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HONDURAS

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

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HONDURAS

1. Main recent trends: Introduction and summary

The high annual economic growth rate of 6.6% which had been achieved in the period 1976-1978 lost impetus in 1979, when the gross domestic product increased by slightly more than 5%, while the per capita product improved by barely 1.4% (see table 1).

Agricultural output increased by 7% due, inter alia, to the very favourable weather conditions, but the growth rates of the other productive activities declined sharply with respect to the year before.

In addition to the loss of dynamism in total output, capital formation improved only very slightly due to an unexpected drop in public investment; private investment, on the other hand, continued to increase at the extremely high rate of 10%.

External trade continued to grow markedly, as it has done since 1976. Exports of goods and services grew 2.4 times in the past four years, with increased volume and prices contributing to this in similar amounts. In 1979, the value of exports rose by 19% because of increases of around 12% in volume and 7% in unit value.

Imports, which have doubled since 1975, increased by around 18% in 1979. Despite the sharp rise in fuel prices, the prices of imported goods rose by only a little over 7%. Since the rise in the prices of exports was very similar there was not appreciable change in the terms of trade, and consequently the variation in gross income was very close to that of the total product during the year.

The dynamism of external trade, and especially of exports, enabled the balance-of-payments current account deficit to be reduced somewhat and, due to the inflow of a similar amount of non-compensatory capital to that recorded in 1978, net international reserves expanded by US\$ 15 million.

The rising trend in public expenditure was reversed, especially with respect to expenditure for fixed capital formation. For more than five years, economic policy has been giving the public sector a decisive role
/in planning,

in planning, selecting and executing strategic projects, especially those connected with energy generation and the development of a large wood and forestry complex. In 1979, however, the central government's capital and current expenditures slackened as a result of a reduction policy aimed at adjusting fiscal expenditure to the slower growth of tax revenues and decreasing the fiscal deficit.

The annual average variation of consumer prices was 8.8%, representing a slight increase with respect to 1978 but still broadly similar to the rates recorded in previous years. However, the variation of prices from December 1978 to December 1979 was 19%, reflecting a 6.4% rise during the final two months of the year to which the impact of higher petroleum prices on production costs and domestic prices undoubtedly contributed. Food prices grew less than the general index, and there were no supply problems during the year.

Money expanded rather less than 15%: a rate more or less similar to those of 1977 and 1978. During the year domestic credit, both to the private sector and to the Government, grew more slowly than in previous years, doubtless because of the raising of maximum interest rates, the increased compulsory cash reserves and the limit set for credits to the public sector.

2. Trends in economic activity

(a) Global supply and demand trends

Preliminary data on the Honduran economy's performance in 1979 indicate that the gross domestic product at market prices increased by 5.2%, the per capita rate being 1.4%. These figures were the lowest of the last four years; in the period 1976-1978, the product had grown at an average annual rate of 6.6% and a per capita rate of 2.9%.

Imports of goods and services valued at 1970 prices increased somewhat more than 9%, likewise a lower rate than those recorded since 1976. This deceleration of the growth of domestic output and of imports decreased the growth rate of total supply, which dropped from slightly more than 10% in 1977 to 6.3% in 1979 (see table 2).

/Exports of

Exports of goods and services expressed in constant prices increased by nearly 11% in 1979. Since this growth rate was more than that of total supply, the domestic availability of goods and services was only 5% greater than in the previous year.

Total investment, which is one of the major components of domestic demand, increased by 7.6%, but this rate was distorted by an extraordinarily high increase in stocks. Gross fixed investment grew by barely 1% because while capital formation by the private sector grew by 10%, public investment declined by 12%.

In recent years private investment has grown steadily at a rate similar to that of 1979. Public investments on the other hand, which had grown by 12% in 1977 and 41% in 1975, suffered a marked decline in 1979. During that year, aside from investments in sawmills and sugar plantations, a great amount of private investment was apparently directed towards construction, particularly commercial and residential building, probably as a result of the increased export revenues. Towards the end of the year, however, the situation changed and the rate of project execution slowed down, not doubt because of the intensification of social tensions.

In previous years the State had played an important role in assigning investment resources. Because of the absence of stimulus for the private sector and the lack of basic infrastructure projects, the public sector had initiated a series of projects of great importance for domestic economic activity. Various factors contributed to the above-mentioned drop in public investment in 1979, including the completion of some projects and the difficulties, mainly financial, which prevented other projects from being started. Many of these difficulties were caused by commitments to projects of the size of the El Cajón hydroelectric project.

Total consumption, the other major component of domestic demand, increased by slightly more than 4%, which was double that recorded in 1978. Private consumption is estimated to have grown by around 4.6%. There were no major supply problems, since there was quite a satisfactory increase in agricultural output for domestic consumption.

/General government

General government consumption expenditure increased by a little over 3%, lower than the rate for the private sector and that for past years. This was due both to the policy of expenditure restriction applied by the Government in order to reduce the fiscal deficit, which contributes greatly to inflation, as well as to the notable drop in tax revenue which has occurred in the last two years. Both these factors also contributed to the fall in public investment.

(b) Growth of the main sectors

Except for agriculture, the growth rates of all sectors clearly declined with respect to the previous year. Manufacturing and basic services expanded by only half the rate for 1978, and in services proper the decline was even greater. Commercial activity grew less than 5%, compared with the 12% increase of 1978 (see table 3).

(i) The agricultural sector. In an economy where the agricultural sector directly contributes around 28% of the domestic product and nearly 75% of exports, as well as generating the major share of employment, the performance of agriculture has an important effect on the total result. Therefore, the 7% growth of agricultural output in 1979 was decisive in the expansion of the total domestic product.

Despite the excess rainfall towards the end of the year, especially in the north of the country, excellent yields were obtained because of the favourable weather conditions which had prevailed throughout most of the year. This situation, combined with the stocks of some products such as beans which had been accumulated in 1978, enabled a sufficient supply of basic grains for domestic consumption to be provided, while at the same time giving satisfactory surpluses of the principal export products. Maize and rice production increased far more than had been expected, i.e., by 15% and 25% respectively. This was due not only to the favourable rainfall, but also to the use of better and more modern cultivation techniques in response to a specific programme of the Ministry of Natural Resources. The bean crop, on the other hand, decreased by around 12% due to damage done by a plague of slugs and unseasonable rains (see table 4).

/Although a

Although a programme to promote soya bean production has given good results, the volume of this commodity harvested in 1979 did not increase because of low prices on the international market and the lower rate of activity in the industry producing concentrated food for animals.

Among export products, sugar cane showed the greatest growth (26%) due to the energetic planting programme supported by mill owners and the Government and the improved use of the installed capacity of the mills, which was expanded, moreover, with the bringing into operation of two new sugar mills with technical and financial assistance from the Government. Sugar output is being expanded in order to help to diversify exports and so that the bagasse may be used as a fuel substitute.

Banana output increased by 12%, recovering the volume produced in 1973 before hurricane Fifi struck, while the yield was 1,200 boxes per acre: a 25% increase over the average for recent years. In contrast to the situation which existed for many years, when plantations were run mainly by large foreign enterprises, today the majority of the output comes from the individual holdings of Honduran farmers and from co-operative organizations, with the support of the Honduran Banana Corporation (COHBANA), which seeks to promote greater efficiency in plantation management. It should, however, be noted that the excessive rainfall at the end of the year affected some plantations in the Aguán and Valle de Sula areas and did damage to the railway which transports the bananas, paralyzing it for two weeks. COHBANA has continued its programmes of expanding the planting area, mainly in the Valle de Sula, where the new plantations have already begun to produce. In addition, the Isleta Experimental Centre at Santa Inés has continued its research on ways to control sigatoka, a disease which remains latent in the country.

Production of coffee, which shares with bananas the leading place among export goods, increased by 6.5% in 1979 after having fallen the previous year.

Livestock-raising activity grew by 4.5%, which is only moderate if compared with the two preceding years. As a result of the livestock improvement programmes, however, beef and milk output increased.

/(ii) Forestry.

(ii) Forestry. In recent years, both forestry and forest industries have developed considerably. A significant part in this has been played by the Honduran Forestry Development Corporation (COMDEFOR), which is responsible for programmes to develop these activities.

In 1979, the total value added by the forestry sector increased by slightly more than 9%, which also had wide repercussions on various related activities and on employment. Three large-scale timber complexes came into production and contributed to the 16% increase in the volume of exports of forest products, mainly sawnwood, external sales of which increased by 21%.

(iii) Manufacturing. The growth rate of manufacturing activity dropped to less than 6% from the 10% recorded in recent years.

The entry into production of new industries (especially several connected with agriculture) and the improvement of the basic infrastructure required for the sector had contributed to the rapid growth of industrial output in 1977 and 1978. The lower growth rate of industrial output in 1979 was apparently linked to a certain weakening of domestic demand and higher prices for imported raw materials and fuels.

The branches of manufacturing which showed the greatest dynamism in 1979 were footwear, wooden furniture, printing and publishing, paper, chemical products and the machinery and metal-working industries in general, although the latter are still of small significance. Processed foodstuffs increased by slightly less than 7%, compared with rates of around 13% and 9% the two preceding years. Other general consumption branches such as beverages and tobacco increased at very low rates, and the figure for clothing was only slightly higher. Textiles dropped sharply due to labour conflicts which partially paralysed activity in some areas and a fire which damaged one of the country's main plants (see table 5).

During the year, three sugar mills were built or expanded with State participation (one of them alone, "Central Azucarera, S.A.", involved investments of US\$ 35 million) and greatly increased the installed capacity of the sugar industry. Three large State-owned sawmills also came into operation in 1979.

/Other, smaller

Other smaller industries were also installed, such as those producing synthetic fibres and ceramics, and a footwear factory was expanded. In addition, a start was made on some extremely important projects such as a cement plant which will double the current production capacity and the infrastructure for a paper and pulp manufacturing project connected with the sawmills.

Small- and medium-scale industry continued to receive considerable support from the Industrial Development Centre, both in credits (96 of a total of 165 feasible preliminary industrial projects were assisted) and technical assistance.

(iv) Construction. The increased income from the rapid expansion of exports as of 1976 stimulated a construction boom, in 1978, construction increased by around 10%. In 1979, this rate declined to 6.6%, but even so this was still one of the highest growth rates recorded during the year and had favourable repercussions on employment.

Public construction work declined greatly in 1979 after having achieved a high level the year before due to the execution of major projects such as the El Cajón hydroelectric plant.

On the other hand, according to the records of construction permits, private construction expanded in 1979. Table 6 shows major increases both in residential and other construction activity. However, this trend varies according to whether the location of the projects was the Central district (including the cities of Tegucigalpa and Comayagua) or the cities of San Pedro Sula and La Ceiba. In the Central district, the number of permits declined while the area constructed increased, whereas in the other two cities the area constructed increased greatly.

For several years, urban development has been extremely rapid in San Pedro Sula and La Ceiba, due (especially in San Pedro Sula) to increased industrial activity. Although the larger area constructed compared with the number of units reflects a tendency to construct larger-sized housing and apartments, it may be noted that the State is making persistent although modest efforts to promote and finance the construction of low-cost housing through the National Housing Institute (INVA).

/(v) Energy.

(v) Energy. In line with the general economic trends, the growth rate of electricity generation also declined considerably (from 7.7% in 1978 to 3.6% in 1979). The Government has given special attention to the use of hydroelectric potential and has made a great effort to continue the execution of the El Cajón hydroelectric project as planned, but technical and financial difficulties (which are being overcome) reduced the rate of project execution.

The increase of close on 50% in the price of imported petroleum in 1979 increased the value of these imports from US\$ 77 to US\$ 113 million and had a strong impact on domestic costs and prices.

(c) Developments in employment

Information on developments in employment is not available; however, some partial indicators show that the employment situation improved in 1979.

The growth rate of the total product was almost twice that of the work force, and this must certainly have reduced the unemployment level. Moreover, agriculture and construction - two activities which make extensive use of labour - were the most dynamic during the year, and this reinforces the previous hypothesis about the drop in unemployment.

Official estimates indicate that there was a 5% increase in employment in activities connected with forest exploitation and wood processing, while a similar growth occurred in manufacturing employment.

3. The external sector

(a) Trade in goods

The value of exports of goods again increased considerably (by 20%) in 1979. The value of external sales thus increased 2.4 times in the space of four years, having expanded rapidly since 1976. Over this period, the volume exported increased by 52%, while prices rose by 59%.

For their part, imports rose by slightly more than 18% during the year, so that they have doubled in value since 1976, thus narrowing the gap between their value and that of exports to US\$ 24 million in 1979.

The increase in exports was brought about by rises of more than 11% in volume and 7% in unit value. Since the unit value grew at a similar rate to import prices, there was no significant variation in the terms of trade.

/(i) Exports.

(i) Exports. The value of goods exported in 1979 (US\$ 750 million) was almost 20% greater than the previous year (see table 7), due to increases in both the volume and the prices of many of the main items which the country markets abroad.

Exports of coffee, which share with bananas the leading place among export products, increased considerably in volume but did not take full advantage of the recovery of prices during the second half of the year because of hurried sales before those price rises began. For this reason, the value of these exports declined from US\$ 211 million in 1978 to US\$ 197 million in 1979.

The value of banana exports, on the other hand, increased substantially (42%) and brought in US\$ 60 million more than in 1978 due to a favourable combination of high prices and increased volume exported. Exports of shellfish also increased considerably, and sales of wood manufactures doubled for the second consecutive year.

The increased exports of wood, shrimp and lobster were due entirely to price increases, however, since their volume of sales decreased.

Exports to Central America had been growing rapidly as a result of bilateral agreements with three countries of the region. In 1979, however, this growth slackened because of circumstances which further affected the already abnormal functioning of the Central American Common Market. The events in Nicaragua, which virtually paralyzed that country's economic activity and external trade, also obstructed the development of trade between Honduras and Costa Rica because land transport was interrupted throughout much of the year.

(ii) Imports. The growth rate of imports of goods (rather more than 17%) was lower than in the previous year, when it had been nearly 20%. Examination of this performance by product groups shows that there was a big increase of nearly 50% in the value of purchases of fuels and lubricants due to their higher prices on the international market. Petroleum and petroleum products accounted for about 30% of the increased value of imports of goods in 1979 (see table 8).

/Purchases of

Purchases of food products increased by 11%, which must not have represented a significant increase in volume. The value of imports of consumer durables, on the other hand, increased much more.

Imports of capital goods, particularly machinery and transport equipment, rose by 9% mainly as a result of increased prices, so that the increase in volume must have been slight or non-existent.

Purchases of chemical products increased by nearly 20%, the greatest increase being in chemicals used in agriculture: a sector which showed special dynamism.

Among the measures connected with imports which were adopted during the year, special mention may be made of the increased duty on textile imports.

(iii) The terms of trade. The rise in the unit values of imports, estimated at 7.3%, was similar to the average rise in export prices, so that the terms of trade index did not vary with respect to 1978, when it declined by 3.5%. Thus, the increase of approximately 12% in the volume exported in 1979 produced a similar expansion in the purchasing power of exports. This reaffirmed the trend of the last four years, during which the external purchasing power has expanded by 80% (see table 9).

(b) The current account deficit and its financing

The deficit of US\$ 24 million left by trade in goods in 1979 expanded to a trade deficit of US\$ 95 million with the inclusion of services, finally giving rise to a US\$ 192 million deficit on the balance-of-payments current account when remittances of profits and interest abroad are included. This current account deficit was 13% greater than in 1978 but maintained approximately the same relation to exports of goods and services which has been registered since 1976 (see table 10).

As has been the case since 1975, the net capital inflow in 1979 was greater than the amount of the current deficit, so that net international reserves increased again, this time by US\$ 15 million. There was a moderate flight of capital during the year, especially in the second half, due, inter alia, to the difference between domestic interest rates and those on the world financial market, which was undoubtedly instrumented in causing

/the Central

the Central Bank to adjust active and passive interest rates in the second half of the year. The inflow of short-term credit in connexion with the financing of imports also increased during the year.

(c) External indebtedness

The investment goals which the public sector had set itself and the lack of current revenue to meet the requirements of the National Development Plan forced the State to continue to have recourse to external indebtedness, although at a considerably lower rate than in the past two years. From 1974 to 1979, the amounts of total external debt and of State-guaranteed public and private debt, which have generally been contracted on a long-term basis at extremely favourable interest rates, increased threefold. Thanks to this, the proportion of debt servicing to exports remained lower than 9% (see table 11).

4. Prices and wages

Inflationary pressures increased moderately in 1979, when the annual average variation of the consumer price index was 8.8% compared with 5.7% in 1978. Price increases intensified in the final months of the year, however, and the December-to-December variation was nearly 19% (see table 12).

Up until September, consumer prices increased at the rate of 1% per month, but in October and November the rate was 2%, and in December it rose to 4.3%. Food prices, measured both by the annual average and by the December-to-December variation, were lower than the general index reflecting the good agricultural yields during the year and particularly the output of cereals, which allowed demand to be easily met. On the other hand, the prices of other items such as clothing, beverages and tobacco increased by around 30%.

Inflation has been a subject of constant concern in determining the economic policy to be adopted. Towards the end of 1978 some steps were taken to deal with inflation, and their results were noticeable in 1979, although they could not offset the rapid price rises during the final months of the year.

Some of these measures were aimed at stimulating supply, such as the very successful ones designed to promote maize and rice sowing. Some inputs were provided at subsidized prices and credits were granted on favourable terms. Furthermore, a policy aimed at protecting the purchasing power of the wage-earning sectors was applied, and in keeping with this minimum wages were set for some branches of activity at the end of 1978, while the wages for other branches were reviewed. Wages for private activity were adjusted in general at the same rate as the price variations, especially at the end of the year.

The nominal increase in central government remunerations, however, was nearly 16%, or more than the average price increase during the year.

5. Fiscal and monetary policy

(a) Fiscal policy

In 1977 and 1978 the fiscal deficit rose by 21% and 43% respectively, and came in the latter year to represent more than 53% of current income. This situation and the decline in tax revenue in 1979 caused the Government to concentrate its financial concern on the need to reduce expenditure. This goal was reached, since total expenditure increased much less than in the two previous years, less than consumer prices and also less than had been budgeted, with the result that the fiscal deficit increased by barely 3% (see table 13).

Current central government expenditure increased by slightly more than 15% in 1979: much less than the increases of the two preceding years, which included the improvements granted at the end of 1978. On the other hand, while real investment dropped considerably (by 14%), expenditure on public debt amortization payments increased sharply (20%) as a result of the lag between those payments and the partial renegotiation of the public debt in 1978.

The revenue increase in 1979 was also smaller than in the two preceding years; tax revenue in particular increased less than 12%, which was much lower than in 1977 (31%) and 1978 (17%). The slower growth of tax revenue was largely influenced by the lower dynamism of economic activity and imports during the year, which was not outweighed by the

/excellent export

excellent export results or the steps that were taken to reorganize the tax collection system in an effort to reduce tax evasion. The tax burden with respect to the gross domestic product declined to 13% in 1979.

Although for the second year the use of external credit continued to be the main source of financing for the fiscal imbalance, its importance decreased with respect to the year before; in contrast, domestic credit for this purpose increased by 16%. This decline in foreign loans is noteworthy, but it is probably not so much due to a hardening of the attitudes of traditional financial sources as to the above-mentioned policy of austerity in the management of public finances.

(b) Monetary policy

The money supply grew slightly less than in the preceding year, partly because net international reserves decreased by 11%. Both of these factors were more pronounced in the second half of the year.

Among the factors of expansion of the means of payment, credit to the Government increased much less (12%) than the extremely high rate (46%) recorded in 1978. Although the increase in loans granted to the private sector was also 12%, this rate did not represent such a sharp decline as in the case of credit to the Government (see table 14).

Both demand deposits and quasi-money expanded less than in the previous year, partly because of the flight of capital which began to occur in the second half of the year and the increased interest rates paid by non-banking financial institutions, which exceeded the rates of the formal system. In this situation, the monetary authorities adopted a series of corrective measures - such as increasing the interest rates on deposits - which began to be successful towards the end of the year. Moreover, in September 1979 the maximum annual interest rates for credits granted by the banking system, which had been increased from 13% to 14% in January, were raised to 16%. Loans to finance housing and credits granted by banks under the guarantee fund programme for small-scale industry, whose interest rates were fixed at 11% annually, were exempted from this measure.

The legal cash reserve which banks must maintain as a guarantee on deposits by the public was also raised by 5% from the previous level of 30% in respect of checking account deposits, sight deposits, time deposits, capital deposits and savings and loan deposits.

The new provisions included a limit on credit to the public sector, and Central Bank credit to the banking system for the purpose of stimulating national production was supplemented by an increased inflow of external resources facilitated by the suspension of the requirements regarding bank guarantees and credits obtained by banks on the external financial market.

However, the raising of the interest rate and the subsequent increase in the legal cash reserve were greatly criticized, because on the one hand this would raise the price of money, thus reducing the profitability of enterprises, while on the other, the cash reserve increase would limit the volume of bank credit.

Table 1

HONDURAS: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
A. Basic economic indicators						
Gross domestic product at factor cost (millions of dollars at 1970 prices)	841	825	875	926	999	1 049
Population (millions of inhabitants)	2.99	3.09	3.20	3.32	3.44	3.56
Per capita gross domestic product (dollars at 1970 prices)	281	267	273	279	290	294
<u>Growth rates</u>						
B. Short-run economic indicators						
Gross domestic product	-	-1.9	6.1	5.8	7.9	5.1
Per capita gross domestic product	-3.2	-5.2	2.6	2.0	4.1	1.4
Gross income (b)	1.1	-2.3	10.1	12.0	6.2	5.3
Terms of trade	2.4	-5.1	8.3	12.7	-3.5	0.1
Current value of exports of goods and services	13.3	3.9	31.9	27.9	18.4	19.3
Current value of imports of goods and services	50.7	-2.0	15.5	27.4	18.6	17.9
Consumer price index						
December - December	11.9(c)	7.8	5.6	7.7	5.4	18.9
Variation between annual averages	12.9	8.1	5.0	8.6	5.7	8.8
Money	1.1	8.6	37.3	14.2	15.6	14.7
Current income of government	15.0	12.1	25.7	31.4	16.5	13.2
Total expenditure of government	18.2	32.4	19.7	28.0	24.6	9.7
Fiscal deficit/total expenditure of government (d)	23.6	35.4	32.1	30.3	34.8	32.7
<u>Millions of dollars</u>						
C. External sector						
Trade balance (goods and services)	-123	-101	-60	-74	-89	-95
Balance on current account	-122	-125	-114	-138	-170	-192
Variation in net international reserves	-17	54	37	66	9	15
External debt (e)	254	347	426	538	688	784

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Gross domestic product plus terms-of-trade effect.

(c) Corresponds to consumer price index for Tegucigalpa.

(d) Percentage.

(e) Total disbursed external debt in respect of loans with a term of more than one year.

Table 2

HONDURAS: TOTAL SUPPLY AND DEMAND

	Millions of lempiras at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Total supply	2 490	2 698	2 867	133.9	135.4	10.3	8.4	6.3
Gross domestic product at market prices	1 881	2 012	2 117	100.0	100.0	8.7	7.0	5.2
Imports of goods and services (b)	609	686	750	33.9	35.4	15.6	12.8	9.4
Total demand	2 490	2 698	2 867	133.9	135.4	10.3	8.4	6.3
Domestic demand	2 029	2 161	2 272	107.7	107.3	11.8	6.5	5.1
Gross domestic investment	382	477	514	21.9	24.3	41.9	25.1	7.6
Gross fixed investment	384	459	464	19.1	21.9	9.6	19.6	1.0
Public	132	185	162	6.6	7.7	11.8	40.6	-12.4
Private	252	274	302	12.5	14.3	8.5	8.7	10.2
Changes in stocks	-2	18	50	2.7	2.4			
Total consumption	1 647	1 684	1 758	85.8	83.0	6.6	2.2	4.4
General government	269	280	289	11.6	13.6	9.8	4.1	3.2
Private	1 378	1 404	1 469	74.2	69.4	6.0	1.9	4.6
Exports of goods and services (b)	461	537	595	26.3	28.1	4.0	16.6	10.8

Source: 1970-1978, CEPAL calculations based on data supplied by the Central Bank of Honduras; 1979, CEPAL estimates on the basis of official figures.

(a) Preliminary figures.

(b) The figures for exports and imports of goods and services were obtained from the balance of payments in current dollars, converted to constant 1970 prices using price indexes calculated by CEPAL for the purpose.

Table 3

HONDURAS: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of lempiras at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Agriculture	466	490	524	32.8	28.3	7.1	5.1	7.0
Mining	31	32	33	2.3	1.8	-3.3	3.5	3.1
Manufacturing	251	277	293	14.0	15.8	9.6	10.4	5.8
Construction	97	106	114	4.9	6.1	6.5	9.8	6.6
<u>Subtotal goods</u>	<u>845</u>	<u>906</u>	<u>964</u>	<u>54.0</u>	<u>52.0</u>	<u>7.3</u>	<u>7.2</u>	<u>6.4</u>
Electricity, gas and water	26	28	29	1.4	1.6	4.0	7.6	3.6
Transport, storage and communications	125	138	145	7.2	7.8	4.2	10.1	4.9
<u>Subtotal basic services</u>	<u>151</u>	<u>166</u>	<u>174</u>	<u>8.6</u>	<u>9.4</u>	<u>4.1</u>	<u>9.6</u>	<u>4.7</u>
Commerce, finance and insurance	272	304	319	16.0	17.2	4.2	12.0	4.6
Real estate (b)	121	128	131	7.3	7.1	4.0	5.4	2.9
Community, social and personal services (c)	239	255	262	14.1	14.2	4.2	6.5	2.7
<u>Subtotal other services</u>	<u>633</u>	<u>687</u>	<u>712</u>	<u>37.4</u>	<u>38.5</u>	<u>4.2</u>	<u>8.6</u>	<u>3.6</u>
Total gross domestic product (d)	1 620	1 747	1 836	100.0	100.0	5.8(e)	7.9(e)	5.1(e)

Source: 1970-1978, CEPAL calculations based on figures supplied by the Central Bank of Honduras; 1979, CEPAL estimates based on official data.

(a) Preliminary figures.

(b) Ownership of dwellings only.

(c) Includes restaurants, hotels and business services.

(d) As the individual activities and the total were calculated independently, the sum of the former does not correspond exactly with the latter.

(e) These growth rates differ from those in table 2 because they refer to different concepts of gross domestic product: here, at factor cost, but in the other table, at market prices.

Table 4

HONDURAS: INDICATORS OF AGRICULTURAL PRODUCTION

	1976	1977	1978	1979(a)	Growth rates (b)		
					1977	1978	1979(a)
<u>Index of agricultural production</u> (1975 = 100)	113.6	122.5	129.2	138.6	7.8	5.5	7.3
Crop farming	116.9	126.5	131.5	142.4	8.2	4.0	8.3
Stock-raising	105.1	112.5	123.3	128.9	7.0	9.6	4.5
<u>Production of the main crops</u> (thousands of tons)							
Maize	357	379	347	400	6.2	-8.6	15.4
Beans	33	35	44	39	9.2	25.4	-11.9
Rice (paddy)	33	29	23	28	-11.7	-22.2	25.0
Sorghum	63	49	61	44	-23.2	26.1	-27.9
Bananas	1 057	1 169	1 234	1 313	10.7	5.5	6.4
African palm	61	62	62	69	1.6	-0.2	11.6
Coffee beans	58	64	61	65	10.7	-4.7	6.5
Sugar cane	1 468	1 752	1 930	2 439	19.3	10.2	26.3
Cotton fibre	6	10	11	11	65.0	15.2	-2.6
<u>Indicators of stock-raising production</u>							
Beef (thousands of tons)	40	41	46	50	4.3	11.4	8.9
Milk (millions of litres)	204	218	222	240	7.0	1.9	8.1
Eggs (millions of dozens)	17	18	16	14	4.7	-11.2	-13.2

Source: CEPAL, on the basis of data supplied by the Supreme Council for Economic Planning (CONSUPLANE).

(a) Preliminary figures.

(b) Growth rates calculated using unrounded figures.

Table 5

HONDURAS: INDICATORS OF MANUFACTURING PRODUCTION

	Millions of lempiras at 1966 prices				Growth rates (b)		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
<u>Gross value of production</u>	779	879	945	1 001	12.8	7.5	5.8
<u>Traditional industries</u>	591	662	706	744	12.0	6.6	5.4
Food	307	348	378	404	13.1	8.8	6.9
Beverages	61	66	67	70	7.9	2.9	3.5
Tobacco	15	16	18	19	7.3	13.5	3.9
Textiles	59	66	74	70	10.6	12.9	-5.0
Clothing	46	50	53	55	10.0	4.3	4.4
Leather	4	5	6	7	7.3	28.8	6.0
Leather footwear	8	9	9	10	17.7	2.5	10.6
Wood	63	73	70	76	16.1	-3.6	8.7
Wooden furniture	13	14	14	16	7.0	-2.3	12.5
Printing and publishing	10	11	12	13	9.4	7.4	12.7
Miscellaneous	4	5	3	4	8.9	-22.6	17.7
<u>Intermediate industries</u>	168	193	212	226	14.7	9.7	6.6
Paper	27	30	32	36	10.3	9.0	12.3
Rubber	4	5	5	6	7.6	13.1	6.4
Chemicals	67	82	90	99	23.3	9.6	10.0
Petroleum refining	24	24	28	28	-5.0	20.6	1.0
Non-metallic mineral products	46	52	55	57	13.2	5.3	3.6
<u>Machinery and metal-working industries</u>	19	24	27	31	20.4	15.5	12.0
<u>Other indicators of production</u>							
Consumption of electricity by industry (millions of kilowatts)	257	266	288	289(c)	7.8	8.1	19.1(d)

Source: CEPAL, on the basis of data from the Supreme Council for Economic Planning (CONSUPLANE) and the Central Bank of Honduras, Boletín Estadístico, November 1979.

(a) Preliminary figures.

(b) Growth rates calculated using unrounded figures.

(c) January to October.

(d) Growth rate from January to October compared with the same period for the previous year.

Table 6

HONDURAS: INDICATORS OF CONSTRUCTION ACTIVITY

	1976	1977	1978	1979(a)	Growth rates (b)			
					1977	1978	1979(a)	
Residential construction permits (c)								
<u>Total units</u>	<u>1 739</u>	<u>1 519</u>	<u>1 314</u>	<u>1 381</u>	<u>-12.7</u>	<u>-13.5</u>	<u>5.1</u>	
<u>Total area constructed</u> (thousand of m2)	<u>186</u>	<u>179</u>	<u>170</u>	<u>223</u>	<u>-3.8</u>	<u>-5.2</u>	<u>31.4</u>	
Central district								
Units	870	896	638	558	3.0	-28.8	-12.5	
Thousands of m2	98	115	91	108	17.3	-20.9	18.7	
San Pedro Sula and La Ceiba								
Units	869	623	676	823	-28.3	8.5	21.7	
Thousands of m2	88	64	79	115	-27.3	23.4	45.6	
Non-residential construction permits (thousands of m2) (c)								
<u>Total</u>	<u>112</u>	<u>85</u>	<u>117</u>	<u>232</u>	<u>-24.1</u>	<u>27.6</u>	<u>12.8</u>	
Central district	55	37	72	67	-32.7	94.6	-6.9	
San Pedro Sula and La Ceiba	57	48	45	65	-15.8	-6.2	44.4	
Production of cement (thousands of 42.5 kg bags)	5 501	5 805	6 455	6 604	5.5	11.2	2.3	

Source: CEPAL, on the basis of data supplied by the Supreme Council for Economic Planning (CONSUPLANE).

(a) Preliminary figures.

(b) Growth rates calculated using unrounded figures.

(c) Permits requested between 1 October of the previous year and 30 September.

Table 7

HONDURAS: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates (b)		
	1976	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
<u>Main traditional exports</u>	<u>315</u>	<u>414</u>	<u>489</u>	<u>559</u>	<u>80.2</u>	<u>74.5</u>	<u>31.2</u>	<u>18.1</u>	<u>14.7</u>
Bananas	107	130	141	200	43.4	26.7	22.0	8.5	41.9
Coffee	100	168	211	197	14.9	26.2	67.8	25.5	-6.7
Wood	41	47	42	42	9.3	5.6	15.9	-10.4	-0.6
Chilled meat	25	22	39	57	5.6	7.6	-15.3	79.1	47.7
Zinc	12	13	14	15	2.4	2.0	7.7	5.5	9.7
Shrimp and lobster	12	15	16	25	0.8	3.4	24.0	2.6	64.6
Silver	14	12	11	12	3.2	1.7	-13.0	-7.6	14.3
Ginned cotton	4	7	15	11	0.6	1.5	55.8	128.9	-28.7
<u>Main non-traditional exports</u>	<u>11</u>	<u>17</u>	<u>23</u>	<u>32</u>	<u>1.8</u>	<u>4.3</u>	<u>54.5</u>	<u>35.3</u>	<u>39.1</u>
Wood manufactures	4	5	9	17	0.3	2.3	45.2	77.8	84.5
Soap	7	12	14	15	1.4	2.0	73.9	18.4	11.9
Others	85	99	114	159	17.9	21.2	16.5	15.2	39.5
<u>Total</u>	<u>411</u>	<u>530</u>	<u>626</u>	<u>750</u>	<u>100.0</u>	<u>100.0</u>	<u>28.7</u>	<u>18.2</u>	<u>19.8</u>

Source: CEPAL, on the basis of data supplied by the Central Bank of Honduras and the Supreme Council for Economic Planning (CONSUPLANE).

(a) Preliminary figures.

(b) The percentage breakdown and growth rates were calculated using unrounded figures.

Table 8

HONDURAS: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown (b)		Growth rates (b)		
	1976	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Food	37	42	51	57	9.6	6.9	12.4	23.0	11.3
Beverages and tobacco	2	4	5	5	0.7	0.6	87.0	12.9	5.2
Inedible raw materials	9	8	10	11	0.7	1.3	-2.0	26.5	4.7
Fuels and lubricants	54	64	77	113	6.7	13.8	18.0	7.5	47.5
Animal and vegetable oils and fats	6	7	8	6	1.3	0.7	26.8	2.8	-12.3
Chemicals	74	95	106	127	13.0	15.5	28.8	12.6	19.7
Manufactured articles classified by material	118	138	156	180	28.4	22.0	16.6	14.1	14.9
Machinery and transport equipment	131	178	230	252	28.9	30.8	36.0	28.8	9.4
Miscellaneous manufactured articles	27	38	50	61	10.5	7.5	39.9	29.7	23.7
Miscellaneous goods	1	1	3	5	0.2	0.6	-58.0	104.2	48.5
Total	459	575	696	817	100.0	100.0	25.3	19.7	17.3

Source: CEPAL, on the basis of data of the Central Bank of Honduras and the Supreme Council for Economic Planning (CONSUPLANE).

(a) Preliminary figures.

(b) The percentage breakdown and growth rates were calculated using unrounded figures.

Table 9

HONDURAS: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979(a)
	<u>Growth rates</u>					
Exports of goods						
Value	12.6	3.2	32.9	28.7	18.2	19.8
Volume	-14.1	-3.9	13.6	2.9	16.8	11.5
Unit value	31.1	7.3	17.1	25.0	1.2	7.4
Imports of goods						
Value	59.2	-3.9	16.1	27.2	19.0	18.3
Volume	24.2	-14.9	7.4	14.7	13.4	10.2
Unit value	28.1	13.0	8.1	10.9	4.9	.3
Terms of trade	2.4	-5.1	8.3	12.7	-3.5	0.1
	<u>Indexes (1970 = 100)</u>					
Terms of trade	98.5	93.5	101.3	114.2	110.2	110.3
Purchasing power of exports of goods	103.4	94.3	116.1	134.7	151.8	169.5
Purchasing power of exports of goods and services	105.6	98.8	121.6	141.4	159.0	175.8

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 10

HONDURAS: BALANCE OF PAYMENTS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
Current account						
Exports of goods and services	332	345	455	582	689	822
Goods FOB (b)	300	310	412	530	626	750
Services	32	35	43	52	63	72
Transport	10	10	16	19	23	23
Travel	10	11	12	14	17	19
Imports of goods and services	455	446	515	656	778	917
Goods FOB (b)	387	372	433	550	655	774
Services	68	74	82	106	123	143
Transport	33	34	40	54	64	75
Travel	15	15	16	22	23	27
Net payments of profits and interest on foreign capital	- 13	-29	-58	-69	-86	-106
Profits	1	-11	-34	-39	-47	-55
Interest	-13	-18	-24	-30	-39	-51
Net private transfer payments	14	5	4	5	5	9
Balance on current account	-122	-125	-114	-138	-170	-192
Capital account						
Net external financing (a+b+c+d+e+f)	122	125	114	138	170	192
a) Long-term capital	64	105	103	150	176	
Direct investment (net)	-1	7	5	9	13	10
Private sector	43	35	44	107	113	
Loans	48	53	71	134	160	
Amortization payments	-8	-20	-28	-40	-43	
Other liabilities and assets (net)	3	2	1	13	-4	
Official sector	21	40	44	21	35	169
Loans	29	48	53	39	52	
Amortizations payments	-6	-6	-7	-11	-13	
Other liabilities and assets (net)	-2	-2	-2	-7	-4	
Monetary authorities (net)	1	23	10	13	15	
b) Short-term capital (net)	22	37	39	44	-9	19
Private sector	29	-	39	42	-15	13
Official sector	-1	35	2	11	-6	-5
Errors and omissions	-6	2	-2	-9	12	11
c) Extraordinary financing	-	25	-	-	-	-
d) Allocation of Special Drawing Rights (SDRs)	-	-	-	-	-	...
e) Official transfer payments (net)	19	12	9	10	12	9
f) International reserves (minus sign indicates an increase)	17	-54	-37	-66	-9	-15
Use made of IMF credit	20	-	-	-15	-5	-
Other liabilities	-	-1	-	-	-	8
Monetary gold	-	-	-	-	-	-
Special Drawing Rights	-	2	2	-1	1	-6
IMF reserve position	8	-	-	-	-8	2
Foreign exchange and other assets	-11	-55	-39	-50	3	-19

Source: 1974-1978, International Monetary Fund, Balance of Payments Yearbook, vol. 30; 1979, CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including non-monetary gold.

Table 11

HONDURAS: INDICATORS OF EXTERNAL INDEBTEDNESS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
Total external indebtedness (b)	254	347	426	538	688	784
Public debt and State-guaranteed						
private debt	194	256	314	399	516	571
Private debt	60	91	112	139	172	213
Servicing of external debt (c)	24	29	39	46	61	68
Amortization payments	11	10	11	14	20	20
Interest payments	13	19	28	32	41	48
Servicing of external debt, as a percentage of exports of goods and services	7.3	8.4	8.6	7.9	8.9	8.3

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) End-of-year balance of the debt with a term of more than one year.

(c) Refers to servicing of the external public debt and State-guaranteed private debt.

Table 12

HONDURAS: EVOLUTION OF DOMESTIC PRICES

	1974	1975	1976	1977	1978	1979
	<u>Variation December to December</u>					
Consumer price index	11.9(a)	7.8	5.6	7.7	5.4	18.9
Food	12.2(a)	9.5	4.6	10.5	5.5	17.1
	<u>Variation between annual averages</u>					
Consumer price index	12.9	8.1	5.0	8.6	5.7	8.8
Food	17.2	9.3	3.9	11.3	6.2	7.9

Source: CEPAL, on the basis of data supplied by the Central Bank of Honduras.

(a) Corresponds to the consumer price index for Tegucigalpa as given in United Nations, Monthly Bulletin of Statistics.

Table 13

HONDURAS: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of lempiras				Growth rates (b)		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
<u>Current income</u>	<u>356</u>	<u>468</u>	<u>545</u>	<u>617</u>	<u>31.4</u>	<u>16.5</u>	<u>13.2</u>
Tax revenue	311	425	517	577	36.7	21.6	11.6
Direct	76	94	128	158	24.0	36.1	23.4
Indirect	235	330	388	418	40.8	17.6	7.7
On foreign trade	130	204	253	...	57.8	23.8	...
Other	45	43	28	40	-4.4	-34.9	42.9
<u>Current expenditure</u>	<u>327</u>	<u>409</u>	<u>518</u>	<u>597</u>	<u>25.3</u>	<u>26.6</u>	<u>15.3</u>
Wages and salaries	184	212	260	296	15.4	22.6	13.8
Other current expenditure	143	197	258	301	38.0	30.9	16.7
<u>Saving on current account</u>	<u>29</u>	<u>59</u>	<u>27</u>	<u>20</u>	<u>99.3</u>	<u>-54.2</u>	<u>-25.9</u>
<u>Capital expenditure</u>	<u>197</u>	<u>262</u>	<u>318</u>	<u>320</u>	<u>32.4</u>	<u>21.4</u>	<u>0.6</u>
Real investment	88	107	179	154	21.7	67.0	-13.8
Debt amortization payments	41	67	70	84	60.1	4.6	20.0
Other capital expenditure	68	88	69	82	29.2	-21.7	18.7
<u>Total expenditure</u>	<u>524</u>	<u>671</u>	<u>836</u>	<u>917</u>	<u>28.0</u>	<u>24.6</u>	<u>9.7</u>
<u>Fiscal deficit</u>	<u>-168</u>	<u>-203</u>	<u>-291</u>	<u>-300</u>	<u>20.7</u>	<u>43.3</u>	<u>3.1</u>
<u>Financing of deficit</u>							
Domestic financing	88	111	112	130	25.9	0.9	16.1
External financing	80	92	179	170	15.0	94.6	-5.0

Source: CEPAL, on the basis of data supplied by the Central Bank of Honduras.

(a) Preliminary figures.

(b) Growth rates calculated on the basis of unrounded figures.

Table 14

HONDURAS: MONETARY BALANCE

	Year-end balance in millions of lempiras				Growth rates		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
<u>Money</u>	<u>359</u>	<u>411</u>	<u>475</u>	<u>545</u>	<u>14.2</u>	<u>15.6</u>	<u>14.7</u>
Currency outside banks	169	189	210	264	11.6	11.0	25.8
Demands deposits	190	222	265	281	16.6	14.6	5.9
<u>Factors of expansion</u>	<u>1 061</u>	<u>1 371</u>	<u>1 620</u>	<u>1 790</u>	<u>29.1</u>	<u>18.2</u>	<u>10.5</u>
Foreign assets (net)	143	222	267	237	54.9	20.0	-11.2
Domestic credit	918	1 149	1 353	1 553	25.1	17.8	14.7
Government (net)	108	114	167	187	4.8	46.4	11.8
Official entities	-29	-3	-15	21			
Private sector	839	1 038	1 201	1 345	23.7	15.7	11.9
<u>Factors of absorption</u>	<u>702</u>	<u>960</u>	<u>1 145</u>	<u>1 244</u>	<u>36.7</u>	<u>19.3</u>	<u>8.6</u>
<u>Quasi-money</u> (savings and time deposits)	<u>279</u>	<u>369</u>	<u>462</u>	<u>505</u>	<u>32.5</u>	<u>24.9</u>	<u>9.4</u>
Bonds	32	54	78	107	71.3	43.8	37.0
Long-term foreign borrowing	167	359	395	434	114.9	10.1	9.9
Other items (net)	224	178	210	198	-21.0	18.4	-5.7

Source: CEPAL, on the basis of data supplied by the Central Bank of Honduras.

(a) Preliminary figures.