Honduras

International Tourism Arrivals

A synthetic control and contribution analysis
of the drivers of Honduras' remarkable
tourism turnaround 2020-2022

Background

In 2019, the USAID/Honduras TMS Activity selected tourism as a sector that could generate formal, higher-paying jobs—benefiting Hondurans, especially women and youth in hotels, restaurants, and other tourism-related occupations in Honduras. TMS launched a program strategy focused on (1) enhancing the reputation and image of Honduras, (2) developing niche tourist attractions to diversify offerings, (3) strengthening destination management and governance, (4) improving connectivity to source markets for visitors, (5) professionalizing tourism services to create a better visitor experience.

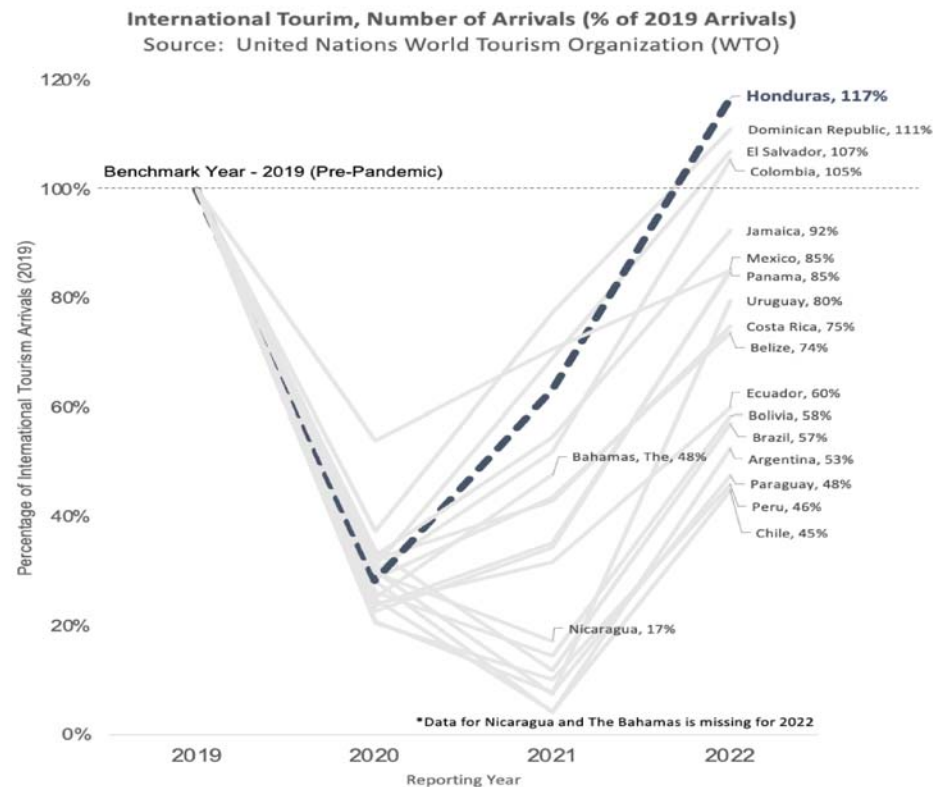# International Tourism Arrivals

History of tourism arrivals 1990 to 2019

Tourism Arrivals, Millions LAC
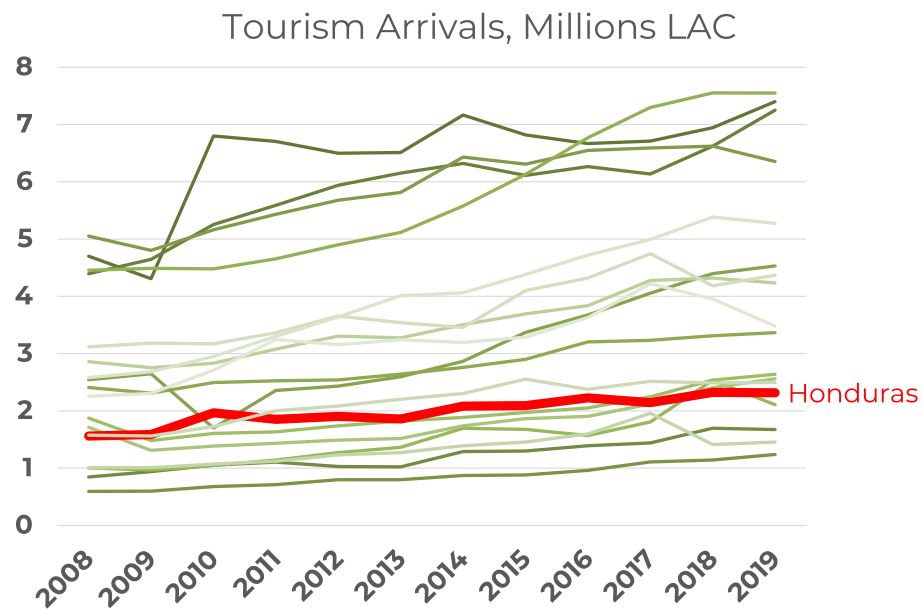
Objectively, from 1998 to 2019, Honduras had one of the lowest tourism performances in terms of the number of arrivals. It had been outpaced by all but four countries in Latin America and the Caribbean.

International Tourism Arrivals

Before and after with comparator countries

International Tourim, Number of Arrivals (% of 2019 Arrivals)
Source: United Nations World Tourism Organization (WTO)

From 2020 to 2022, Honduras saw a remarkable growth in international tourism. Not only did it recover from the pandemic, but it also achieved a significant increase. Tourism arrivals grew by 17% compared to the 2019 baseline. In contrast, other Latin American and Caribbean countries did not experience such growth, remaining 25% <u>below</u> their 2019 baselines. This means Honduras welcomed 291,429 more tourists than the Latin American and Caribbean region average during this period.

QUESTION

To what extent did the interventions of USAID/Honduras Honduras Transforming Market Systems (TMS) Activity with its partners, the National Chamber of Tourism of Honduras (CANATURH) and the Honduran Institute of Tourism (IHT) contribute to the recovery and growth in international tourism from 2019 to 2022? And to what extent did other factors contribute?

METHODOLOGY

01

SYNTHETIC CONTROL

Creates a counterfactual scenario—a hypothetical "what-if" situation for Honduras.
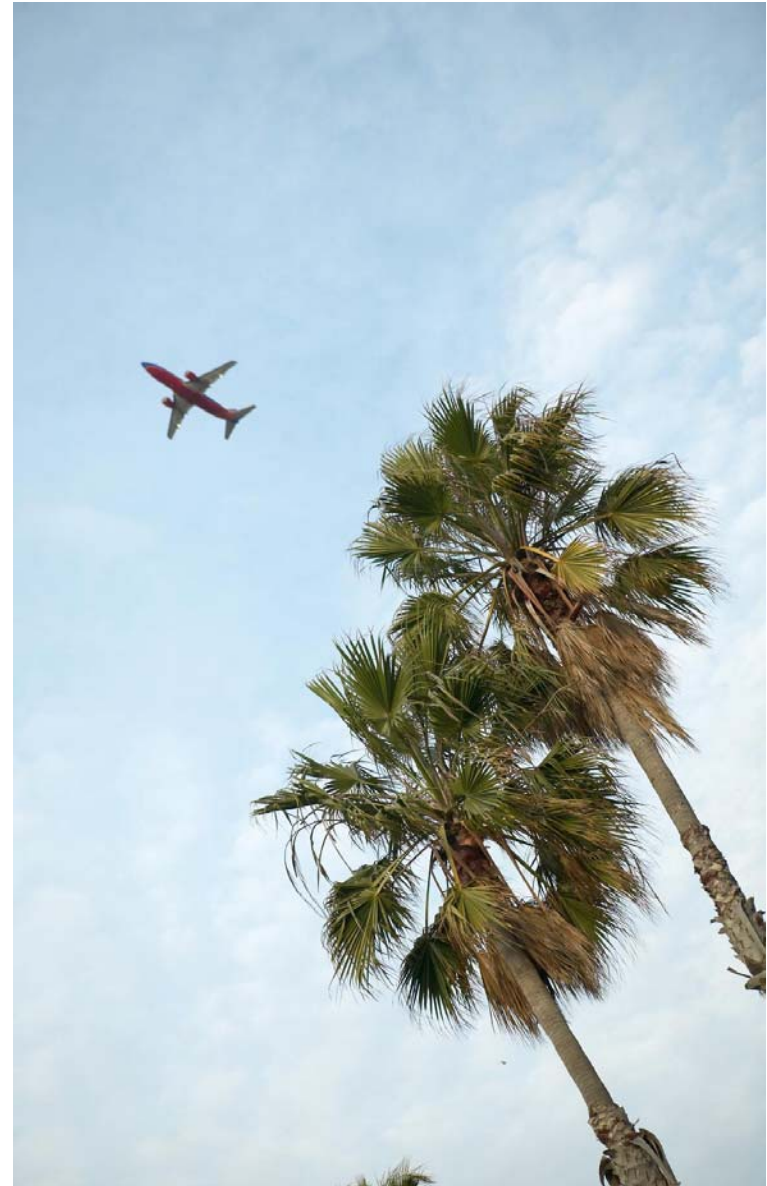
02

ELIMINATE HYPOTHESES

Assess alternative hypotheses of "why" the change occurred based on evidence.

03

CONTRIBUTION SCORING

Estimate the relative effect of each explanation on the observed change in tourism arrivals.

Synthetic Controls: An Analogy

Think of each comparator country (Honduras, Bahamas, Ecuador, Nicaragua, Panama, etc.) as having a unique flavor that attracts tourists.

We can develop a synthetic recipe by comparing the ingredients of Honduras's recipe with those of comparator countries before the intervention.

We know something happened if we see more visitors liking Honduras' actual recipe after the intervention than we would expect based on the 'synthetic' recipe.

With this synthetic recipe, we can better understand how unique factors in Honduras (its secret ingredients) led to its enhanced flavor profile.
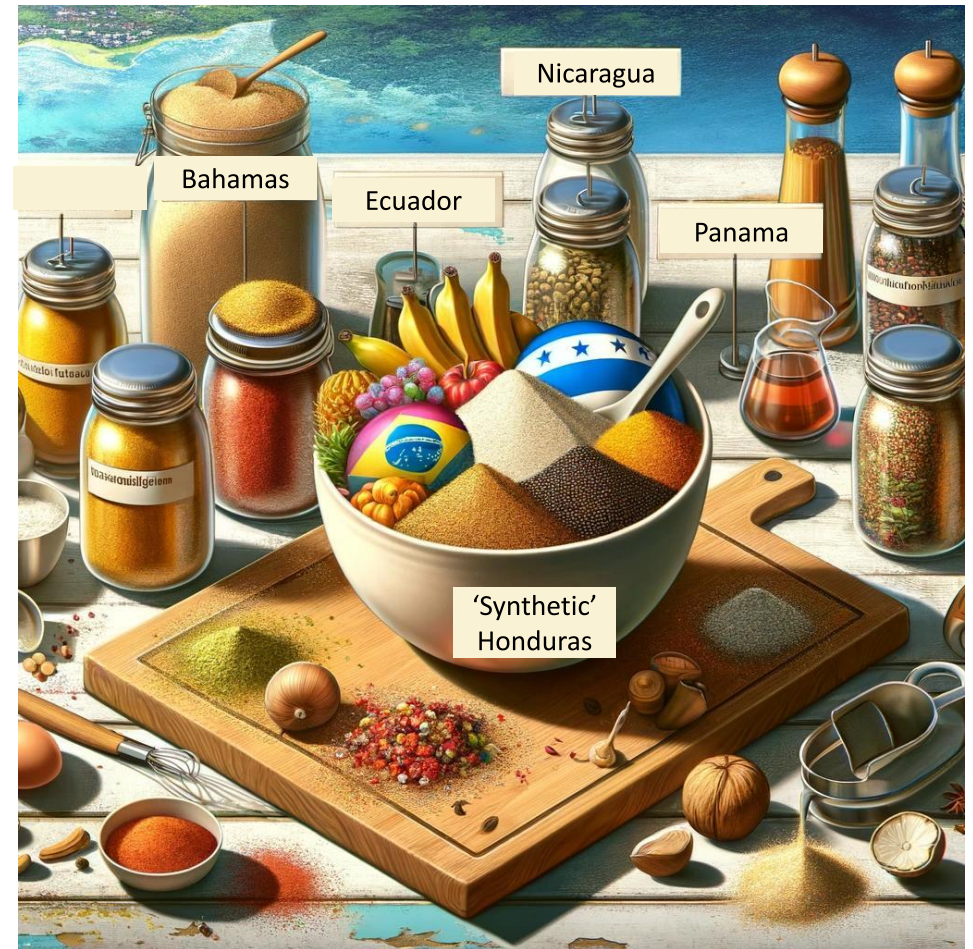
Synthetic Control Model

Synthetic Honduras = 24.8% Bahamas + 5% Ecuador + 19.4% Nicaragua + 50.9% Panama
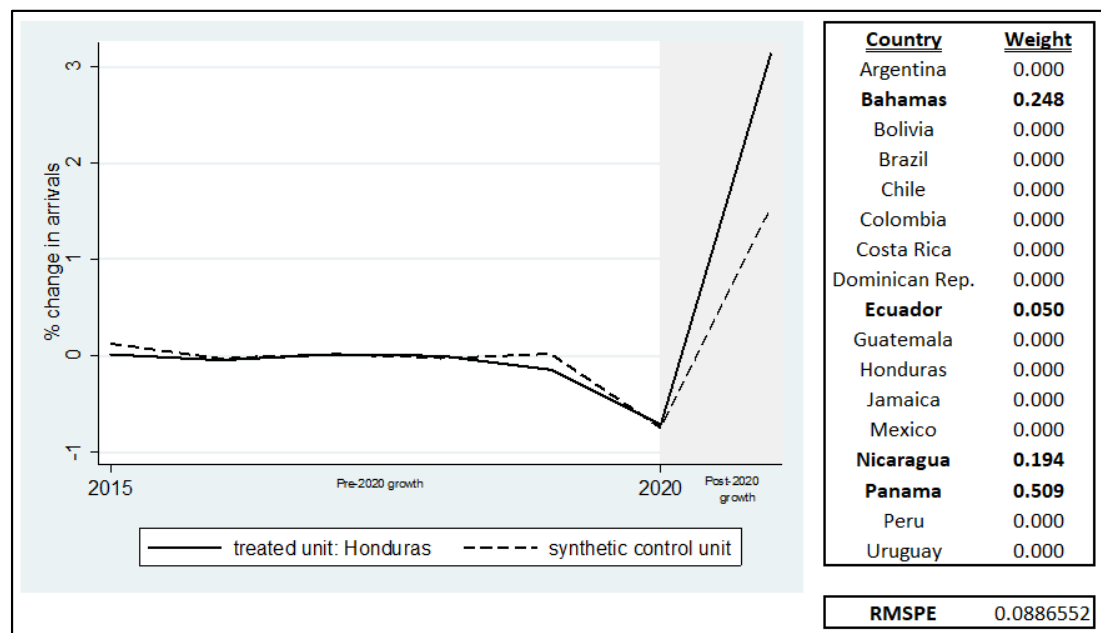
Predictor Variables:
- GDP per capita growth
- Contribution of tourism to GDP
- Government spending on tourism
- Trade openness
- Business tourism spending
- Transparency international rank
- World Justice Rule of Law Index
- Remittance flows ($/year)

Predictor variables can be thought of as the controls in a regression framework. They predict the growth rate of tourist arrivals in Honduras based on changes in those variables between comparators.

Figure: Synthetic Control Model

Country	Weight
Argentina	0.000
Bahamas	**0.248**
Bolivia	0.000
Brazil	0.000
Chile	0.000
Colombia	0.000
Costa Rica	0.000
Dominican Rep.	0.000
Ecuador	**0.050**
Guatemala	0.000
Honduras	0.000
Jamaica	0.000
Mexico	0.000
Nicaragua	**0.194**
Panama	**0.509**
Peru	0.000
Uruguay	0.000
RMSPE	**0.0886552**

Before 2020, the growth rate of actual arrivals (solid line) was close to zero and then dropped to negative numbers in 2020. The fit of the synthetic counterfactual (dashed line) is almost perfectly parallel before 2020, indicating it is a good model fit. The post-2020 growth rate increases at a very fast pace and is much greater than the same rate for its synthetic counterfactual.

Synthetic Control Model pt. 2

Differences between Honduras actual tourism arrivals and the synthetic control

Figure: Honduras and Synthetic Gap
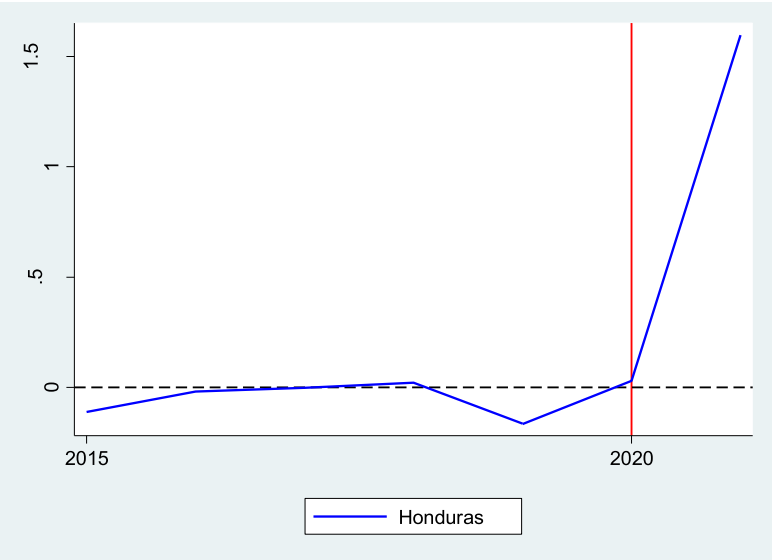
Figure: Tourism Arrivals (Actual vs. Synthetic)

Total Tourist Arrivals to Honduras			
Year	Actual	Synthetic	Difference
2020	204,257	160,117	44,140
2021	459,172	359,945	99,227
2022	844,375	661,906	182,469
Total	1,507,804	1,181,968	325,836

Note: The difference between the actual numbers of visitors and the synthetic predictions is near zero prior to 2020 but then increases significantly in the post-pandemic period. The synthetic control model estimates the post-2020 impact in terms of tourists at 325,836 additional arrivals.

Synthetic Control Model

Interpreting the coefficients of the synthetic control model to test hypotheses

#	Hypothesis	Assessment	Discussion
X H1	The Honduran economy grew faster than comparators, and this explains why tourism arrivals increased	Unlikely (Eliminate)	Honduras' GDP growth was marginally higher (1.8% annual growth vs. 1.28% comparators) but controlled for in the synthetic model.
X H2	Honduras had a comparative advantage in tourism which explains why it recovered and grew faster	Unlikely (Eliminate)	Honduras was one of the lowest-performing destinations before 2020, with no significant revealed advantage via comparators.
X H3	Honduras spent more on tourism recovery, which explains why tourism rebounded faster	Unlikely (Eliminate)	Government spending on tourism increased marginally faster (5.6% vs. 4% comparators) but was controlled for in the synthetic model.
X H4	Honduras's economy is relatively more open than other countries, and this explains why tourism increased	Unlikely (Eliminate)	Trade openness (% of GDP) was significantly higher (117% vs. 59% comparators) but was controlled for in the synthetic model.
X H5	Crime, corruption, and lawlessness in Honduras decreased, improving perceptions and decisions to travel	Unlikely (Eliminate)	Honduras fares worse on rule-of-law indices (0.41 vs .53 comparators) with no significant change and controlled for in model.

Incorporating these predictors in the model allows us to eliminate several hypotheses.

Tourist Flows: Motivation

Trends in tourism flows based on principal motivation

Total Tourist Arrivals to Honduras by Motivation						
Motivation	2019	2020	2021	2022	2022-2019	Growth%
Tourism	614,991	180,847	414,363	766,136	151,145	25%
Business	94,034	17,849	34,692	57,453	(36,581)	-39%
Transit	8,486	3,923	7,457	8,933	447	5%
Conventions	6,714	1,638	2,660	11,853	5,139	77%
Total	724,225	204,257	459,172	844,375	120,150	17%

The tourist data provided by GOH's National Migration Institute (INM) included the field Motivation, which allowed for comparing trends between 2019 and 2022. With this data, we were able to identify positive trends in tourism and conventions and negative trends in business travel.

Tourist Flows: Motivation

Interpreting migration data based on trends on visitation based on motivation

#	Hypothesis	Assessment	Discussion
✅ H6	The Meetings, Events, Conference and Incentives Sector experienced a significant growth in this period.	Very Likely (Include)	Estimate 5,139 tourists traveled to Honduras to participate in Conferences, due to the growth of this tourism segment (TMS Contribution).
❌ H7	The migration crisis of Venezuela, Ecuador, Colombia, Peru has persons traveling under tourism visas	Definitive No (Eliminate)	Migration codes these visas differently, and there is no evidence of changes from these source markets to support this hypothesis

Data from Migration allows us to confirm one hypothesis and reject another. Further, data provided on business travel provides additional evidence to reject H1 and H4.

Tourist Flows: Source Market

Total Tourist Arrivals to Honduras by Source Market					
Source Market	2019	2020	2021	2022	2022-2019	Growth%
USA	294,826	86,405	264,964	353,636	58,810	20%
El Salvador	114,915	28,610	51,299	132,080	17,165	15%
Nicaragua	32,133	7,947	16,283	107,620	75,487	235%
Guatemala	62,651	22,477	35,328	68,759	6,108	10%
Latin America	40,295	10,249	18,897	41,838	1,543	4%
Europe	32,569	9,186	21,314	41,731	9,162	28%
Other	37,603	15,973	6,278	20,472	(17,131)	-46%
Total	614,991	180,847	414,363	766,136	151,145	266%

The tourist data provided by GOH's National Migration Institute (INM) included the field Source Market which allowed for the comparison of trends between 2019 and 2022. With this data we were able to identify countries with important trends, including the United Sates, Nicaragua and Europe.

Tourist Flows: Source Market pt.2

Interpreting migration data based on trends on visitation from source markets

#	Hypothesis	Assessment	Discussion
✓ H8	Nicaragua's COVID-19 response drove Nicaraguans to travel via Honduran airports	Very Likely (Include)	Estimate 100,311 Nicaraguans traveled to fly from Honduran airports as international airlines had shut down in Nicaragua
X H9	The migration crisis of Venezuela, Ecuador, Colombia, Peru has persons traveling under tourism visas	Highly Unlikely (Eliminate)	Migration codes these visas differently, and there is no evidence of changes from these source markets to support this hypothesis

Data from Migration allows us to confirm one hypothesis and reject another.

Airport Survey Sampling

Primary data collected to make inferences on visitor travel decisions

Tourism Segment	Airport Surveys	Arrivals (2022)
Main- Land - Central America	207	190,976
Main- Land - International	127	42,987
Main - Air	393	324,360
Bay Islands - Air	169	100,193
TOTAL	896	658,516

*Removed travel from Nicaragua and Non-Tourism Travel

TMS Contribution Decision Drivers

Linking TMS contribution (if any) with tourist decision-making to travel to Honduras

Decision Drivers	TMS Contribution (If Any)	Verification
Convenience	TMS and partners lobbied for seven airline connections to be established between Honduras and Orlando, Mexico City, Guatemala City, Belize City, and Madrid.	IF flew low-cost airline and motivated by convenience
Attractions	TMS supported 35 attractions to improve their web presence and develop social media. TMS also promoted these destinations through marketing campaigns.	IF heard about the attraction from their social media
Hotel	190 enterprises and 7,000 individuals in the hospitality sector adopted new web presence and marketing strategies with the support of TMS and its partners.	IF heard about the hotel from their social media
Recommendation	"TMS co-invested in marketing campaign that resulted in 92 travel articles in publications such as Condé Nast, Travel and Leisure, New York Times, Times Magazine and The Washington Post, reaching to more than 157 million unique monthly visitors.".	IF traveler mentioned article that TMS had influenced
Visiting Friends and Family (VFF)	No contribution.	None.
Security	TMS supported target keywords (e.g., #roatanhonduras, #copanruinas) show improved rankings with search engine optimization (SEO) in searched.	IF searched for information on safety of Honduras.

*Education and volunteer travel was removed given low responses. Migration data shows travel data for these motivations did not change.

Drivers by Tourist Segment

Primary data collected to make inferences on visitor travel decisions

If motivated by...	SEGMENT OF VISITOR			
	BayAir	CALand	IntlLand	MainAir
Convenience	44%	74%	59%	31%
Attractions	54%	61%	71%	74%
Hotel	72%	15%	15%	5%
Recommend	44%	40%	49%	25%
VFF	19%	47%	24%	78%
Security	31%	14%	9%	2%

Travelers to Honduras have different motivators: Bay Islands tourists look for specific hotels; Central Americans favor convenience with ground travel; international ground travelers have in mind particular destinations; and mainland air travelers are motivated by visiting friends, family, and attractions.

Drivers by Tourist Segment

Primary data collected to make inferences on visitor travel decisions

NEW VS. RETURNING VISITOR		
If motivated by…	Returning	First Time
Convenience	52%	58%
Attractions	76%	69%
Hotel	19%	33%
Recommend	35%	46%
VFF	62%	11%
Security	11%	19%

FIRST-TIME VISITOR BY SEGMENT		
If motivated by…	Motivator	Likelihood
Main - Land - Central America	Social Media	1.76 X
Main - Land - International	Copan / History	4.14 X
Main - Air	Referral	1.77 X
Bay Islands - Air	Novelty/Security	2.14 X

First-time travelers to Honduras are driven by their interest in particular hotels, recommendations from friends and family, and concerns about safety. Attractions and visiting friends or family have greater influence on desire to return. There are also unique drivers behind each visitor segment.

Visiting Friends and Family

Visiting Friends and Family Frequency of Visits	
It's my first visit	9%
Once in a decade	4%
Every three to five years	8%
Every two years	15%
Once a year	38%
More than once a year	24%
Don't know	2%

64%

Visiting friends and family also toured a local attraction.

There is not a significant correlation between diaspora and tourism arrivals.

Comparator countries in LAC with larger diaspora did not grow as fast.

The diaspora is an important tourism segment. Tourists visiting family and friends come to Honduras often, typically once a year. However, it is unlikely this segment was a major driver of tourism.

Visitor Surveys

Interpreting the findings of visitor surveys to test hypotheses

	#	Hypothesis	Assessment	Discussion
❌	H10	Tourists visiting friends and family accounted for the change in tourism arrivals from 2019-2022	Unlikely (Exclude)	The evidence is not supportive, and it further seems implausible there is a significant trend in Honduras relative to its peers.
✅	H11	Central Americans motivated largely by social media traveled by land to visit Honduras for the first time	Very Likely (Include)	Estimate an additional 74,374 Central Americans traveled to Honduras by land based on data from Migration and Visitor Survey
✅	H12	International travels by land who are largely visiting multiple countries and inspired to visit Copan Ruins	Very Likely (Include)	Estimate an additional 34,571 international travelers traveled to Honduras by land based on data from Migration and Visitor Survey
✅	H13	International tourists flying into mainland with recommendations from family and friends	Very Likely (Include)	Estimate an additional 101,980 tourists traveled to Honduras by air based on data from Migration and Visitor Survey
✅	H14	International tourists flying the Bay Islands as a novel/new place that is considered safe to travel	Very Likely (Include)	Estimate an additional 9,487 tourists traveled to the Bay Islands by air based on data from Migration and Visitor Survey

TMS Contribution Score (Segments)

FIRST-TIME TRAVEL DECISIONS TMS INFLUENCED (DIRECTLY OR INDIRECTLY)				
TMS Contribution...	BayAir	CALand	IntlLand	MainAir	Tourists
Convenience	7%	0%	0%	11%	9,183
Attractions	20%	11%	20%	12%	54,239
Hotel	11%	3%	12%	0%	2,820
Recommend	25%	9%	22%	6%	30,182
Security	23%	21%	27%	0%	2,350
Total %	85%	44%	81%	29%	45%
Tourists	8,148	32,851	28,031	29,744	98,774

TMS PRINCIPAL CONTRIBUTION

SEO / Reputation Management

Social Media & Web Presence

Copan / Heritage Attractions

Referrals / User Generated Feedback

International Tourist Consumption

INTERNATIONAL VISITOR CONSUMPTION (PER TOURIST)		
TOURIST EXPENSE	%	Consumption
Lodging	21%	123
Food	44%	263
Local Ground Transportation	7%	41
Local Air Transportation (Honduran airline)	1%	8
Local Maritime Transportation	0%	2
Vehicle Maintenance and Repair Services	0%	0
Vehicle Rental	5%	27
Cultural Services in Museums and Galleries	0%	0
Other Cultural Services	0%	0
Sports Services and Other Recreational Services	1%	7
Tuition and Monthly Study Fees	0%	0
Purchase of Goods for Personal Use or Gifts	6%	34
Purchase of Handicrafts	5%	32
Financial and Insurance Services	0%	0
Health (includes medical treatments and surgeries)	2%	12
Honduras Departure Taxes	0%	0
Fuel	7%	41
Other Expenses	0%	0
Otros gastos	100%	591

TMS Contribution Score (Overall)

Impact of Tourist Visitation					
Cause Analyzed	Total Visitors	Total Jobs	TMS	TMS Jobs	TMS %
Nicaragua Crisis	100,311	5,292	0	0	0%
MICE Sub Sector	5,139	271	5,139	271	100%
Convenience	66,259	3,495	9,183	484	14%
Attractions	69,202	3651	54,239	2,861	78%
Hotels	15,223	803	2,820	149	19%
Recommendations	60,228	3,177	30,182	1,592	50%
Security	9,474	500	2,350	124	25%
Total Impact	325,836	17,189	103,913	5,482	32%

Tourism Destinations and Novelty

		Drivers of First-Time Visitors – Destinations and Novelty					
#	Destination	Adventure	Beach	Culture	Parks	History	Watersports
1	Cerro Plata				★	★	
2	Comayagua				★	★	
3	Copan			★	★	★	
4	Golfo de Fonseca		★				
5	La Ceiba		★				
6	Olancho	★			★		
7	Omoa		★				
8	Puerto Cortes		★				
9	Roatan		★				★
10	Ruta Lenca Maya			★	★		
11	San Pedro Sula			★	★		
12	Tegucigalpa			★		★	
13	Tela		★				
14	Trujillo				★		
15	Utila Guanaja	★	★				★
16	Yojoa	★			★		★

Tourists visiting Copan for history and Roatan to dive account for most first-time visitors. However, Copan and Roatan have diverse offers, and history and watersports have broader appeal. Within each destination, there are also unique drivers of first-time visits.

Visitor Feedback

Prices	Prices are too high for flights, hotels and tourist attractions.
Airport	Airport needs improvement (air conditioning, facilities, etc.) RTB / SAP
Migration	Reduce wait times for travelers and shorter immigration queues.
Tourist Information	More accessible information about attractions and tour options.
Safety	Improve security measures, reduce crime, and improve safety for tourists.
Cleanliness	Beaches and streets need to be kept cleaner. Less pollution.
Customer Service	Better customer service at hotels, airports, and tourist attractions.
Language	More English language proficiency to cater to tourists.
Conservation	Better environmental conservation and protection.
Signage	Better street signage to improve navigation.
Education	Educate and sensitize Hondurans about the importance of tourism.
Cultural Sensitivity	Promote cultural sensitivity and respectful treatment of tourists.