

Honduran Currency to be Liberalized; Fears of Devaluation



Tegucigalpa, January 9 (RHC-teleSUR) -- The Honduran National Bank announced that the national currency, the Lempira, will start a liberalization process as demanded by the International Monetary Fund.

This means the already weak currency could face even more devaluation, and also be in control of private banks instead of the state.

This has raised fears of rapid devaluation and the creation of a parallel exchange rate.

Economist Hugo Noe Pino argues that in practice, the move “will mean a dollar amount which will be the official exchange rate, and another which will be a parallel exchange. This will likely be higher than the official, and in the end to decrease it completely means the exchange will be handled by the banking system through what is called the interbank market.”

At the moment, the currency exchange price in Honduras is managed by an auction system administrated by the National Bank created to control speculation.

But changing to a market system means that there will be no control on the devaluation process.

According to economists, this year's devaluation rate could reach the eight percent mark and could strongly increase next year with the new system. This will have a substantial impact on the national economy where things such as mobile phone bills, rentals, private school payments or private health bills are charged in dollars, while salaries are in Lempiras.

For sociologist Enrique Barahona the economy in Honduras is already dollarized. "It is not officially declared but here the payments of rent, vehicles, and loans are given according to the price of dollar, and a decision to devalue the Lempira means that people will have less economic power. There is an impact on the economy, an impact on all aspects of daily life."

The devaluation of the Lempira is another of the neoliberal decisions of the current government which will impact everyday life in Honduras where six of every 10 people are living in extreme poverty.

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