Halfway through 2026: less momentum, more pressure

JULY 28, 2026

This Radar Económico examines the second quarter of 2026 — a period in which Honduras posted favorable headline indicators but experienced a loss of momentum, with cyclical and structural challenges still unresolved.

Honduras enters the second half of 2026 with an economy that continues to grow but is losing momentum and facing mounting pressure. On the surface, several indicators appear favorable — high reserves, a low sovereign bond spread, and the IMF program progressing as planned. Beneath that surface, however, the main drivers of growth are weakening and costs continue to rise.

On the growth side, the main pillar supporting consumption — remittances — is still increasing, but at a slower pace each month. The maquila sector is contracting, and investment comes largely from public works, rather than private activity. On the cost side, higher fuel prices have kept inflation above the tolerance range and are now raising electricity bills. Meanwhile, the most urgent structural challenge remains unresolved: an energy sector that absorbs public resources, raises production costs, and continues to resist reform.

These domestic pressures are compounded by uncontrollable external risks that will shape the remainder of the year: geopolitical uncertainty, migration pressures, and the likely intensification of El Niño. The favorable indicators are not in doubt; what remains uncertain is whether they can be translated into lasting investments and reforms before internal and external pressures erode them.

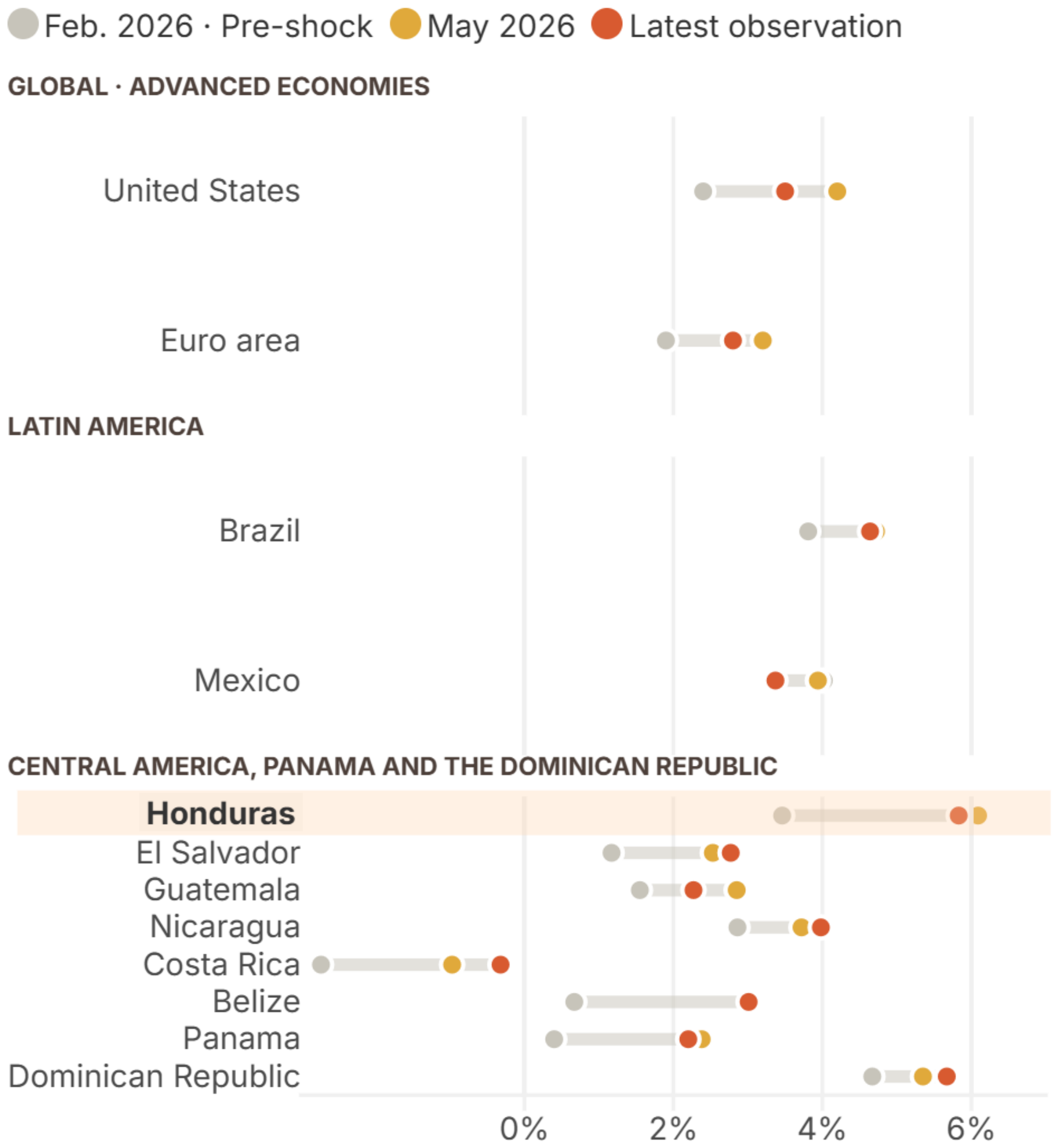
International context: some pressures ease while others reappear

The second quarter closed with signs of relief. The oil shock highlighted in the Q1 Radar began to rebound: after a ceasefire stabilized conditions in the Strait of Hormuz, WTI — which had surpassed $110 per barrel in April — fell by 36% by mid-June.

Even so, the oil price surge left a global burden. The International Monetary Fund (IMF) now expects global inflation to rise to 4.7% in 2026, reversing the downward trend of recent years, although the decline in oil prices toward the end of June eased some of the pressure. In Honduras, the inflationary spike was among the sharpest in the region, while the subsequent decline has been relatively modest (Figure 1).

FIGURE 1

Year-on-year inflation in selected countries by region, 2026 (%)



Regulatory developments in the United States put greater pressure on migrants. Executive Order 14406 instructed financial institutions to treat immigration status and work authorization as financial risk factors, while a Supreme Court ruling on Temporary Protected Status (TPS) closed the legal path to challenge the cancellation of Honduran TPS[1]. Both measures threaten remittance flows — Honduras's main source of foreign exchange — and the end of TPS raises the challenge of reintegrating returning migrants.

Climate risks are also intensifying. Honduras ranks third globally in climate risk vulnerability and there is a 90% probability that El Niño will strengthen[2] toward the end of 2026. In the Dry Corridor in southwest Honduras, El Niño has historically produced prolonged droughts, heightening the risk of food insecurity [3] and raising domestic food and energy prices[4].

Overall, external conditions offer mixed signals heading into the second half of the year: geopolitical tensions have eased somewhat, but pressures related to migration, remittances, and climate shocks are rising. Honduras cannot influence these factors, but they will shape its outlook.

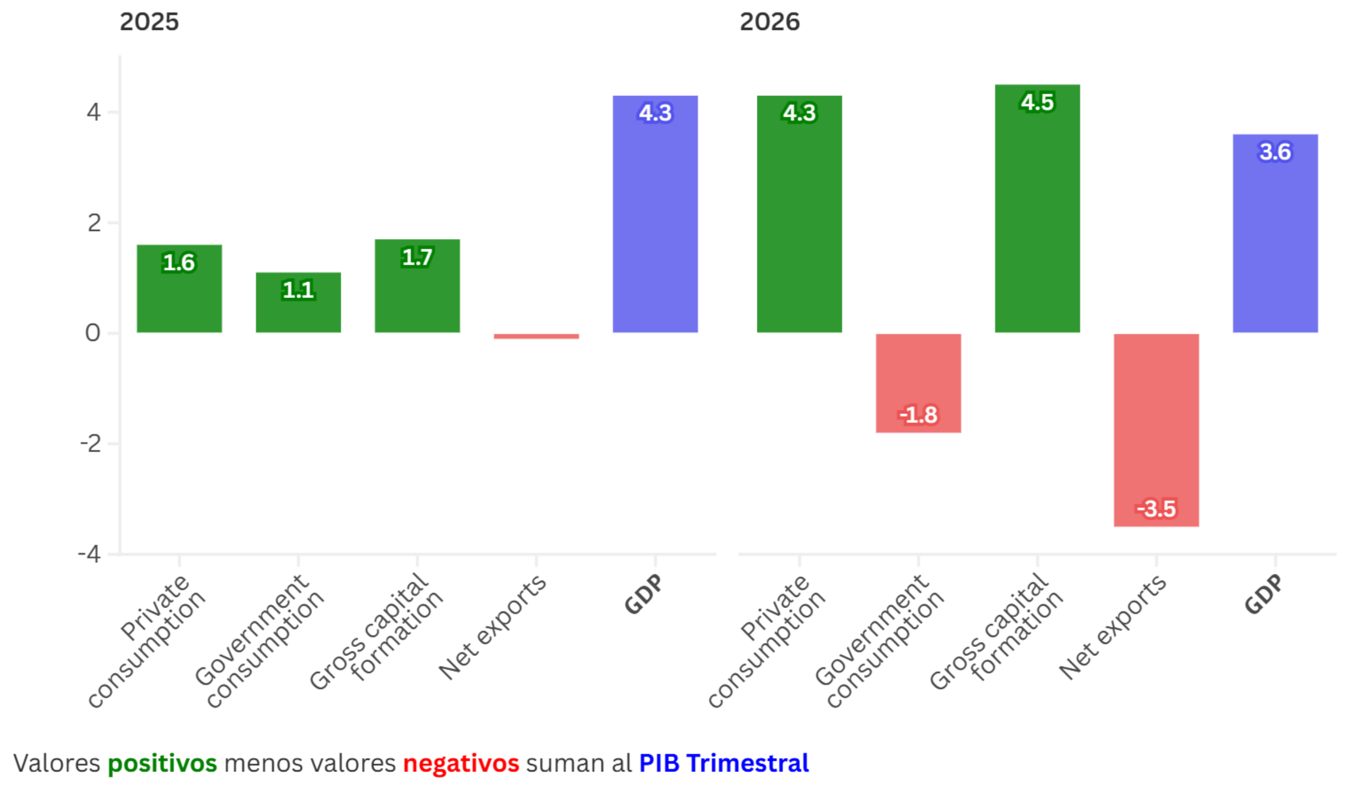
Economic growth is losing steam

Growth slowed noticeably in early 2026, and the composition raises concerns. GDP expanded 3.6% year-on-year[5] in the first quarter, down from 4.3% a year earlier. This value remains within Honduras' typical growth range, but the underlying drivers warrant a closer look.

On the demand side, private consumption remained the main anchor of activity, supported by remittances equivalent to nearly one third of GDP. Gross capital formation[6] also strengthened aggregate demand contributing 4.5 percentage points (pp) to year-on-year GDP growth in the first quarter of 2026. The increase, however, was driven largely by public infrastructure projects and private sector inventory accumulation (BCH, 2026a). Public consumption contracted and subtracted 1.8 pp from growth, unsurprisingly given that the government budget was not approved until April. Most strikingly, external balance dragged growth 3.5 pp as **import volumes outpaced exports,** a sharp contrast from 2025 (Figure 2).

FIGURE 2

Contribution to real GDP growth, first quarter 2025 and 2026 (percentage points)

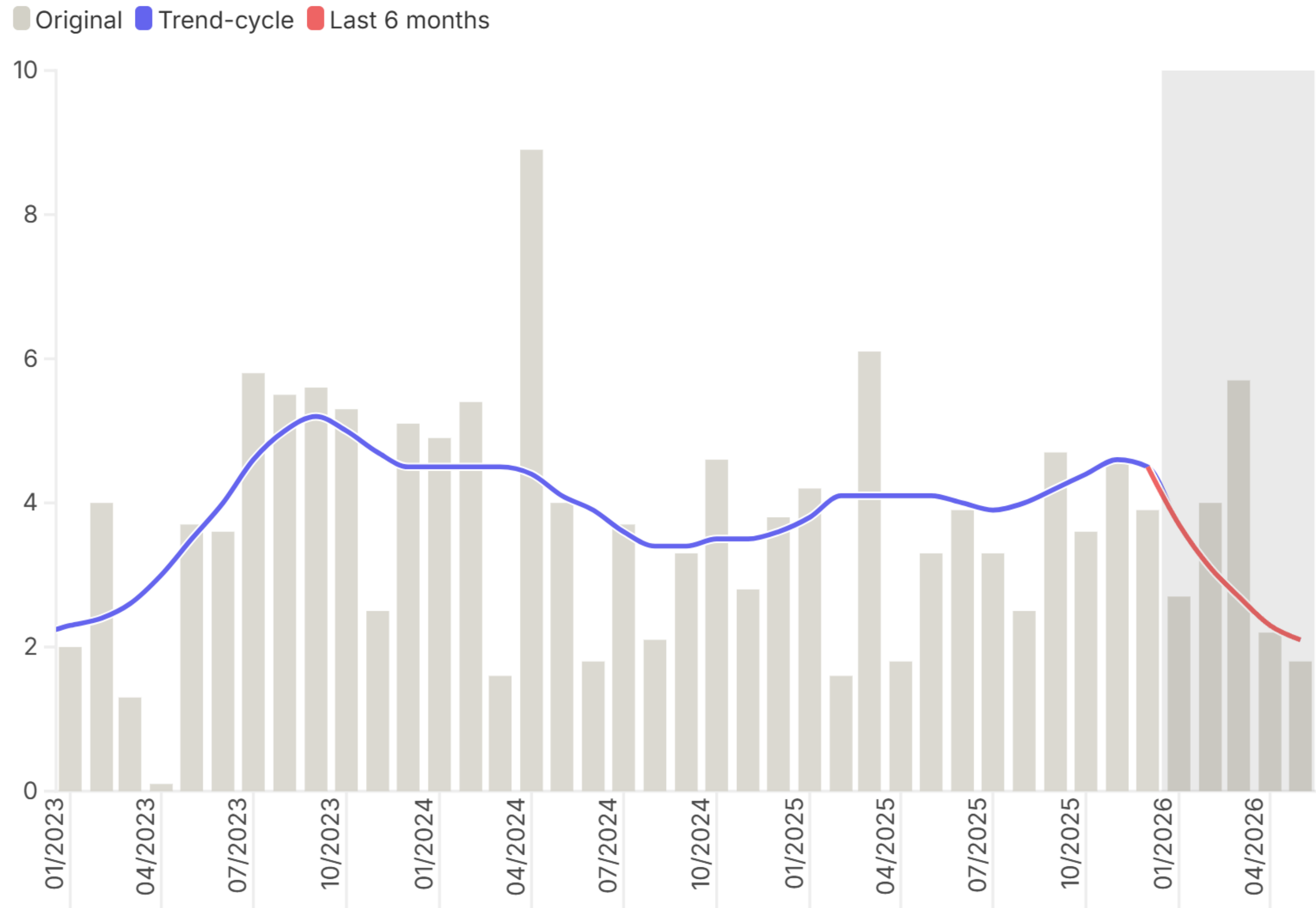


On the supply side, the strongest push came, as usual, from financial intermediation, which grew 12.1% year-on-year[7]. This alone accounted for roughly 90% of Honduras' year-on-year growth. Other sectors with higher jobs impacts also posted positive results, but more modest ones: commerce (5.0%), agriculture (4.2%), and industry[8] (2.8%).

Quarterly GDP data run only through March. For a more recent reading of the economy's pulse, it is useful to look at the Monthly Economic Activity Index (IMAE)[9], which is available through May. The reading has two sides. The cumulative change through to May was 3.3% (relative to the same period of 2025), which is in line with the quarterly GDP figure. But the unadjusted series can be volatile from month to month — it grew 5.7% year-on-year in March and only 1.8% in May — so it is better look at the smoothed trend-cycle[10]. **That indicator confirms that output growth decelerated for the sixth consecutive month, from 4.5% in December 2025 to 2.1% in May** (Figure 3).

FIGURE 3

Monthly Economic Activity Index (IMAE), 2024—2026 (year-on-year percentage change)



This loss of momentum casts doubt on optimistic readings for the coming months. It is no surprise that the multilateral agencies' 2026 growth projections have been revised downward: the IMF cut its forecast to 3.3% (from 3.8%) and the World Bank to 3.4%. That puts Honduras below the projected Central American average (which is 3.6%), as one of the region's least dynamic economies[11] — and is consistent with the suggestion of our previous (Q1) Radar Económico.

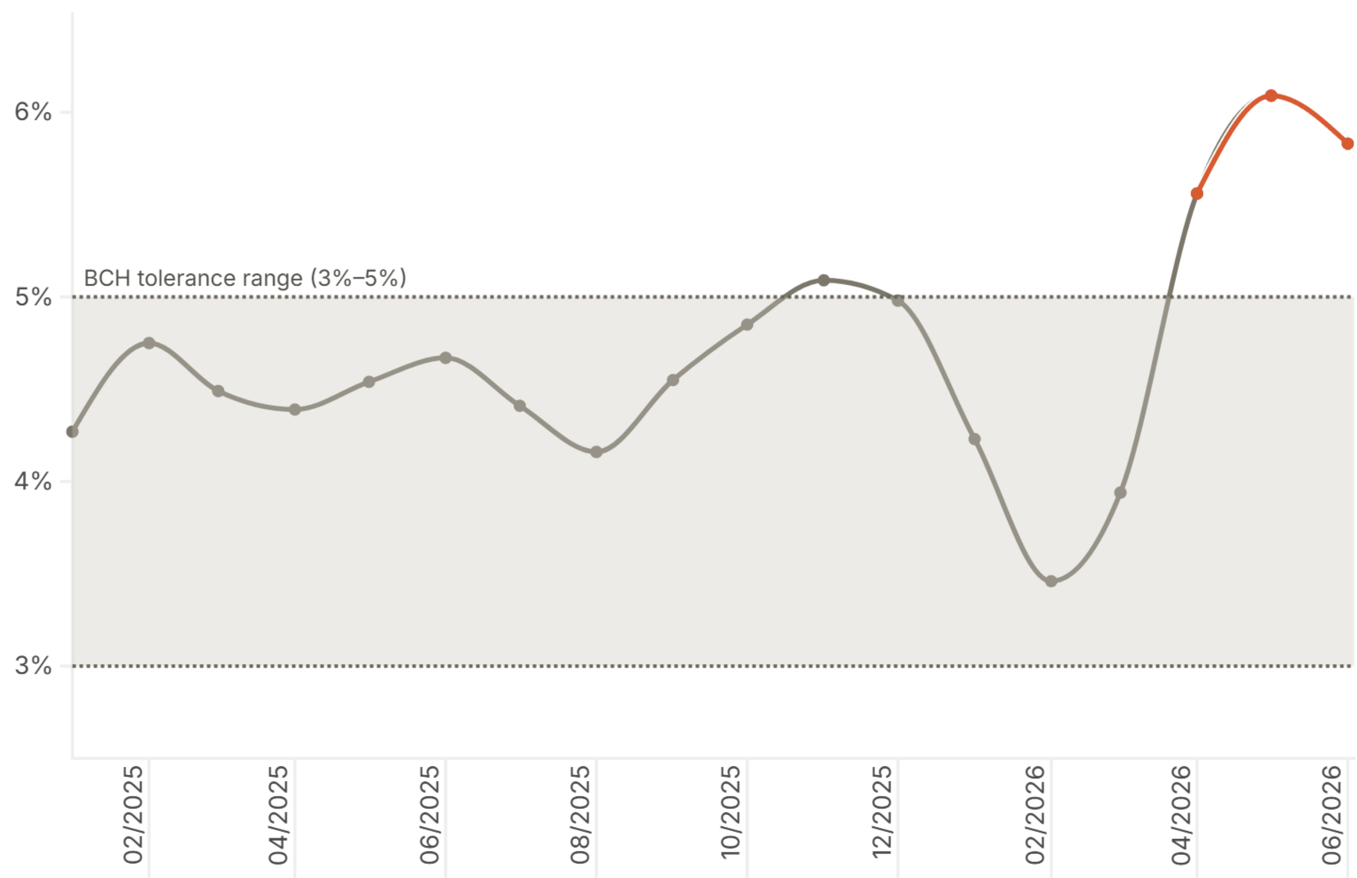
Although the country keeps growing, that growth remains dependent on a limited set of drivers, in an environment where new challenges are emerging. **The recent uptick in gross capital formation is a positive signal, but it remains to be seen whether that can be consolidated into a sustained increase in productive investment.**

Inflation is above the target range and costs are rising

Between April and June 2026, the cost of living rose faster than it did in the first quarter. Year-on-year inflation reached 5.83% in June, standing above the "tolerance band"[12] for the third consecutive month (Figure 4). The good news is that inflationary momentum seems to be cooling: prices rose just 0.18% between May and June 2026, which is a positive sign.

FIGURE 4

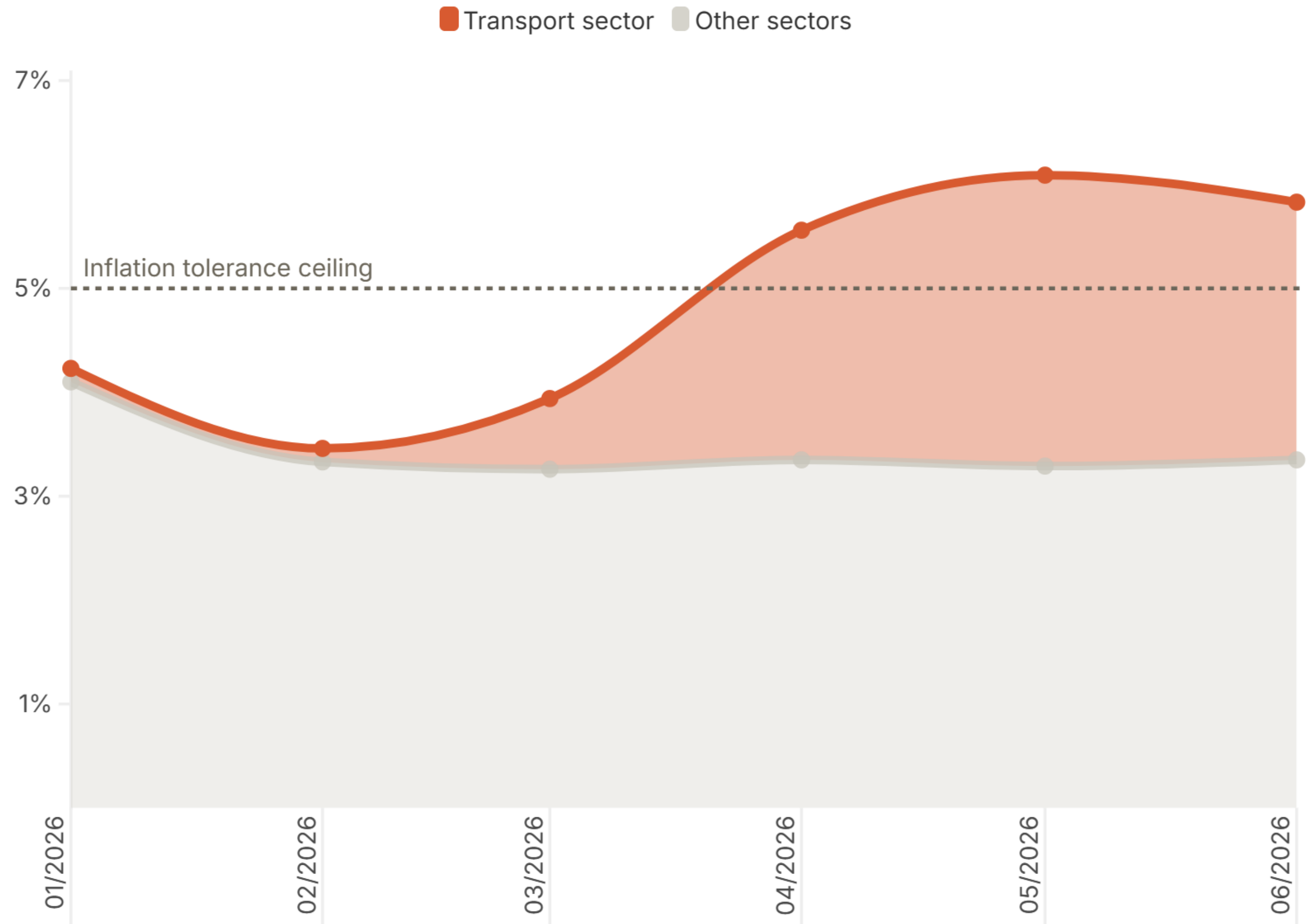
Consumer Price Index, year-on-year change, 2025—2026 (%)



As in Q1, the cause of high inflation is global fuel price increases linked to the U.S.-Iran war. The scale of the first-round effects in Honduras is among the highest in the region[13]. In May, tradable goods[14] accounted for 4.26 of the 6.09 percentage points of Honduran inflation (almost 70% of the total). Transport costs took a direct hit, rising 17% year-on-year and accounting for about half of second-quarter inflation (Figure 5).

FIGURE 5

Transport's contribution to year-on-year inflation, 2026 (%)



The full impact did not reach people's pockets, because the government absorbed part of it[15]. Up to May, 661.2 million lempiras had been allocated in energy and fuel subsidies[16]. But the government has limited fiscal space and there is a risk that the long-term consequence of cushioning these shocks will be a permanent fiscal deterioration.

In any case, the relief is partial. The benefit of the subsidies given to hold down transport costs has already been offset by a 12.5% increase in the July electricity tariff. And even that adjustment was only about half of the increase that would have been warranted by higher fuel costs; the difference remains pending for future quarters[17]. This confirms the knock-on effects which we anticipated in our Q1 Radar. Honduras's high dependence on thermal generation remains an important vulnerability (Table 1).

TABLE 1

Average electricity tariff, 2026

Quarter	Tariff (L/kWh)	Generation cost (%)	Rate increase applied (%)	Deferred adjustment (pp)
I (Jan–Mar)	4.81	10.37%	4.11	6.26
II (Apr–Jun)	5.32	—	10.49	—
III (Jul–Sep)	5.98	21.5%	12.48	9.02

IMF currently projects **Honduras's year-end inflation at 5.7%** — still above the target band — and doesn't anticipate it reaching 4% until late 2028. In sum: the fuel price shock has already worked its way through the "first-round" sectors of transport and energy. But its knock-on effect on costs and prices in sectors that depend on these inputs remains to be seen.

Monetary policy: the BCH policy rate is on hold, and credit is getting cheaper

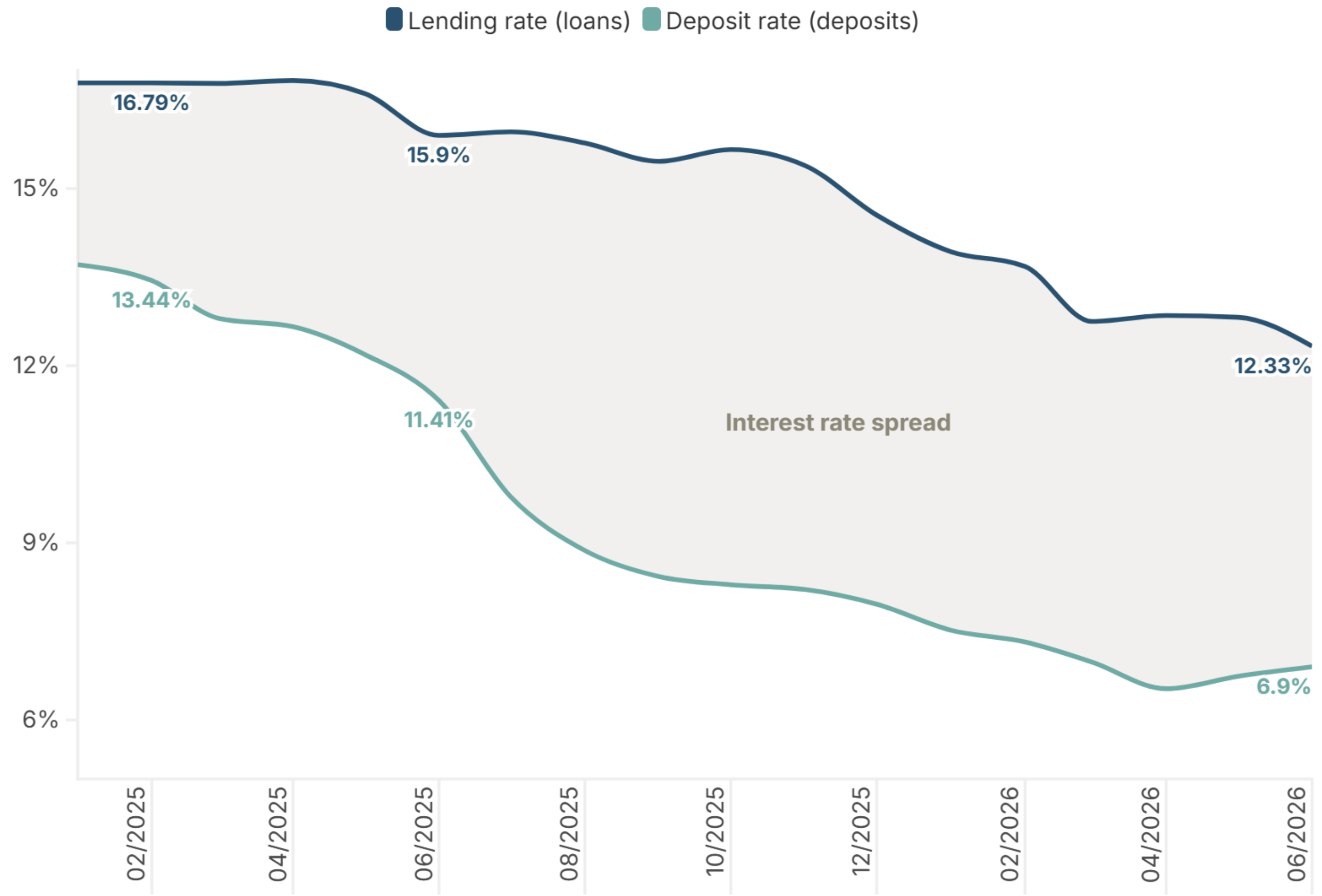
Even though inflation has moved above the target range, BCH has held its Monetary Policy Rate stable (TPM). The TPM has now been unchanged at 5.75% for 18 consecutive months. Since the inflationary impulse came from abroad, increasing credit costs could only offset it by triggering a severe reduction in aggregate demand. Neither did the BCH cut the TPM in an effort to offset the negative impact of the fuel price shock on demand. The TPM needs to stay above United States interest rates (currently 225 basis points higher) so lempira savings yield more than dollar savings to protect Net International Reserves (NIR)[18].

Even with the TPM on hold, borrowing became cheaper: the interest rate on a new loan in lempiras fell to 12.3% in June 2026, down from nearly 16% a year earlier. The reason was not the price of money but its quantity[19]. Dollars from remittances flowed into the country and were absorbed by the financial system. This swelled bank deposits — growing 12.9% over the year — and **reactivated credit**[20]. Increased borrowing was **driven more by businesses (up by 10.1% year-on-year) than by households (up by 3.3% year-on-year)** (BCH, 2026c).

But the benefit was not evenly spread. Liquidity made credit cheaper, but it benefited the banks more than the savers, whose deposits earn increasingly less: the deposit rate in lempiras fell from 11.41% to 6.9% in a year, and the financial intermediation spread rose to 5.4% (Figure 6).

FIGURE 6

Interest rates on new lempira-denominated operations, January 2025 — June 2026 (weighted average %)



The financial system's dynamics are rooted in the foreign exchange market, which is managed by the BCH. For now, more dollars are entering Honduras — through remittances and exports — than the domestic economy demands. Without intervention, that surplus would lead to appreciation of the lempira. To prevent that, BCH buys the surplus dollars — USD 1.6 billion net in 2026 — paying with lempiras. That has ensured that the exchange rate depreciated 1.37% (in line with the planned trajectory). But it also increases lempira funds in the financial system that are potentially available for lending. To offset that, the BCH re-absorbs some of those lempiras by selling BCH bills and bonds, whose outstanding balance is now 71.9 billion lempiras at an average interest rate of 5.75%. The goal is to counter the potential inflationary effect of the growth in the lempira money supply[21]. The process of withdrawing available money through open market bond sales is known as “sterilization”.

This interplay explains why retail bank lending rates fell, even though the TPM remained stable. The change reflected the greater availability of lempiras — resulting in more liquidity. This is a fragile balance: if remittances slow or exports fall, there will be fewer dollars, fewer reserves, and fewer lempiras to lend. Credit could become more expensive again, and BCH would have to choose between sustaining reserves, containing inflation, or preserving liquidity.

External sector shows signs of weakening the support of 2025

The trade flows and foreign exchange that drove the economy in 2025 are starting to unravel. While coffee is holding up quite well, remittances are slowing and the maquila sector's decline is intensifying. On the positive side, coffee exports accumulated USD 1.67 billion between January and May, 8% more than a year earlier (Figure 7). Unlike last year, the advance came from higher export volume (24.6%)[22] that offset a 13.3% fall in the international price (Figure 8), which has now declined for five consecutive months[23].

FIGURE 7

Coffee exports, through May of each year, 2007—2026 (billions of dollars)

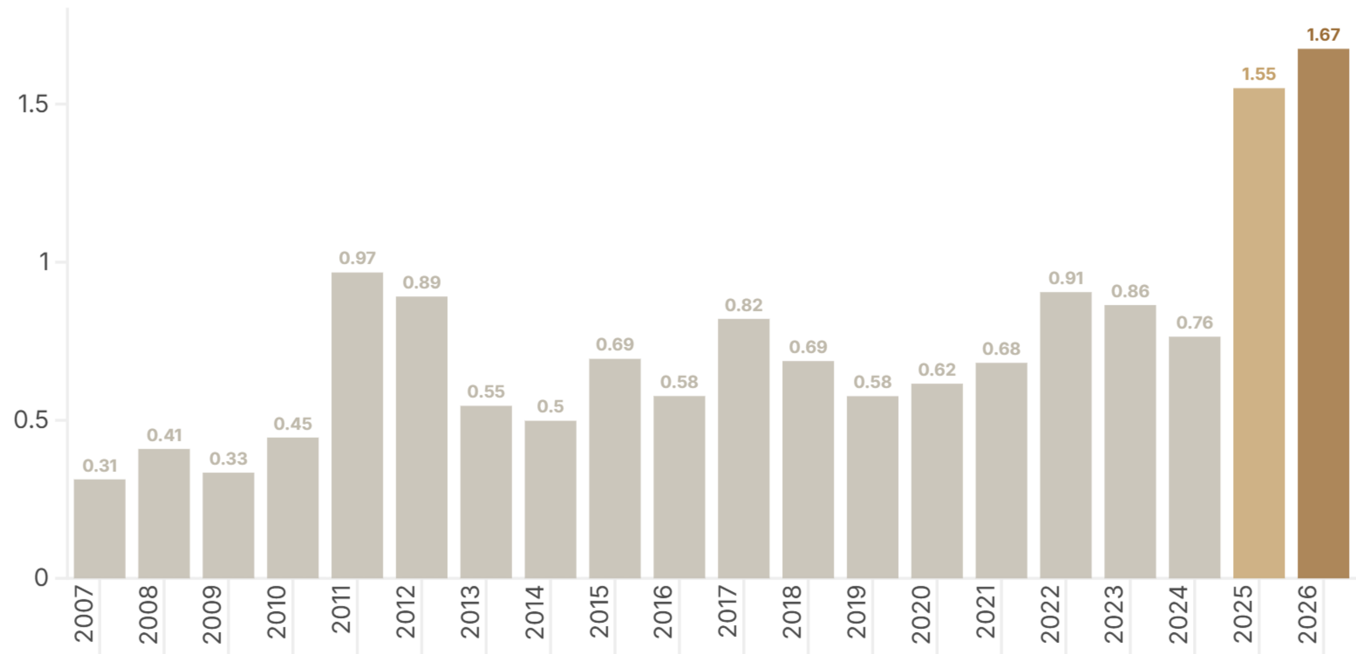
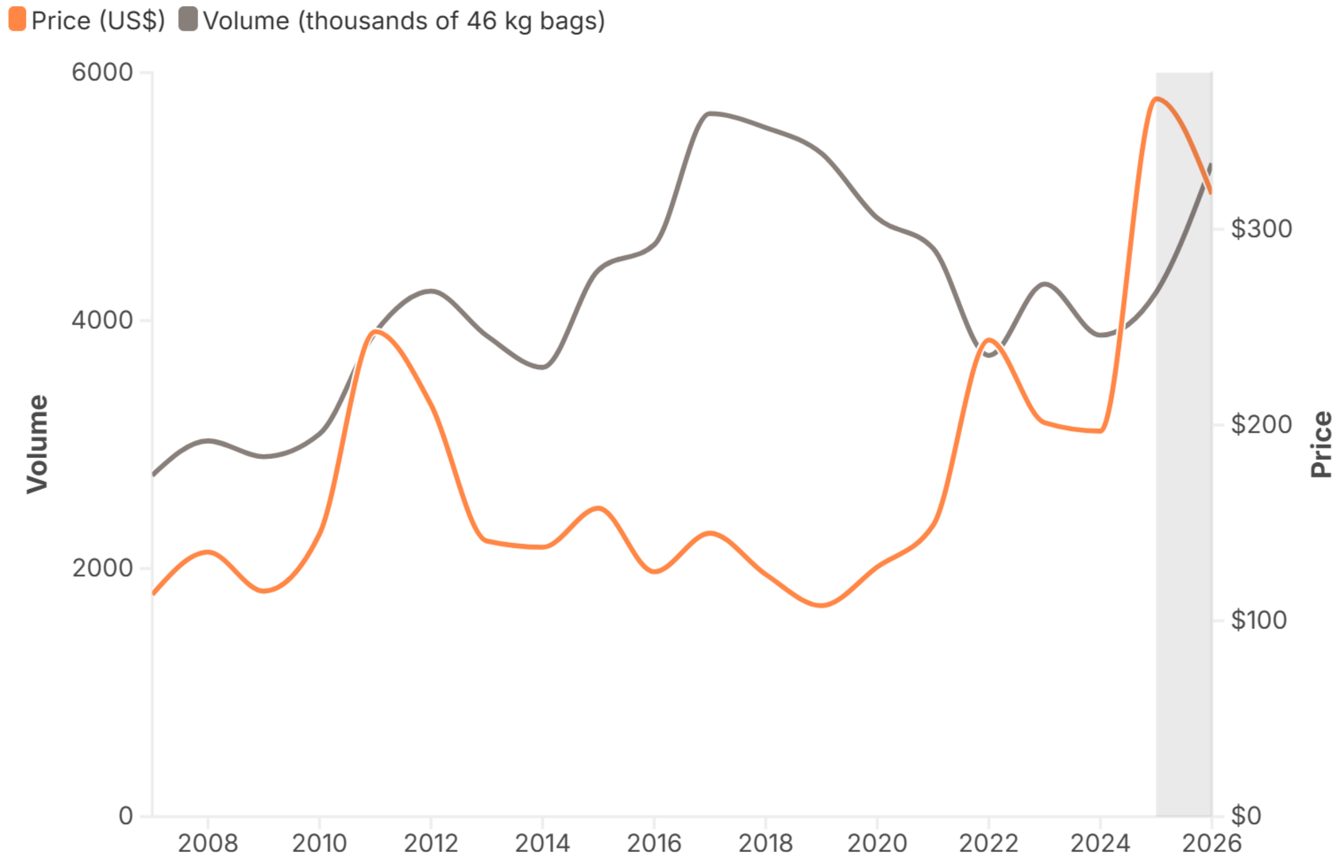


FIGURE 8

Coffee export prices and volumes, through May of each year, 2007—2026



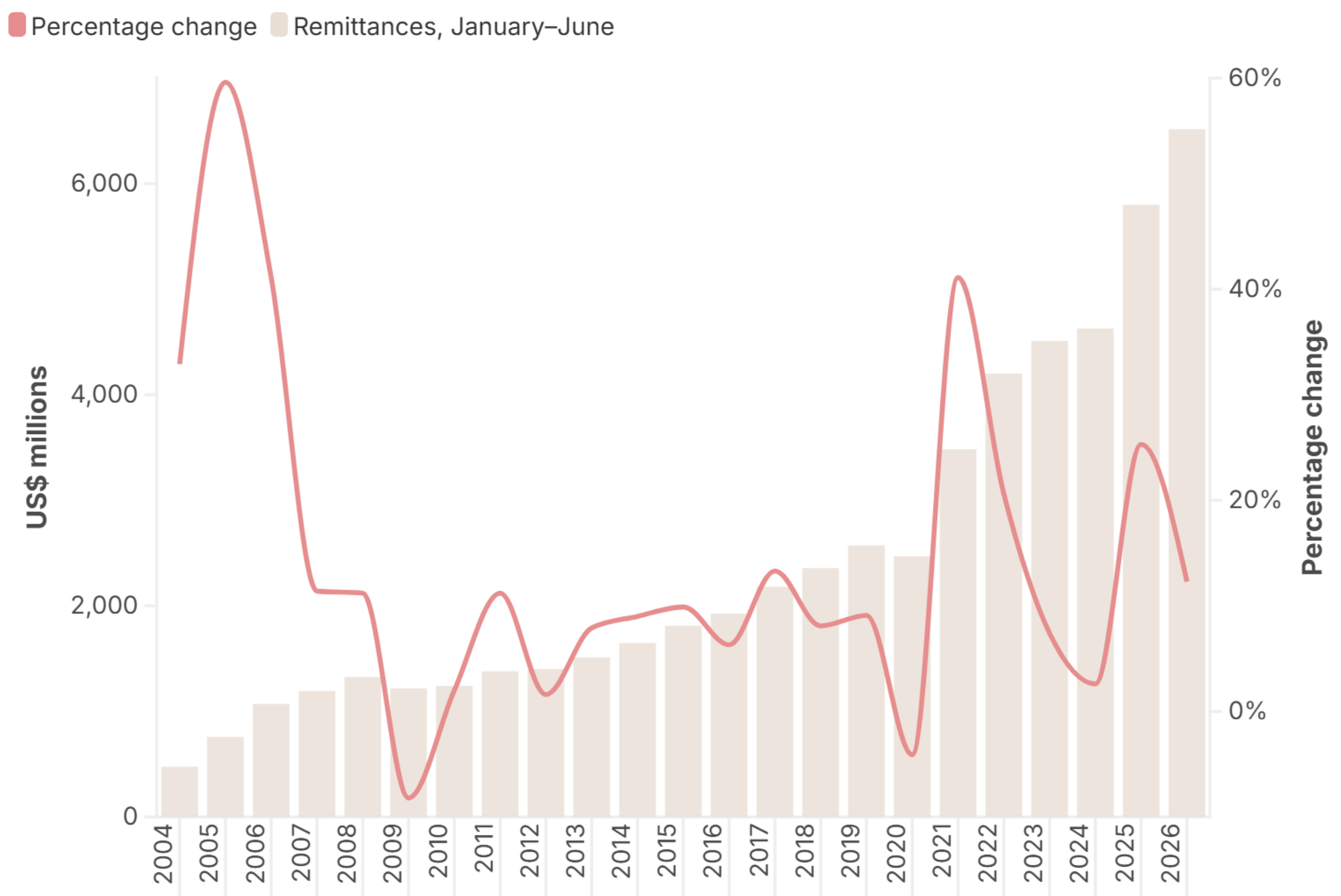
But the bonanza is showing signs of exhaustion: mercancías generales[24] (general merchandise) grew 12% through May, less than half the rate of a year earlier, and the maquila sector deepened its decline amid weaker demand and tariff uncertainty[25], from -1.4% to -8.2%, contributing to a trade deficit of USD 2.97 billion (12.8% higher than in May 2025).

Foreign Direct Investment (FDI) continues to rest mainly on reinvested earnings, rather than new capital inflows. In the first quarter it totaled USD 213.4 million, 27% less than a year earlier. The activities that contributed most to FDI were financial intermediation (USD 156 million) and commerce, restaurants, and hotels (USD 92 million), while the maquila sector recorded a negative balance of USD 140 million, linked largely to exports still pending collection rather than an actual capital outflow.

The most important pillar — remittances — is also losing momentum. Between January and June remittances totaled USD 6.5 billion, 12.3% more than in 2025 (Figure 9). The increase remains considerable, but the pace cools each month: 12.3% in April, 9.9% in May, and 8.7% in June. Consistent with that trajectory, BCH and the IMF expect a further deceleration toward year-end[26]. Adding to that is the future effect of Executive Order 14406 on the financial system and the TPS cancellation reviewed in the international section.

FIGURE 9

Cumulative remittances through June of each year, 2004—2026 (billions of dollars and year-on-year change)



A sustained deceleration in remittances would not be a problem of income or liquidity alone. These transfers sustain consumption for at least a quarter of all households — especially lower-income ones[27]. So as well as supplying foreign exchange to the economy, they function in practice as a social safety net. When migrants return, pressure falls on a labor market that is not ready to absorb them.

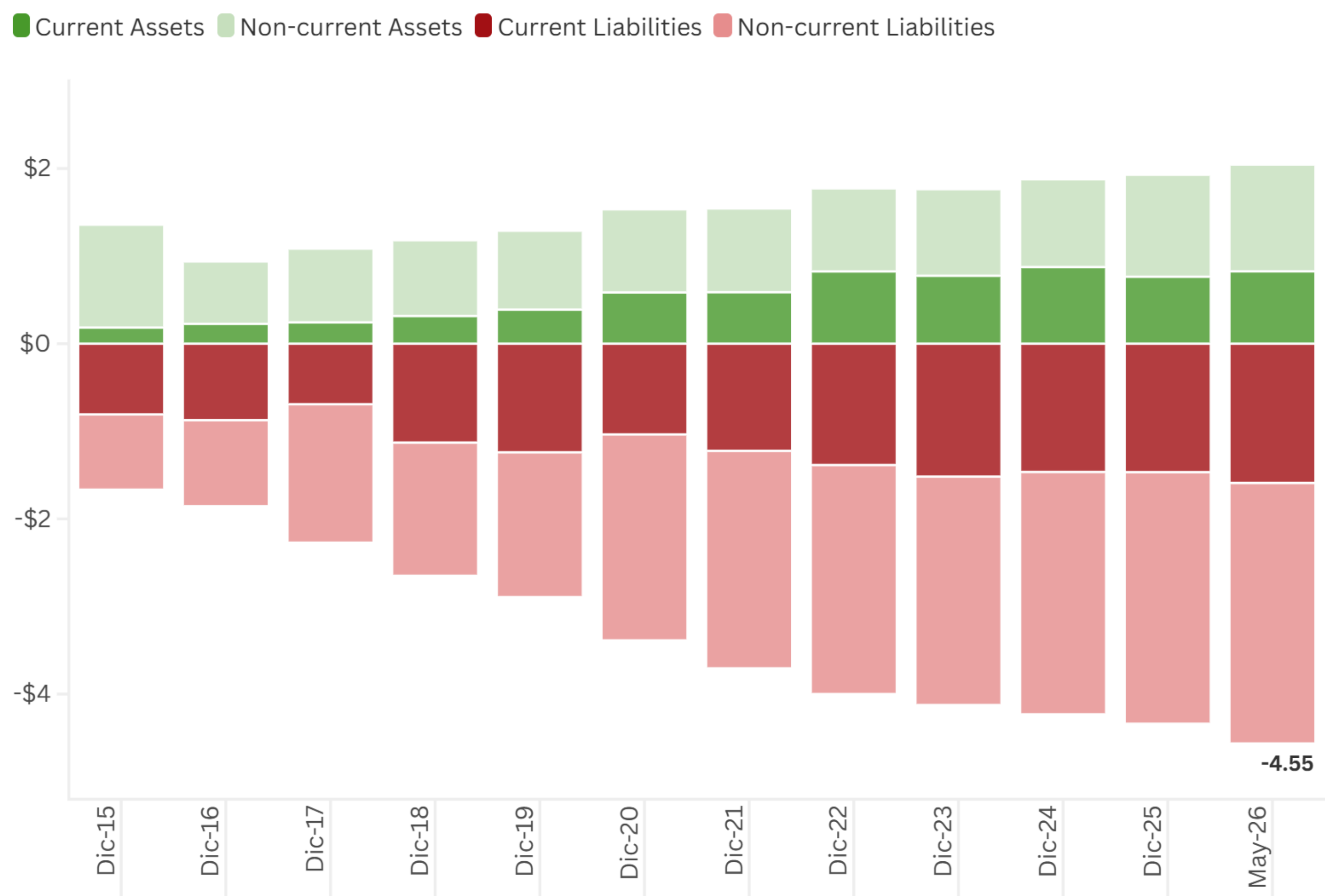
With exports moderating and imports rising due to fuel costs, BCH projects a return to a current account deficit after the exceptional 2025 surplus. The IMF projects it at 2.7% of GDP for 2026 and expects it to be as high as 3.9% over the medium term as remittances moderate. **The return to a deficit is simply the normalization of a short-lived surplus, and for now, international reserves are more than sufficient to support the currency.**

ENEE: at a dead end, but still waiting for serious reform

The power sector enters the second quarter trapped in a vicious cycle that consumes public resources rather than contributing. The ENEE carries a debt of over USD 4.5 billion — roughly 11% of GDP — (Figure 10) and it fails to charge for around 38% of the energy entering the system due to technical failures and (mainly) unbilled electricity. The unrecovered share of Honduran generation is roughly USD 500 million per year, or approximately 1.3% of GDP.

FIGURE 10

ENEE assets vs. liabilities, 2015 — May 2026 (billions of dollars)



The cost is not only fiscal — it affects the whole economy. In 2025 the average user went nearly seven full days without electricity, spread across roughly 82 outages. The outages impose a cost on the average business equal to between 16% to 21%, compared to Guatemala and El Salvador, undermining Honduras's competitive standing in the region. Meanwhile, some 830,000 Hondurans remain without an electricity service, mainly those in rural areas and lower-income groups (Sendas, 2026).

The second quarter saw important developments in the electricity sector. The government narrowed the subsidy, with 600,000 subscribers returned to billing, and CREE approved a 12.5% tariff increase for the third quarter in response to rising global prices. ENEE, for its part, issued bonds totaling 5.36 billion lempiras at rates between 11.05% and 13.50%, mainly to settle its debt with generators. This operation buys time by swapping one debt for another[28] but it also competes with the BCH's open-market operations and adds pressure to public finances.

Meanwhile, the reform of ENEE remains pending. In early June, the executive sent to Congress a draft law to restructure the sector: it would split the ENEE into three companies and create a System and Market Operator. The initiative has backing from multilateral organizations and the United States. However, the bill did not reach the required 65 votes. The debate was rescheduled, but without any clarity on the final content of the law or certainty regarding its eventual approval.

The power sector is a well-known and costly problem area for public finances, households, and businesses alike. Many actors recognize that reform is urgently needed, but it hasn't materialized. This inaction carries a very high cost which is paid by multiple sectors, and piecemeal fixes don't offer a lasting solution[29]. The challenge, as we argue in our recent policy note, lies not just in passing a new law but also in executing a complex reform on the ground. This entails clearing the debt, slashing losses, guaranteeing supply continuity, promoting new investment and competition, insulating management from political interference, and setting a roadmap with clear leadership.

Public finances: the deficit is under control, but there are important medium-term risks

Public accounts remain in good order: Honduras has a fiscal surplus, a stable debt level, and the lowest country risk rating in years. Up to April, the Central Administration[30] recorded a global surplus of 1.8% of GDP (2.4% for the NFPS[31]), well above the 0.6% of a year earlier. This is due to stable revenues (around 5.9% of GDP). The target of a 1% NFPS deficit target anchors the Medium-Term Macro-Fiscal Framework (MMFMP) 2027-2030.

Public debt accounted for 46.4% of GDP at the end of May, almost identical to the 2025 level, split roughly evenly between domestic and external debt. Sovereign bonds now represent 23.5% of total debt as financing has shifted to be more dependent on international markets.

However, budget execution is sluggish. By May, it reached just 28.6% of the approved budget, well below the 30.6% average recorded in the 2022–2025 period (Figure 11). However, there is an important rebalancing underway in the structure of expenditure[32]: up to May, construction, infrastructure, and equipment budgets were being executed at a rate well above the four-year average — up from 11.5% to 22.3% — while personnel costs held steady and transfers and debt service lagged (Figure 12).

FIGURE 11

Budget execution through May, 2022–2026 (%)

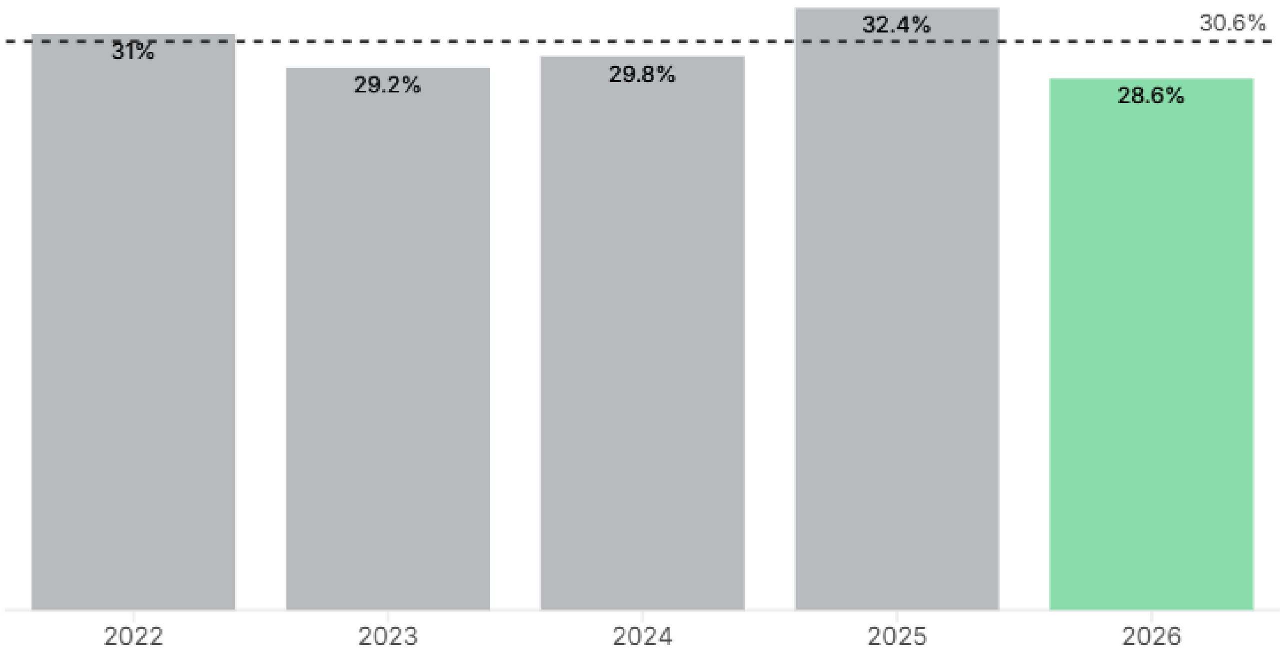
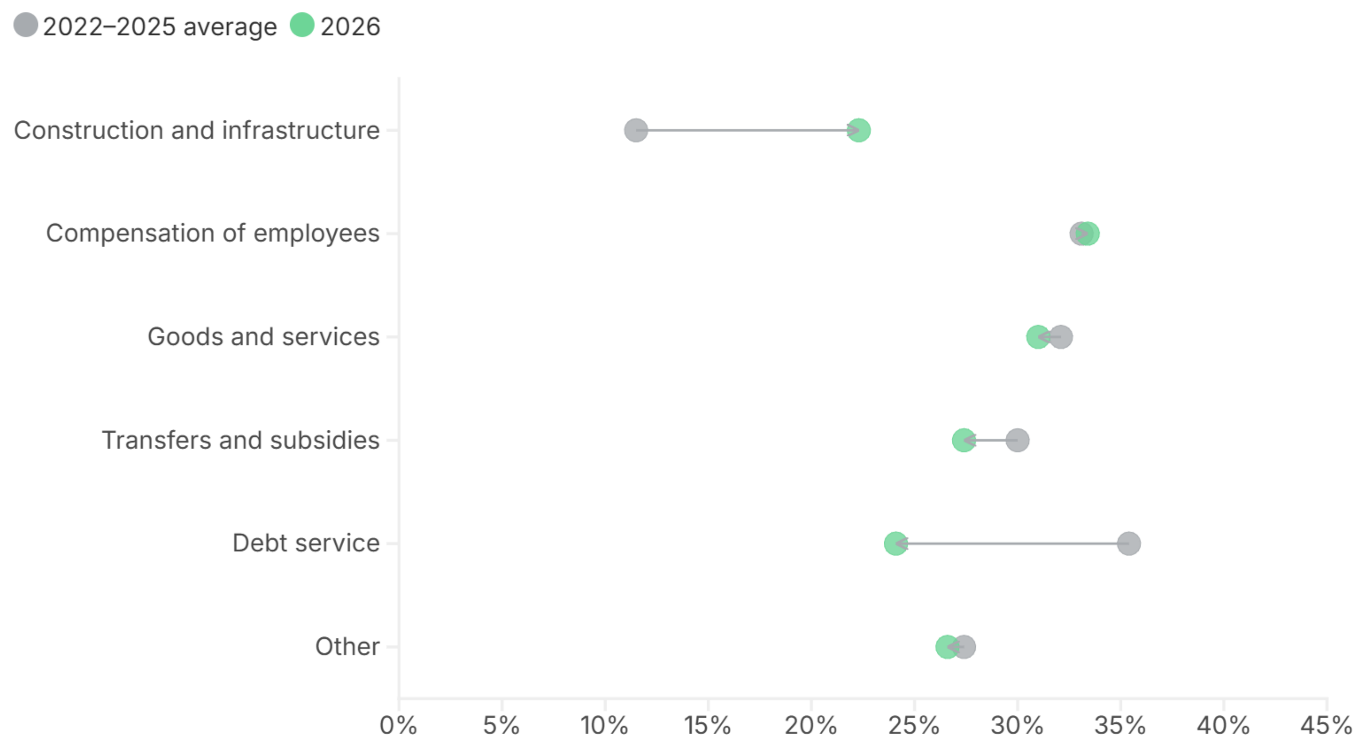


FIGURE 12

Budget execution by expenditure category through May, 2022—2025 average and 2026 (%)



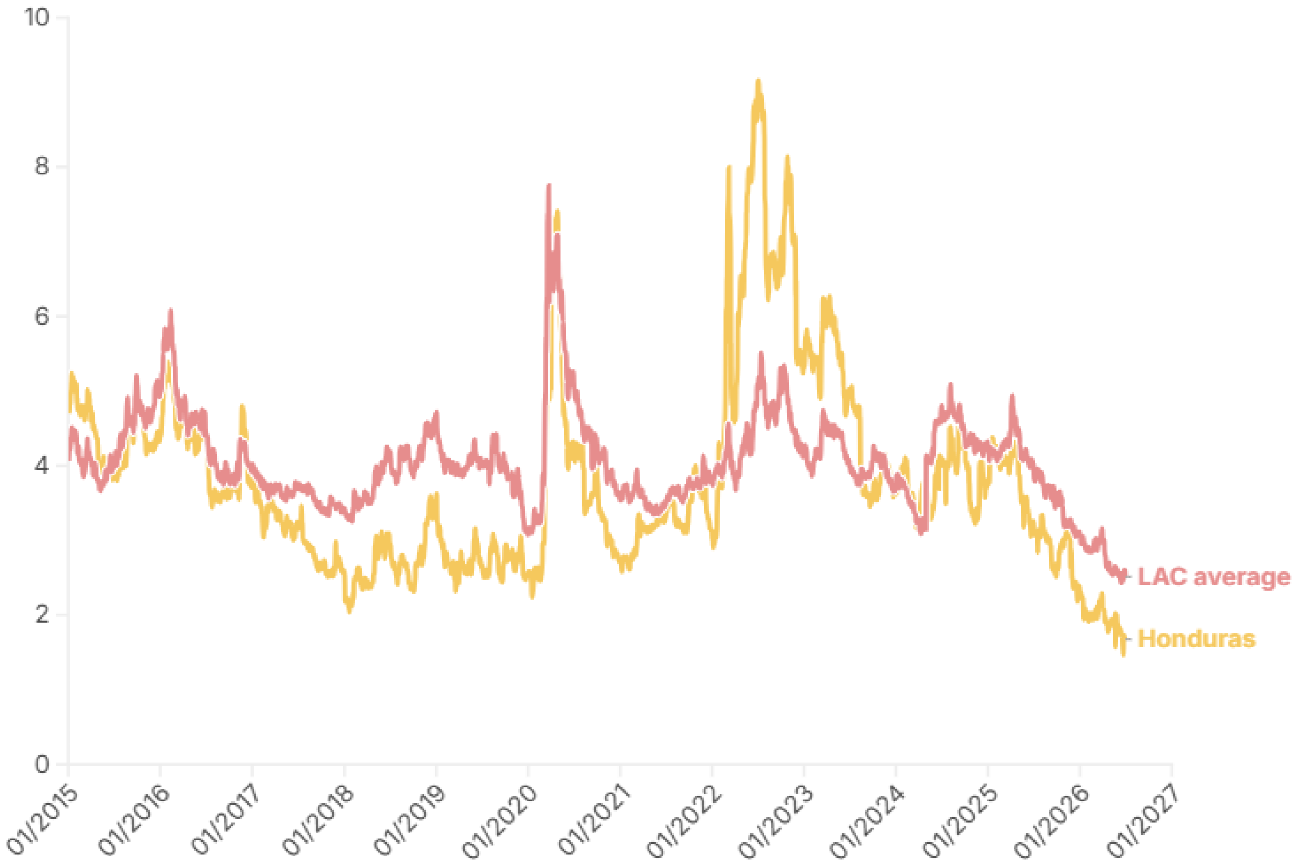
The main medium-term structural risk remains the ENEE, whose financing requirements fall on the central government. The MMFMP projects financing needs for the company of 9.8 billion lempiras in 2026 (0.9% of GDP) and between 8.3 and 8.8 billion lempiras (0.7% of GDP) between 2027 and 2030, to be covered by government-guaranteed borrowing.

Alongside that structural cost, the government faces contingent liabilities[33] from domestic and international litigation. According to SEFIN, at the close of 2025 there were more than 28,000 active judicial proceedings[34], with a maximum exposure[35] estimated at 42.1% of GDP and a contingent liability — already weighted by probability of loss — of 30% of GDP. Most involve labor claims, but the total also includes international arbitrations and contractual disputes. These are potential liabilities, not certain debt: they would only materialize if the government loses the cases. In addition**, on a smaller scale, the fuel subsidy threatens to over-run the allocated budget.**

On the plus side, improved external conditions have made financing easier. The Emerging Market Bond Index (EMBI)[36] spread for Honduras fell to 167 basis points, one of the lowest levels on record and well below the Latin American average (251 bp) (Figure 13), and Standard & Poor's adjusted the outlook for Honduras from negative to stable. That was quickly reflected in the market: in July Honduras issued a sovereign bond[37] for USD 815.7 million at a rate of 6.4%, compared with 8.6% on a 2024 placement.

FIGURE 13

EMBI trend, 2015–2026 (%)



Reforms and institutional developments: some positive advances

The IMF endorsed Honduras's economic policy stance by completing the fourth and fifth reviews of their program[38], which provided access to USD 242 million (USD 725 million cumulative). More importantly, completing an IMF review confirms that the country is meeting its policy commitments and sends positive signals for new financing, building confidence among international investors and multilateral organizations. Of the agreed targets[39], the only one not to be met was the reduction of ENEE's arrears, which received a waiver. The improvement in the EMBI is likely to be supported by the continuation of the IMF program, together with the continued accumulation of international reserves, the maintenance of prudent fiscal policy, and the strengthening of external liquidity.

On the regulatory front, Congress unanimously approved the Transparency and Centralized Beneficial Ownership Registry Law, which mandates the creation of a registry — administered by the Comisión Nacional de Bancos y Seguros (CNBS, the banking and insurance regulator) — of the real owners of companies and legal structures operating in the country; in other words, it allows identification of who is behind each entity. The measure fulfills two recommendations of the Financial Action Task Force (FATF)[40] on ownership transparency[41] and forms part of the government's commitments to the IMF. It also reduces the risk of Honduras being placed on the FATF "grey list"[42]. By contrast, Honduras' **accession**

to the International Centre for Settlement of Investment Disputes (ICSID), which was approved by the executive at the start of the year, still awaits legislative approval.

Overall, the quarter generated several favorable institutional reform signals, but it remains to be seen whether they translate into a concrete boost to the economy.

Looking ahead to the coming months

Our review underlines that Honduras faces important challenges: growth is slowing, inflation remains above the target range, and the external sector is weakening.

Risks and opportunities coexist. Among the *risks*, some are short term or cyclical — such as slowing remittances growth; migrant returns; and adverse geopolitical and climate trends. Others are structural policy challenges: above all, ENEE's ongoing dysfunction, which raises production costs, undermines supply reliability, and drains public resources. Among the *opportunities*, Honduras's low and declining country risk rating; the positive advances with the IMF program; and progress on FATF compliance are important positive signals, showing that Honduras is capable of attracting scarce capital.

Honduras's prospects for the coming months will depend on how those positive and negative factors play out — and above all, on whether the favorable signals can be translated into effective action.

For the second half of the year, the following are worth watching closely:

- **The El Niño phenomenon** and its impact on agriculture, prices, and food security.
- **The performance of the external sector,** given the fall in some export prices, rising import costs, tariff uncertainty, and geopolitical tensions.
- **The trajectory of remittances and migrant returns,** in light of regulatory changes in the United States.
- **The pass-through of the fuel price increase** to the electricity tariff and to other prices, along with the fiscal cost of subsidies.
- **Honduras's ability to convert better financial conditions into investment and reforms,** especially in the power sector.

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Notes

1 In response, the Government of Honduras has requested a grace period and an orderly transition.

2 The World Meteorological Organization (WMO) projects that El Niño will intensify rapidly into a "Super El Niño", with ocean temperatures more than two degrees above normal. That is expected to result in higher temperatures and reduced rainfall in Central America and the Caribbean.

3 And alerts in the central and southern parts of the country.

4 Honduras' economic losses from droughts average 0.5 percentage points of GDP per event — above the regional average of 0.4 percentage points (IMF, 2024).

5 Year-on-year change compares the quarter with the same quarter of the previous year: by matching equivalent periods, it reduces the effect of seasonal variation.

6 Gross capital formation combines fixed investment — such as acquisitions of machinery, equipment, and infrastructure — with changes in inventories. For the first quarter, BCH attributes the increase of gross capital formation to public road infrastructure projects and to inventory accumulation in manufacturing (cement and vehicle parts), rather than to increased private fixed investment (BCH, 2026a; BCH, 2026b).

7 This increase is explained in part by a wider spread between lending and deposit rates and partly by lower operating costs in the financial system.

8 Driven mainly by food manufacturing.

9 The IMAE tracks economic activity on a monthly basis; unlike GDP, which is estimated with a 90-day lag. IMAE it is published more promptly and allows for a more timely reading of shifts in momentum.

10 The trend-cycle is the smoothed version of the series that strips out short-term fluctuations and reflects the underlying pace.

11 Based on data compiled by the Executive Secretariat of the Central American Monetary Council (SECMCA) from the region's central banks, Honduras's quarterly GDP growth came in below Costa Rica (3.7%), El Salvador (4.7%), and Nicaragua (6.1%).

12 BCH's medium-term tolerance band is set at ±1 percentage point (pp) around the 4% target — a floor of 3% and a ceiling of 5% — measured as the year-on-year change in the Consumer Price Index (CPI).

13 First-round effects are the direct increases in fuel, transport, and electricity prices; second-round effects occur when those higher costs pass through to other prices (e.g., firms' production costs). The IDB attributes more than 50% of Latin America's 2021–2022 inflationary surge to fuel price shocks (IDB, Jan. 2023). Honduras is particularly exposed: 67% of its firm generation capacity comes from oil-based thermal plants (Sendas, 2026). For the 2026 episode, BCH estimates that the fuel shock added 2.71 pp to inflation between February and June, of which 2.38 pp were first-round and 0.33 pp second-round (BCH, 2026b).

14 Tradable goods are those that compete in international markets, either because they are imported or exported, so their domestic price in lempiras depends on the world market price and the exchange rate — examples include fuel, electronics, and exports such as coffee. They differ from non-tradables, whose prices are determined in the domestic market, such as housing rent or a haircut. When only tradables drive inflation, it is usually a sign that the shock is coming from abroad.

15 The containment has a distributional rationale: regional evidence shows that fuel shocks tend to be regressive, hitting lower-income households proportionally harder through indirect channels — higher transport and food costs (World Bank, 2022, for the case of Paraguay).

16 This figure corresponds to subsidies executed on the expenditure side (Secretaría de Finanzas [SEFIN], budget execution through May 2026). It does not include the relief already built into the public pump price through the L10.00-per-gallon reduction in the fuel contribution, in effect since Legislative Decree 03-2022, which operates as foregone revenue rather than spending (SEFIN, MMFMP 2027-2030). Nor does it include the 60/40 electricity subsidy to the ENEE, budgeted at 5.4 billion lempiras for 2026 and unspent through May (SEFIN, CGR, financial statements of the Central Administration as of 31/05/2026, note 131,6451 Current Subsidies to the Public Sector). The largest fiscal component of the subsidy package therefore remains deferred.

17 When the jump in fuel prices is sharp, the Comisión Reguladora de Energía Eléctrica (CREE) may decide to defer transmitting the full cost increase into the user tariff (Acuerdo CREE-36-2022). Instead, it spreads the adjustment over future quarters, to smooth the impact on bills. So the impact on users is delayed but it is not avoided. That is why the tariff rose 12.5% rather than the 21.5% that the level of fuel costs would have warranted.

18 The TPM (5.75%) remains above the U.S. rate (range of 3.50%–3.75%), a difference of 225 basis points. That U.S. rate is the yield on the world's safest assets (treasury bonds); to retain capital in lempiras, the local return must exceed it by enough to compensate for risk and expected depreciation. If the differential narrows, more agents shift from lempiras to dollars; that extra demand comes out of the NIR (Net International Reserves), given Honduras's managed exchange rate framework.

19 Monetary policy transmits through two distinct channels: the price of money — the TPM, which guides how much it costs to borrow — and its quantity — how much liquidity, or how many lempiras, are available to lend.

20 Banks lend on the basis of what they capture in deposits: each new lempira that comes in as savings is one lempira that, minus the reserve requirement, is available to lend. When deposit growth outpaces loan demand, banks accumulate idle funds that generate no return; to avoid losing profitability, they may attempt to deploy them by lowering rates or easing conditions, which in turn encourages more households and businesses to borrow.

21 When BCH buys dollars to support the exchange rate, it injects new lempiras that did not come from higher output but from a currency operation; if left to circulate, they may feed price pressures and generate inflation. Selling BCH bills and bonds reverses the operation: it withdraws those lempiras from circulation in exchange for a security that the buyer — usually a commercial bank — cannot spend immediately. That is why sterilization is not a currency instrument but a tool for controlling inflation by targeting the money supply, not the price of the dollar.

22 The higher export volume coincides with a recovery in domestic production. The U.S. Department of Agriculture estimates that the 2025/26 crop will grow 6.3%, driven by improved plant nutrition, expansion of productive area, better pruning and management practices, and new plantations coming into production.

23 This trend is compounded by the fall in international palm oil prices.

24 Notable among them are coffee, bananas, palm oil, cultivated prawns, and plastics and their manufactures.

25 Within the maquila sector, apparel is declining partly due to weaker external demand, which has contributed to plant closures, while wiring harnesses and transport equipment are falling due to depressed vehicle demand in the United States. The situation is also influenced by tariff measures and geopolitical tensions reshaping market conditions.

26 The IMF expects remittances to fall from their record high of 30% of GDP in 2025 to 26% by 2030. Eventually, their rate of growth will be slower than nominal GDP growth, so their relative weight in the economy will begin to shrink.

27 Lower-income households are the most dependent on remittances; for more detail, see the Infobyte Remesas: la red que sostiene pero no impulsa.

28 The first placement, on May 13, awarded approximately 2.02 billion lempiras at a rate of 11.75%, while the second, on May 26, awarded 1.48 billion lempiras at an average rate of 11.66%. Subsequently, in the June 23 auction, the company awarded 1.86 billion lempiras through issues with maturities between 2031 and 2041, at yields of 11.05%, 12.65%, and 13.50%.

29 For more detail on Sendas's position on the proposed law, see the following publications: Reforma eléctrica: un paso necesario que no asegura resultados, Una ley más — o la reforma eléctrica que Honduras necesita, and La reforma eléctrica necesita un responsable.

30 Includes the central government (branches of the state and their ministries), excluding public enterprises and pension institutes.

31 Adds public enterprises and pension institutes to the Central Administration. For more detail, see the Infobyte Deuda pública: entre la prudencia y el riesgo.

32 Based on SEFIN's Budget Classification Manual.

33 A financial obligation determined by future, uncertain conditions. Its valuation depends on its potential impact and the probability of the triggering event occurring.

34 The ENEE was the entity with the highest number of active claims at the close of 2025, with 8,909 (SEFIN, 2026).

35 The amount the government would have to pay if it lost all proceedings against it — i.e., the full-loss scenario.

36 The EMBI is the spread between the interest rates paid on dollar-denominated bonds issued by developing countries and U.S. Treasury bonds, which are considered risk-free.

37 According to the announcement, these funds will be used for liability management and to support budgetary needs.

38 The IMF program (framed under the Extended Fund Facility and Extended Credit Facility agreements) is a multi-year credit line that the country receives in exchange for meeting a plan of fiscal, monetary, and reform targets.

39 Performance criteria are quantitative, verifiable targets set at specific dates — for example, a floor for international reserves or a ceiling for the fiscal deficit; meeting them is a condition for each disbursement.

40 FATF (Financial Action Task Force; GAFI in Spanish) is the intergovernmental body that sets global standards to combat money laundering and terrorist financing, and periodically evaluates countries.

41 Recommendations 24 and 25 of FATF require each country to maintain accurate and up-to-date information on beneficial owners — the real individuals who ultimately own or control — companies and other legal structures, to prevent the use of shell companies.

42 The grey list groups countries under enhanced FATF monitoring for deficiencies in their fight against money laundering; being on the Grey List makes international financial transactions more costly and complicated and it can deter investment.