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# An Economic Snapshot of Honduras

*A diversifying economy and a healthy tourism sector create strong demand for hotels in this Central American hotspot*

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Even in light of the current global economic situation, Honduras has retained a generally favorable investment climate. While Honduras is expected to be negatively impacted by the worsening global recession, the government has taken steps to minimize the ill effects. Over the past nine years, the Honduran economy has grown steadily, and the U.N. Economic Commission for Latin America and the Caribbean (ECLAC) is predicting continued growth of 2.0% in 2009, down from an earlier prediction of 3.5% growth.

## Economic Drivers in Honduras

Traditionally, the economy has relied on the export of such commodities as bananas and coffee. More recently, government and economic development agencies have intensified efforts to diversify the economy and attract more foreign investments. FIDE Investment and Exports, a private non-profit organization created in 1984 to promote investment in Honduras, has identified four principal growth sectors that provide the most promising investment opportunities: light manufacturing, agribusiness, services, and tourism. These sectors account for approximately 75% of the foreign direct investment in Honduras.

The following table illustrates the amount of foreign direct investment (FDI) in each of the Central American countries between 1993 and 2007 (2008 statistics were not available at the time of this writing).

<b>Net Inflow of Foreign Direct Investment – Millions USD</b>						
<b>Country</b>	<b>1993-1997</b>	<b>1998-2002</b>	<b>2003-2007</b>	<b>2006</b>	<b>2007</b>	<b>Percent Change 2006-2007</b>
Belize	26	36	84	100	92	(8.0) %
Costa Rica	343	552	1,082	1,469	1,889	29.0
El Salvador	22	448	555	9	1,526	597.0
Guatemala	89	325	280	354	536	51.0
<b>Honduras</b>	<b>65</b>	<b>259</b>	<b>608</b>	<b>674</b>	<b>816</b>	<b>21.0</b>
Nicaragua	100	235	262	282	335	19.0
Panama	502	651	1,429	2,574	1,825	(29.0)

Source: ECLAC

Between 2006 and 2007, FDI in Honduras increased by 21%. The majority of this investment originated in the United States, and much of it was directed to the tourism sector. Between 2003 and 2007, the total number of inbound tourists in Honduras increased by 13% on an average annual compounded basis,<sup>1</sup> helping to make tourism one of the largest employment sectors in the country.

### **Tourism, Business, and New Developments**

Long a scuba diver's haven known for its charming family-run dive resorts and bed-and-breakfast inns, the island of Roatán is rapidly becoming a major international destination with the planned introduction of branded luxury hotels and a number of resort-residential developments. The Westin Roatán Island Mystic Harbor Resort & Spa and the Nikki Beach Resort & Spa at Blue Ocean Reef are just two of the projects expected to open in the next two years. Furthermore, both Royal Caribbean Cruises Ltd. and Carnival Cruise Lines are investing heavily to create new and improved cruise ship facilities and welcome centers that, when complete, will include retail shops, restaurants and bars, and other entertainment attractions.

While Roatán and the Bay Islands have seen the greatest amount of tourism development in recent years, destinations such as La Ceiba, Tela, and Copán (a UNESCO World Heritage Site) are also expected to benefit as Honduras gains more worldwide attention. According to the World Economic Forum's Travel and Tourism Competitiveness Report, Honduras improved its position dramatically in 2008 by rising to the rank of 75 out of 130, up from 87 of 124 in 2007. This competitiveness will increase further when a new, small-craft airport is opened near the Copán Ruinas in mid-year 2010. Construction is underway on this new facility, which will enhance that area's accessibility and allow travelers to more easily combine visits to more than one region during the same trip.

The country exhibited a similar improvement in the general Global Competitiveness Report 2008-2009, also published by the World Economic Forum. Competitive advantages noted for Honduras include the quality of the port infrastructure, FDI and technology transfer, the prevalence of foreign ownership, the extent and effect of taxation, and the time required to start a business. In 2007, FIDE estimated that 13,000 new jobs were created in such sectors as the automotive industry, textiles, chemicals, and call centers.

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<sup>1</sup> Instituto Hondureño de Turismo (Honduras Tourism Institute)

As new businesses are opened and existing ones expand, the country can be expected to see increased demand for internationally branded, business-oriented hotels. According to FIDE, a Courtyard by Marriott and a Holiday Inn Express are in the pipeline for San Pedro Sula, the industrial center of Honduras. San Pedro Sula and Tegucigalpa, the capital, each have an as-yet-unbranded five-star property in early development, but due to the current uncertainties in the market, these projects may be postponed temporarily.

### **Conclusion**

While Honduras still has many challenges to overcome on its way to becoming a Central American powerhouse, the country has made major strides in creating a welcoming climate for business owners, developers, and tourists. Growth is expected to slow and unemployment to increase in 2009, but not by very significant measures. The economy of Central America in general is healthy, and an increasingly diversified economy, a strong financial foundation, an advantageous geographic location, and a commitment to sustainable growth should help keep Honduras on track during the current international slowdown.



### About the Author

**Jane Rogers** is a Senior Project Manager for the HVS Mexico City office and is a primary manager for Mexico and Central America consulting assignments. She oversees hotel appraisal assignments, compiles market statistics and data, and completes site inspections, analyses, and reports for hotels in Mexico, Central America, the Caribbean, and the United States.

Jane began her hospitality career at the historic Stoneleigh Hotel in Dallas, working in various front-office positions. She has also held positions in both food and beverage operations and hotel rooms divisions, including the position of Reservations Manager for the Dallas Hilton Inn. Apart from her vast hotel appraisal and consulting experience, Jane acquired extensive knowledge of Mexico's resort destinations while working as a sales representative for wholesale tour operators American Leisure and Armadillo Tours; she has also led numerous familiarization trips for travel agents to destinations throughout the country.

Jane earned her bachelor's degree from the University of Texas at Austin and has completed graduate work at Texas Woman's University. She is fluent in English and proficient in Spanish and French.

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