

IMF Concludes Staff Visit to Honduras

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An IMF staff mission visited Honduras during August 26-30, as part of the Fund's periodic consultation with its member countries. During the visit, the mission met with President Porfirio Lobo, Ministry of the Presidency Mariela Antonieta de Bográn, Central Bank Governor Mariela Elena Mondragón, Minister of Finance Wilfredo Cerrato as well as other senior government officials and representatives of the private sector. At the conclusion of the visit, IMF Mission Chief Lisandro Iñestro issued the following statement in Tegucigalpa:

"Economic growth is projected to reach close to 3 percent in 2013, below its 2012 level. The decline reflects partly a drop in coffee production due to rust leaf disease and weaker trading partner growth. The staff team projects inflation to remain broadly unchanged at about 5.5 percent this year, with a slight decline in core inflation offset by higher food prices. On the external sector side, the mission projects the current account deficit to increase somewhat this year, reflecting weaker terms of trade and lower volumes of coffee exports. International reserves would remain at slightly above 3 months of imports, helped by the placement of a sovereign global bond in March.

Staff observed that the evolution of credit to the private sector during 2013 would have helped keep inflationary pressures under control. It noted the need to remain vigilant of monetary developments to ensure that credit expands at a moderate rate, which should also contribute to strengthening the external sector position.

"The authorities concurred with the team about the need to protect macroeconomic stability and move forward with the process of fiscal consolidation. To achieve the latter, staff stressed the importance of working both on the expenditure and the revenue side. It also noted that strengthening the performance of public enterprises has a role to play in the process of fiscal consolidation, while contributing to supporting medium-term economic growth.

Finally, the mission thanks authorities and private sector representatives for a fruitful dialogue and for their excellent cooperation and hospitality."

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