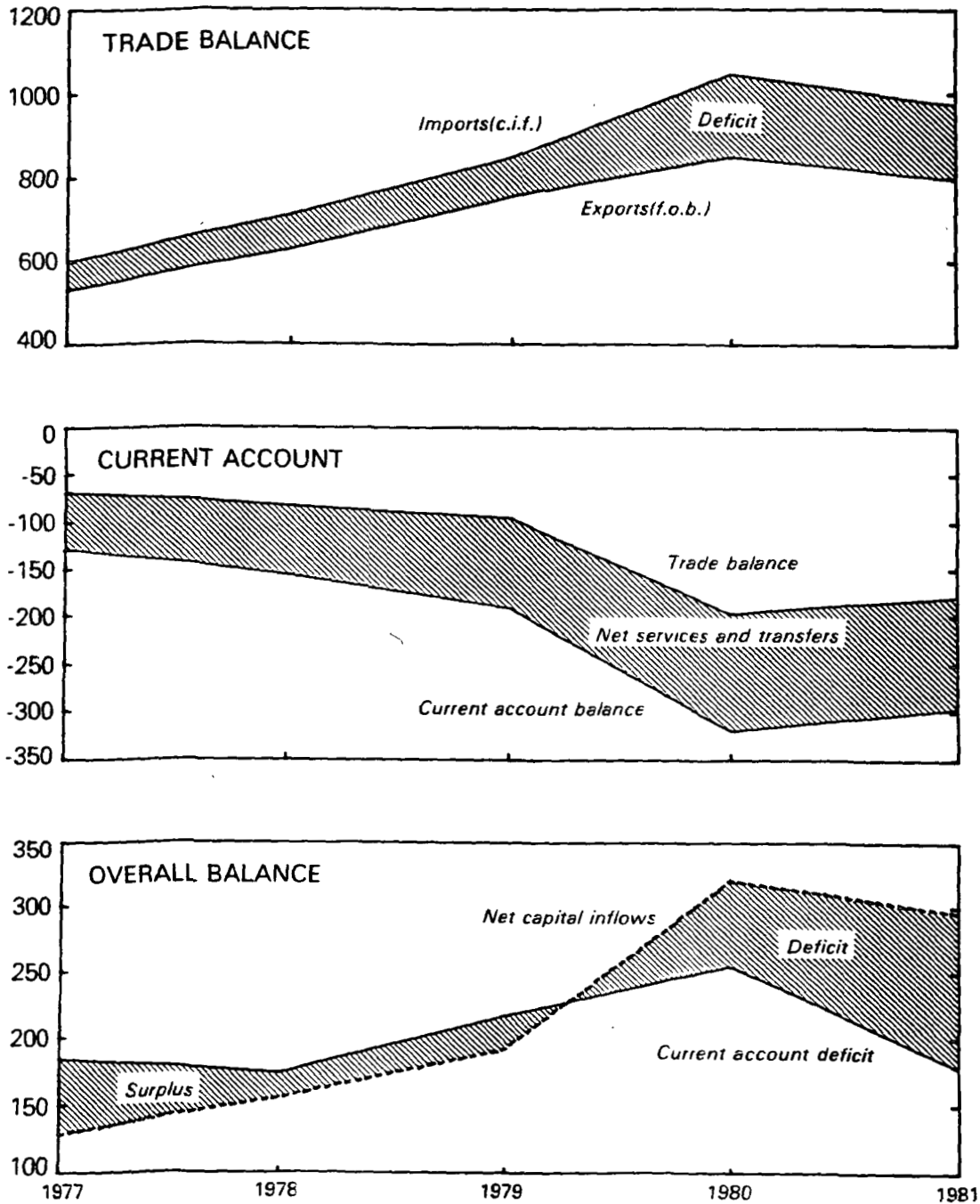
	1977	1978	1979	1980	Prel. 1981
(In millions of U.S. dollars)					
<u>Current account</u>	<u>-128.7</u>	<u>-155.9</u>	<u>-192.0</u>	<u>-320.6</u>	<u>-296.3</u>
Trade balance	-69.2	-83.9	-95.5	-196.2	-178.1
Exports, f.o.b.	(529.8)	(627.6)	(756.5)	(849.1)	(795.0)
Imports, c.i.f.	(-599.0)	(-711.5)	(-852.0)	(-1,045.3)	(-973.1)
Factor payments (net)	-69.0	-85.6	-120.4	-153.5	-158.1
Other services and transfers (net)	9.5	13.6	23.9	29.1	39.9
<u>Capital account</u>	<u>184.8</u>	<u>174.8</u>	<u>212.9</u>	<u>249.9</u>	<u>164.8</u>
Private capital ^{1/}	49.5	57.6	54.9	86.8	19.7
Official capital	76.6	104.7	100.4	144.4	158.7
Financial intermediaries	58.7	12.5	57.6	18.7	-13.6
<u>SDR allocation</u>	<u>--</u>	<u>--</u>	<u>4.9</u>	<u>5.0</u>	<u>5.0</u>
<u>Overall balance</u>	<u>56.1</u>	<u>18.9</u>	<u>25.8</u>	<u>-65.7</u>	<u>-126.5</u>
External debt arrears	--	--	--	--	21.2
Change in net international reserves (increase -)	-56.1	-18.9	-25.8	65.7	105.3
(In per cent of GDP)					
<u>Current account</u>	<u>-8.4</u>	<u>-8.6</u>	<u>-8.9</u>	<u>-12.6</u>	<u>-10.8</u>
Trade balance	-4.5	-4.6	-4.4	-7.7	-6.5
Exports, f.o.b.	(34.3)	(34.7)	(35.2)	(33.5)	(29.0)
Imports, c.i.f.	(-38.8)	(-39.3)	(-39.6)	(-41.2)	(-35.5)
Factor payments (net)	-4.5	-4.7	-5.6	-6.0	-5.8
Other services and transfers (net)	0.6	0.8	1.1	1.1	1.5
<u>Capital account</u>	<u>12.0</u>	<u>9.7</u>	<u>10.1</u>	<u>10.0</u>	<u>6.2</u>
Private capital ^{1/}	3.2	3.2	2.5	3.4	0.7
Official capital	5.0	5.8	4.7	5.7	5.8
Financial intermediaries ^{2/}	3.8	0.7	2.9	0.9	-0.3
<u>Overall balance</u>	<u>3.6</u>	<u>1.1</u>	<u>1.2</u>	<u>-2.6</u>	<u>-4.6</u>
External debt arrears	--	--	--	--	0.8
Changes in net international reserves (increase -)	-3.6	-1.1	-1.2	2.6	3.8

Sources: Statistical Appendix Tables 14 and 39.

^{1/} Includes net errors and omissions.

^{2/} Includes SDR allocations.

CHART 6
HONDURAS
BALANCE OF PAYMENTS, 1977-81
(In millions of U.S. dollars)



Source: Central Bank of Honduras, and Fund staff estimates.

May 1982 with the introduction of prior registration requirements for exports, a surrender requirement for all exchange receipts, and the authorization for the Central Bank to establish priorities in the allocation of foreign exchange. In May 1982, the authorities established, on a temporary basis, a priority scheme for the approval of import permits which is designed to restrain the demand for nonessential imports. This scheme is intended to replace the one just mentioned which applied at the stage of foreign exchange authorization.^{1/}

The real trade-weighted exchange rate for the Honduran lempira depreciated by 14 per cent between 1971-72 and 1981 (Chart 7). This change is made up of two components: a depreciation of 24 per cent from 1971-72 to 1978 followed by an appreciation of 10 per cent from 1978 to 1981.^{2/} In 1981 alone the appreciation amounted to 8.4 per cent. The results for the period through 1978 reflect the relatively high rate of inflation of Honduras' trading partners, whereas those for the more recent period reflect the effect of a strong U.S. dollar combined with the relatively high rate of inflation in Honduras.

2. Current account transactions

a. Terms of trade

The terms of trade declined by about 39 per cent between 1977 and 1981 as a result of the fall in international coffee prices, in all years but 1980, and a sharp acceleration in the foreign rate of inflation in 1979 and 1980. Compared with the base year of 1977, the deterioration in the terms of trade weakened the trade account by about US\$250 million through 1979 and by a further US\$130 million through 1981 (Table 11).

^{1/} A detailed description of the exchange system as of May 1982 is presented in Appendix III.

^{2/} The rates of change in a given time period are expressed in relation to the base years 1971-72.

Table 11. Honduras: Terms of Trade Effect on the Trade Account

	1977	1978	1979	1980	Prel. 1981
(In millions of U.S. dollars)					
Trade balance at current prices	-69	-84	-96	-196	-178
At 1977 prices	-69	5	153	98	198
Exports, f.o.b.	(530)	(668)	(811)	(786)	(801)
Imports, c.i.f.	(-599)	(663)	(658)	(688)	(603)
Terms of trade effect	--	-89	-249	-294	-376
Exports, f.o.b.	--	(-40)	(-55)	(63)	(-6)
Imports, c.i.f.	--	(-49)	(-194)	(-357)	(-370)
(Terms of trade index)					
Terms of trade	100.0	87.6	72.1	71.1	61.4
Export prices	100.0	94.0	93.3	108.1	99.2
Import prices	100.0	107.3	129.4	151.9	161.3

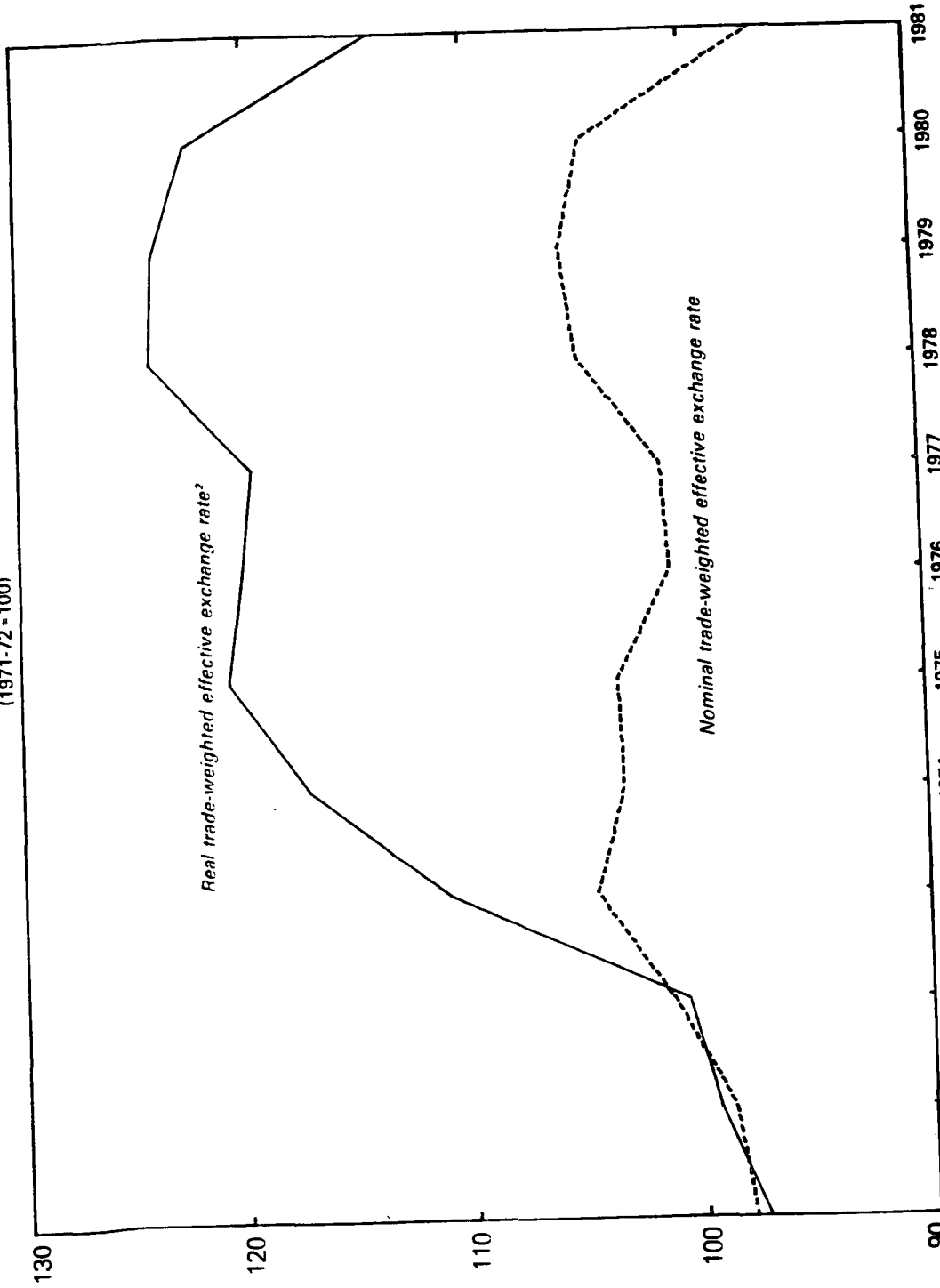
Sources: Central Bank of Honduras; and Fund staff estimates.

b. Exports

After increasing at an average annual rate of 19-1/2 per cent during 1978-79, the growth in export income decelerated to 12 per cent in 1980 and declined by 6-1/2 per cent in 1981. The expansion of export volume during 1978-79, which accounted for the bulk of export growth, was reversed in 1980 as the volume of the four major export commodities (coffee, bananas, wood and meat) declined. The fall in the value of exports in 1981, the first in several years, was due to the fall in the unit value and volume of several major commodities as well as to the overall decline in export trade with the Central American region owing to the political unrest and resulting weak demand conditions.

As a proportion of total export value, the share of traditional exports (coffee, bananas, wood, meat, and minerals) declined from 78 per cent in 1977 to 68 per cent in 1981 (Table 12). This decline is accounted for mainly by coffee and wood exports, and by meat exports since 1979. During this same period, banana exports increased its share by about 3 percentage points to 28 per cent in 1981 (compared to 22-1/2 per cent for coffee), surpassing coffee as the major export in 1979. Over one half of the increase in the share of nontraditional exports since 1977 (i.e., shrimp and lobster, agricultural products, processed foodstuff, manufactured goods) was explained by manufactured goods.

CHART 7
HONDURAS
EFFECTIVE EXCHANGE RATE INDICES, 1970-81¹
(1971-72 = 100)



Sources: IMF, *International Financial Statistics*; and Fund staff estimates.
¹In Honduran lempiras per unit of foreign exchange. The weights were based on the average distribution of export and import trade in 1978-80. Over 90 per cent of trade with partner countries is covered by these weights.
²Relative price levels were measured by wholesale price indices, and where not available, consumer price indices.

Table 12. Honduras: Value of Exports, f.o.b.

	1977	1978	1979	1980	Prel. 1981
(In per cent of total)					
<u>Traditional exports</u>	<u>77.7</u>	<u>76.6</u>	<u>74.3</u>	<u>70.6</u>	<u>68.1</u>
Coffee	32.8	34.8	26.9	24.8	22.5
Bananas	25.3	23.3	27.3	27.7	28.4
Wood	9.2	7.0	5.7	4.4	5.6
Meat	4.2	6.4	8.3	7.4	6.0
Minerals	6.2	5.1	6.1	6.3	5.6
<u>Nontraditional exports</u>	<u>22.3</u>	<u>23.4</u>	<u>25.7</u>	<u>29.4</u>	<u>31.9</u>
Shrimp and lobster	3.0	2.6	3.3	2.8	3.4
Agricultural products	4.3	5.2	4.1	4.3	4.7
Processed foodstuffs	1.0	0.6	0.9	0.8	0.8
Manufactures	4.4	4.7	6.3	8.0	9.3
Other	9.6	10.3	11.1	13.5	13.7
(Annual percentage changes)					
<u>Exports, f.o.b.</u>	<u>28.7</u>	<u>18.5</u>	<u>20.5</u>	<u>12.2</u>	<u>-6.4</u>
Traditional exports	30.9	16.3	16.7	6.7	-10.1
Nontraditional exports	20.5	24.3	31.9	28.0	1.3

Source: Central Bank of Honduras.

During the period 1977-78, the value of coffee exports increased at an average annual rate of about 47 per cent as a result of the strong increase in world prices in 1977 and a sharp growth in volume in 1978, which more than offset the decline in unit value in that year (Statistical Appendix Table 40). During 1979-80, the value of coffee exports was, on average, about 5 per cent below the 1978 level, due to a further decline in export prices in 1979 and a decline in volume in 1980. The latter was a consequence of the imposition of export quotas under the International Coffee Agreement and the result of heavy rains which damaged trees and plantation feeder roads. In 1981, a further decline of 16 per cent occurred in the export value of coffee, despite the fact that the volume of coffee exports reached about 1.5 million quintals, the largest export volume on record. The lower value of coffee exports last year reflected a 30 per cent fall in the average price received for coffee. Although Honduras' coffee sales were restricted under the International Coffee Agreement, the high export volume was reached by selling coffee to nonmembers at a price that was considerably lower than that established within the quota system. In 1982, the value of

coffee exports is expected to decline slightly in spite of an increase in the unit value as no coffee is expected to be sold to nonmembers, because the low price in that market will not cover the variable costs of production.

Between 1977 and 1980, the value of banana exports increased by over 75 per cent and export volume rose by 22 per cent, with a slight decline in export volume in 1980 owing to hurricane-like winds in the last few months of 1979. The large increase in export volume is mainly due to productivity increases, with the pre-Hurricane Fifi level being surpassed for the first time in 1979. In spite of an increasing trend in banana prices, the value of exports declined by 5 per cent in 1981 as a result of a fall in volume which was caused by bad weather conditions, labor unrest, and the incidence of the banana disease "sigatoka." The value of banana exports is expected to increase by about 8 per cent in 1982 as a result of increases in both volume and unit value.

Despite the favorable trend in prices (partly reflecting an improvement in the quality of products exported), wood exports declined by about 40 per cent between 1977 and 1980 as a result of management problems in the Honduran Forestry Corporation (COHDEFOR), which has a monopoly on lumber exports, a tendency for raw wood exports to be replaced by processed wood manufactures and because of government conservation policies and increased domestic use, mainly for housing construction and furniture making. In 1981, the value of wood exports increased by 19 per cent (still below the 1977 export level) due to an increase of 10 per cent in the price of wood and an increase of 9 per cent in the volume of exports. The value of wood exports is expected to increase by about 14 per cent in 1982, in spite of a decline in demand resulting from speculation abroad in the first quarter of the year that the wood was diseased. The volume of wood exports is only expected to recover its 1977 level by around 1983 with the opening of the new sawmills in the Olancho area.

The 1979-80 value of meat exports was about 57 per cent higher than in 1978 owing, in part, to the large increase in export volume recorded in these years as a result of the lifting of quotas of beef exports to the United States, and an increase in domestic herd size because of cattle migration from Nicaragua. The drop in volume in 1981 was due mainly to the reduction in the movement of cattle across the border. Together with the fall in the price of meat, income from beef exports fell by 24 per cent last year. A decline in the volume of meat, as a result of internal problems in the meat-packing industry, is expected to further reduce the export value in 1982.

The sharp growth of shrimp and lobster exports in 1979, resulting from an increase of nearly 50 per cent in world prices, was reversed in 1980-81 as the world price declined by about 21 per cent. The volume, however, continued to increase through 1981 producing an 8 per cent

increase in the export value over the 1979 level. New fishing enterprises have been established and Honduras has been allowed to operate in the territorial waters of Colombia. Favorable prices along with volume increases are expected to increase the value of these exports in 1982.

Other nontraditional exports, which accounted for 29 per cent of total exports in 1981, consist of products such as tobacco, sugar, cotton, fruits, vegetables, and light manufactures. In 1981, the value of sugar exports increased by 59 per cent as a result of a 56 per cent increase in the world price of sugar. In 1982, the fall in the price of sugar along with the imposition of the U.S. sugar quota is expected to cut the value of sugar exports by over one half. In 1981, income from cotton exports declined by 7-1/2 per cent due to a decline in volume as a result of bad weather conditions and a redirection of production toward basic grains associated with an increase in the latter's support prices. These trends are expected to continue to decrease the export value of cotton in 1982. The value of tobacco exports remained virtually unchanged in 1981; however, a decline is expected in 1982 due to the incidence of disease. The value of other nontraditional exports such as soap and manufactures fell because of weak demand conditions in the Central American region, the major outlet for these exports. These conditions are not expected to change in the near future.

The United States continues to be the dominant purchaser of Honduran exports, accounting for 54 per cent of total exports in 1980-81 (Statistical Appendix Table 41). Since 1979, however, its share has declined, as Europe and other Western Hemisphere countries increased their shares by about 1 per cent, whereas that of Japan gained by about 2 per cent. Europe and other Western Hemisphere countries accounted for an average of 26 per cent and 13 per cent, respectively, of total exports in 1980-81.

c. Imports

Between 1977 and 1980, merchandise imports represented about 40 per cent of GDP, and grew at an average annual rate of about 20 per cent. This growth reflected the effects of a sharp increase in the oil import bill in 1979 and 1980, expansionary fiscal policy, and a steady increase in the execution of the public investment program. In 1981, however, imports declined by 7 per cent, falling to about 36 per cent of GDP. This decline was a consequence of a lower rate of execution of the public investment program, as well as a slowdown in economic growth. Delays in obtaining foreign exchange last year may have also restrained the flow of imports. Imports are not expected to grow significantly in 1982 as a result of a further stagnation in domestic economic activity and only a moderate increase in the public investment program.

Since 1978, the fastest growing component of merchandise imports has been intermediate goods, which represented an average of 47 per cent of total imports in 1980-81 (Statistical Appendix Table 42). The increase in these expenditures has been accounted for mainly by lubricants and fuels and raw materials for the manufacturing sector. In 1981, when the value of total imported goods fell by 7 per cent, the rate of decline of intermediate goods was only 2 per cent mainly on account of fuels and lubricants. The latter effect resulted from the general decline in economic activity, technical problems in processing Mexican crude, and a pricing dispute between the Honduran Government and a foreign oil company which operates the local oil refinery.

By contrast, the share of consumer goods has remained relatively stable, at around 24 per cent of GDP, while that of capital goods declined from about 33 per cent in 1978 to approximately 29 per cent in 1980-81, reflecting mainly the slowdown in public investment in 1981. As a share of domestic consumption, consumer goods imports declined by about 2 percentage points in 1981, as a consequence of the Government's efforts to increase the production of basic grains and reduce food imports.

The United States continues to account for the major share of Honduras' imports, or about 41 per cent in 1980-81 (Statistical Appendix Table 43). As in the case of exports, however, its share has declined since 1979, as Japan and Europe increased their shares by an average of about 1 per cent each. Other Western Hemisphere countries, mainly those in the Central American Common Market, account for about one third of total imports, while European countries account for about 15 per cent. The Japanese supply most of the remainder.

Honduras has traditionally been a net importer of goods within the Central American region (Statistical Appendix Table 44). Except for 1980, this deficit position has tended to widen since 1977, with the trade deficit in 1981 being almost double that of 1977. The trade deficit with Central America rose sharply in 1981 as a result of both a decline in Honduras' competitive position vis-a-vis Costa Rica following the currency adjustments in that country, as well as a decline in goods exported to Guatemala and Nicaragua owing to the weak demand conditions in these countries. Regional imports increased from about 10 per cent to 12-1/2 per cent of total imports in 1981, while exports declined from about 10 per cent to 8-1/2 per cent of total exports in the same year.

d. Net services and transfers

Between 1977 and 1980, the deficit of net services and transfers increased from US\$60 million to US\$124 million, or from the equivalent of 4 per cent of GDP to 5 per cent. Net factor payments abroad accounted for most of this increase, with other services and transfers remaining largely unchanged at about 1 per cent of GDP. The large rise in net factor payments is attributable to increases in profit remittances and

interest payments abroad. The former category increased at an average annual rate of 26 per cent during 1978-80 as a result of the growth of income generated from banana exports, a large share of which is repatriated by the foreign companies that market Honduras' banana export trade. During this same time period, net interest payments increased at an average annual rate of about 37 per cent due to an expansion in external indebtedness, an increase in average interest rates on the outstanding external debt, and a reduction in earnings on official foreign reserves in 1980. Transfers (mainly official) increased by 15 per cent from 1977 to 1980 with the rate of growth decelerating over the period.

In 1981 the deficit on net services and transfers was reduced mainly because of a decline in remittances of profits abroad associated with the fall in banana export income. In addition, transfer receipts increased by 28 per cent and the deficit in travel was reduced to almost zero as a result of a drop in tourist expenditures abroad probably related to the weak economic situation of the country. Net interest payments continued to increase in line with a further growth in external debt and a decline in gross international reserves of the Central Bank.

3. Capital movements

After declining from 12 per cent of GDP in 1977 to 10 per cent in 1978, net capital inflows remained relatively stable at around 10 per cent during 1979-80. Net inflows rose by about 17 per cent in 1980, mainly as a result of official foreign financing associated with an acceleration in public sector capital expenditure and an increase in new loans contracted by the private sector with official guarantee. However, this increase was partly offset by a decline in the net use of foreign funds by the domestic banking system as explained in Section IV above.

In 1981 net capital inflows declined to 6 per cent of GDP. For the first time since 1977, net capital outflows occurred from the financial sector. This outcome reflected a further curtailment of foreign lines of credit and the abrupt repayment of both medium- and short-term liabilities as a result of the adverse external reactions to the unsettled political situation in the region and the deterioration of the financial position of Honduras. The Central Bank also had less recourse to foreign long-term borrowing as it was only able to use less than half of the Mexican-Venezuelan regional oil facility, in part, because of a pricing dispute between the Honduran Government and a foreign oil company, which operates the local oil refinery, and in part because of technical problems in processing Mexican crude. Also, as a consequence of the curtailment of foreign lines of credit, net private nonfinancial sector inflows fell from 3-1/2 per cent of GDP in 1980 to 1 per cent last year, which was reflected primarily in a decline in

medium- and long-term loans outstanding.^{1/} Although central government inflows declined, total net long-term borrowing of the public sector remained at about 6 per cent of GDP in 1980-81.

4. External public debt

Between 1977 and 1981 the outstanding external public and publicly guaranteed debt increased from US\$0.5 billion to US\$1.3 billion, or from 35 per cent of GDP to 48 per cent of GDP (Table 13). Preliminary estimates point to a level of about US\$1.5 billion at the end of 1982. Although the relative size of Honduras' external debt is large, it is important to note that about three fourths of the outstanding debt has been disbursed by international organizations and governments, mostly on concessionary terms. The increase in the debt is mainly a reflection of the large share of the public investment program that is foreign financed, but it also reflects an increase in the external financing of the National Investment Corporation (CONADI) both directly and indirectly in the form of private debt with public guarantee. As a result of both the rise in the external public debt outstanding and the average rate of interest, debt service payments have increased steadily from 8 per cent of total exports of goods and services in 1977 to 16 per cent in 1981.

Honduras' external public debt contracted rose by about US\$500 million in 1980 and by about US\$200 million during the first eight months of 1981 (Statistical Appendix Table 46). Private financial institutions, international organizations, and governments each accounted for about one third of the external debt contracted in 1981, with only 2 per cent of the new loans being committed with suppliers' credits. Also there was a deterioration in the term structure of new commitments (which had been improving since 1978) with the average maturity of the loans declining from 24 years to 19 years and the average interest rate increasing from 7 per cent to 10 per cent.

^{1/} The estimates for 1981 include repayments of principal on private sector debt with public guarantee amounting to US\$15.7 million which were in arrears.

Table 13. Honduras: External Public Debt ^{1/}

	1977	1978	1979	1980	Prel. 1981
(In millions of U.S. dollars)					
<u>Outstanding debt at the end of the year</u>	<u>541.0</u>	<u>685.7</u>	<u>854.8</u>	<u>1,102.8</u>	<u>1,310.9</u>
Nonfinancial public sector	376.1	480.2	586.1	731.7	888.0
Central Government	(264.9)	(344.9)	(414.6)	(540.4)	(652.5)
Rest of public sector	(111.2)	(135.3)	(171.5)	(191.3)	(235.5)
Public financial institutions	126.9	156.2	193.1	217.4	251.0
Central Bank	(74.1)	(88.8)	(121.7)	(148.6)	(154.5)
Other official banks	(52.8)	(67.4)	(71.4)	(68.8)	(96.5)
Private debt with public guarantee	38.0	49.3	75.6	153.7	171.9
<u>Net drawings</u>	<u>123.0</u>	<u>144.7</u>	<u>169.1</u> ^{2/}	<u>248.0</u>	<u>190.4</u>
<u>Disbursements</u>	<u>148.1</u>	<u>177.9</u>	<u>225.1</u>	<u>306.8</u>	<u>255.2</u>
<u>Amortization</u>	<u>25.1</u>	<u>33.2</u>	<u>56.0</u>	<u>58.8</u>	<u>64.8</u> ^{3/}
<u>Debt service payments</u>	<u>50.1</u>	<u>66.6</u>	<u>100.5</u> ^{2/}	<u>123.3</u>	<u>146.1</u> ^{3/}
<u>Interest payments</u>	<u>25.0</u>	<u>33.4</u>	<u>44.5</u>	<u>64.5</u>	<u>81.3</u>
<u>New loans contracted</u>	<u>248.1</u>	<u>195.6</u>	<u>357.0</u>	<u>500.3</u>	<u>199.9</u>
(Units as indicated)					
<u>Average terms of new loans contracted</u>					
Interest rate (per cent)	4.2	7.7	7.7	6.9	9.7
Maturity (years)	28.7	16.1	20.8	24.1	18.9
Grace period (years)	7.8	5.5	6.0	6.5	5.7
Grant element (per cent)	47.1	16.1	22.3	26.5	12.1
(Ratios in per cent)					
Outstanding public debt/GDP	35.0	37.9	39.7	43.5	47.8
Net drawings/GDP	8.0	8.1	8.0	10.2	7.6
Debt service/exports of goods and services	8.4	9.4	11.7	12.7	16.0
Interest payments/outstanding public debt (at midyear) ^{4/}	5.2	5.4	5.8	6.6	6.7

Sources: Statistical Appendix Tables 45 and 46.

^{1/} Public and publicly guaranteed with maturity of one year and over, repayable in local and foreign currency.

^{2/} Excludes US\$20.5 million contracted in refinancing operations.

^{3/} Adjusted upward by US\$17.7 million for defaults of the private sector debt with public guarantee (US\$15.7 million), CONADI (US\$1.8 million) and the port (US\$0.2 million).

^{4/} Estimated by the arithmetic mean of the outstanding stocks of the current and previous years.

Honduras: Summary of the tax system, April 1977

(All amounts in lempiras)

Tax	Nature of Tax	Deductions and Exemptions	Rates																																					
A. Central Government																																								
1. Taxes on net income and profits																																								
1.1 Taxes on companies, corporations, and enterprises																																								
1.11 Income tax (Impuesto sobre la renta) Decree 25, 12/20/63; Decree 237, 12/5/75; Decree 125, 12/31/71	<p>A tax levied on income derived from capital (including capital gains), labor, or a combination of both. For residents all income is computed even if its source is outside the country. For nonresidents only income of Honduran origin is taxed.</p> <p>All individuals and legal entities, national or foreign, estates in administration, and property administered in trust are subject to the tax.</p> <p>The year of assessment is the accounting year and companies are required to file an annual tax return within three months and pay taxes within six months of the end of their fiscal year. Interest at a rate of 1½ per cent is charged upon unpaid tax of the first three months and a single amount of 10 per cent thereafter.</p>	<p>Exempt are the state, districts and municipalities, recognized welfare institutions, the Church, diplomatic and consular representatives, and nonprofit organizations.</p> <p><u>Deductions</u> <u>Companies:</u> (1) normal business expenses (including depreciation and maintenance, interest payments, dividends to residents, taxes, and social security quotas; (2) capital losses are not deductible from ordinary income, but may be used to offset capital gains in the current year. There is no general provision for loss carried forward; (3) special deductions for economic incentives and social activities. Enterprises classified as basic under the Industrial Incentives Law may obtain the following deductions: accelerated depreciation, an initial deduction of 20 per cent of the cost of new assets, and capital losses incurred in a specific period.</p> <p>Individuals are granted a credit against their tax liability of L 10 (self); L 10 (spouse) and L 30 for other dependents.</p> <p>Expenses made during the exploration period may be deducted in 20 annual and successive quotas fixed by the Ministry of Natural Resources; 20 per cent of the gross value of annual crude petroleum production is deductible as depletion up to a maximum limit of 10 per cent of net profit for the period. Net losses can be deducted within ten years and carried forward.</p>	<table><thead><tr><th>Brackets of Taxable Income (In lempiras)</th><th>Marginal Rates (In per cent)</th><th>Additional Surcharge (In per cent)</th></tr></thead><tbody><tr><td>.01 to 5,000</td><td>1</td><td>--</td></tr><tr><td>5,000.01 to 10,000</td><td>2</td><td>--</td></tr><tr><td>10,000.01 to 20,000</td><td>3</td><td>--</td></tr><tr><td>20,000.01 to 30,000</td><td>4</td><td>--</td></tr><tr><td>30,000.01 to 100,000</td><td>14</td><td>--</td></tr><tr><td>100,000.01 to 200,000</td><td>21</td><td>10</td></tr><tr><td>200,000.01 to 400,000</td><td>27</td><td>10</td></tr><tr><td>400,000.01 to 1,000,000</td><td>34</td><td>15</td></tr><tr><td>1,000,000.01 and above</td><td>40</td><td>15</td></tr></tbody></table> <p>The distribution of earnings by corporations are taxed as follows:</p> <table><thead><tr><th></th><th>Rates (In per cent)</th></tr></thead><tbody><tr><td>Retained earnings</td><td>5</td></tr><tr><td>Dividend income</td><td>10</td></tr></tbody></table>	Brackets of Taxable Income (In lempiras)	Marginal Rates (In per cent)	Additional Surcharge (In per cent)	.01 to 5,000	1	--	5,000.01 to 10,000	2	--	10,000.01 to 20,000	3	--	20,000.01 to 30,000	4	--	30,000.01 to 100,000	14	--	100,000.01 to 200,000	21	10	200,000.01 to 400,000	27	10	400,000.01 to 1,000,000	34	15	1,000,000.01 and above	40	15		Rates (In per cent)	Retained earnings	5	Dividend income	10	
Brackets of Taxable Income (In lempiras)	Marginal Rates (In per cent)	Additional Surcharge (In per cent)																																						
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5,000.01 to 10,000	2	--																																						
10,000.01 to 20,000	3	--																																						
20,000.01 to 30,000	4	--																																						
30,000.01 to 100,000	14	--																																						
100,000.01 to 200,000	21	10																																						
200,000.01 to 400,000	27	10																																						
400,000.01 to 1,000,000	34	15																																						
1,000,000.01 and above	40	15																																						
	Rates (In per cent)																																							
Retained earnings	5																																							
Dividend income	10																																							
1.12 Special tax on petroleum enterprises Decree 171, 10/16/57; Decree 4, 10/25/62	A tax on the net profits of enterprises engaged in exploitation of petroleum			The total income tax paid on net profits plus acreage rate and royalties must always be equal to 10 per cent of said profits.																																				
1.2 Taxes on individuals	See 1.11.	--	--																																					

(All amounts in Lempiras)

Tax	Nature of Tax	Deductions and Exemptions	Rates												
2. Social security contributions															
2.1 Social insurance tax Decree 140, 5/19/59	A tax covering persons with permanent employment, covering all public sector employees and private workers who work for firms with five or more employees; domestic service and agricultural workers are excluded. At present the system covers Tegucigalpa and San Pedro Sula.		10 per cent of the insured person's salary of which: 2.5 per cent paid by the employee 5.0 per cent paid by the employer 2.5 per cent paid by the State.												
2.2 Social security taxes on certain salaries (Seguridad Social) Decree 114, 3/5/64	A tax on employees who earn salaries and wages from the Ministry of Justice and from the Electric Communications Agency.		Telegraph Pawn Shop - 2 per cent on salaries Ministry of Justice employees - 1 per cent on salaries Telegraph employees - 1 per cent on salaries.												
2.3 Public employee retirement tax (Pensionamiento y pensiones de empleados públicos) Decree 133, 2/5/71	A tax covering all public employees.		6.5 per cent paid by the employee 7.0 per cent paid by the State.												
3. Taxes on property															
3.1 Real estate taxes															
3.11 Real estate tax Decree 5, 2/20/58	A tax on the total value of any real estate recorded in the names of individuals or enterprises paid by the owner.	Real estate belonging to Government; owner-occupied houses when the value does not exceed L 20,000; and in general any real estate whose value does not exceed L 1,000.	Single rate of 1.5 per thousand of the assessed value of land and buildings.												
3.12 Tax on uncultivated or idle land Decree 2, 9/26/62	A tax on the declared value of uncultivated land, as determined by the National Agrarian Institute, payable by the owner.		Scale of proportional annual rates that increase as the number of idle years increases: <table><tr><th>Years</th><th>Rate in per cent</th></tr><tr><td>1st</td><td>3</td></tr><tr><td>2nd</td><td>8</td></tr><tr><td>3rd</td><td>15</td></tr><tr><td>4th</td><td>25</td></tr><tr><td>5th and above</td><td>40</td></tr></table>	Years	Rate in per cent	1st	3	2nd	8	3rd	15	4th	25	5th and above	40
Years	Rate in per cent														
1st	3														
2nd	8														
3rd	15														
4th	25														
5th and above	40														
3.2 Net wealth tax															
3.21 Tax on net wealth of business enterprises. Law of 1924-25, amended last by law of August 1933	A tax on the net worth of property held by industrial and commercial enterprises.		Rates vary according to the property value, graduating from 0.02 per cent between L 1,001 and L 5,000 and 0.15 per cent over L 50,001.												

Honduras: Summary of the Tax System, April 1970 (continued)
(All amounts in lempires)

Tax	Nature of Tax	Deductions and Exemptions	Rates
3.3 Death and gift taxes			
3.31 Tax on inheritances, legacies, and gifts (Impuesto sobre herencias, legados, y donaciones)	Wills, legacies, and donates are taxed on the value of real or personal property transferred by inheritance, legacy, interstate succession, and donation inter vivos, provided the value is more than L 10,000.	Property passing to the Government and educational and welfare institutions.	Proportional rate which increases from 1 per cent to 10 per cent according to the degree of relationships. Nonresidents pay 20 per cent.
Decree 24, 12/30/64; Decree 4, 3/1/65			
3.4 Property transfer taxes			
3.41 Tax on real estate transfers (Impuesto sobre transmisión propiedad)	A tax based on the value of real estate being transferred paid by the transferor or seller.	Acquisitions by the general government.	The rates are proportional and vary from 2 per cent to 4 per cent of the value, in accordance with the kind of real estate.
Decree 34, 8/23/66; Decree 373, 12/26/70			
4. Taxes on goods and services			
4.1 General sales tax			
4.11 Sales tax (Impuesto sobre ventas)	A value-added retail/wholesale tax on imports and sales of most products and some services.	Exempt are agricultural, livestock, fish, and forestry products; books, medicine, and all products subject to specific excise taxes.	5 per cent.
Decree 237, 12/5/75; Decree 273, 12/26/70			
4.12 Alcoholic beverages and cigarettes (Impuesto de cerveza, aguardiente, cigarrillos)	General sales tax on alcoholic beverages and cigarettes.	--	6 per cent.
Decree 30, 3/31/71			
4.2 Selective excises			
4.21 Tax on cigarettes (Impuesto sobre la venta de cigarrillos)	A tax on the production and importation of cigarettes paid by manufacturer and importer.	--	65 per cent on the manufacturer's sale price of locally produced cigarettes; and 70 per cent on the c.i.f. value of imported cigarettes.
Decree 237, 12/3/75			
4.22 Tax on alcoholic beverages (Impuesto sobre la producción de aguardiente, nacional)	A tax on the domestic production of alcoholic beverages paid by the producers.	Exports of domestic alcohols and liquors.	Rate varies according to type of beverage: example: aguardiente L 3.25 per liter other L 4.50 per liter.
Decree 237, 12/3/75			
4.23 Beer tax (Impuesto sobre la producción y consumo de cerveza)	A tax on the production and importation of beer paid by the manufacturer.	--	L 0.30 for each half-bottle of 12 fluid ounces.
Decree 237, 12/3/75			

1 arranged in ...

Tax	Nature of Tax	Deductions and Exemptions	Rates
4.24 Tax on consumption of petroleum subproducts (Impuesto de consumo sobre los productos derivados del petróleo) Decree 121, 10/21/67; Order 351, 5/11/68	A tax on products refined or transformed in the country for local consumption paid by the producers and importers.	All petroleum subproducts for exports; and individuals, enterprises, and organizations which have been granted a concession by the Government.	Rates in lempiras per U.S. gallon Airplane gasoline 0.405 Premium gasoline 0.396 Regular gasoline 0.393 Kerosene and jet fuel 0.142 Gas, oil, diesel oil, and other similar oils For transportation 0.067 For other uses 0.011 Gas propane, butane, etc. 0.107 Petroleum Bunker "C" 0.007
4.25 Tax on sugar (Impuesto sobre la producción y consumo de azúcar) Decree 3, 2/26/58; Decree 202, 3/29/60	A tax on the production and importation of sugar paid by producers and importers.		L 1.50 for each 100 pounds.
4.26 Tax on carbonated soft drinks (Impuesto sobre la producción de aguas gaseosas) Decree 8, 8/31/65; Decree 373, 12/20/79	A tax on the production and importation of carbonated soft drinks paid by the producer or importer.		L 0.02 for each 12 fluid ounces.
4.27 Tax on matches (Impuesto sobre la producción y consumo de fósforos) Decree 138, 10/26/68	A tax on the production and importation of matches paid by the producer or importer.		L 0.01 per box of regular matches L 0.02 per box of waxed matches.
4.28 Other excises	Includes taxes on forestry products; National Merchant Marine; radio-cables; insurance premiums; and incorporation of industrial and commercial enterprises.		Various.
4.3 Selected excises on services			
4.31 Tax on public shows (Impuesto sobre espectáculos públicos) Decree 202, 3/29/60	A tax on the value of the admission ticket paid by the purchaser.	Shows for charitable or welfare purposes.	10 per cent.
4.32 Tax on lottery prizes (Impuesto sobre premios de lotería) Decree 3, 2/20/58	A tax on National Welfare Lottery prizes of more than L 500.		Prizes of L 500 to L 1,000 - 2 per cent Prizes of L 1,000 to L 10,000 - 4 per cent Prizes of more than L 10,000 - 6 per cent.

Honduras: Summary of the Tax System, April 1962 (continued)

(All amounts in lempires)

Tax	Nature of Tax	Deductions and Exemptions	Rates								
4.33 Tax on airplane fares (Impuesto sobre transporte aéreo de pasajeros) Decree 8, 8/31/65	A tax on airline tickets paid by airlines.	Tickets bought by government officials and diplomats and international organizations.	2.5 per cent on domestic flights and 5 per cent on international flights.								
4.4 <u>Business and professional licenses</u>											
4.41 Professional license tax	A tax levied on persons licensed to practice a profession		L 12 annually.								
4.5 <u>Motor vehicle taxes</u>											
4.51 Tax on the registration of motor vehicles Order 33, 8/23/58	A tax on motor vehicles, motorcycles, and motorized bicycles paid by the owner.	Vehicles of the Government and of the diplomatic and consular service.	Annual registration: motor vehicles L 10.00, motorcycles L 3.00, motorized bicycles L 2.00. Annual license plates: motor vehicles L 6.00, motorcycles L 3.00, bicycles L 2.50. Annual motor vehicle inspections and driver examinations L 5.00.								
4.52 Tax on motorized vehicles (Impuesto de vehículos motorizados) Decree 202, 3/29/60	A tax on motorized vehicles paid by the owner.	Vehicles of the Government, diplomatic, and consular service.	New automobiles L 150 Automobiles of one year of use L 120 Automobiles of two years of use L 100 Automobiles of three years of use L 80 Automobiles of four years of use L 60 Automobiles of five or more years of use L 50. Buses, trucks, jeeps, taxi cabs, and motorcycles pay only 30 per cent of the taxes specified above.								
4.53 Tax on sale of new automobiles (Impuesto sobre la venta de automóviles nuevos) Decree 3, 2/26/58; Decree 66, 12/22/59	A tax on the sale price of new automobiles paid by the seller.	Buses and certain types of trucks.	<table><tr><th>Value of automobile</th><th>Tax rate</th></tr><tr><td>Up to L 5,000</td><td>10 per cent</td></tr><tr><td>More than L 5,000</td><td>20 per cent</td></tr><tr><td>Jeeps and pickups</td><td>5 per cent</td></tr></table>	Value of automobile	Tax rate	Up to L 5,000	10 per cent	More than L 5,000	20 per cent	Jeeps and pickups	5 per cent
Value of automobile	Tax rate										
Up to L 5,000	10 per cent										
More than L 5,000	20 per cent										
Jeeps and pickups	5 per cent										

(All amounts in lempiras)

Tax	Nature of Tax	Deductions and Exemptions	Rates															
5. <u>Taxes on international trade and transactions</u>																		
5.1 <u>Taxes on imports</u>																		
5.11 Customs duties on imports (Derechos Arancelarios importación) Decree 80, 4/5/55; Decree 54, 4/30/44	Honduras maintains a double column tariff schedule based on the Brussels nomenclature with imports subject to either a specific duty or an ad valorem duty. Importers pay the duty on the value f.o.b. in U.S. dollars of imported goods, and weight or volume in the case of specific rates. Imports from Central American countries with which Honduras has extended bilateral agreement are not subject to duty. There is a general surcharge duty applicable across the board.	<u>Exempt</u> are goods imported by the Government or under government concession, or under the Law of Industrial Incentives. Exempted from the surcharge are medicines, mill and basic staples.	Specific rates are applied to food products, raw materials, and other imports: while ad valorem rates are applied to jewelry, luxury articles, machinery and transport material and equipment. The specific rates vary between a minimum of 30.01 per kg. of some types of papers to a maximum of 1.00 per kg. of some types of fine quality textiles. The maximum ad valorem rate is 20 per cent (arms, ammunitions, luxury goods, etc.) and the minimum is 2 per cent (fertilizers, natural phosphates, minerals, coal, etc.). For example, the ad valorem duty on automobiles is 15 per cent, and on televisions and radios it is 25 per cent. There is a 10 per cent surcharge based on the c.i.f. value of all imports. A reduced 5 per cent surcharge is applicable for medicines, raw materials and semi-processed imports. 8 per cent on f.o.b. value.															
5.12 Consular fees on imports (Timbres consulares) Decree 78, 3/30/20; Decree 69, 5/6/42	A fee based on the value f.o.b. in U.S. dollars of imported goods paid by the importer.																	
5.13 Customs surcharge on imports (12% de recargo sobre derechos arancelarios) Decree 3, 2/20/58	A surcharge on customs taxes paid by the importers.	Goods included in preferential or customs liberalization treaties or that are free of tax by concession, or official dispensation.	12 per cent of customs taxes to which the goods are subject.															
5.2 <u>Export taxes</u>																		
5.21 Export duties (Derechos arancelarios exportación) Decree 287, 12/5/75 Decree 122, 4/18/74 Decree 287, 12/5/75 Decree 873, 12/26/79 Decree 377, 12/26/79	A tax on the export of certain domestic products, such as livestock, seafood, coffee, fruits, and bananas paid by the exporters.	<u>Exempt</u> are instant coffee, coffee essences, and other products containing coffee.	Ad valorem and specific rates that vary according to the product. The rates for the most important products are: <table><tr><th>Product</th><th>Type of Rate</th><th>Rate</th></tr><tr><td>Bananas (40 lb. box)</td><td>Specific</td><td>L 1.00</td></tr><tr><td>Coffee (46 kilo bag)</td><td>Ad valorem</td><td>Value up to L 100.0, 10 per cent. Value between L 100.01 and L 120.0, 15 per cent. Value of L 120.01 and above, 20 per cent.</td></tr><tr><td>Lead and zinc</td><td>"</td><td>5 per cent</td></tr><tr><td>Silver and gold</td><td>"</td><td>5 per cent</td></tr></table>	Product	Type of Rate	Rate	Bananas (40 lb. box)	Specific	L 1.00	Coffee (46 kilo bag)	Ad valorem	Value up to L 100.0, 10 per cent. Value between L 100.01 and L 120.0, 15 per cent. Value of L 120.01 and above, 20 per cent.	Lead and zinc	"	5 per cent	Silver and gold	"	5 per cent
Product	Type of Rate	Rate																
Bananas (40 lb. box)	Specific	L 1.00																
Coffee (46 kilo bag)	Ad valorem	Value up to L 100.0, 10 per cent. Value between L 100.01 and L 120.0, 15 per cent. Value of L 120.01 and above, 20 per cent.																
Lead and zinc	"	5 per cent																
Silver and gold	"	5 per cent																

Honduras: Summary of the Tax System, Hqv. 1978 (continued)

(All amounts in lempiras)

Tax	Nature of Tax	Deductions and Exemptions	Rates																
			Cattle L 10 per head Goat L 0.00 per pound Sugar Progressive marginal rates according to the export price of sugar.																
			<table><tr><th>Price per bag of 40 kilogram</th><th>Marginal tax</th></tr><tr><td>L 0 to 30.00</td><td></td></tr><tr><td>L 30.00 to 31.50</td><td>L 0.075</td></tr><tr><td>L 31.50 to 33.00</td><td>L 0.150</td></tr><tr><td>L 33.00 to 34.00</td><td>L 0.450</td></tr><tr><td></td><td></td></tr><tr><td>L 34.00 to 35.00</td><td>L 3.000</td></tr></table> Other exports are subject to a general rate of 1 per cent.	Price per bag of 40 kilogram	Marginal tax	L 0 to 30.00		L 30.00 to 31.50	L 0.075	L 31.50 to 33.00	L 0.150	L 33.00 to 34.00	L 0.450			L 34.00 to 35.00	L 3.000		
Price per bag of 40 kilogram	Marginal tax																		
L 0 to 30.00																			
L 30.00 to 31.50	L 0.075																		
L 31.50 to 33.00	L 0.150																		
L 33.00 to 34.00	L 0.450																		
L 34.00 to 35.00	L 3.000																		
6. Other taxes																			
6.1 Stamp taxes																			
6.11 Stamped papers and stamp tax (Impuesto de papel sellado y timbres de contratación) Decree 38, 6/1/73	Certain administrative, judicial, and mercantile acts, contracts, and documents are subject to taxes by the principals to the transaction.	Books, memorials, and proceedings of municipalities and government offices; receipts from individuals to public offices; memorials in criminal matters in certain cases; certain individual and collective labor contracts; private documents not exceeding L 10, etc.	Rates differ with the nature and amount of operation from L 0.50 to L 5.00 in the case of the stamp tax and from L 0.10 a sheet to L 0.50 a sheet in the case of stamped paper.																
7. Royalties on mineral production Decree 287, 12/5/75	A tax on the depletion of national mining resources.		<table><tr><th>Gross Sales Value</th><th>Rates</th></tr><tr><td>Up to L 100,000</td><td>5%</td></tr><tr><td>L 100,000 to L 500,000</td><td>7%</td></tr><tr><td>L 500,000 to L 1 million</td><td>10%</td></tr><tr><td>L 1 million to L 10 million</td><td>15%</td></tr><tr><td>L 10 million and above</td><td>20%</td></tr></table>	Gross Sales Value	Rates	Up to L 100,000	5%	L 100,000 to L 500,000	7%	L 500,000 to L 1 million	10%	L 1 million to L 10 million	15%	L 10 million and above	20%				
Gross Sales Value	Rates																		
Up to L 100,000	5%																		
L 100,000 to L 500,000	7%																		
L 500,000 to L 1 million	10%																		
L 1 million to L 10 million	15%																		
L 10 million and above	20%																		
B. Subnational Government																			
1. Taxes on property																			
1.1 Real estate taxes																			
1.11 General tax Decree 370 8/30/76	A tax on the total value of each real estate holding in the Federal District paid by the owner.	Owners may deduct the first L 15,000 of value of each holding.	0.5 percent.																
1.12 Tax on unimproved urban lots	A tax on the total value of unimproved lots paid by the owner.		1 per cent.																
2. Taxes on goods and services																			
2.1 Motor vehicle taxes																			
2.11 Municipal license plates for vehicles Decree 33, 3/28/58; Order 1051, 6/5/58.	A tax on vehicle license plates paid by the owners.		<table><tr><th>Vehicle</th><th>Tax in lempiras</th></tr><tr><td>Bicycles</td><td>5.00</td></tr><tr><td>Motorcycles</td><td>10.00</td></tr><tr><td>Carriages</td><td>5.00</td></tr><tr><td>Carts</td><td>10.00</td></tr><tr><td>Private automobiles</td><td>15.00</td></tr><tr><td>Automobiles for hire</td><td>20.00</td></tr><tr><td>Trucks, buses, and heavy automobile vehicles</td><td>25.00</td></tr></table>	Vehicle	Tax in lempiras	Bicycles	5.00	Motorcycles	10.00	Carriages	5.00	Carts	10.00	Private automobiles	15.00	Automobiles for hire	20.00	Trucks, buses, and heavy automobile vehicles	25.00
Vehicle	Tax in lempiras																		
Bicycles	5.00																		
Motorcycles	10.00																		
Carriages	5.00																		
Carts	10.00																		
Private automobiles	15.00																		
Automobiles for hire	20.00																		
Trucks, buses, and heavy automobile vehicles	25.00																		

Honduras: Summary of the Tax System, April 1972 (concluded)

(All amounts in lempiras)

Tax	Nature of Tax	Deductions and Exemptions	Rates
3. Taxes on business Decree 370, 8/30/76	A tax in the Federal District on enterprises engaged in commerce, industry, mining, agro-industry, forestry, construction, banking, finance, and insurance.		<p>Enterprises with Production Sales or Income</p> <p>up to L 5,000 L 1.5</p> <p>L 5,000.01 to L 10,000 L 2.5</p> <p>L 10,000.01 to L 25,000 L 5.0</p> <p>L 25,000.01 to L 50,000 L 12.5</p> <p>L 50,000.01 to L 75,000 L 25.0</p> <p>L 75,000.01 to L 100,000 L 37.5</p> <p>L 100,000.01 to L 300,000 L 50.0</p> <p>L 300,000.01 to L 500,000 L 150.0</p> <p>L 500,000.01 to L 1,000,000 L 250.0</p> <p>L 1,000,000.01 to L 2,000,000 L 500.0</p> <p>L 2,000,000.01 to L 3,000,000 L 1,000.0</p> <p>L 3,000,000.01 to L 4,000,000 L 1,500.0</p> <p>L 4,000,000.01 and above L 2,000.0</p> <p>(Special rates apply for pool halls, bars, gas stations, hotels and restaurants.)</p>
4. Residential tax Decree 370, 8/30/76	A tax in the Federal District on residents based on income received during the preceding year.		<p>Income</p> <p>up to L 5,000 L 7.5</p> <p>L 5,000.01 to L 10,000 L 25.0</p> <p>L 10,000.01 to L 20,000 L 50.0</p> <p>L 20,000.01 to L 30,000 L 100.0</p> <p>L 30,000.01 to L 50,000 L 150.0</p> <p>L 50,000.01 to L 75,000 L 250.0</p> <p>L 75,000.01 to L 100,000 L 375.0</p> <p>L 100,000.01 to L 150,000 L 500.0</p> <p>L 150,000.01 to L 300,000 L 750.0</p> <p>L 300,000.01 and above L 1,000.0</p>

Sources: "Tax Systems of Latin America - Honduras," Pan American Union, Joint Tax Program OAS/IDB (Washington, D.C., 1967); Honduras' General Budget for 1974; W.W. Diamond, Foreign Tax and Trade Briefs, Vol. 1 (New York, 1974); Price Waterhouse Co., Corporate Taxes in 70 Countries (1973); 1971 Central Government Budget; and Honduran Central Bank.

Honduras: Selected Monetary Measures, 1980-82

March 19, 1980

Rates of interest

The maximum authorized interest rates were amended as follows:

a. The interest rate for normal lending operations was raised from 16 per cent to 19 per cent. The new maximum rate, however, was authorized only for those banks that would pay the maximum interest rate on savings deposits.

b. The maximum interest rates on housing loans (of less than L 80,000) were raised from 10-12 per cent (range according to maturity) to 12-14 per cent.

c. The maximum interest rates on savings deposits were raised from 7 per cent to 8 per cent in the case of banks, and from 8 per cent to 9 per cent in the case of savings and loan institutions.

Legal reserve requirements

a. A decrease of 10 percentage points to 35 per cent was established for the reserve requirement on certificates of deposits in foreign currency of no less than US\$25,000. Up to 25 percentage points of the new requirement could be met with eligible government bonds.

b. A decrease of 10 percentage points to 30 per cent was established for the reserve requirement on foreign currency savings deposits held by the savings and loans institutions. Eligible government bonds could be used to satisfy up to 20 percentage points of this requirement.

Rediscount operations

A limit of L 222 million was established for central bank rediscount operations with the rest of the banking system for the calendar year 1980.

Banking system financing to the public sector

A ceiling of L 120 million was established on banking system credit to the Central Government during 1980. The Central Bank also established a limit of L 15 million for the increase in its net credit to the rest of the nonfinancial public sector.

May 28, 1980

Legal reserve requirements

Legal reserve requirements for banks were reduced by 5 percentage points to 30 per cent on local currency deposits and to 40 per cent on foreign currency deposits. Reserve requirements on certificates of deposits were maintained at 20 per cent and 35 per cent for those in local and foreign currency, respectively.

Central Bank rediscounts

The Central Bank decided to increase the limit on its rediscounts to the rest of the banking system by L 25 million during the remainder of the first semester, without, however, changing the total amount for the whole year approved on March 19, 1980.

Interest rates on loans financed with foreign funds

A decision on interest rates dated October 25, 1979 allowing banks to charge up to 3.5 per cent over the cost of loans financed with external funds was eliminated; henceforth banks could charge up to the maximum rate authorized for loans financed with domestic resources.

Interest rate on illiquidity advances

The interest rate on special advances of the Central Bank to the banks in reserve deficiency was reduced and made equal to the maximum rate authorized for banking system lending operations (i.e., 19 per cent).

August 14, 1980

Legal reserve requirements

The Board of Directors of the Central Bank established that the Central Bank should continue to deny applications for rediscounts and authorization for external borrowing from those banks in legal reserve deficiency.

November 13, 1980

Legal reserve requirements

The Board of Directors of the Central Bank decided to authorize temporary advances for illiquidity to those banks in reserve deficiency as of October 31, 1980. This decision also established that these advances for illiquidity would mature no later than March 31, 1982, that they would be charged an annual rate of 16 per cent, and that the banks would have to use them to acquire central government bonds which would be computed as part of their legal reserve requirements.

February 3, 1981

Credit to the Central Government

Acting on a request from the Minister of Finance, the Board of Directors of the Central Bank approved an advance of L 50 million to the Central Government as part of the 1981 gross credit, which would be determined later on in the annual monetary program. This advance was to be used to cancel out an existing overdraft of the Treasury with the Central Bank.

May 26, 1981

Banking system financing to the Central Government

As part of the monetary program, the Monetary Board of the Central Bank established a limit of L 110 million for the increase in the gross credit from the banking system to the Central Government during calendar year 1981.

Central Bank rediscounts

A limit of L 59 million was established for the net credit expansion of the Central Bank to the rest of the banking system during 1981.

Legal reserve requirements

The Central Bank eliminated the limits on the banks' holdings of government bonds that could be counted as part of their legal reserve requirements.

Central Bank advances for illiquidity

The Central Bank established automatic illiquidity advances to the banks in legal reserve deficiencies; the charge on such advances would be an annual interest rate equal to 2 percentage points above the maximum authorized rate for lending operations with domestic resources. However, in cases where the Superintendency of Banks confirmed that the causes for reserve deficiency were beyond the control of the banking institution, the interest rate charged on the illiquidity advances would be equal to the maximum lending rate.

Maximum interest rate for operations with foreign funds

The Central Bank established a maximum interest rate on banks' lending operations financed with foreign funds equal to 3-1/2 percentage points above the cost of funds or 19 per cent, whichever is higher.

Interest rate on savings deposits

The Central Bank eliminated the ceiling on interest rate paid by the banks on savings accounts, which up to then had been the only ceiling for interest rates on deposits.

Limit on commercial foreign borrowing by the public sector

A limit of L 50 million was established for the net increase in foreign borrowing with original maturity of less than ten years by the public sector for the six-month period ended December 1981.

June 25, 1981

Central Bank advances for illiquidity

The Central Bank modified its resolution of May 26, 1981 by establishing that the advances to cover banks' reserve deficiencies would henceforth not be made automatically but rather only at the request of the bank concerned. The new resolution also established that banks in reserve deficiency must designate no less than 50 per cent of their monthly portfolio recovery to the cancellation of these advances.

November 4, 1981

Overdrafts by the public sector

The Board of Directors of the Central Bank suspended new authorizations of overdrafts by the Central Government and other financial and nonfinancial institutions of the public sector with the Central Bank. At the same time the Board legalized the existing overdraft by the Central Government amounting to L 100 million.

Central Bank's rediscount operations

All Central Bank's rediscount operations with domestic funds were restricted to the level reached on October 9, 1981. At the same time, the rediscount rates were raised by a range of 3 to 6 percentage points.

Interest rate ceilings

The ceiling on interest rates that banks were allowed to charge on loans financed with foreign funds was eliminated.

Reserve requirements on foreign currency deposits

The reserve requirements on foreign currency deposits were reduced to the levels of those for local currency deposits, namely, from 40 per cent to 30 per cent in the case of sight and term deposits and from 35 per cent to 20 per cent in the case of certificate of deposits in excess of US\$25,000.

December 10, 1981

Reserve requirement on banks' trust funds

The Central Bank established a 20 per cent reserve requirement (previously nonexistent) for the banks' resources obtained as trust funds. This new reserve requirement was to be attained gradually starting with 2 per cent in January 1982 and 3 percentage points each month thereafter through July 1982. These requirements could be fulfilled either with cash, deposits, or holdings of government bonds.

May 13, 1982

Ceilings on interest rates

The ceiling on interest rates for the banks' lending operations was unified at 19 per cent.

Central Bank rediscount rates

The rediscount rates of the Central Bank were unified at 15 per cent with the exception of rediscounts for the production of basic grains and those applied to a small revolving fund for low income housing, which were set at 10 per cent. At the same time, the Central Bank decided to review both the rediscount rates and the ceiling on interest rates for the banks' lending operations at intervals of no more than three months.

Limits on banks' portfolio

A limit of 25 per cent was established on the banks' loans for consumption and commercial activities, which was to be attained by the end of December 1982.

Central Bank advances for illiquidity

The charges on the Central Bank advances for illiquidity to banks in reserve deficiency was maintained at 16 per cent in those cases where deficiency is attributed to causes beyond the control of the bank, or where the bank has agreed to a financial program, supervised by the Superintendency of Banks and approved by the Central Bank, designed to normalize its reserve position. In all other cases, the Central Bank was empowered to charge 24 per cent on those advances for illiquidity.

Honduras: Exchange and Trade System

(Position on May 31, 1982)

Exchange arrangement

The currency of Honduras is the Honduran Lempira, which is pegged to the U.S. dollar, the intervention currency, at L 2 = US\$1. The official buying and selling rates for the U.S. dollar are L 2.00 and L 2.02, respectively, per US\$1. Banknotes in Costa Rican colones, Guatemalan quetzales, Nicaraguan cordobas, and Salvadoran colones are purchased at parity rates with a 1 per cent commission and are sold at parity rates. The buying and selling rates for other currencies that are of significance to the foreign trade of Honduras are fixed daily on the basis of the buying and selling rates of the currency concerned against the U.S. dollar in foreign markets. There are no taxes or subsidies on purchases or sales of foreign exchange.

On August 19, 1950, Honduras formally notified the Fund that it had assumed the obligations of Article VIII, Sections 2, 3, and 4, of the Fund Agreement, beginning on July 1, 1950.

Prescription of currency

There are no obligations prescribing the method of currency for payments to or from nonresidents. Payments among member countries of the Central American Common Market (CACM)^{1/} in respect of trade and invisibles are settled every 6 months in the domestic currency of the payer through the Central American Clearing House. If the outstanding balance is in excess of US\$12 million, it must be settled immediately. In January 1982, Honduras imposed monthly quotas on the amount of lempira notes and coins that can be purchased by the Central Banks of other CACM countries.^{2/} These countries impose similar quotas on the Central Bank of Honduras' purchases of CACM currencies.

Imports and import payments

Import permits are issued by the External Financing Department of the Central Bank and are required for all items. Imports are categorized according to those that must be paid for in cash (mainly nonessential imports) and those that can be financed with credit. The purpose of the classification is to discourage the importing of luxury goods by denying them foreign credit and limiting their access to domestic credit by setting portfolio ceilings. In May 1982, a priority scheme for the approval of import permits was established, on a temporary basis, with the intention of further restraining the demand for nonessential imports. The scheme is intended to replace a similar one that

^{1/} Costa Rica, El Salvador, Guatemala, and Nicaragua.

^{2/} Costa Rica was exempt from the quota.

was applied at the stage of foreign exchange authorization. Imports may be checked for appropriate pricing; import prepayments are subjected to certain restrictions on the means of settlement. As a restraint on import prepayment, Central Bank authorization is required when payments for imports by bank drafts exceed US\$2,500. Depending on the foreign exchange situation, the Foreign Exchange Department of the Central Bank may subject the allocation of foreign exchange for imported goods and services to a set of policy determined priorities.^{1/} A priority scheme for the authorization of foreign exchange in excess of US\$5,000 was in effect in the last quarter of 1981 and the first half of 1982. In May 1982 the Central Bank authorities established a 100 per cent guarantee deposit requirement against all requests to open sight letters of credit for import payments to be held with commercial banks.^{2/}

The import of corn, rice, sorghum, beans, and potatoes is the monopoly of the Honduran Institute of Agricultural Marketing (IHMA).

Under the provisions of the Central American Agreement on Fiscal Incentives, Honduras grants duty exonerations on imports of raw materials and capital goods to approved industrial firms.

Most imports from countries outside the CACM are subject to customs duty. Imports from the CACM are subject to customs duties ranging from zero to 35 per cent, under bilateral trade agreement. Some goods are subject to a customs surtax of 12 per cent of the duty and to a consular charge of 8 per cent of the f.o.b. value. There is a duty-free zone in Puerto Cortes.

Exports and export proceeds

All exports whose value exceeds US\$1,000 require licenses and are subject to prior authorization of the External Financing Department of the Central Bank. All foreign exchange proceeds must either be surrendered to the Central Bank or to authorized banks and institutions or held as dollar-denominated deposits with commercial banks. The withdrawal of dollar-denominated deposits is subject to compliance with

^{1/} The Central Bank is authorized to allocate foreign exchange in accordance with the following priorities: external financial payments, essential consumer items, health products, educational materials, fuel and lubricants, raw materials, agricultural and industrial inputs, machinery, equipment, and spare parts, and other goods and services.

^{2/} This practice had already been enforced by a number of local commercial banks whose foreign correspondents had been requiring of them an equivalent deposit of foreign currency at the time that the letter of credit was confirmed. Since local branches of foreign banks were not subject to the same requirement, the Central Bank decided to generalize the practice in order to equalize the position of all commercial banks with respect to their opportunities for financing foreign trade.

the procedures on the use of foreign exchange. In general, the surrender of export proceeds must be made within 90 days following the negotiation of export documents. The Central Bank is authorized to require banks to sell to it foreign exchange holdings in excess of limits which it has established.

Exports of coffee are supervised by the Honduran Coffee Institute (IHCAFE), and exports of bananas by the Honduran Banana Corporation (COHBANA). The export of corn, rice, beans, and potatoes is controlled by the Honduran Institute of Agricultural Marketing (IHMA), and lumber exports are channeled through the Honduran Forest Development Corporation (COHDEFOR). There is an export tax on cattle, meat, and sugar and a general export duty of 1 per cent of the f.o.b. value of all other export items except bananas, coffee, cattle, meat, sugar, and minerals.

Payments for and proceeds from invisibles

Proceeds from invisibles are either subject to a surrender requirement or they must be held as dollar-denominated deposits with commercial banks. All purchases of foreign exchange in excess of US\$5,000 require prior approval of the Central Bank. For statistical purposes, however, all buyers of foreign exchange are required to file an application stating how the exchange will be used. Within this limit, persons traveling abroad may purchase foreign currency notes and coins in an amount not exceeding US\$100 a person. There are no restrictions on the import of foreign banknotes by travelers.

Capital

The authorization of the Minister of Finance and approval by the Central Bank are required for all activities implying the receipt of resources and their transfer abroad for purposes of investment in mutual funds, housing developments, real estate, or similar activities. Foreign mutual funds and similar financial institutions require permission to collect funds in Honduras for deposit or investment abroad. The approval of the Ministry of Finance, the National Planning Council (CONSUPLANE), and the Central Bank is required for the public sector to contract any foreign indebtedness, whether for import financing or for other purposes. The contracting of external debt by the private sector requires approval by the Central Bank. External debt contracts must be registered with the Central Bank, which provides foreign exchange for the servicing of only properly registered and approved external debt. The contracting of external financing must conform with specified priorities. Sight and term deposits in foreign currency at the banks are subject to a reserve requirement of 30 per cent; the reserve requirement for certificates of deposit of US\$25,000 and above is 20 per cent, and 15 per cent for savings deposits in foreign currency with savings and loan associations. Foreign exchange holdings in excess of specified limits may be required to be sold by the banks to the Central Bank.

Gold

Residents may hold and acquire gold coins in Honduras for numismatic purposes. With this exception, residents other than the monetary authorities and authorized industrial users are not allowed to hold or acquire gold in any form other than jewelry, at home or abroad. Imports and exports of gold in any form other than jewelry require licenses issued by the Central Bank; such licenses are not normally granted except for imports and exports by or on behalf of the monetary authorities, industrial users, and producers of gold. All locally produced gold is exported in the form of ore for refining. Commercial imports and exports of jewelry and other articles containing gold require licenses issued by the Ministry of Economy; for most articles, these are granted freely. Exports of gold are subject to a tax of 5 per cent.

Table 14. Honduras: National Accounts

(In millions of current lempiras)

	1977	1978	1979	1980	1981
<u>Consumption</u>	<u>2,431</u>	<u>2,768</u>	<u>3,225</u>	<u>4,000</u>	<u>4,499</u>
General government	482	540	603	845	935
Central Government	(377)	(415)	(455)	(658)	(720)
Rest of general government	(105)	(125)	(148)	(187)	(215)
Private sector	1,949	2,228	2,622	3,155	3,564
<u>Gross domestic investment</u>	<u>805</u>	<u>1,024</u>	<u>1,263</u>	<u>1,452</u>	<u>1,318</u>
Fixed capital formation	766	978	1,174	1,371	1,333
Central Government	(151)	(200)	(195)	(197)	(120)
Rest of general government	(46)	(56)	(73)	(86)	(23)
State enterprises	(124)	(136)	(164)	(233)	(291)
Private sector	(445)	(586)	(742)	(855)	(899)
Inventory changes	39	46	89	81	-15
<u>Gross domestic expenditure</u>	<u>3,236</u>	<u>3,792</u>	<u>4,488</u>	<u>5,452</u>	<u>5,817</u>
Exports of goods and non-factor services	1,164	1,380	1,679	1,887	1,780
Imports of goods and non-factor services	-1,311	-1,555	-1,863	-2,264	-2,111
<u>GDP at market prices</u>	<u>3,089</u>	<u>3,617</u>	<u>4,304</u>	<u>5,075</u>	<u>5,486</u>
Factor receipts from abroad	24	36	39	49	36
Factor payments abroad	-162	-207	-280	-356	-352
<u>GNP at market prices</u>	<u>2,951</u>	<u>3,446</u>	<u>4,063</u>	<u>4,768</u>	<u>5,170</u>
Subsidies	1	3	4	5	7
Indirect taxes	-419	-463	-539	-625	-732
<u>GNP at factor cost</u>	<u>2,533</u>	<u>2,986</u>	<u>3,528</u>	<u>4,148</u>	<u>4,445</u>
Depreciation	-136	-166	-200	-261	-340
<u>National income</u>	<u>2,397</u>	<u>2,820</u>	<u>3,328</u>	<u>3,887</u>	<u>4,105</u>

Sources: Central Bank of Honduras; and Fund staff estimates.

Table 15. Honduras: National Accounts

(In millions of 1966 lempiras)

	1977	1978	1979	1980	1981
<u>Consumption</u>	<u>1,502</u>	<u>1,592</u>	<u>1,687</u>	<u>1,774</u>	<u>1,757</u>
General government	261	273	282	314	298
Private sector	1,241	1,319	1,405	1,460	1,459
<u>Gross domestic investment</u>	<u>370</u>	<u>455</u>	<u>497</u>	<u>501</u>	<u>389</u>
<u>Fixed capital formation</u>	<u>345</u>	<u>430</u>	<u>456</u>	<u>466</u>	<u>394</u>
Public sector	(121)	(158)	(149)	(165)	(124)
Private sector	(224)	(272)	(307)	(301)	(270)
Inventory changes	25	25	41	35	-5
<u>Gross domestic expenditure</u>	<u>1,872</u>	<u>2,047</u>	<u>2,184</u>	<u>2,275</u>	<u>2,146</u>
Exports of goods and non-factor services	505	525	586	612	563
Imports of goods and non-factor services	-656	-739	-816	-882	-698
<u>GDP at market prices</u>	<u>1,721</u>	<u>1,833</u>	<u>1,954</u>	<u>2,005</u>	<u>2,011</u>
Factor receipts from abroad	17	19	25	26	20
Factor payments abroad	-81	-98	-119	-132	-123
<u>GNP at market prices</u>	<u>1,657</u>	<u>1,754</u>	<u>1,860</u>	<u>1,899</u>	<u>1,908</u>
Subsidies	2	2	2	3	4
Indirect taxes	-234	-238	-252	-277	-290
<u>GNP at factor cost</u>	<u>1,425</u>	<u>1,518</u>	<u>1,610</u>	<u>1,625</u>	<u>1,622</u>
Depreciation	-67	-76	-82	-91	-102
<u>National income</u>	<u>1,358</u>	<u>1,442</u>	<u>1,528</u>	<u>1,534</u>	<u>1,520</u>

Source: Central Bank of Honduras.

Table 16. Honduras: Origin of Gross Domestic Product

	1977	1978	1979	1980	Prel. 1981
(In millions of current lempiras)					
<u>Gross domestic product at factor cost</u>	<u>2,671</u>	<u>3,157</u>	<u>3,769</u>	<u>4,455</u>	<u>4,754</u>
Primary production	924	1,064	1,264	1,464	1,589
Agriculture and related sectors	(869)	(1,004)	(1,197)	(1,384)	(1,502)
Mining	(55)	(60)	(67)	(80)	(87)
Secondary production	621	737	880	1,038	1,098
Manufacturing	(436)	(517)	(620)	(745)	(802)
Construction	(140)	(169)	(200)	(220)	(218)
Utilities	(45)	(51)	(60)	(73)	(78)
Services	1,126	1,356	1,625	1,953	2,067
Transport and communications	(206)	(256)	(316)	(386)	(413)
Commercial services	(300)	(390)	(477)	(582)	(597)
Financial services	(123)	(138)	(159)	(188)	(202)
Housing services	(160)	(177)	(203)	(240)	(263)
Public administration	(100)	(115)	(134)	(159)	(176)
Other services	(237)	(280)	(336)	(398)	(416)
(In millions of 1966 lempiras)					
<u>Gross domestic product at factor cost</u>	<u>1,489</u>	<u>1,597</u>	<u>1,704</u>	<u>1,731</u>	<u>1,725</u>
Primary production	476	498	534	521	526
Agriculture and related sectors	(449)	(470)	(505)	(491)	(496)
Mining	(27)	(28)	(29)	(30)	(30)
Secondary production	312	343	358	372	373
Manufacturing	(236)	(260)	(269)	(284)	(291)
Construction	(57)	(63)	(68)	(66)	(60)
Utilities	(19)	(20)	(21)	(22)	(22)
Services	701	756	812	838	826
Transport and communications	(137)	(151)	(163)	(169)	(167)
Commercial services	(158)	(179)	(194)	(201)	(195)
Financial services	(58)	(60)	(64)	(66)	(66)
Housing services	(116)	(122)	(127)	(131)	(131)
Public administration	(63)	(67)	(71)	(74)	(74)
Other services	(119)	(177)	(193)	(197)	(193)

Source: Central Bank of Honduras.

Table 17. Honduras: Financing of Investment

(In millions of lempiras)

	1977	1978	1979	1980	Prel. 1981
<u>Gross domestic investment</u>	805	1,024	1,263	1,452	1,318
Public fixed capital formation	321	392	432	516	434
Private fixed capital formation	445	586	742	855	899
Change in inventories	39	46	89	81	-15
<u>Financing of investment</u>	805	1,024	1,263	1,452	1,318
Gross domestic savings	657	849	1,079	1,075	987
Public savings	(170)	(181)	(249)	(143)	(99)
Private savings	(487)	(668)	(830)	(932)	(888)
Foreign savings	148	175	184	377	331
Net capital inflows ^{1/}	(370)	(350)	(426)	(500)	(371)
Net transfer receipts	(28)	(34)	(41)	(43)	(55)
Allocation of SDRs	(—)	(—)	(10)	(10)	(10)
Net factor payments	(-138)	(-171)	(-241)	(-307)	(-316)
Change in net official international reserves (increase -)	(-112)	(-38)	(-52)	(131)	(211)

Sources: Central Bank of Honduras; and Fund staff estimates.

^{1/} Includes errors and omissions and, in 1981, external debt arrears.

Table 18. Honduras: National Income

(In millions of lempiras)

	1977	1978	1979	1980	Prel. 1981
Compensation of employees	1,285	1,487	1,770	2,061	2,171
Income from unincorporated enterprises	819	920	1,089	1,265	1,330
Property income	183	213	242	282	310
Rent	(152)	(168)	(193)	(228)	(250)
Interest and dividends	(31)	(45)	(49)	(54)	(60)
Savings of corporations	78	148	134	195	208
Direct taxes on corporations	48	73	79	103	110
General government income from property and ownership	28	29	76	65	69
Less: interest on public debt	32	37	48	58	75
Less: interest on consumers' debt	12	13	14	16	18
<u>National income</u>	<u>2,397</u>	<u>2,820</u>	<u>3,328</u>	<u>3,887</u>	<u>4,105</u>

Sources: Central Bank of Honduras; and Fund staff estimates.

Table 19. Honduras: Composition of Gross Fixed Capital Formation

(In millions of lempiras)

	1977	1978	1979	1980	Prel. 1981
<u>Gross fixed capital formation</u>	<u>766</u>	<u>978</u>	<u>1,174</u>	<u>1,371</u>	<u>1,333</u>
Machinery and equipment	400	491	611	729	713
Private	(309)	(442)	(540)	(668)	(684)
Public	(91)	(49)	(71)	(61)	(29)
Construction	366	487	563	642	620
Private	(136)	(144)	(183)	(189)	(185)
Public	(230)	(343)	(380)	(453)	(435)

Sources: Central Bank of Honduras; and Fund staff estimates.

Table 20. Honduras: Production and Prices of Basic Grains

(Production in thousands of quintals;
prices in lempiras per quintal)^{1/}

	Production	Regulated Prices	
		Paid to Producers	Charged to Consumers
Corn			
1977-78	8,408.5	12.3	16.8
1978-79	9,806.2	13.5	18.2
1979-80	8,217.0	14.8	18.0
1980-81	8,543.0	15.3	17.65
1981-82	9,492.0	17.3	...
Beans			
1977-78	766.6	25.0	42.0
1978-79	964.4	29.0	45.1
1979-80	968.0	39.0	55.88
1980-81	958.0	40.3	52.30
1981-82	1,039.0	55.0	...
Rice			
1977-78	451.0	32.0	50.6
1978-79	561.2	35.2	50.1
1979-80	534.0	38.4	51.8
1980-81	580.0	38.8	52.1
1981-82	612.0	42.6	...
Sorghum			
1977-78	785.6	10.3	...
1978-79	1,165.9	11.5	...
1979-80	1,357.0	13.0	...
1980-81	1,365.0	14.0	...
1981-82	1,381.0	16.0	...

Source: Central Bank of Honduras.

^{1/} For crop year September-August.

Table 21. Honduras: Statistics on Selected Agricultural Products

(Area in thousands of hectares; production and exports in thousands of quintals; yield in quintals per hectare; values in millions of current lempiras)

	1977	1978	1979	1980	Prel. 1981
Bananas					
Area	27.3	31.3	32.2	30.1	27.9
Yield	985.4	867.5	955.0	1,048.1	1,047.2
Volume of production	26,902	27,153	30,752	31,549	29,217
Of which: exported	(15,612)	(15,848)	(19,743)	(18,980)	(17,124)
Gross value of production	322.9	348.9	472.8	540.3	567.4
Value added	173.0	178.5	242.0	280.6	291.7
Coffee					
Area	115.0	116.3	118.3	120.4	122.5
Yield	9.3	12.1	14.0	13.3	14.0
Volume of production	1,064.8	1,406.2	1,661.1	1,598.6	1,711.4
Of which: exported	(791)	(1,250)	(1,436)	(1,234)	(1,475)
Gross value of production	266.2	285.7	262.0	276.2	237.8
Value added	253.5	268.6	242.7	251.7	211.9
Corn					
Area	300.3	293.2	317.4	286.6	319.7
Yield	24.4	26.0	25.9	29.8	29.7
Volume of production	7,327	7,632	8,217	8,543	9,492
Of which: exported	(11)	(—)	(8)	(—)	(—)
Gross value of production	73.3	91.6	102.7	107.1	118.8
Value added	62.3	77.8	87.3	91.1	101.0
Beans					
Area	60.8	60.7	60.3	60.7	62.0
Yield	15.6	16.1	16.1	15.8	16.8
Volume of production	950	980	968	958	1,039
Of which: exported	(51)	(2)	(1)	(—)	(68)
Gross value of production	20.4	22.1	26.4	28.2	33.9
Value added	18.4	18.7	22.4	24.0	28.8
Rice					
Area	12.2	14.9	16.4	18.4	19.6
Yield	31.6	33.6	32.6	31.5	31.2
Volume of production	385	501	534	580	612
Of which: exported	(—)	(—)	(—)	(—)	(—)
Gross value of production	11.4	16.3	18.9	22.4	24.5
Value added	10.2	13.8	16.1	19.1	20.9
Plantains					
Area	5.6	5.9	5.8	6.6	7.3
Yield	368.9	342.9	344.5	347.9	336.6
Volume of production	2,066	2,023	1,998	2,296	2,457
Of which: exported	(208)	(118)	(46)	(304)	(451)
Gross value of production	10.5	11.2	11.6	14.0	16.2
Value added	9.3	9.9	10.2	12.3	14.2

Table 21. Honduras: Statistics on Selected Agricultural Products (Concluded)

(Area in thousands of hectares; production and exports in thousands of quintals; yield in quintals per hectare; values in millions of current lempiras)

	1977	1978	1979	1980	Prel. 1981
<u>Sorghum</u>					
Area	55.0	54.9	55.7	56.0	56.6
Yield	24.5	24.6	24.4	24.4	24.4
Volume of production	1,346	1,351	1,357	1,365	1,381
Of which: exported	(—)	(—)	(—)	(—)	(—)
Gross value of production	10.4	11.1	11.9	12.8	13.8
Value added	9.4	9.8	10.5	11.3	12.1
<u>Tobacco</u>					
Area	6.2	5.9	6.4	7.1	6.6
Yield	24.0	25.4	25.8	22.7	24.5
Volume of production	149	150	165	161	162
Of which: exported	(99)	(96)	(99)	(101)	(104)
Gross value of production	18.2	17.2	21.3	24.9	25.1
Value added	15.7	14.6	18.0	20.9	21.1
<u>Cotton</u>					
Area	10.2	17.7	11.9	11.1	8.5
Yield	42.8	39.5	39.2	49.1	54.9
Volume of production	437.0	699.2	466.1	545.2	466.5
Of which: exported	(435.3)	(699.2)	(466.1)	(539.8)	(443.7)
Gross value of production	22.3	30.3	22.4	27.0	26.6
Value added	16.9	20.6	15.0	18.5	20.0
<u>Sugarcane</u>					
Area	45.2	49.2	56.0	63.0	63.3
Yield	909.4	903.7	834.2	863.3	877.7
Volume of production	41,107	44,464	46,714	54,387	55,560
Of which: exported	(—)	(—)	(—)	(—)	(—)
Gross value of production	30.8	37.8	44.4	49.4	54.4
Value added	23.1	28.3	33.3	37.0	40.8
<u>African palm</u>					
Area	4.4	4.3	4.7	5.5	6.9
Yield	268.2	297.9	297.4	269.1	267.5
Volume of production	1,180	1,281	1,398	1,480	1,846
Of which: exported	(—)	(—)	(—)	(—)	(—)
Gross value of production	3.1	3.8	4.5	5.6	7.4
Value added	2.5	3.0	3.6	4.5	5.9

Source: Central Bank of Honduras.

Table 22. Honduras: Consumer Price Indices

(1978 = 100)

							April	
	Weight	1977	1978	1979	1980	1981	1981	1982
I. <u>Period Averages</u>								
<u>Total</u>		<u>94.6</u>	<u>100.0</u>	<u>112.1</u>	<u>132.4</u>	<u>144.8</u>	<u>136.5</u>	<u>149.3</u> 1/
By expenditure								
Food	41.2	94.2	100.0	111.4	130.4	139.9	134.4	142.8
Housing	30.6	95.0	100.0	114.7	132.5	146.1	136.7	149.6
Clothing	9.1	95.8	100.0	112.1	145.1	166.9	150.2	178.7
Health care	4.0	92.8	100.0	111.6	125.9	144.3	130.8	150.5
Personal care	3.0	95.8	100.0	108.3	124.3	137.5	128.6	143.0
Beverages and tobacco	3.8	90.2	100.0	109.1	146.9	157.4	149.8	168.1
Transportation	3.0	98.3	100.0	108.5	128.9	139.4	132.0	141.1
Other	5.3	94.3	100.0	109.8	125.5	138.7	130.2	143.8
By region								
Central 2/	47.4	...	100.0	112.2	130.0	143.2	134.1	147.8
Northern 3/	40.1	...	100.0	111.5	133.4	145.3	137.5	149.9
Southern 4/	4.7	...	100.0	116.5	142.2	155.4	147.1	157.5
Eastern 5/	5.9	...	100.0	113.6	138.1	149.6	142.5	153.4
Western 6/	1.9	...	100.0	107.6	126.5	136.9	129.9	141.1
II. <u>End of Period</u>								
<u>Total</u>			<u>100.0</u>	<u>122.5</u>	<u>136.6</u>	<u>149.1</u>	<u>142.8</u>	<u>156.5</u>
By expenditure								
Food	41.2		100.0	120.3	135.1	142.1	139.5	148.9
Housing	30.6		100.0	123.1	136.6	150.3	143.0	153.0
Clothing	9.1		100.0	133.4	151.9	182.1	159.1	195.7
Health care	4.0		100.0	116.4	128.1	149.9	142.2	160.3
Personal care	3.0		100.0	116.5	128.4	143.6	136.0	153.2
Beverages and tobacco	3.8		100.0	138.3	148.1	159.7	157.0	186.7
Transportation	3.0		100.0	118.6	129.3	140.4	140.2	143.1
Other	5.3		100.0	114.3	130.1	140.4	138.4	156.3
By region								
Central 2/	47.4		100.0	122.6	133.5	147.5	140.7	155.3
Northern 3/	40.1		100.0	122.5	138.6	149.7	143.1	156.7
Southern 4/	4.7		100.0	124.1	144.6	156.9	157.7	163.2
Eastern 5/	5.9		100.0	122.3	143.9	154.0	149.2	160.2
Western 6/	1.9		100.0	113.1	129.5	139.7	135.0	149.3

Source: Central Bank of Honduras.

1/ Average over the 12-month period ended April.

2/ Tegucigalpa and Comayagua.

3/ San Pedro Sula, La Ceiba, El Progreso and Trujillo.

4/ Choluteca.

5/ Juticalpa and Danli.

6/ Santa Rosa de Copan.

Table 23. Honduras: Labor Force Structure, 1977-81

	1977	Per Cent	1981	Per Cent
<u>Total</u>	<u>873,366</u>	<u>100.0</u>	<u>1,012,471</u>	<u>100.0</u>
Primary production	534,234	61.3	598,067	59.2
Agriculture and related sectors	(531,526)	(61.0)	(594,928)	(58.9)
Mining	(2,708)	(0.3)	(3,139)	(0.3)
Secondary production	135,680	15.5	166,956	16.5
Manufacturing	(103,792)	(11.9)	(128,786)	(12.7)
Construction	(28,918)	(3.3)	(34,323)	(3.4)
Utilities	(2,970)	(0.3)	(3,847)	(0.4)
Services	203,452	23.2	247,448	24.3
Transport and communications	(24,812)	(2.8)	(29,665)	(2.9)
Commercial services	(70,680)	(8.1)	(84,541)	(8.3)
Financial services	(7,339)	(0.8)	(9,315)	(0.9)
Other	(100,621)	(11.5)	(123,927)	(12.2)
<u>Memorandum item</u>				
Labor force participation ratio				
(in per cent)		26.3		26.5

Sources: Ministry of Labor; and CONSUPLANE.

Table 24. Honduras: Consolidated Operations of the Public Sector

(In millions of lempiras)

	1977	1978	1979	1980	Prel. 1981
I. Central Government					
<u>Total revenue</u>	<u>489</u>	<u>544</u>	<u>633</u>	<u>759</u>	<u>741</u>
Current revenue	472	530	614	734	725
Tax revenue	(434)	(503)	(574)	(697)	(695)
Nontax revenue	(38)	(27)	(40)	(37)	(30)
Current transfers	16	14	19	25	14
Of which: from rest of public sector	(11)	(11)	(16)	(20)	(11)
Capital transfers	1	--	--	--	--
Of which: from rest of public sector	(1)	(--)	(--)	(--)	(--)
<u>Total expenditure and net lending</u>	<u>626</u>	<u>763</u>	<u>813</u>	<u>1,148</u>	<u>1,145</u>
Current expenditure	415	472	527	734	808
Of which: transfers to rest of public sector	(38)	(57)	(72)	(76)	(88)
Capital expenditure	212	264	260	277	189
Of which: transfers to rest of public sector	(57)	(63)	(65)	(80)	(69)
Net lending 1/	-1	27	26	137	148
<u>Current account surplus or deficit (-)</u>	<u>57</u>	<u>58</u>	<u>87</u>	<u>--</u>	<u>-81</u>
<u>Overall surplus or deficit (-)</u>	<u>-137</u>	<u>-219</u>	<u>-180</u>	<u>-389</u>	<u>-404</u>
Foreign financing (net)	79	160	139	252	224
Domestic financing (net)	58	59	41	137	180
II. Local Governments					
<u>Total revenue</u>	<u>40</u>	<u>41</u>	<u>51</u>	<u>66</u>	<u>71</u>
Current revenue	37	38	46	45	56
Tax revenue	(23)	(24)	(31)	(27)	(33)
Nontax revenue	(14)	(14)	(15)	(18)	(23)
Transfers from rest of public sector 2/	3	2	2	4	6
Capital revenue	--	1	3	4	6
Funds on-lent from Central Government	--	--	--	13	3
<u>Total expenditure</u>	<u>49</u>	<u>53</u>	<u>80</u>	<u>95</u>	<u>66</u>
Current expenditure	28	34	40	48	51
Of which: transfers to rest of public sector	(--)	(1)	(1)	(--)	(--)
Capital expenditure	21	19	40	47	15
<u>Current account surplus or deficit (-)</u>	<u>9</u>	<u>4</u>	<u>6</u>	<u>-3</u>	<u>5</u>
<u>Overall surplus or deficit (-)</u>	<u>-9</u>	<u>-12</u>	<u>-29</u>	<u>-29</u>	<u>5</u>
Foreign financing (net)	2	5	--	--	--
Domestic financing (net)	7	7	29	29	-5

Table 24. Honduras: Consolidated Operations of the Public Sector (Continued)

(In millions of lempiras)

	1977	1978	1979	1980	Prel. 1981
III. <u>Decentralized Institutions</u> 3/					
<u>Total revenue</u>	<u>144</u>	<u>177</u>	<u>205</u>	<u>241</u>	<u>275</u>
Current revenue	82	102	119	142	174
Current transfers	36	55	70	76	88
Capital transfers	26	20	16	23	13
<u>Total expenditure and net lending</u>	<u>114</u>	<u>140</u>	<u>161</u>	<u>205</u>	<u>224</u>
Current expenditure	82	97	118	148	174
Of which: transfers to public sector	(6)	(6)	(10)	(10)	(10)
Capital expenditure	23	32	30	44	20
Net lending	9	11	13	13	30
<u>Current account surplus or deficit (-)</u>	<u>--</u>	<u>5</u>	<u>1</u>	<u>-6</u>	<u>--</u>
<u>Overall surplus or deficit (-)</u>	<u>30</u>	<u>37</u>	<u>44</u>	<u>36</u>	<u>51</u>
Foreign financing (net)	--	--	--	--	--
Domestic financing (net)	-30	-37	-44	-36	-51
IV. <u>General Government</u>					
<u>Total revenue</u>	<u>601</u>	<u>705</u>	<u>782</u>	<u>922</u>	<u>959</u>
Current revenue	591	670	779	921	955
Tax revenue	(457)	(527)	(605)	(724)	(728)
Nontax revenue	(134)	(143)	(174)	(198)	(227)
Capital revenue and transfers received	10	35	3	1	4
<u>Total expenditure and net lending</u>	<u>717</u>	<u>899</u>	<u>947</u>	<u>1,304</u>	<u>1,307</u>
Current expenditure	482	540	603	845	935
Capital expenditure	227	294	293	325	192
Of which: transfers to public enterprises	(10)	(27)	(28)	(37)	(44)
Net lending 1/	8	65	51	134	180
<u>Current account surplus or deficit (-)</u>	<u>109</u>	<u>130</u>	<u>176</u>	<u>76</u>	<u>20</u>
<u>Overall surplus or deficit (-)</u>	<u>-116</u>	<u>-194</u>	<u>-165</u>	<u>-382</u>	<u>-348</u>
Foreign financing (net)	81	165	139	251	224
Domestic financing (net)	35	29	26	131	124

Table 24. Honduras: Consolidated Operations of the Public Sector (Continued)

(In millions of lempiras)

	1977	1978	1979	1980	Prel. 1981
<u>V. Public Enterprises 4/</u>					
<u>Total revenue</u>	<u>170</u>	<u>231</u>	<u>277</u>	<u>421</u>	<u>429</u>
Current revenue	160	178	226	271	311
Of which: transfers from					
Central Government	(--)	(1)	(1)	(--)	(--)
Capital revenue and transfers	10	26	36	37	35
Funds on-loan from Central Government	--	27	15	113	83
<u>Total expenditure and net lending</u>	<u>250</u>	<u>276</u>	<u>334</u>	<u>497</u>	<u>545</u>
Current expenditure	105	132	158	214	234
Of which: transfers to rest of					
public sector	(6)	(5)	(6)	(10)	(2)
Capital expenditure	124	136	164	233	291
Of which: transfers to Central					
Government	(--)	(--)	(1)	(--)	(--)
Net lending	21	8	12	50	20
<u>Operating surplus or deficit (-)</u>	<u>61</u>	<u>50</u>	<u>73</u>	<u>67</u>	<u>79</u>
<u>Overall surplus or deficit (-)</u>	<u>-80</u>	<u>-45</u>	<u>-57</u>	<u>-76</u>	<u>-116</u>
Foreign financing (net)	72	45	62	38	94
Domestic financing (net)	8	--	-5	38	22
<u>VI. Consolidated Public Sector</u>					
<u>Total revenue</u>	<u>656</u>	<u>725</u>	<u>858</u>	<u>994</u>	<u>1,038</u>
Tax revenue	457	527	605	724	728
Nontax revenue	195	193	247	264	306
Central Government	(38)	(27)	(40)	(37)	(30)
Rest of general government	(96)	(116)	(134)	(160)	(197)
Public enterprises 5/	(61)	(50)	(73)	(67)	(79)
Capital revenue and other 6/	4	5	6	6	4
<u>Total expenditure and net lending</u>	<u>852</u>	<u>964</u>	<u>1,080</u>	<u>1,452</u>	<u>1,502</u>
Current expenditure	482	539	603	845	935
Capital expenditure and net lending	370	425	477	607	567
Fixed investment	(278)	(348)	(375)	(454)	(427)
Pre-investment	(43)	(44)	(57)	(62)	(7)
Capital transfers	(20)	(13)	(14)	(32)	(6)
Net lending	(29)	(20)	(31)	(59)	(127)

Table 24. Honduras: Consolidated Operations of the Public Sector (Concluded)

(In millions of lempiras)

	1977	1978	1979	1980	Prel. 1981
Current surplus or deficit (-)	<u>170</u>	<u>181</u>	<u>249</u>	<u>143</u>	<u>99</u>
Overall surplus or deficit (-)	<u>-196</u>	<u>-239</u>	<u>-222</u>	<u>-458</u>	<u>-464</u>
Foreign financing (net)	153	210	201	289	317
Domestic financing (net)	43	29	21	169	147
Financial system	(40)	(38)	(44)	(166)	(133)
Bonded debt	(4)	(-3)	(-11)	(-13)	(22)
Other and residual	(-1)	(-6)	(-12)	(16)	(-8)

Sources: Central Bank of Honduras; Ministry of Finance and Public Credit; and Fund staff estimates.

1/ Includes funds on-lent to rest of public sector.

2/ All transfers from Central Government.

3/ Includes IHSS, UNAH, INA, PANI, JNBS, INFOP, IJPM, IJUPEMP, Educredito (beginning in 1977), and CDI (beginning in 1978).

4/ Includes COHDEFOR, ENEE, ENP, SANAA, FNH, INVA, COHBANA, HONDUTEL (beginning 1976), BANASUPRO (beginning in 1977), IHCAFE (beginning in 1978), and IHMA (beginning in 1978).

5/ Corresponds to the operating surplus of public enterprises.

6/ Includes transfers from financial public sector.

Table 25. Honduras: Central Government Revenue

(In millions of lempiras)

	1977	1978	1979	1980	1981
<u>Total revenue</u>	<u>489.2</u>	<u>543.5</u>	<u>631.6</u>	<u>759.8</u>	<u>741.1</u>
<u>Tax revenue</u>	<u>434.2</u>	<u>502.5</u>	<u>573.5</u>	<u>696.7</u>	<u>694.6</u>
Income tax	90.8	123.2	148.3	229.9	179.3
Corporate	(51.5)	(68.3)	(81.0)	(158.0)	(117.2)
Individual	(39.3)	(54.9)	(67.3)	(71.9)	(62.1)
Property tax	3.7	4.3	4.5	6.1	6.8
Taxes on goods and services	128.9	144.6	163.1	182.0	195.8
Sales tax	(32.5)	(37.9)	(43.2)	(49.5)	(54.2)
Beer	(23.2)	(26.5)	(30.7)	(35.9)	(35.8)
Alcoholic beverages	(20.3)	(20.7)	(21.9)	(23.8)	(24.4)
Sugar	(3.1)	(3.2)	(3.4)	(3.3)	(3.5)
Petroleum derivatives	(12.9)	(15.3)	(15.8)	(12.6)	(16.2)
Cigarettes	(13.3)	(14.5)	(16.8)	(21.4)	(25.4)
Mineral water	(4.6)	(4.8)	(5.3)	(9.2)	(10.6)
Other	(19.0)	(21.7)	(26.0)	(26.3)	(25.7)
Taxes on international trade	210.6	230.2	257.0	278.1	312.1
Import taxes	(115.4)	(128.7)	(146.3)	(149.7)	(198.5)
Export taxes	(95.2)	(101.5)	(110.7)	(128.4)	(113.6)
Bananas	[34.4]	[36.4]	[48.4]	[50.1]	[45.4]
Coffee	[58.5]	[62.9]	[59.1]	[64.6]	[48.5]
Other	[2.3]	[2.2]	[3.2]	[13.7]	[19.7]
Other taxes	0.2	0.2	0.6	0.6	0.6
<u>Nontax revenue</u>	<u>37.7</u>	<u>27.4</u>	<u>40.0</u>	<u>37.9</u>	<u>31.9</u>
<u>Current transfers</u>	<u>16.5</u>	<u>13.6</u>	<u>18.1</u>	<u>25.2</u>	<u>14.6</u>
Private sector	3.2	2.7	2.2	5.2	3.1
Public sector	11.4	10.9	15.9	20.0	11.5
Abroad	1.9	--	--	--	--
<u>Capital transfers</u>	<u>0.8</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Rest of public sector	--	--	--	--	--
Abroad	0.8	--	--	--	--

Sources: Ministry of Finance and Public Credit; and Central Bank of Honduras.

Table 26. Honduras: Central Government Expenditure

(In millions of lempiras)

	1977	1978	1979	1980	1981
<u>Total expenditure</u>	<u>626</u>	<u>763</u>	<u>813</u>	<u>1,148</u>	<u>1,145</u>
<u>Current expenditure</u>	<u>415</u>	<u>472</u>	<u>527</u>	<u>734</u>	<u>808</u>
Wages and salaries	214	261	300	407	433
Goods and services	123	106	99	182	207
Interest	30	34	42	54	62
Domestic	(13)	(14)	(18)	(22)	(25)
Foreign	(17)	(20)	(24)	(32)	(37)
Current transfers to	48	71	86	91	106
Private sector	(7)	(9)	(10)	(10)	(14)
Public sector <u>1/</u>	(38)	(57)	(71)	(76)	(88)
Abroad	(3)	(5)	(5)	(5)	(4)
<u>Capital expenditure</u>	<u>212</u>	<u>264</u>	<u>260</u>	<u>277</u>	<u>189</u>
<u>Fixed capital formation</u>	<u>151</u>	<u>200</u>	<u>195</u>	<u>197</u>	<u>120</u>
Transfers to	62	64	65	80	69
Private sector	(--)	(1)	(--)	(--)	(--)
Public sector <u>1/</u>	(62)	(63)	(65)	(80)	(69)
<u>Net lending <u>2/</u></u>	<u>-1</u>	<u>27</u>	<u>26</u>	<u>137</u>	<u>148</u>

Sources: Central Bank of Honduras; and Ministry of Finance and Public Credit.

1/ Includes transfers to the financial public intermediaries.

2/ Includes funds on-lent to rest of public sector.

Table 27. Honduras: Central Government Current Transfers
to the Public Sector

(In millions of lempiras)

	1977	1978	1979	1980	1981
<u>Total public sector</u>	<u>37</u>	<u>57</u>	<u>71</u>	<u>76</u>	<u>88</u>
<u>Local governments</u>	<u>1</u>	<u>1</u>	--	--	--
<u>Decentralized agencies</u>	<u>36</u>	<u>55</u>	<u>70</u>	<u>76</u>	<u>88</u>
UNHA	14	20	20	29	34
INA	14	24	27	23	22
JNBS	7	7	10	12	12
INFOP	1	--	--	--	--
INJPM	--	1	--	1	1
CDI	--	3	2	3	4
Other	--	--	11	8	15
<u>Public enterprises</u>	<u>--</u>	<u>1</u>	<u>1</u>	<u>--</u>	<u>--</u>
HONDUTEL	--	1	1	--	--

Sources: Central Bank of Honduras; and Ministry of Finance and Public Credit.

Table 28. Honduras: Central Government Capital Transfers
to the Public Sector

(In millions of lempiras)

	1977	1978	1979	1980	1981
<u>Total public sector</u>	<u>57</u>	<u>63</u>	<u>65</u>	<u>80</u>	<u>69</u>
<u>Financial public sector</u>	<u>18</u>	<u>17</u>	<u>20</u>	<u>16</u>	<u>6</u>
BANADESA	11	9	15	14	2
BMA	3	3	4	2	3
FINAVI	3	5	1	--	--
CONADI	1	--	--	--	1
<u>Nonfinancial public sector</u>	<u>39</u>	<u>46</u>	<u>45</u>	<u>64</u>	<u>63</u>
Local governments	2	1	2	4	6
<u>Decentralized agencies</u>	<u>27</u>	<u>20</u>	<u>16</u>	<u>23</u>	<u>13</u>
INVA	4	7	2	4	2
UNHA	3	--	2	--	--
INA	15	12	9	16	10
JNBS	3	1	3	1	--
EDUCREDITO	1	--	--	2	1
PANI	1	--	--	--	--
<u>Public enterprises</u>	<u>10</u>	<u>25</u>	<u>27</u>	<u>37</u>	<u>44</u>
ENEE	--	4	7	17	37
SANAA	6	7	9	13	7
HONDUTEL	--	1	--	--	--
IMHA	--	8	10	5	--
IHCAFE	4	3	--	--	--
Other	--	2	1	2	--

Sources: Central Bank of Honduras; and Ministry of Finance and Public Credit.

Table 29. Honduras: Operations of the Social Security Institute (IHSS)

(In millions of lempiras)

	1977	1978	1979	1980	Prel. 1981
<u>Total revenue</u>	<u>37</u>	<u>45</u>	<u>50</u>	<u>60</u>	<u>67</u>
Social security contributions	34	39	46	54	57
Other revenue	3	6	4	5	10
<u>Total expenditure</u>	<u>24</u>	<u>26</u>	<u>38</u>	<u>46</u>	<u>53</u>
<u>Current expenditure</u>	<u>23</u>	<u>24</u>	<u>35</u>	<u>43</u>	<u>52</u>
Administrative expenditure	(4)	(5)	(...)	(...)	(...)
Cost of health services	(17)	(18)	(...)	(...)	(...)
Other benefits	(2)	(1)	(...)	(...)	(...)
Capital expenditure	1	2	3	3	1
<u>Current account surplus</u>	<u>11</u>	<u>15</u>	<u>11</u>	<u>11</u>	<u>5</u>
<u>Overall surplus</u>	<u>13</u>	<u>19</u>	<u>12</u>	<u>14</u>	<u>14</u>
<u>Memorandum item</u>					
Number of direct beneficiaries (in thousands)	125	138	165	...	...

Sources: Social Security Institute (IHSS); and Central Bank of Honduras.

Table 30. Honduras: Summary Operations of Selected Public Enterprises
(In millions of lempiras)

	1978	1979	1980	Prel. 1981	Budget 1982 1/
<u>Electricity Company: ENEE</u>					
Revenue from sales	61	79	106	116	140
Operating surplus 2/	21	34	36	45	44
Capital expenditure	35	69	167	226	275
<u>Forest Development Corporation: CONDEFOR</u>					
Revenue from sales	38	42	35	39	36
Operating surplus 2/	11	15	1	9	-2
Capital expenditure	11	5	9	14	21
<u>Telecommunications Corporation: HONDUTEL</u>					
Revenue from sales	30	37	48	62	59
Operating surplus 2/	11	10	10	14	18
Capital expenditure	33	18	13	8	50
<u>Port Enterprise: ENP</u>					
Revenue from sales	22	30	32	33	42
Operating surplus 2/	7	7	4	5	12
Capital expenditure	39	43	8	6	29
<u>Coffee Institute: IHCAFE</u>					
Revenue from sales	5	11	14	19	17
Operating surplus 2/	-2	3	-1	2	-7
Capital expenditure	-2	-2	9	6	6
<u>Water and Sewerage Corporation: SANAA</u>					
Revenue from sales	9	10	11	13	14
Operating surplus 2/	3	3	3	4	5
Capital expenditure	9	8	10	7	35
<u>Other public enterprises</u>					
Revenue from sales	13	17	25	29	39
Operating surplus 2/	-5	4	4	-2	-1
Capital expenditure	11	22	17	24	74
<u>Total</u>					
Revenue from sales	178	226	271	311	347
Operating surplus 2/	46	68	57	77	69
Capital expenditure	136	163	233	291	578

Sources: Central Bank of Honduras; and Fund staff estimates.

1/ In 1982 the operating surplus excludes projected depreciation allowances estimated at 10 per cent above that of 1981.

2/ After transfer payments to and from the Central Government.

Table 31. Honduras: Detailed Accounts of the Financial System

(In millions of lempiras)

	December 31					March 31	
	1977	1978	1979	1980	1981	1981	1982
1. Central Bank							
International reserves (net)	273.6	311.3	363.0	231.5	21.0	237.9	-60.6
Foreign assets	380.3	373.4	423.2	324.1	237.2	310.2	201.3
Net IMF position	-10.0	15.3	15.4	-30.4	-77.6	-30.4	-133.5
Short-term liabilities	-96.7	-77.4	-75.6	-62.2	-138.6	-41.9	-128.4
Domestic assets	168.8	216.4	292.1	464.1	716.6	464.2	736.2
Credit to Central Government (net)	-7.1	37.9	30.0	138.5	311.2	173.9	341.0
Credit	(38.9)	(114.7)	(145.9)	(230.2)	(424.9)	(240.7)	(426.1)
Deposits	(-46.0)	(-76.8)	(-115.9)	(-91.7)	(-113.7)	(-66.8)	(-85.1)
Credit to rest of public sector (net)	16.6	17.1	65.9	75.3	70.1	79.3	63.4
Credit	(42.5)	(60.7)	(115.9)	(111.4)	(110.4)	(117.8)	(107.1)
Deposits	(-25.9)	(-43.6)	(-50.0)	(-36.1)	(-40.3)	(-38.5)	(-43.7)
Official capital and reserves	-45.4	-63.5	-86.6	-130.6	-150.6	-135.9	-157.9
Credit to private sector	0.3	0.4	0.5	0.5	0.5	0.5	0.5
Net credit to BANFINAN 1/	--	--	--	--	50.2	--	49.9
Credit to banks	126.0	147.5	168.3	235.1	265.5	220.6	273.8
BANADESA	(50.9)	(66.9)	(65.8)	(81.3)	(90.7)	(77.1)	(116.6)
Commercial banks	(74.8)	(79.7)	(97.4)	(140.4)	(152.2)	(124.1)	(148.8)
CORADI	(--)	(0.7)	(--)	(2.4)	(5.1)	(8.6)	(5.4)
Specialized savings institutions and BMA	(0.3)	(0.2)	(5.1)	(11.0)	(17.5)	(10.8)	(3.0)
Subscriptions to international agencies	114.1	142.4	157.4	190.3	203.7	190.3	208.7
Deposits of international agencies	-76.4	-103.8	-105.0	-158.4	-170.5	-208.3	-173.5
Unclassified assets (net)	40.7	38.4	61.6	113.4	136.5	143.8	130.3
Assets	(58.2)	(76.9)	(78.4)	(140.0)	(163.1)	(171.4)	(150.1)
Liabilities	(-17.5)	(-38.5)	(-16.8)	(-26.6)	(-26.6)	(-27.6)	(-19.8)
Counterpart unrequited foreign exchange	16.7	14.5	30.6	38.8	48.3	47.8	36.7
Allocation of SDRs	19.8	20.9	30.7	40.4	45.7	49.3	45.7
Valuation adjustment Fund accounts	-3.1	-6.4	-0.1	-1.6	2.6	-1.5	-9.0
Foreign liabilities (medium- and long-term)	148.2	177.6	243.0	297.3	309.1	316.0	317.9
Liabilities to banks	85.0	120.9	111.9	84.2	78.8	71.2	41.8
Cash in vaults	27.8	32.1	36.6	38.0	35.3	35.8	35.9
Deposits	57.2	88.8	75.3	46.2	43.5	35.4	5.9
Liabilities to private sector and nonbank private financial intermediaries	192.5	214.7	269.6	275.3	301.4	267.1	279.2
Money	190.6	213.0	267.2	273.6	299.3	264.2	274.0
Currency in circulation	(188.9)	(209.6)	(263.7)	(268.9)	(297.2)	(261.3)	(269.3)
Sight deposits	(1.7)	(3.4)	(3.5)	(4.7)	(2.1)	(2.9)	(4.7)
Time and savings deposits	1.9	1.7	2.4	1.7	2.1	2.9	5.2
11. Commercial Banks							
International reserves (net)	-51.3	-18.7	-80.9	-41.3	1.6	3.3	-4.3
Foreign assets	14.0	15.4	15.8	18.3	25.3	17.9	22.8
Short-term liabilities	-65.3	-34.1	-96.7	-59.6	-23.7	-14.6	-27.1
Claims on Central Bank	78.1	108.4	111.0	103.7	111.2	82.3	64.8
Cash in vaults	23.5	23.6	30.2	32.3	30.3	27.9	28.2
Deposits	54.6	82.1	80.8	71.4	80.9	54.4	36.6
Domestic assets	924.4	1,042.8	1,145.1	1,267.0	1,274.4	1,272.9	1,321.6
Net claims on Central Government	121.7	133.5	158.3	168.9	149.4	176.9	164.8
Assets	(129.3)	(140.8)	(165.7)	(192.0)	(181.2)	(200.0)	(198.0)
Liabilities 2/	(-7.6)	(-7.3)	(-7.4)	(-23.1)	(-31.8)	(-23.1)	(-33.2)
Net claims on the rest of public sector	-16.9	-18.4	-36.8	-12.0	-22.5	-18.3	-27.4
Credit to rest of banking system	11.0	12.2	12.7	12.6	16.6	15.5	27.8
Credit to nonbank private financial intermediaries	0.1	0.1	0.2	--	--	--	--
Credit to private sector	773.9	858.4	930.3	945.3	991.6	939.0	1,005.1
Deposits of international agencies	-12.0	-15.2	-20.0	-4.7	-0.1	-3.1	-4.7
Unclassified assets (net)	46.6	72.2	100.4	156.9	139.4	162.9	156.0
Assets	(635.3)	(769.4)	(1,039.1)	(1,044.3)	(920.8)	(1,047.1)	(...)
Liabilities	(-588.7)	(-697.2)	(-938.7)	(-887.4)	(-781.4)	(-884.2)	(...)
Foreign liabilities (medium- and long-term)	66.9	70.7	37.8	34.3	15.3	52.3	14.7
Liabilities to Central Bank	79.0	78.5	99.8	179.8	166.1	173.1	159.7
Liabilities to rest of banking system	15.6	17.4	16.9	11.0	3.3	6.8	6.1

Table 31. Honduras: Detailed Accounts of the Financial System (Continued)

(In millions of lempiras)

	December 31					March 31	
	1977	1978	1979	1980	1981	1981	1982
II. Commercial Banks (Concluded)							
Liabilities to private sector and nonbank							
private financial intermediaries	787.5	965.9	1,020.7	1,104.3	1,202.5	1,126.3	1,199.6
Sight deposits	214.2	257.0	269.8	323.2	327.9	313.8	317.5
Quasi-money	468.3	586.9	606.6	620.5	702.4	648.2	704.4
Time and savings deposits	(320.9)	(396.9)	(414.5)	(436.1)	(509.6)	(448.2)	(499.0)
Specialized savings	(34.7)	(39.1)	(42.5)	(48.0)	(51.4)	(48.4)	(51.6)
Other deposits in local currency	(10.3)	(12.7)	(17.0)	(17.7)	(24.6)	(22.0)	(28.5)
Deposits in foreign exchange	(47.4)	(62.7)	(58.5)	(61.2)	(54.1)	(69.5)	(60.9)
Bonds	(37.3)	(50.6)	(51.8)	(31.0)	(28.3)	(30.6)	(26.8)
Other liabilities	(17.7)	(24.7)	(22.3)	(26.5)	(34.4)	(29.3)	(37.6)
Capital and reserves	105.0	122.0	144.3	160.6	172.2	164.3	177.7
III. National Bank for Agricultural Development (BANADESA)3/							
International reserves (net)	-10.9	-8.7	-22.8	-16.8	-5.1	-14.9	-3.6
Foreign assets	2.4	3.6	3.4	1.6	2.6	3.8	2.4
Short-term liabilities	-13.3	-12.3	-26.2	-18.4	-7.7	-18.7	-6.0
Claims on Central Bank	11.0	15.5	12.6	10.4	9.6	8.6	9.1
Cash in vaults	3.9	5.4	5.4	4.4	3.3	7.0	5.4
Deposits	7.1	10.1	7.2	6.0	6.1	1.6	3.7
Domestic assets	131.3	126.0	143.6	156.6	180.2	153.1	184.0
Net claims on Central Government	-3.8	-8.2	-4.1	2.8	-3.4	3.3	-2.7
Assets	(10.9)	(1.4)	(3.7)	(8.3)	(0.6)	(8.4)	(0.7)
Liabilities 2/	(-14.7)	(-9.6)	(-7.8)	(-5.5)	(-4.0)	(-5.1)	(-3.4)
Net claims on the rest of public sector	-7.9	-14.6	-21.8	-24.2	-22.1	-23.3	-21.1
Assets	(2.7)	(2.0)	(1.6)	(-)	(-)	(-)	(-)
Liabilities	(-10.6)	(-16.6)	(-23.4)	(-24.2)	(-22.1)	(-23.3)	(-21.1)
Official capital and reserves	-80.6	-75.6	-81.3	-69.0	-72.8	-57.3	-60.7
Credit to nonbank private financial intermediaries	1.8	2.3	3.2	3.2	2.0	-	-
Credit to private sector	135.5	148.3	164.6	174.2	146.0	167.9	156.4
Unclassified assets (net)	86.3	76.0	83.0	69.6	130.5	62.5	112.1
Assets	(155.9)	(167.8)	(170.1)	(156.2)	(221.0)	(151.4)	(...)
Liabilities	(-69.6)	(-91.8)	(-87.1)	(-86.6)	(-90.5)	(-88.9)	(...)
Foreign liabilities (medium- and long-term)4/	51.0	44.8	40.5	36.5	33.0	36.4	33.8
Liabilities to Central Bank	51.0	60.8	58.9	77.9	116.9	73.5	122.7
Liabilities to private sector and nonbank							
private financial intermediaries	29.4	29.2	34.0	35.8	34.8	36.9	33.0
Sight deposits	5.3	4.5	7.9	7.2	4.2	7.8	5.7
Quasi-money	24.1	24.7	26.1	28.6	30.6	29.1	27.3
Time and savings deposits	(17.6)	(15.8)	(17.4)	(21.0)	(21.8)	(21.8)	(20.8)
Other deposits in local currency	(0.3)	(0.2)	(0.4)	(0.6)	(0.4)	(0.5)	(0.4)
Deposits in foreign exchange	(0.9)	(1.6)	(0.6)	(0.8)	(0.5)	(0.5)	(0.5)
Bonds	(3.6)	(5.0)	(4.4)	(2.5)	(2.2)	(2.4)	(2.0)
Other obligations	(1.7)	(2.1)	(3.3)	(3.7)	(5.7)	(3.9)	(3.6)
IV. National Investment Corporation (CONADI)							
International reserves (net)	-11.9	-13.1	-21.7	-50.7	-35.1	-53.6	-38.0
Foreign assets	--	0.8	0.9	1.0	0.6	1.7	0.6
Foreign liabilities	-11.9	-13.9	-22.6	-51.7	-35.7	-55.3	-38.6
Claims on Central Bank	0.7	0.7	--	0.1	--	0.8	--
Cash in vaults	--	--	--	--	--	--	--
Deposits	0.7	0.7	--	0.1	--	0.8	--
Domestic assets	79.5	125.2	169.0	177.1	214.3	181.2	220.8
Net claims on Central Government 2/	--	--	--	-27.7	-42.4	-29.9	-52.6
Net claims on rest of public sector	1.4	1.4	-1.5	-3.6	-2.0	-2.5	-2.0
Official capital and reserves	-20.2	-25.2	-28.6	-30.1	-47.1	-31.4	-47.8
Credit to rest of banking system	14.1	11.6	11.2	6.6	1.4	2.7	1.3
Credit to private sector	80.6	129.5	173.3	215.8	253.2	226.5	258.7
Unclassified assets (net)	3.6	7.9	14.8	16.1	51.2	15.8	63.2
Assets	(98.4)	(155.9)	(258.7)	(289.5)	(350.4)	(301.8)	(...)
Liabilities	(-94.8)	(-148.0)	(-243.9)	(-273.4)	(-299.2)	(-286.0)	(...)
Foreign liabilities (medium- and long-term)	52.8	86.1	100.0	94.6	134.1	91.5	134.1
Liabilities to Central Bank	--	0.7	--	2.8	12.2	7.0	12.4
Liabilities to rest of banking system	0.8	0.8	0.7	0.6	0.7	1.3	2.7
Liabilities to private sector and nonbank							
private financial intermediaries	14.7	22.8	46.6	28.5	32.2	28.6	33.6
Deposits	1.0	0.2	0.1	--	--	--	--
Bonds	13.4	22.3	45.8	27.6	30.8	27.8	31.6
Other liabilities	0.3	0.3	0.7	0.9	1.4	0.8	2.0

Table 31. Honduras: Detailed Accounts of the Financial System (Continued)

(In millions of lempiras)

	December 31					March 31	
	1977	1978	1979	1980	1981	1981	1982
V. Municipal Bank (BMA)							
International reserves (net)	--	0.1	--	0.2	-0.3	-0.4	-0.4
Foreign assets	--	0.1	--	0.2	0.2	0.1	0.1
Foreign liabilities	--	--	--	--	-0.5	-0.5	-0.5
Claims on Central Bank	0.6	1.0	0.7	1.1	1.5	0.6	0.9
Cash in vaults	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Deposits	0.5	0.9	0.6	1.0	1.4	0.5	0.8
Domestic assets	3.0	1.1	1.7	4.6	11.1	3.6	11.1
Net claims on Central Government	--	--	--	--	--	1.0	--
Net claims on the rest of public sector	8.6	5.2	10.2	17.1	19.1	15.7	18.9
Assets	(12.4)	(9.6)	(18.2)	(36.5)	(41.0)	(36.6)	(40.8)
Liabilities	(-3.8)	(-4.4)	(-8.0)	(-19.4)	(-21.9)	(-20.9)	(-21.9)
Official capital and reserves	-17.4	-21.8	-25.5	-29.9	-35.9	-31.5	-38.0
Credit to rest of banking system	--	--	1.5	1.7	2.0	1.9	3.6
Credit to private sector	3.0	6.9	4.6	5.1	11.3	5.1	11.6
Unclassified assets (net)	8.8	10.8	10.9	10.6	14.6	11.4	15.0
Assets	(14.2)	(17.9)	(20.5)	(18.7)	(26.5)	(22.4)	(...)
Liabilities	(-5.4)	(-7.1)	(-9.6)	(-8.1)	(-11.9)	(-11.0)	(...)
Foreign liabilities (medium- and long-term)	1.7	1.3	1.0	1.2	8.7	0.5	8.6
Liabilities to Central Bank	0.3	0.2	0.1	--	--	--	--
Liabilities to rest of banking system	0.2	--	--	--	--	--	--
Liabilities to private sector	1.4	0.7	1.3	4.7	3.6	3.3	3.0
Sight deposits	0.6	0.3	0.6	0.7	0.6	0.5	0.3
Time and savings deposits	0.6	0.1	0.1	0.1	0.1	0.1	0.1
Other deposits	0.2	0.3	0.5	0.6	0.3	0.5	0.3
Bonds	--	--	--	2.6	1.3	1.3	1.3
Other obligations	--	--	0.1	0.7	1.3	0.9	1.0
VI. Specialized Savings Institutions							
International reserves (net)	0.1	0.1	0.2	0.3	-0.2	0.1	4.8
Foreign assets	0.1	0.1	0.2	0.4	0.7	0.6	5.6
Short-term liabilities	--	--	--	-0.1	-0.9	-0.5	-0.8
Claims on Central Bank	1.8	2.8	2.3	6.3	7.9	3.8	4.5
Cash in vaults	0.3	0.3	0.9	1.2	1.4	0.8	2.2
Deposits	1.5	2.5	1.4	5.1	6.5	3.0	2.3
Deposits with rest of banking system	0.3	0.4	2.7	--	--	--	--
Domestic assets	44.4	65.6	88.2	120.8	164.1	131.7	166.5
Net claims on Central Government 2/	-0.7	0.9	1.3	3.2	5.3	4.9	-11.2
Net claims on the rest of public sector	-1.0	-1.8	-4.4	-17.1	-33.4	-21.2	-38.1
Claims on the rest of banking system	1.9	6.2	2.2	4.3	2.4	3.8	6.0
Credit to private sector	42.8	55.2	83.1	121.2	185.1	131.6	195.9
Unclassified assets (net)	1.4	5.1	6.0	9.2	4.7	12.6	13.9
Assets	(9.2)	(19.6)	(24.6)	(52.5)	(125.6)	(59.2)	(...)
Liabilities	(-7.8)	(-14.5)	(-18.6)	(-43.3)	(-120.9)	(-46.6)	(...)
Foreign liabilities (medium- and long-term)	10.6	10.2	11.2	15.1	31.3	16.5	33.3
Liabilities to Central Bank	--	--	5.0	11.0	20.7	10.8	16.2
Liabilities to rest of banking system	2.6	3.2	2.7	2.0	5.9	4.4	13.4

Table 31. Honduras: Detailed Accounts of the Financial System (Continued)

(In millions of lempiras)

	December 31					March 31	
	1977	1978	1979	1980	1981	1981	1982
VI. Specialized Savings Institutions (Concluded)							
<u>Liabilities to private sector</u>	33.4	55.5	74.5	99.3	113.9	103.9	112.9
Time and savings deposits	18.1	33.7	46.8	65.2	75.9	67.8	79.1
Bonds	--	--	--	4.9	5.5	5.5	6.3
Deposits in foreign exchange	2.3	1.2	2.5	3.1	3.7	3.6	3.5
Other obligations	0.7	0.8	1.2	2.1	4.1	2.6	5.2
Capital and reserves	12.3	19.8	24.0	24.0	24.7	24.4	18.8
VII. Consolidated Banking System							
<u>International reserves (net)</u>	199.6	271.0	237.8	123.2	-18.1	172.4	-102.1
Foreign assets	396.8	408.7	458.9	345.6	266.6	334.3	232.8
Net IMF position	-10.0	15.3	15.4	-30.4	-77.6	-30.4	-133.5
Short-term liabilities	-187.2	-153.0	-236.5	-192.0	-207.1	-131.5	-201.4
<u>Domestic assets</u>	1,209.2	1,425.4	1,673.0	1,942.5	2,286.3	1,954.7	2,342.5
Net claims on Central Government	110.1	164.1	185.5	285.7	420.1	330.1	439.3
Assets	(182.6)	(261.7)	(320.3)	(437.2)	(615.2)	(458.5)	(637.1)
Liabilities 2/	(-72.5)	(-97.6)	(-134.8)	(-151.5)	(-195.1)	(-128.4)	(-197.8)
Net claims on the rest of public sector	0.8	-11.3	11.6	35.5	9.2	29.7	-6.3
Assets	(65.3)	(78.5)	(138.9)	(154.2)	(153.7)	(159.8)	(150.2)
Liabilities	(-64.5)	(-89.8)	(-127.3)	(-118.7)	(-144.5)	(-130.1)	(-156.5)
Credit to nonbank private financial intermediaries	1.9	2.4	3.4	3.2	2.0))
Credit to private sector	1,036.1	1,198.7	1,356.4	1,462.1	1,587.7	1,470.6	1,628.2
Net credit to BANFINAN 1/	--	--	--	--	50.2	--	49.9
Subscriptions to international agencies (net)	25.7	23.4	32.4	27.2	33.1	-21.1	30.5
Subscriptions to international agencies	(114.1)	(142.4)	(157.4)	(190.3)	(203.7)	(190.3)	(208.7)
Deposits of international agencies	(-88.4)	(-119.0)	(-125.0)	(-163.1)	(-170.6)	(-211.4)	(-178.2)
Official capital and reserves	-163.6	-186.1	-222.2	-259.6	-306.4	-256.1	-304.4
Unclassified assets (net)	187.4	210.4	276.7	375.8	476.9	409.0	490.5
Interbank float	10.8	23.8	29.2	12.6	13.5	-7.5	14.8
<u>Counterpart unrequited foreign exchange</u>	16.7	14.5	30.6	38.8	48.3	47.8	36.7
Allocation of SDRs	19.8	20.9	30.7	40.4	45.7	49.3	45.7
Valuation adjustment Fund accounts	-3.1	-6.4	-0.1	-1.6	2.6	-1.5	-9.0
<u>Foreign liabilities (medium- and long-term)</u>	333.2	393.1	433.5	479.0	531.5	513.2	542.4
<u>Liabilities to private sector and nonbank private financial intermediaries</u>	1,058.9	1,288.8	1,446.7	1,547.9	1,688.4	1,566.1	1,661.3
Money	410.7	474.7	545.5	604.6	632.0	586.3	597.5
Currency in circulation	(188.9)	(209.6)	(263.7)	(268.9)	(297.2)	(261.3)	(269.3)
Sight deposits	(221.8)	(265.1)	(281.8)	(335.7)	(334.8)	(325.0)	(328.2)
Quasi-money	530.9	672.2	732.9	758.7	859.5	791.1	867.3
Time and savings deposits	(359.1)	(448.2)	(481.2)	(524.1)	(609.5)	(540.8)	(604.2)
Specialized savings	(34.7)	(39.1)	(42.5)	(48.0)	(51.4)	(48.4)	(51.6)
Other deposits in local currency	(11.8)	(13.4)	(18.0)	(18.9)	(25.3)	(23.0)	(29.2)
Deposits in foreign exchange	(50.6)	(65.5)	(61.6)	(65.1)	(58.3)	(73.6)	(64.9)
Bonds	(54.3)	(78.1)	(102.0)	(68.6)	(68.1)	(67.6)	(68.0)
Other obligations	(20.4)	(27.9)	(27.6)	(34.0)	(46.9)	(37.7)	(49.4)
Capital and reserves	117.3	141.9	168.3	184.6	196.9	188.7	196.5

Table 31. Honduras: Detailed Accounts of the Financial System (Concluded)

(In millions of lempiras)

	December 31				
	1977	1978	1979	1980	1981
VIII. Private Nonbank Financial Intermediaries 5/					
Net foreign assets	-2.4	1.0	3.0	--	-0.4
Assets	2.7	6.8	17.8	0.4	0.6
Short-term liabilities	-5.1	-5.8	-14.8	-0.4	-1.0
Currency and deposits	7.1	8.6	6.9	4.4	3.8
Domestic assets	105.8	116.1	138.6	160.3	197.8
Net claims on Central Government 2/	4.8	7.0	7.6	8.3	10.9
Net claims on the rest of public sector	--	--	-0.2	-0.2	-0.2
Credit to private sector	80.3	92.3	105.9	111.6	124.3
Unclassified assets (net)	20.7	16.8	25.3	40.6	62.8
Liabilities to banks	1.9	2.4	3.4	3.2	2.0
Commercial banks	0.1	0.1	0.2	--	--
BANADESA	1.8	2.3	3.2	3.2	2.0
Foreign liabilities (medium- and long-term)	12.5	12.3	12.8	14.0	20.0
Liabilities to private sector	96.1	111.0	132.3	147.5	179.2
Time and savings deposits	26.6	27.8	29.7	28.6	40.5
Other obligations	53.1	64.9	82.0	95.2	108.2
Capital and reserves	16.4	18.3	20.6	23.7	30.5
IX. Consolidated Financial System					
Net international reserves of the banking system	199.6	271.0	237.8	123.2	-18.1
Other foreign assets (net)	-2.4	1.0	3.0	--	-0.4
Domestic assets	1,313.1	1,539.1	1,808.2	2,099.6	2,482.1
Net claims on Central Government 2/	114.9	171.1	193.1	294.0	431.0
Net claims on the rest of public sector	0.8	-11.3	11.4	35.3	9.0
Official capital and reserves	-163.6	-186.1	-222.2	-259.6	-306.4
Credit to private sector	1,116.4	1,291.0	1,462.3	1,573.7	1,712.0
Net credit to BANFINAN 1/	--	--	--	--	50.2
Subscriptions to international agencies (net)	25.7	23.4	32.4	27.2	33.1
Unclassified assets (net)	208.1	227.2	302.0	416.4	539.7
Interbank float	10.8	23.8	29.2	12.6	13.5
Counterpart unrequited foreign exchange	16.7	14.5	30.6	38.8	48.3
Allocation of SDRs	19.8	20.9	30.7	40.4	45.7
Valuation adjustment Fund accounts	-3.1	-6.4	-0.1	-1.6	2.6
Foreign liabilities (medium- and long-term)	345.7	405.4	446.3	493.0	551.5
Liabilities to private sector	1,147.9	1,391.2	1,572.1	1,691.0	1,863.8
Money	410.7	474.7	545.5	604.6	632.0
Time, savings, and other deposits	482.8	594.0	633.0	684.7	785.0
Less: currency and deposits of nonbank private financial intermediaries	-7.1	-8.6	-6.9	-4.4	-3.8
Bonds	54.3	78.1	102.0	68.6	68.1
Other obligations	73.5	92.8	109.6	129.2	155.1
Capital and reserves	133.7	160.2	188.9	208.3	227.4

Source: Central Bank of Honduras.

1/ BANFINAN, a former private commercial bank, was legally declared bankrupt in December 1980. Since June 1981, the Superintendency of Banks has excluded BANFINAN's accounts from the banking system accounts.

2/ Includes trust fund loans from the Central Government and, in the case of CONADI in 1981, also includes central government loans for external debt service payments.

3/ In April 1980, the former National Development Bank (BANAFOM) was transformed into BANADESA.

4/ Differs from the balance sheet values by the exclusion of future interest payments. The counterpart adjustment was made in unclassified liabilities.

5/ Includes savings and loan cooperatives, insurance companies, and the Honduran Federation of Housing Cooperatives (FEHCOVIL).

Table 32. Honduras: Central Bank Credit to Rest of Banking System

(In millions of lempiras)

	1977	1978	1979	1980	1981
<u>Total</u>	<u>125.9</u>	<u>147.4</u>	<u>168.3</u>	<u>235.1</u>	<u>265.5</u>
General rediscounts	19.5	16.7	15.5	14.2	13.0
Special rediscounts	49.2	78.0	63.1	78.9	104.9
Commercialization and production	(0.6)	(0.7)	(--)	(--)	(--)
Export financing	(10.1)	(17.0)	(11.3)	(9.7)	(27.8)
Basic grains	(10.8)	(16.3)	(16.4)	(28.2)	(30.6)
Reconstruction, "Fifi"	(1.9)	(1.9)	(1.9)	(1.9)	(1.8)
Commercialization of rice	(3.0)	(4.8)	(2.3)	(--)	(--)
Import of urea	(1.9)	(1.9)	(1.3)	(0.6)	(--)
Import of corn	(1.2)	(--)	(--)	(--)	(--)
Import of fertilizers	(1.9)	(1.9)	(--)	(--)	(--)
Cotton	(5.9)	(8.1)	(7.5)	(9.9)	(5.9)
Other	(11.9)	(25.4)	(22.4)	(28.6)	(38.8)
Transport	1.7	0.8	8.6	0.6	0.3
Financing of coffee production and commercialization	25.0	26.6	30.3	30.3	10.8
Livestock development	14.1	22.2	32.9	41.7	57.6
Illiquidity	15.8	2.7	12.9	68.2	78.2
Other loans and investments	0.6	0.4	5.0	1.2	0.7

Source: Central Bank of Honduras.

Table 33. Honduras: Financial System Maximum Interest Rates

(In per cent per annum)

	Feb. 1972- Mar. 1974	Mar.-Sept. 1974	Sept. 1974- Dec. 1978	Dec. 1978- Sept. 1979	Sept. 1979- Mar. 1980	Mar. 1980- May 1982	May 1982 to Date
<u>Lending rates</u>							
<u>Installment loans up to one year with interest payments collected in advance 1/</u>							
Up to L 1,000 2/	7.0	8.0	8.5	8.5	8.5	9.5	9.5
Over L 1,000 and up to L 2,500 2/	6.0	7.0	7.5	7.5	8.5	9.5	9.5
<u>Other loans 3/</u>							
Up to L 1,000	12.0	14.0	16.0	16.0	16.0	19.0	19.0
Over L 1,000 and up to L 2,500	10.0	12.0	13.5	14.0	16.0	19.0	19.0
Over L 2,000	9.0	9.0	11.0	14.0	16.0	19.0	19.0
<u>Special rates</u>							
Production, services, transportation, communication, and real estate 3/	9.0	9.0	11.0	14.0	16.0	19.0	19.0
Commerce and consumption 3/	Free	Free	13.0	14.0	16.0	19.0	19.0
<u>Housing loans (under L 80,000)</u>							
Up to 10 years	10.0	10.0	10.0	10.0	10.0	12.0	19.0
More than 10 and up to 15 years	10.0	10.0	11.0	11.0	11.0	13.0	19.0
More than 15 years	11.0	11.0	12.0	12.0	12.0	14.0	19.0
<u>Discount rates</u>			10.0-13.0	13.0	13.5	16.0	16.0
<u>Deposit rates</u>							Free
Savings deposits	4.0	4.0	6.0	7.0	7.0	8.0 5/	8.0-10.0
<u>Time and certificates of deposit 4/</u>							
Under 3 months	4.0	6.0	7.0	Free 8.0-11.0	Free 8.0-11.0	Free 8.0-14.0	Free 8.0-10.0
From 3 months to under 6 months	4.0	7.0	7.5	8.0-11.0	8.0-11.0	8.0-14.0	8.0-16.0
From 6 months to under 12 months	7.0	7.0	8.0	8.0-11.0	8.0-11.0	8.0-14.0	8.0-16.0
From 12 months to under 18 months	7.0	7.0	8.5	8.0-11.0	8.0-11.0	8.0-14.0	8.0-16.0
From 18 months to under 24 months	7.0	7.0	9.0	8.0-11.0	8.0-11.0	8.0-14.0	8.0-16.0
From 24 months and over	7.0	7.0	9.5	8.0-11.0	8.0-11.0	8.0-14.0	8.0-16.0
Over 6 months and a minimum of L 50,000: Free 4/	--	8.0-10.0	8.0-10.0	8.0-11.0	8.0-11.0	8.0-14.0	8.0-16.0
<u>Fixed rent titles</u>	7.0-8.5	8.5	8.5	8.5	8.5	10.0	10.0

Source: Central Bank of Honduras.

1/ The rates are roughly equivalent to the maximum rates of other loans.

2/ Only one category "up to L 5,000" starting from March 1980.

3/ The rates for these loans financed with foreign funds have moved as follows: from October 1979 until May 1980 they had a maximum of 3.5 percentage points above the external rate contracted; from May to November 1981 the maximum rate was 3.5 percentage points above the cost of funds or 19 per cent which ever was higher; since November 1981 this lending rate has been free.

4/ When not subject to limits, the rates shown represent the actual range of variation.

5/ Since May 1981 all deposit rates are free.

Table 34. Honduras: Central Bank Rediscount Rates 1/

(In per cent per annum)

	Dec. 1978- Nov. 1981	Nov. 1981- Feb. 1982	Feb.- May 1982	May 1982 to Date
Production				
General	8.0	14.0	14.0	15.0
Basic grains	7.0	10.0	10.0	10.0
Domestic communication				
pre-export and exports	9.0	15.0	15.0	15.0
Special Trust Funds				
Housing loans under L 80,000				
Up to 15-year maturity	8.0	8.0	8.0	10.0
More than 15-year maturity	9.0	9.0	9.0	10.0
Transport	7.0	--	--	--
Small industry	6.0	--	--	--
Funds on-lent from IBRD				
Cattle and agricultural development	6.0	6.0	10.0	12.0
National Fund for Industrial Development (FONDEI)	7.0-9.0	11.0-13.0	12.0-14.0	12.0-14.0
Advances for illiquidity	... <u>2/</u>	16.0	16.0	16.0 or 24.0

Source: Central Bank of Honduras.

1/ The periods shown are only approximate for some of the rates.

2/ From May to November 1981, the rate was gradually lowered from 21 per cent to 16 per cent.

Table 35. Honduras: Legal Reserve Position of Financial Intermediaries ^{1/}

	In Millions of Lempiras							As Per Cent of Obligations	
	Obligations Subject to Reserve Require- ments	Required Reserves	Actual Reserves			Net Excess or Defi- ciency (-)	Required Reserves	Actual Reserves	Net Excess or Defi- ciency (-)
			Cash and Deposits	Bonds	Total				
I. Commercial Banks									
<u>December</u>									
1978	770.8	243.4	101.7	148.1	249.8	6.4	31.6	32.4	0.8
1979	816.3	268.6	108.1	160.9	269.0	0.4	32.9	33.0	0.1
1980	897.1	245.2	58.8	188.0	246.8	1.6	27.3	27.5	0.2
1981	941.5	264.4	102.4	180.5	282.9	18.5	28.1	30.0	1.9
<u>October- December 2/</u>									
1979	798.1	257.5	73.7	155.1	228.8	-28.7	32.3	28.7	-3.6
1980	845.4	237.6	61.6	166.8	228.4	-9.2	28.1	27.0	-1.1
1981	916.5	257.6	78.0	179.1	257.1	-0.5	28.1	28.0	-0.1
<u>January-March 2/</u>									
1980	808.9	272.5	81.9	164.2	246.1	-26.4	33.7	30.4	-3.2
1981	884.5	247.1	64.9	184.9	249.8	2.7	27.9	28.2	0.3
1982	924.5	262.5	62.5	194.7	257.2	-5.3	28.4	27.8	-0.6
II. Development Banks and Savings Institutions									
<u>December</u>									
1978	76.1	18.3	20.4	4.8	25.2	6.9	24.0	33.1	9.1
1979	104.3	30.3	16.2	10.5	26.7	-3.6	29.0	25.6	-3.4
1980	99.3	29.0	18.3	14.2	32.5	3.5	29.2	32.7	3.5
1981	107.4	30.7	-9.6	8.4	-1.2	-31.9	28.6	-1.1	-29.7
<u>October- December 2/</u>									
1979	104.3	27.4	13.1	8.1	21.2	-6.2	26.2	20.3	-6.0
1980	97.4	28.7	17.0	11.4	28.4	-0.3	29.5	29.2	-0.3
1981	105.5	31.3	-9.2	6.1	-3.1	-34.4	29.7	-2.9	-32.6
<u>January-March 2/</u>									
1980	120.7	29.1	22.2	10.8	33.0	3.9	24.1	27.3	3.2
1981	101.0	30.5	13.6	15.5	29.1	-1.4	30.2	28.8	-1.4
1982	109.5	31.1	2.3	8.3	10.6	-20.5	28.4	9.7	-18.7
III. Total									
<u>December</u>									
1978	846.9	261.7	122.1	152.9	275.0	13.3	30.9	32.5	1.6
1979	920.6	298.9	124.3	171.4	295.7	-3.2	32.5	32.1	-0.4
1980	996.4	274.2	77.1	202.2	279.3	5.1	27.5	28.0	0.5
1981	1,048.9	295.1	92.8	188.9	281.7	-13.4	28.1	26.8	-1.3
<u>October- December 2/</u>									
1979	902.4	284.9	86.8	163.2	250.0	-34.9	31.6	27.7	-3.9
1980	942.8	266.3	78.6	178.2	256.8	-9.5	28.2	27.2	-1.0
1981	1,022.0	288.9	68.8	185.2	254.0	-34.9	28.3	24.9	-3.4
<u>January- March 2/</u>									
1980	929.6	301.6	104.1	175.0	279.1	-22.5	32.4	30.0	-2.4
1981	985.5	277.6	78.5	200.4	278.9	1.3	28.2	28.3	0.1
1982	1,034.0	293.6	64.8	203.0	267.8	-25.8	28.4	25.9	-2.5

Sources: Central Bank of Honduras; and Superintendency of Banks.

^{1/} Computed on an average monthly basis.^{2/} Average for the quarter.

Table 36. Honduras: Destination of Banking System Credit to the Private Sector 1/

	1977	1978	1979	1980	1981
(In millions of lempiras)					
<u>Total 1/</u>	<u>973.4</u>	<u>1,108.8</u>	<u>1,241.7</u>	<u>1,310.7</u>	<u>1,420.9</u>
Agriculture	177.1	200.7	238.1	261.8	233.5
Coffee	(60.8)	(61.7)	(87.7)	(79.9)	(58.9)
Cotton	(16.8)	(18.9)	(21.2)	(24.2)	(23.1)
Basic grains	(31.2)	(38.0)	(41.6)	(52.0)	(44.8)
Other	(68.3)	(82.1)	(87.6)	(105.7)	(106.7)
Livestock	74.0	74.8	78.8	79.2	81.7
Fishing	25.7	29.8	25.7	19.8	17.6
Mining	1.1	0.9	2.7	1.3	1.3
Manufacturing	201.4	233.6	243.7	256.9	323.4
Transportation and communications	22.8	26.1	45.8	42.1	41.4
Other services	73.7	80.3	110.5	99.7	102.4
Construction and real estate	170.5	187.5	228.8	260.7	313.1
Commerce	176.8	219.1	204.9	220.4	223.1
Consumption	35.3	41.0	46.8	50.4	55.4
Unclassified	15.0	15.0	15.9	18.4	28.0
(As per cent of total)					
Agriculture	18.2	18.1	19.2	20.0	16.4
Coffee	(6.3)	(5.6)	(7.1)	(6.1)	(4.1)
Cotton	(1.7)	(1.7)	(1.7)	(1.8)	(1.6)
Basic grains	(3.2)	(3.4)	(3.3)	(4.0)	(3.2)
Other	(7.0)	(7.4)	(7.1)	(8.1)	(7.5)
Livestock	7.6	6.7	6.3	6.0	5.8
Fishing	2.6	2.7	2.1	1.5	1.2
Mining	0.1	0.1	0.2	0.1	0.1
Manufacturing	20.7	21.1	19.6	19.6	22.8
Transportation and communications	2.3	2.3	3.7	3.2	2.9
Other services	7.6	7.2	8.9	7.6	7.2
Construction and real estate	17.5	16.9	18.4	19.9	22.0
Commerce	18.2	19.8	16.5	16.8	15.7
Consumption	3.6	3.7	3.8	3.9	3.9
Unclassified	1.6	1.4	1.3	1.4	2.0

Source: Central Bank of Honduras.

1/ Includes only loans and discounts and therefore the total figure differs from the total credit to the private sector which appears in the consolidated banking system accounts (Statistical Appendix Table 31).

Table 37. Honduras: Distribution of the Domestic Bonded Debt

(In millions of lempiras)

	December 31				
	1977	1978	1979	1980	1981
<u>Total</u>	<u>409.2</u>	<u>533.9</u>	<u>679.4</u>	<u>784.9</u>	<u>991.9</u>
<u>Central government bonds 1/</u>	<u>277.8</u>	<u>361.1</u>	<u>423.8</u>	<u>544.0</u>	<u>741.9</u>
By holder					
Central Bank 2/	42.0	114.1	151.4	232.8	414.1
Commercial banks	126.7	143.8	166.6	192.9	181.2
BANADESA	10.9	1.4	3.7	8.3	0.6
Other credit institution	3.5	4.8	5.0	6.7	8.5
Insurance companies	4.9	5.5	2.6	2.5	3.3
IHSS	44.9	47.0	63.4	82.0	90.7
Rest of public sector	16.0	18.4	13.3	11.1	15.3
Sindicatura BANFINAN	--	--	--	--	14.6
Private sector	28.9	26.1	17.8	7.7	13.6
<u>Local government bonds</u>	<u>35.0</u>	<u>43.7</u>	<u>81.7</u>	<u>111.5</u>	<u>122.0</u>
By holder					
Central Bank	20.7	30.1	60.0	66.3	65.8
Other credit institutions	12.4	11.6	18.3	37.6	46.7
Rest of public sector	0.2	0.2	2.0	6.7	8.4
Private sector	1.7	1.8	1.4	0.9	1.1
<u>Other public sector bonds</u>	<u>25.7</u>	<u>38.6</u>	<u>55.3</u>	<u>54.1</u>	<u>53.2</u>
By holder					
Central Bank	19.5	28.6	37.6	41.3	41.0
Teachers' Pension Fund	--	--	--	--	--
Private sector	5.1	5.3	3.3	0.6	1.8
IHSS and INJUPEM	1.1	4.7	14.4	12.2	10.4
By debtor					
ENEE	16.9	17.4	21.1	18.7	13.2
SANAA	3.9	3.8	3.7	3.6	3.5
ENP	3.5	12.0	15.3	16.9	16.9
HONDUTEL	1.4	5.4	15.2	14.9	14.6
IHMA	--	--	--	--	4.0
INVA	--	--	--	--	1.0
<u>Bank bonds</u>	<u>70.7</u>	<u>90.5</u>	<u>117.9</u>	<u>74.6</u>	<u>74.1</u>
By holder					
Central Bank	0.3	0.2	0.1	--	--
Commercial banks	--	--	--	--	--
Other credit institutions	0.5	0.4	2.6	2.1	0.1
Private sector	54.3	78.1	102.1	68.5	68.1
Rest of public sector	15.6	11.8	13.1	4.0	5.9

Sources: Central Bank of Honduras; and Superintendency of Banks.

1/ Includes Development Fund Bonds.

2/ Excludes Metallic Coin Consolidated Bonds.

Table 38. Honduras: International Reserves of the Banking System

	December 31				March 31		
	1976	1977	1978	1979	1980	1981	1982
(In millions of U.S. dollars)							
Total	53.7	99.8	135.5	118.9	61.6	-9.1	-51.1
Assets	144.9	198.4	212.0	237.2	172.8	133.3	116.4
Liabilities	-91.2	-98.6	-76.5	-118.3	-111.2	-142.4	-167.5
Central Bank	80.7	136.8	155.7	181.5	115.8	10.5	-30.3
Assets	138.5	190.2	194.4	219.3	162.1	118.6	100.7
Gold	(0.2)	(0.6)	(0.6)	(0.8)	(1.1)	(1.1)	(1.1)
Holdings of SDRs	(3.1)	(4.1)	(3.6)	(9.8)	(0.1)	(1.7)	(6.0)
IMF reserve tranche	(--)	(--)	(7.7)	(7.7)	(--)	(--)	(--)
CACH (net)	(2.2)	(2.9)	(5.3)	(8.7)	(22.7)	(--)	(--)
Contribution to the Central American Stabilization Fund	(7.5)	(10.0)	(10.0)	(10.0)	(11.2)	(13.7)	(13.7)
Foreign exchange	(125.5)	(172.6)	(167.2)	(182.3)	(127.0)	(102.1)	(79.9)
Liabilities	-57.8	-53.4	-38.7	-37.8	-46.3	-108.1	-131.0
Liabilities to IMF	(-19.3)	(-5.0)	(--)	(--)	(-15.2)	(-38.8)	(-66.8)
CACH (net)	(--)	(--)	(--)	(--)	(--)	(-2.9)	(-6.9)
Other	(-38.5)	(-48.4)	(-38.7)	(-37.8)	(-31.1)	(-66.4)	(-57.3)
Rest of banking system	-27.0	-37.0	-20.2	-62.6	-54.2	-19.6	-20.8
Assets	6.4	8.2	17.6	17.9	10.7	14.7	15.7
Liabilities	-33.4	-45.2	-37.8	-80.5	-64.9	-34.3	-36.5
(In weeks of imports) 1/							
Net official reserves	7.0	10.0	9.5	9.0	6.2	0.6	...
Gross official reserves	12.0	13.9	11.9	10.9	8.7	6.2	5.3

Sources: Central Bank of Honduras; IMF Treasurer's Department.

1/ Imports of goods during the following 12-month period.

Table 39. Honduras: Balance of Payments, 1977-81

(In millions of U.S. dollars)

	1977			1978			1979		
	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance
<u>Current account</u>			<u>-128.7</u>			<u>-155.9</u>			<u>-192.0</u>
Goods and services	593.9	736.7	-142.8	707.9	881.1	-173.2	859.3	1,071.8	-212.5
Merchandise trade, f.o.b.	529.8	550.1	-20.3	627.6	654.5	-26.9	756.5	783.4	-26.9
Freight and merchandise insurance	4.5	48.9	-44.4	5.3	57.0	-51.7	6.5	68.6	-62.1
Travel	13.8	21.5	-7.7	16.8	23.2	-6.4	20.9	28.7	-7.8
Direct investment income	--	39.1	-39.1	--	47.2	-47.2	--	68.1	-68.1
Interest and dividends	12.2	42.1	-29.9	17.8	56.2	-38.4	19.7	72.0	-52.3
Other government services	5.1	2.4	2.7	6.2	3.0	3.2	6.7	3.2	3.5
Other transportation and other private services	28.5	32.6	-4.1	34.2	40.0	-5.8	49.0	47.8	1.2
Unrequested transfers	20.6	6.5	14.1	25.4	8.1	17.3	35.6	15.1	20.5
Private	8.2	3.7	4.5	9.4	4.2	5.2	14.4	7.5	6.9
Public	12.4	2.8	9.6	16.0	3.9	12.1	21.2	7.6	13.6
<u>Capital account</u>			<u>202.3</u>			<u>165.4</u>			<u>242.8</u>
Private capital	...	...	67.0	...	...	48.2	...	...	84.8
Direct investment	8.9	--	8.9	8.2	--	8.2	28.2	--	28.2
Medium and long-term loans	62.7	34.5	28.2	68.0	30.7	37.3	87.7	56.2	31.5
Short-term loans	...	...	29.9	...	...	2.7	...	...	25.1
Official capital	90.8	14.2	76.6	126.3	21.6	104.7	135.6	35.2	100.4
Central Government 2/	47.9	8.5	39.4	91.2	11.2	80.0	81.3	11.6	69.7
Rest of general government	1.3	0.3	1.0	2.5	0.3	2.2	--	0.2	-0.2
State enterprises	39.1	5.4	33.7	32.0	10.1	21.9	54.3	17.9	36.4
Short-term loans	2.5	--	2.5	0.6	--	0.6	--	5.5	-5.5
Financial system	...	...	59.0	...	...	11.3	...	...	62.1
Central Bank 2/	17.7	5.0	12.7	21.6	6.9	14.7	42.3	9.4	32.9
Other official banks	24.9	4.9	20.0	19.5	5.5	14.0	36.6	21.7	14.9
Private banks and savings institutions	30.3	8.0	22.3	17.3	32.9	-15.6	36.5	21.4	15.1
Rest of financial system	...	...	4.0	...	...	-1.8	...	...	-0.8
<u>Transactions with non-monetary international agencies</u>	<u>5.4</u>	<u>5.7</u>	<u>-0.3</u>	<u>15.3</u>	<u>14.1</u>	<u>1.2</u>	<u>3.0</u>	<u>7.5</u>	<u>-4.5</u>
<u>Allocation of SDRs</u>			<u>--</u>			<u>--</u>			<u>4.9</u>
<u>Net errors and omissions</u>			<u>-17.5</u>			<u>9.4</u>			<u>-29.9</u>
<u>Overall balance</u>			<u>56.1</u>			<u>18.9</u>			<u>25.8</u>
Change in net official international reserves (increase -)			-56.1			-18.9			-25.8
External debt arrears			--			--			--

Table 39. Honduras: Balance of Payments, 1977-81 (Concluded)

(In millions of U.S. dollars)

	1980			1981		
	Credit	Debit	Balance	Credit	Debit	Balance
<u>Current account</u>			<u>-320.6</u>			<u>-296.3</u>
Goods and services	967.9	1,310.0	-342.1	907.9	1,231.7	-323.8
Merchandise trade, f.o.b.	849.1	959.8	-110.7	795.0	893.6	-98.6
Freight and merchandise insurance	8.1	85.5	-77.4	7.6	79.5	-71.9
Travel	24.5	31.0	-6.5	24.7	25.4	-0.7
Direct investment income	--	77.7	-77.7	--	61.0	-61.0
Interest and dividends	24.3	100.1	-75.8	17.9	115.0	-97.1
Other government services	8.1	3.7	4.4	8.2	4.2	4.0
Other transportation and other private services	53.8	52.2	1.6	54.5	53.0	1.5
<u>Unrequested transfers</u>	<u>37.0</u>	<u>15.5</u>	<u>21.5</u>	<u>47.5</u>	<u>20.0</u>	<u>27.5</u>
Private	15.0	7.5	7.5	...	...	...
Public	22.0	8.0	14.0	...	...	...
<u>Capital account</u>			<u>285.5</u>			<u>186.8</u>
Private capital	...	...	122.4	...	...	41.7
Direct investment	5.8	--	5.8	7.5	--	7.5
Medium and long-term loans	161.3	56.9	104.4	84.9	75.7 1/	9.2
Short-term loans	...	...	12.2	...	...	25.0
Official capital	169.5	25.1	144.4	186.4	27.7	158.7
Central Government 2/	136.9	11.1	125.8	123.8	11.7	112.1
Rest of general government	--	0.2	-0.2	--	0.2	-0.2
State enterprises	31.0	11.0	20.0	59.2	14.8	44.4
Short-term loans	1.6	2.8	-1.2	3.4	1.0	2.4
Financial system	...	...	16.1	...	...	-10.6
Central Bank 2/	48.0	21.1	26.9	34.9	29.0	5.9
Other official banks	15.7	8.9	6.8	26.3	23.4 1/	2.9
Private banks and savings institutions	8.6	28.3	-19.7	13.2	35.8	-22.6
Rest of financial system	...	...	2.1	...	...	3.2
<u>Transactions with non-monetary international agencies</u>	<u>19.1</u>	<u>16.5</u>	<u>2.6</u>	<u>3.7</u>	<u>6.7</u>	<u>-3.0</u>
<u>Allocation of SDRs</u>			<u>5.0</u>			<u>5.0</u>
<u>Net errors and omissions</u>			<u>-35.6</u>			<u>-22.0</u>
<u>Overall balance</u>			<u>-65.7</u>			<u>-126.5</u>
Change in net official international reserves (increase -)			65.7			105.3
External debt arrears			--			21.2

Sources: Central Bank of Honduras; and Fund staff estimates.

1/ Differs from corresponding statistics in external debt table by estimated amounts of external debt arrears; US\$15.7 million for private sector with public guarantee and US\$5.5 million for CONADI.

2/ Transfers of the Venezuelan Investment Fund from the Central Bank to the Central Government are recorded as drawings of the Central Government and amortization payments of the Central Bank.

Table 40. Honduras: Value, Volume, and Unit Value of Principal Exports
(Value in millions of U.S. dollars; unit value in U.S. dollars)

	1977	1978	1979	1980	Prel. 1981
<u>Total exports, f.o.b.</u>	<u>529.8</u>	<u>627.6</u>	<u>756.5</u>	<u>849.1</u>	<u>795.0</u>
Coffee	168.2	211.0	196.9	204.1	172.2
Volume (thousands of quintals)	791.0	1,250.0	1,436.0	1,234.0	1,475.0
Unit value (per pound)	2.13	1.67	1.35	1.63	1.15
Bananas	130.2	142.1	199.9	228.0	217.5
Volume (millions of 40-lb. boxes)	39.0	39.4	49.2	47.5	42.2
Unit value (per box)	3.34	3.6	4.06	4.8	5.15
Wood	47.2	42.3	42.1	36.2	43.2
Volume (thousands of cubic meters)	445.0	358.0	336.0	269.0	292.0
Unit value (per cubic meter)	105.8	118.2	125.1	134.6	147.8
Meat	21.7	38.8	60.8	60.8	46.5
Volume (millions of kilograms)	17.6	22.6	30.0	28.6	23.8
Unit value (per kilogram)	1.23	1.71	2.03	2.12	1.95
Lead and zinc	20.2	20.0	27.5	19.9	19.4
Volume (millions of pounds)	83.6	83.1	80.3	59.2	54.7
Unit value (per pound)	0.24	0.24	0.34	0.34	0.35
Silver	11.8	10.9	17.2	31.8	23.3
Volume (millions of troy ounces)	2.7	2.1	2.5	1.6	1.6
Unit value (per ounce)	4.37	5.19	7.0	19.6	14.5
Shrimp and lobster	15.2	15.6	24.3	23.4	26.3
Volume (millions of kilograms)	3.3	2.5	2.7	3.3	3.6
Unit value (per kilogram)	4.61	6.24	9.04	7.15	7.2
Soap	11.5	13.7	16.5	20.5	13.0
Volume (millions of kilograms)	21.3	23.9	24.1	19.8	13.7
Unit value (per kilogram)	0.54	0.57	0.68	1.04	0.95
Cotton	6.8	15.6	11.3	13.5	12.5
Volume (millions of kilograms)	5.1	13.0	7.9	8.8	7.8
Unit value (per kilogram)	1.33	1.19	1.43	1.53	1.60
Tobacco	9.1	9.0	12.1	13.7	13.4
Volume (millions of kilograms)	4.5	4.4	4.5	4.6	4.5
Unit value (per kilogram)	2.0	2.05	2.69	2.99	2.97
Sugar	3.8	5.5	13.3	29.4	46.6
Volume (millions of kilograms)	19.7	22.6	55.2	81.5	83.1
Unit value (per kilogram)	0.19	0.24	0.24	0.36	0.56
Other ^{1/}	84.1	103.1	134.6	167.8	161.1

Source: Central Bank of Honduras.

^{1/} Includes re-exports and adjustments for undervaluation and coverage.

Table 41. Honduras: Distribution of Exports, f.o.b.,
by Destination

(As per cent of total)^{1/}

	1977	1978	1979	1980	Prel. 1981
<u>Total exports</u> ^{2/}	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
United States	48.9	55.7	58.8	52.2	54.8
Other Western Hemisphere	16.1	14.7	12.4	13.8	13.2
CACM countries	(8.5)	(8.1)	(8.2)	(10.2)	(8.6)
Trinidad and Tobago	(0.9)	(0.8)	(0.7)	(1.0)	(1.4)
Venezuela	(1.3)	(1.1)	(0.8)	(0.4)	(0.7)
Dominican Republic	(2.5)	(0.8)	(0.6)	(0.3)	(0.3)
Panama	(--)	(0.2)	(0.4)	(0.5)	(0.2)
Jamaica	(--)	(0.5)	(0.4)	(0.1)	(0.2)
Other	(2.9)	(3.2)	(1.3)	(1.3)	(1.8)
Europe	29.2	26.6	25.0	27.6	24.4
Germany, Federal					
Republic of	(18.1)	(12.9)	(10.0)	(11.6)	(8.1)
Netherlands	(4.7)	(5.4)	(6.0)	(5.2)	(3.4)
Belgium	(1.4)	(1.2)	(2.0)	(1.9)	(3.9)
Italy	(1.7)	(1.6)	(1.4)	(1.9)	(2.0)
Spain	(1.5)	(1.3)	(1.1)	(1.4)	(2.0)
France	(0.4)	(2.1)	(1.1)	(0.5)	(0.6)
Other	(1.5)	(2.0)	(3.3)	(5.1)	(4.4)
Other countries	5.8	3.1	3.8	6.4	7.6
Japan	(5.2)	(2.5)	(3.3)	(4.3)	(6.1)
Other	(0.6)	(0.7)	(0.5)	(2.1)	(1.5)

Source: Central Bank of Honduras.

^{1/} Individual figures do not necessarily add up to totals due to rounding.

^{2/} Based on totals excluding both re-exports and adjustments for undervaluation and coverage.

Table 42. Honduras: Economic Classification of Imports, c.i.f.

	1977	1978	1979	1980	Prel. 1981
(In millions of U.S. dollars)					
<u>Total imports, c.i.f.</u>	<u>599.0</u>	<u>711.5</u>	<u>852.0</u>	<u>1,045.3</u>	<u>973.1</u>
Consumer goods	139.2	165.6	194.7	237.6	228.6
Durables	(52.6)	(63.3)	(74.0)	(82.8)	(82.5)
Nondurables	(86.6)	(102.3)	(120.7)	(154.8)	(146.1)
Raw materials	186.4	221.3	266.8	297.6	296.8
Agriculture	(31.3)	(37.6)	(40.4)	(45.6)	(46.4)
Manufacturing	(155.1)	(183.7)	(226.4)	(252.0)	(250.4)
Lubricants and fuels	70.9	76.3	113.0	171.2	164.0
Capital goods	184.0	229.5	255.8	311.4	257.6
Agriculture	(22.7)	(20.9)	(29.5)	(22.3)	(18.1)
Manufacturing	(95.5)	(127.3)	(133.7)	(178.7)	(161.0)
Transport	(37.3)	(49.3)	(51.2)	(61.0)	(44.0)
Construction	(28.5)	(31.9)	(41.4)	(49.4)	(34.5)
Other <u>1/</u>	18.5	18.8	21.7	27.5	26.1
(As per cent of total) <u>2/</u>					
Consumer goods	24.0	23.9	23.5	23.3	24.1
Intermediate goods	44.3	43.0	45.7	46.1	48.7
Of which: lubricants and fuels	(12.2)	(11.0)	(13.6)	(16.8)	(17.3)
Capital goods	31.7	33.1	30.8	30.6	27.2
(Ratios in per cent)					
Total imports, c.i.f./GDP at market prices	38.8	39.3	39.6	41.2	35.5
Consumer goods imports/ domestic consumption	11.5	12.0	12.1	11.9	10.2
Capital goods imports/total fixed capital formation	48.0	46.6	43.3	45.5	37.8

Sources: Central Bank of Honduras; and Statistical Appendix Table 14.

1/ Includes adjustments for undervaluation and coverage.2/ Excludes unclassified and adjustments.

Table 43. Honduras: Distribution of Imports, c.i.f., by Origin

(As per cent of total)^{1/}

	1977	1978	1979	1980	Prel. 1981
<u>Total imports</u> ^{2/}	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
North America	44.0	44.1	44.6	43.6	41.8
United States	(42.8)	(42.1)	(43.0)	(41.8)	(39.8)
Canada	(1.2)	(2.1)	(1.6)	(1.8)	(2.0)
Other Western Hemisphere	29.4	30.6	31.8	31.0	33.0
CACM countries	(12.3)	(13.2)	(11.7)	(10.2)	(12.4)
Trinidad and Tobago	(4.6)	(3.7)	(3.4)	(3.9)	(9.9)
Venezuela	(5.7)	(6.3)	(8.0)	(10.9)	(4.0)
Mexico	(2.4)	(2.5)	(2.4)	(2.2)	(2.6)
Brazil	(1.4)	(2.1)	(2.5)	(1.7)	(1.7)
Colombia	(0.6)	(0.6)	(0.6)	(0.5)	(0.4)
Other	(2.3)	(2.3)	(3.2)	(1.6)	(2.0)
Europe	13.3	14.1	13.8	13.2	16.1
Germany, Federal	(3.5)	(3.5)	(2.4)	(2.8)	(3.6)
Republic of	(2.5)	(2.6)	(1.7)	(2.3)	(1.8)
United Kingdom	(1.2)	(1.5)	(1.0)	(1.9)	(2.2)
Netherlands	(1.1)	(0.9)	(1.0)	(0.9)	(1.1)
Belgium	(0.9)	(1.0)	(1.3)	(1.0)	(1.9)
Spain	(0.8)	(1.0)	(0.8)	(0.8)	(1.0)
France	(0.7)	(1.2)	(1.1)	(1.4)	(1.5)
Other	(2.6)	(2.5)	(4.5)	(2.1)	(3.0)
Other countries	13.2	11.1	9.8	12.2	9.1
Japan	(10.9)	(8.9)	(7.2)	(9.7)	(6.6)
Other	(2.3)	(2.2)	(2.6)	(2.5)	(2.5)

Source: Central Bank of Honduras.

^{1/} Individual figures do not necessarily add up to totals due to rounding.

^{2/} Excludes adjustments for undervaluation and coverage.

Table 44. Honduras: Visible Trade with the
Central American Common Market

(In millions of U.S. dollars)

	1977	1978	1979	1980	Prel. 1981
<u>Exports, f.o.b.1/</u>	<u>43.5</u>	<u>49.2</u>	<u>59.8</u>	<u>83.9</u>	<u>63.7</u>
By destination:					
Costa Rica	8.0	11.6	14.1	16.5	14.7
Guatemala	21.6	25.7	31.5	38.1	30.6
Nicaragua	13.9	11.9	14.2	29.3	18.4
By commodity:					
Soap	11.5	13.8	16.4	20.5	15.0
Barbed wire	1.8	1.5	1.1	1.8	9.6
Textiles	2.4	2.0	1.5	2.5	3.1
Natural and vulcanized rubber	1.1	1.0	0.8	0.8	0.3
Edible corn starches	1.7	2.0	1.7	1.5	1.5
Organic compounds	1.1	1.0	1.6	2.8	3.3
Plywood	0.9	1.0	1.0	1.1	0.7
Fruit juices	0.9	1.0	2.0	1.8	1.1
Crown corks and metal stoppers	1.9	2.0	1.7	2.7	1.6
Glucose and dextrose	0.5	0.5	0.8	0.6	0.2
Other	19.7	23.4	31.2	47.8	27.3
<u>Imports, c.i.f.1/</u>	<u>71.2</u>	<u>91.6</u>	<u>97.9</u>	<u>103.6</u>	<u>116.7</u>
By origin:					
Costa Rica	19.4	25.6	29.5	31.4	42.5
Guatemala	32.9	44.0	50.9	57.7	60.9
Nicaragua	18.9	22.0	17.5	14.5	13.3
By commodity:					
Foodstuffs, beverages, and tobacco	14.1	15.6	15.4	16.7	19.0
Raw materials	4.3	5.4	6.9	7.7	6.9
Chemicals	22.1	26.9	26.9	29.0	32.3
Manufactures	24.0	32.9	38.1	39.2	46.8
Capital goods	6.7	10.8	10.6	11.0	11.7
<u>Trade balance</u>	<u>-27.7</u>	<u>-42.4</u>	<u>-38.1</u>	<u>-19.7</u>	<u>-53.0</u>
Costa Rica	-11.4	-14.0	-15.4	-14.9	-27.8
Guatemala	-11.3	-18.4	-19.4	-19.6	-30.3
Nicaragua	-5.0	-10.1	-3.3	14.8	5.1

Source: Central Bank of Honduras.

1/ Excludes adjustments for undervaluation and coverage.

Table 45. Honduras: External Public Debt, 1977-M1 1/
(In millions of U.S. dollars)

	1977				1978				1979				1980				1981			
	Draw- ing	Amort- ization	Inter- est	Outstan- ding	Draw- ing	Amort- ization	Inter- est	Outstan- ding	Draw- ing	Amort- ization	Inter- est	Outstan- ding	Draw- ing	Amort- ization	Inter- est	Outstan- ding	Draw- ing	Amort- ization	Inter- est	Outstan- ding
Total	166.1	25.1	25.0	341.0	176.9	34.2	33.4	685.7	248.3	79.2	44.5	854.8	318.3	70.3	64.5	1,102.8	274.5	66.4	81.3	1,310.9
Central Government	47.9	8.5	9.2	264.9	91.2	11.2	11.5	344.9	81.2	11.6	15.4	414.6	136.9	11.1	19.7	540.4	123.8	11.7	26.2	632.5
U.S. AID	(7.4)	(1.7)	(1.7)	(38.3)	(10.7)	(1.4)	(1.5)	(48.3)	(12.7)	(1.3)	(1.3)	(70.7)	(16.6)	(1.3)	(1.9)	(89.1)	(20.3)	(2.0)	(7.4)	(107.3)
CABEI	(7.5)	(2.8)	(3.1)	(64.3)	(12.4)	(4.0)	(3.8)	(72.2)	(9.8)	(4.5)	(4.5)	(78.0)	(16.8)	(4.1)	(5.4)	(90.7)	(13.5)	(3.7)	(6.6)	(100.7)
IBRD	(6.0)	(1.6)	(3.0)	(38.3)	(13.6)	(1.4)	(3.4)	(51.3)	(17.2)	(1.4)	(5.3)	(66.9)	(15.4)	(1.7)	(6.8)	(60.6)	(13.2)	(2.5)	(8.1)	(91.4)
IDA	(1.6)	(0.6)	(0.2)	(25.4)	(5.6)	(0.9)	(0.2)	(30.1)	(1.8)	(0.7)	(0.3)	(31.2)	(15.7)	(0.7)	(0.4)	(48.2)	(7.7)	(0.3)	(0.2)	(32.9)
IDB	(21.6)	(1.6)	(1.7)	(60.3)	(40.9)	(2.0)	(2.2)	(99.2)	(37.8)	(2.4)	(3.0)	(130.4)	(48.4)	(2.5)	(2.2)	(178.5)	(40.7)	(2.3)	(7.5)	(214.7)
United States	(0.4)	(0.1)	(0.1)	(3.4)	(0.9)	(0.2)	(0.1)	(2.3)	(0.8)	(0.2)	(0.1)	(1.5)	(1.5)	(0.2)	(0.1)	(0.8)	(0.4)	(0.1)	(0.1)	(0.4)
Japan	(0.3)	(0.2)	(0.1)	(0.8)	(1.0)	(0.2)	(0.1)	(11.0)	(2.7)	(0.2)	(0.1)	(13.7)	(11.6)	(0.2)	(0.1)	(10.2)	(0.3)	(0.1)	(0.1)	(0.4)
Venezuela	(0.3)	(0.1)	(0.1)	(0.8)	(1.0)	(0.2)	(0.1)	(11.0)	(2.7)	(0.2)	(0.1)	(13.7)	(11.6)	(0.2)	(0.1)	(10.2)	(0.3)	(0.1)	(0.1)	(0.4)
Government	(0.3)	(0.1)	(0.1)	(0.8)	(1.0)	(0.2)	(0.1)	(11.0)	(2.7)	(0.2)	(0.1)	(13.7)	(11.6)	(0.2)	(0.1)	(10.2)	(0.3)	(0.1)	(0.1)	(0.4)
Venezuelan Investment Fund	(0.3)	(0.1)	(0.1)	(0.8)	(1.0)	(0.2)	(0.1)	(11.0)	(2.7)	(0.2)	(0.1)	(13.7)	(11.6)	(0.2)	(0.1)	(10.2)	(0.3)	(0.1)	(0.1)	(0.4)
Other (CIMA, OPEC)	(1.6)	(0.3)	(0.3)	(1.5)	(7.0)	(0.3)	(0.3)	(8.5)	(3.5)	(0.3)	(0.3)	(11.8)	(19.2)	(0.3)	(0.2)	(31.0)	(8.9)	(0.2)	(0.6)	(34.7)
Rest of nonfinancial public sector	40.4	5.7	6.0	111.2	34.5	10.4	9.8	135.3	34.3	18.1	11.6	171.5	31.0	11.2	17.3	191.3	59.2	15.0	19.3	235.5
1. Local government																				
(Municipality of San Pedro Sula)	1.3	--	0.2	5.7	2.5	--	0.2	8.2	--	--	0.1	8.2	--	--	1.1	8.2	--	--	0.7	8.2
CABEI	(1.1)	(0.2)	(0.2)	(4.9)	(2.1)	(0.4)	(0.2)	(7.0)	(0.3)	(0.3)	(0.1)	(7.0)	(0.3)	(0.3)	(1.1)	(7.0)	(0.3)	(0.7)	(0.7)	(7.0)
IDB	(0.2)	(0.2)	(0.2)	(0.8)	(0.4)	(0.2)	(0.2)	(1.2)	(0.3)	(0.3)	(0.1)	(1.2)	(0.3)	(0.3)	(0.2)	(1.2)	(0.3)	(0.2)	(0.2)	(1.2)
2. National University (UNAH)	--	0.3	0.1	2.5	--	0.3	0.1	2.2	--	0.2	0.1	2.0	--	0.2	0.1	1.8	--	0.2	0.1	1.6
IDB	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
3. National Housing Institute (INHA)	--	0.2	0.1	2.6	--	0.2	0.1	2.4	--	0.2	0.1	2.2	--	0.1	0.1	2.1	0.5	0.1	(0.1)	2.5
CABEI	(0.2)	(0.2)	(0.1)	(2.6)	(0.3)	(0.2)	(0.1)	(2.4)	(0.3)	(0.2)	(0.1)	(2.2)	(0.3)	(0.1)	(0.1)	(2.1)	(0.5)	(0.1)	(0.1)	(0.5)
IDB	(0.2)	(0.2)	(0.1)	(2.6)	(0.3)	(0.2)	(0.1)	(2.4)	(0.3)	(0.2)	(0.1)	(2.2)	(0.3)	(0.1)	(0.1)	(2.1)	(0.5)	(0.1)	(0.1)	(0.5)
4. National Electricity Enterprise (ENEE)	17.9	2.7	2.8	47.1	12.1	2.8	4.4	56.4	19.8	3.3	5.7	72.9	12.6	4.0	6.8	81.7	45.3	4.3	8.0	122.7
CABEI	(3.0)	(1.4)	(0.6)	(7.2)	(3.2)	(1.6)	(0.7)	(8.8)	(2.6)	(1.5)	(0.8)	(9.9)	(2.4)	(1.4)	(0.8)	(10.9)	(0.6)	(1.3)	(0.7)	(10.4)
AID	(0.2)	(0.2)	(0.1)	(1.5)	(0.3)	(0.1)	(0.1)	(1.4)	(1.5)	(0.2)	(0.1)	(2.7)	(0.3)	(0.2)	(0.1)	(2.5)	(0.5)	(0.1)	--	(8.2)
IBRD	(14.9)	(0.8)	(2.0)	(37.2)	(8.9)	(0.8)	(3.5)	(45.3)	(9.3)	(1.3)	(4.6)	(53.3)	(9.5)	(1.6)	(5.3)	(61.2)	(16.0)	(1.8)	(6.0)	(73.4)
USA	(0.3)	(0.1)	(0.1)	(1.2)	(0.3)	(0.3)	(0.1)	(0.9)	(0.3)	(0.3)	(0.1)	(0.6)	(0.3)	(0.3)	(0.1)	(0.3)	(2.3)	(0.3)	(0.3)	(2.3)
OPEC	(0.3)	(0.1)	(0.1)	(1.2)	(0.3)	(0.3)	(0.1)	(0.9)	(0.3)	(0.3)	(0.1)	(0.6)	(0.3)	(0.3)	(0.1)	(0.3)	(2.3)	(0.3)	(0.3)	(2.3)
Other	(0.3)	(0.1)	(0.1)	(1.2)	(0.3)	(0.3)	(0.1)	(0.9)	(0.3)	(0.3)	(0.1)	(0.6)	(0.3)	(0.3)	(0.1)	(0.3)	(2.3)	(0.3)	(0.3)	(2.3)
5. National Port Enterprise (ENP)	3.9	1.3	0.8	13.0	3.7	0.7	1.4	16.0	10.6	1.6	1.5	25.0	4.7	1.0	3.2	28.7	0.2	1.2	3.2	27.7
IBRD	(1.6)	(0.3)	(0.7)	(10.3)	(2.0)	(0.6)	(1.2)	(11.7)	(0.6)	(0.6)	(1.2)	(11.1)	(2.8)	(0.5)	(1.2)	(10.6)	(0.1)	(0.8)	(0.8)	(9.9)
CABEI	(0.3)	(0.3)	(0.1)	(2.5)	(1.4)	(0.6)	(0.3)	(4.4)	(0.6)	(0.6)	(0.3)	(2.0)	(2.8)	(0.6)	(0.3)	(4.8)	(0.1)	(0.8)	(0.8)	(4.9)
USA	(2.3)	(0.3)	(0.1)	(2.5)	(0.3)	(0.1)	(0.1)	(2.4)	(0.3)	(0.3)	(0.1)	(1.7)	(1.9)	(0.4)	(1.7)	(11.3)	(0.1)	(0.4)	(0.4)	(10.9)
Other	(0.3)	(0.3)	(0.1)	(2.5)	(0.3)	(0.1)	(0.1)	(2.4)	(0.3)	(0.3)	(0.1)	(1.7)	(1.9)	(0.4)	(1.7)	(11.3)	(0.1)	(0.4)	(0.4)	(10.9)
6. National Railways (FNI)	--	0.2	0.2	2.3	--	0.3	0.2	2.0	--	0.3	0.1	1.7	--	0.2	0.1	1.5	--	0.2	0.1	1.3
CABEI	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Table 13. Honduras: External Public Debt, 1972-81 (continued) /
(in millions of U.S. dollars)

	1977				1978				1979				1980				1981			
	Debt- lrgo	Amortiz- ation	Inter- est	Outstand- ing	Debt- lrgo	Amortiz- ation	Inter- est	Outstand- ing	Debt- lrgo	Amortiz- ation	Inter- est	Outstand- ing	Debt- lrgo	Amortiz- ation	Inter- est	Outstand- ing	Debt- lrgo	Amortiz- ation	Inter- est	Outstand- ing
7. National Water and Sewerage Service (SABIAA) AID IDA	--	0.1 (0.1)	0.1 (0.1)	2.3 (0.9)	--	0.1 (0.1)	0.1 (0.1)	2.1 (0.6)	--	0.2 (0.1)	0.1 (0.1)	1.9 (1.2)	--	0.1 (0.1)	0.1 (0.1)	1.8 (1.1)	--	0.1 (0.1)	0.1 (0.1)	1.8 (1.1)
8. Honduran Maquila Corporation (COMAMA) United States Other	--	--	0.7 (0.7)	10.0 (10.0)	1.5 (1.5)	1.8 (1.8)	1.0 (1.0)	9.7 (9.7)	20.0 (20.0)	0.2 (0.2)	1.5 (1.5)	21.5 (20.0)	--	1.5 (1.5)	3.1 (3.1)	20.0 (20.0)	--	1.5 (1.5)	3.0 (3.0)	20.0 (20.0)
9. Honduran Coffee Institute (INICAFE) United States BLADE England	3.7 (3.7)	--	0.1 (0.1)	3.7 (3.7)	3.0 (3.0)	1.8 (1.8)	0.3 (0.3)	0.0 (0.0)	--	1.5 (1.5)	0.7 (0.7)	5.3 (5.3)	0.4 (0.4)	1.2 (1.2)	1.3 (1.3)	13.2 (12.8)	10.0 (10.0)	5.0 (5.0)	2.4 (2.4)	11.4 (11.4)
10. Telecommunications Agency (HONDUTEL) CAMEI IDA JAPAN ODA OTHER	13.4 (13.4)	0.9 (0.9)	0.9 (0.9)	22.0 (22.0)	0.2 (0.2)	2.3 (2.3)	2.0 (2.0)	20.4 (20.4)	3.9 (3.9)	2.7 (2.7)	1.7 (1.7)	30.6 (30.6)	1.1 (1.1)	2.3 (2.3)	0.4 (0.4)	37.2 (36.8)	3.2 (3.2)	3.1 (3.1)	1.7 (1.7)	37.2 (36.8)
Public Financial Institutions 1. Central Bank CAMEI CABP IDA Venezuelan Investment Fund IDB Trust Fund Others	41.1 (41.1)	9.0 (9.0)	7.0 (7.0)	31.0 (31.0)	40.2 (40.2)	10.9 (10.9)	9.2 (9.2)	31.0 (31.0)	40.0 (40.0)	21.1 (21.1)	13.2 (13.2)	193.1 (193.1)	10.2 (10.2)	26.0 (26.0)	12.2 (12.2)	217.6 (217.6)	97.0 (97.0)	17.6 (17.6)	21.0 (21.0)	191.0 (191.0)
2. National Bank for Agricultural Development (BANADESA) AID CAMEI IDA Others	0.4 (0.4)	3.8 (3.8)	1.4 (1.4)	25.4 (25.4)	--	3.2 (3.2)	0.9 (0.9)	22.4 (22.4)	0.2 (0.2)	2.3 (2.3)	0.8 (0.8)	20.3 (20.3)	--	2.0 (2.0)	0.5 (0.5)	19.3 (19.3)	--	1.8 (1.8)	3.6 (3.6)	16.5 (16.5)
3. Municipal Bank (BMA) United States Others	--	--	0.2 (0.2)	0.8 (0.8)	--	0.2 (0.2)	0.1 (0.1)	0.6 (0.6)	--	0.1 (0.1)	0.1 (0.1)	0.5 (0.5)	0.3 (0.3)	0.2 (0.2)	0.1 (0.1)	0.6 (0.6)	4.2 (4.2)	0.4 (0.4)	0.3 (0.3)	4.4 (4.4)
4. National Investment Corporation (CONADI) CAMEI Canada United States Japan Other	23.0 (23.0)	--	2.0 (2.0)	26.4 (26.4)	18.5 (18.5)	0.4 (0.4)	2.3 (2.3)	46.3 (46.3)	25.0 (25.0)	19.3 (19.3)	3.9 (3.9)	50.0 (50.0)	--	2.7 (2.7)	7.2 (7.2)	47.3 (47.3)	21.7 (21.7)	1.9 (1.9)	8.6 (8.6)	62.1 (62.1)
5. National Planning for Housing (FINHVI) CAMEI BLADE	--	--	--	--	0.1 (0.1)	--	--	--	--	--	--	--	2.0 (2.0)	--	--	--	4.2 (4.2)	0.3 (0.3)	0.4 (0.4)	8.5 (8.5)

Table 45. Honduras: External Public Debt, 1977-81 (concluded) 1/
(In millions of U.S. dollars)

	1977				1978				1979				1980				1981			
	Draw-	Amorti-	Inter-	Outstan-	Draw-	Amorti-	Inter-	Outstan-	Draw-	Amorti-	Inter-	Outstan-	Draw-	Amorti-	Inter-	Outstan-	Draw-	Amorti-	Inter-	Outstan-
	ings	ation	est	dng	ings	ation	est	dng	ings	ation	est	dng	ings	ation	est	dng	ings	ation	est	dng
Private with public guarantees	18.7	1.9	2.0	38.0	13.0	1.7	2.9	49.3	44.7	18.4	4.2	75.6	100.1	22.0	10.3	153.7	24.5	6.3	11.9	171.9
1. Honduran Federation of Housing Cooperatives (FECHUVIL) LTD	--	0.1	--	1.8	--	0.1	--	1.7	--	0.1	--	1.6	--	--	--	1.6	--	0.1	--	1.5
2. Honduran Workers Federation (FESTRAMH) LTD	--	0.1	0.1	1.8	--	0.1	0.1	1.7	--	0.1	0.1	1.6	--	0.1	0.1	1.5	--	--	--	1.5
3. Honduran Airlines (SAHSA) United States	--	1.7	0.5	6.1	--	0.8	0.2	5.3	0.1	1.3	0.4	4.1	--	0.6	0.2	3.5	0.6	1.3	0.3	2.8
4. Asucarrera Central, S.A. (ACERSA) United States	4.1	--	0.8	10.2	6.3	--	1.3	16.3	23.2	16.3	1.7	23.4	5.7	3.3	3.2	23.8	--	0.6	1.2	23.2
Japan	(--)	(--)	(0.5)	(4.3)	(3.0)	(--)	(0.2)	(1.1)	(2.7)	(1.1)	(0.6)	(4.6)	(0.4)	(2.4)	(0.3)	(2.1)	(--)	(0.6)	(0.1)	(1.5)
CAREI	(1.1)	(--)	(0.3)	(6.2)	(1.8)	(--)	(0.7)	(4.3)	(2.5)	(0.7)	(0.4)	(5.3)	(--)	(1.0)	(1.1)	(4.3)	(--)	(--)	(0.1)	(1.5)
England	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(20.3)	(8.3)	(0.2)	(12.0)	(3.3)	(1.4)	(1.6)	(15.9)	(--)	(--)	(--)	(15.9)
5. Asucarrera Cantarranas, S.A. United States	3.4	--	0.2	5.4	1.5	0.5	0.7	6.4	0.1	0.3	0.2	6.2	0.7	1.3	0.8	5.6	0.1	1.1	0.3	4.6
Brazil	(--)	(--)	(--)	(--)	(1.5)	(0.5)	(0.7)	(6.1)	(--)	(0.3)	(0.2)	(6.1)	(--)	(1.1)	(0.9)	(5.0)	(--)	(0.9)	(0.2)	(4.1)
England	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(0.4)	(0.1)	(--)	(0.3)	(--)	(0.1)	(--)	(0.5)
6. Asucarrera Tojos, S.A. United States	0.6	--	0.3	3.8	1.7	--	0.4	5.5	4.4	0.1	0.7	9.6	--	8.0	1.0	9.5	0.1	0.5	2.2	9.1
CAREI	(0.6)	(--)	(0.3)	(3.8)	(1.7)	(--)	(0.4)	(3.8)	(4.4)	(0.1)	(0.7)	(9.6)	(--)	(8.0)	(1.0)	(9.5)	(0.1)	(0.5)	(0.2)	(1.1)
England	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(4.3)	(0.3)	(0.2)	(4.3)	(8.0)	(4.3)	(0.6)	(8.0)	(--)	(--)	(--)	(8.0)
7. Honduran Cement Co. (HONHUCEM) United States	--	--	--	--	--	--	--	--	6.0	--	0.4	6.0	33.9	--	2.0	39.9	5.2	1.1	3.0	44.0
Canada	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(28.9)	(--)	(1.6)	(28.9)	(2.4)	(1.1)	(1.7)	(30.2)
Italy	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(6.0)	(--)	(0.4)	(6.0)	(3.0)	(--)	(--)	(5.0)	(--)	(--)	(--)	(5.0)
England	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(2.6)	(--)	(--)	(2.6)
8. Honduran Cement Industry (INCENSA) Japan	--	--	--	--	--	--	--	--	0.6	--	--	0.6	37.7	--	--	38.3	4.5	--	--	42.8
9. Industrial Forestry Corporation of Olancho (CONVINO) United States	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	10.0	--	0.3	10.0
10. Papeles y Cartones United States	--	--	--	--	--	--	--	--	--	--	--	--	6.0	--	0.2	6.0	--	--	1.4	6.0
11. Others	8.4	--	0.1	8.9	3.5	0.2	0.2	12.2	10.3	0.2	0.7	22.1	8.1	6.4	2.7	24.0	4.0	1.6	3.2	26.4
United States	(0.5)	(--)	(0.1)	(0.3)	(--)	(0.1)	(--)	(0.4)	(6.4)	(0.1)	(0.3)	(6.4)	(2.4)	(0.1)	(0.7)	(9.4)	(--)	(0.2)	(--)	(--)
Germany	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(2.5)	(--)	(--)	(2.5)	(1.3)	(--)	(1.0)	(3.8)	(3.2)	(0.1)	(0.3)	(12.5)
Argentina	(--)	(--)	(--)	(--)	(0.5)	(0.1)	(--)	(0.4)	(--)	(0.1)	(--)	(0.3)	(--)	(--)	(--)	(0.3)	(0.1)	(0.1)	(--)	(0.3)
Peru	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(4.2)	(--)	(0.5)	(4.2)	(--)	(--)	(--)	(4.2)
England	(4.0)	(--)	(--)	(4.0)	(2.3)	(--)	(0.2)	(6.3)	(--)	(--)	(0.3)	(6.3)	(--)	(0.5)	(--)	(5.8)	(--)	(0.8)	(0.7)	(5.0)
LAAD	(--)	(--)	(--)	(--)	(0.4)	(--)	(--)	(0.4)	(--)	(--)	(--)	(0.4)	(--)	(--)	(--)	(0.3)	(--)	(--)	(--)	(0.3)
Adjustment 2/	(4.1)	(--)	(--)	(4.1)	(0.3)	(--)	(--)	(4.4)	(1.2)	(--)	(--)	(5.6)	(--)	(5.6)	(--)	(--)	(--)	(--)	(--)	(--)

Sources: Central Bank of Honduras; and IDB.

1/ Public and publicly guaranteed external debt with maturity of one year and over, payable in local and foreign currencies. The outstanding amounts show the existing situation at the end of every year.
2/ For 1977-79, the total outstanding stock of external debt is adjusted to conform with the IDB source.
3/ These are transfers from the Central Bank to the Government from the Venezuelan Investment Fund.

Table 46. Honduras: Amounts, Average Terms, and Grant Element of New Commitments of the External Public Debt, 1977-81 ^{1/}

	Amount (Millions of U.S. dollars)	Interest (Per Cent)	Maturity (Years)	Grace Period (Years)	Grant Element (Per Cent)
<u>1977</u>	<u>248.1</u>	<u>4.2</u>	<u>28.7</u>	<u>7.8</u>	<u>47.1</u>
Suppliers credits	1.0	8.0	6.8	0.9	6.0
Private financial institutions	37.3	8.3	5.4	1.9	5.0
International organizations	150.3	2.7	35.8	9.4	62.4
Governments	59.5	5.6	26.1	7.9	35.5
<u>1978</u>	<u>195.6</u>	<u>7.7</u>	<u>16.1</u>	<u>5.5</u>	<u>16.1</u>
Suppliers' credits	42.8	7.5	12.8	3.3	12.0
Private financial institutions	43.6	10.8	7.2	2.2	-4.0
International organizations	81.1	6.6	21.9	5.9	23.9
Governments	28.1	6.1	18.4	13.1	31.0
<u>1979</u>	<u>357.0</u>	<u>7.7</u>	<u>20.8</u>	<u>6.0</u>	<u>22.3</u>
Suppliers' credits	14.8	7.9	11.5	2.0	8.9
Private financial institutions	120.5	13.7	9.0	2.7	-16.7
International organizations	170.3	4.2	29.0	8.1	46.5
Governments	51.4	5.1	23.5	8.0	37.1
<u>1980</u>	<u>500.3</u>	<u>6.9</u>	<u>24.1</u>	<u>6.5</u>	<u>26.5</u>
Suppliers' credits	5.9	14.7	7.4	3.5	-31.8
Private financial institutions	38.9	17.2	6.4	2.2	-25.9
International organizations	343.4	6.2	25.1	6.7	28.9
Governments	112.1	5.0	27.9	7.7	40.3
<u>1981 ^{3/}</u>	<u>199.9</u>	<u>9.7</u>	<u>18.9</u>	<u>5.7</u>	<u>12.1</u>
Suppliers' credits	4.6	17.4	4.2	1.9	-18.2
Private financial institutions	69.4	15.6	10.8	3.5	-19.9
International organizations	66.1	7.3	20.5	5.1	21.8
Governments	59.8	4.7	27.7	9.4	40.8

Source: IBRD.

^{1/} Public and publicly guaranteed external debt, with maturity of one year and over, repayable in foreign and local currency.

^{2/} The grant element, which indicates the concessionality of a loan, is defined as the concessional value (i.e., face value of a loan minus the discounted sum of payments of principal and interest) divided by the face value of a loan.

^{3/} Includes commitments for first eight months of the year.