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CENTRAL AMERICA ISTHMUS: ECONOMIC EVOLUTION DURING 2003 AND PERSPECTIVES FOR 2004

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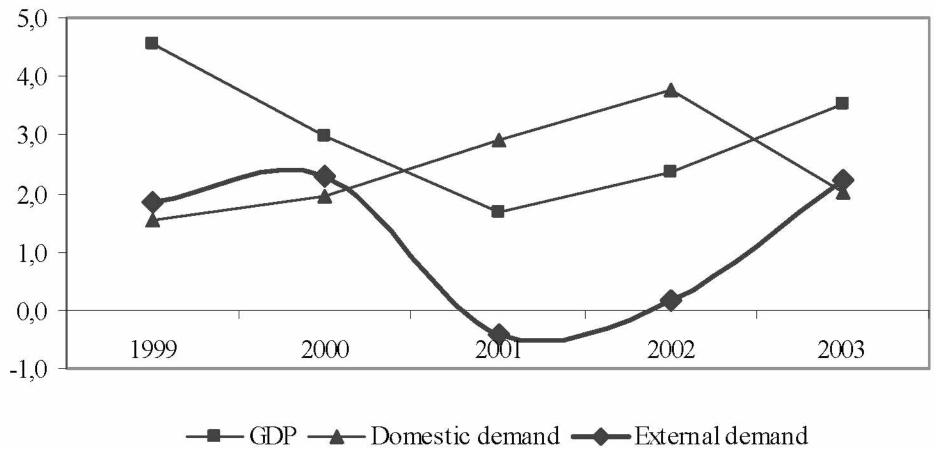
1. Recent evolution. General features

Improved external conditions drove the economic activity of Central American countries. This resulted in a 3.5% increase in output for 2003 in comparison to 2.4% in 2002 and 1.7% in 2001. Favorable conditions abode in 2004, so a similar growth rate can be anticipated. Such a rate —much higher than the Latin American average (1.5%)— was, however, overemphasized by Costa Rica´s outstanding growth (6.5%) in comparison to the sluggish Gross Domestic Product (GDP) average growth for the rest of Central American countries (2.5%). Growth per capita was precarious: three of the countries experienced added contraction while another one barely attained a positive growth rate. So, after two recoiling years, the regional growth per capita was 1.1%.

Graph 1

CENTRAL AMERICAN ISTHMUS: CONTRIBUTIONS TO ECONOMIC GROWTH



Among 2003’s propitious external conditions, the following stand out: firstly, the concluding talks for signing a free-trade agreement (CAFTA) between five of the six Central American countries and the United States, an achievement that has fuelled great expectations in the entire region, particularly with respect to trade and investment. This step forward introduced an optimistic perspective for overcoming the long-standing and worrisome low-growth trend. Likewise, the United States’ economic recovery, despite its effects being only gradually felt on the external-demand side, injected renewed effervescence into the region.

Box 1

THE CENTRAL AMERICA FREE-TRADE AGREEMENT (CAFTA)

The CAFTA Ninth and concluding talk round was carried out in Washington, D. C. on December, 2003. All of the countries reached an agreement, except for Costa Rica, which concluded concluded talks in January, 2004.

The concluding talks created a propitious climate among the economic actors with respect to both strengthening and enlarging the United States' trade advantages conceded through the Caribbean Basin Initiative (CBI), and also because of the acceptance of well-grounded rules for increasing goods and services trade and foreign direct investment.

The CAFTA has similar provisions to the recently inaugurated Chile-U. S. trade agreement regarding labour, intellectual property rights, the environment, public contracting and services, market access, and others, but not with respect to competition policy and temporary business visa entry to the United States.

With regards to market access for goods six categories for lineal tariff elimination schedules and two categories of non-lineal schedules were included. For the non-lineally categories, six-up-to-ten-years grace-periods and maximum complete-relieve 20 years periods were accorded. One category remains in statutory reserve for non-relieved commodities such as Costa Rica's potato and onion commodities, and white corn for the rest of the countries.

The agreement also fixes bilateral, multilateral and special-farming saving clauses to protect producers from augmented imports during the transition period. If a given import level is exceeded, individual countries can call upon the Special Farming Saving Clause (SFSC), a decisive expedient for the Central American countries since it protects sensitive commodities such as bovine meat, hog, poultry, rice, dairy products and vegetable oil, among others.

Cane sugar was one of the most-favored Central American commodities with a 100 per cent additional quota during the first year, plus a 2% annual increase. Reciprocal dairy-products trade volume will increase 5% annually. With respect to bovine meat, the Central American countries limited free imports to beef cuts, and allowed free-access import quotas within a 15 year non-lineal relieving frame for other bovine meat and also for pork. Costa Rica's poultry was granted a non-lineal 17-year relieving time-period, while an 18-year period was allowed for the rest of the countries. For rice —a highly sensitive product for the region— a settlement was reached for free-access quotas and a non-lineal 10 year relieving time-period.

Central American garment manufacturers will have free access to the United States as long as rules of origin are obeyed. Additionally, it was agreed that a scarce-supply inputs inventory will be imported from the NAFTA, African Growth and Opportunities Act (AGOA) and the Andean Preferential Tariff Law (APTL) as if they were original products. Preferential treatment to employ specific cloth fabric items as if they were original was conceded to Costa Rica and Nicaragua.

CBI's benefits for non-traditional manufacturers to freely access to the United States were confirmed and enlarged, which gives them certainty and stability. Some additional products include canned tuna fish, footwear, jewelry and glazed tile. In order to maintain manufacturer's input-supply structures, rules of origin were agreed upon.

Rules for intellectual property rights, the environment and labour are similar to those negotiated by the United States with other countries. For instance it was agreed that the more-than-five-years delayed patent-registration be accorded an extended time-period of protection. So, the protection time-period could last three years more than the 20-year standard-period being stipulated by the Trade-Related Intellectual Property Aspects Agreement (TRIPAA). For labour and environmental infringements, fines will apply amounting to a maximum of 15 million U. S. dollars to be paid by the government where the infringement took place.

/Continued

Box 1 (Continuation)

Since public services and telecommunication sectors are highly sensitive for Costa Rica, the agreement grants extended time-periods to open the country's private data networks and internet services (2006), mobile phones (2008), and to approve a new law for the Costa Rican Electricity Institute. Likewise, it allows extended time-periods for opening the non-compulsory insurance industry (2008) and some compulsory ones like automobile insurance and labour-risk insurance (2011).

Goods exports recovered after two receding years. Free-zone firms and several traditional and non-traditional exporting sectors soared. Costa Rica's high-tech exports (mainly Intel) excelled. In fact, they counted for about a quarter of the country's exports and about 9% of the whole region's. Garment exports were also reinvigorated, although they continue to be a long way from the expansion they had shown during the second half of the nineties. The adverse effects of competition from Asia for the U. S. market, partially bolstered by low wages, are becoming increasingly evident in the region.

International coffee grain prices increased slightly with respect to the very low levels in the two previous years, an increase that has somewhat alleviated the sector. Interregional trade and exports to Mexico also thrived. The tourism industry, in contrast to a lagging global trend, has increased markedly. At odds with these trends were exports from the Panama's Colon Free-Zone, which receded for the fourth consecutive year as a result of the persistent economic pain experienced by their traditional Latin American customers.

Another positive external factor was the sustained increase of remittances, a crucial component of macroeconomic stability, private consumption and, therefore, productive activity. In another direction, international interest rates dropped to historical low levels in 2003, which made it easier to place public and private foreign debt in the global financial markets. Overflowing global liquidity lured the countries to issue fresh foreign debt and helped them to lower domestic interest rates, although they remain very high in some countries. Due to this global financial environment, the Central American countries received net foreign financial assets equivalent to more than 3% of the regional GDP in average during the last three years.

Among the adverse external factors faced by Central American countries in 2003, the rise in international oil prices —a trend lasting until the first months of 2004— stands out. This meant a reversal of the trend for the two previous years, when oil prices decreased. The change in direction for oil prices began strongly during the first semester of 2003 surging 30% higher with respect to the same period in 2002. This abrupt change halted the descending trend of inflation in several countries, although it failed to trigger inflationary upsurges. Rising adjustment prices were felt across the entire region during the first semester of 2004.

Foreign direct investment in Central American countries remained weak, in correspondence to the recent global trend. Excluding Panama's international banking operations, foreign direct investment shrank approximately 9%, continuing a declining trend for the fourth consecutive year. Following the big privatizations of public enterprises starting in 1997, it now seems that foreign investment flows have stabilized in very low ranges during the last years. In this way, the endemic weakness of capital formation in the region has become even more fragile, a condition that foretells additional obstacles to sustained growth into the near future.

Table 1

CENTRAL AMERICA: MAIN ECONOMIC INDICATORS

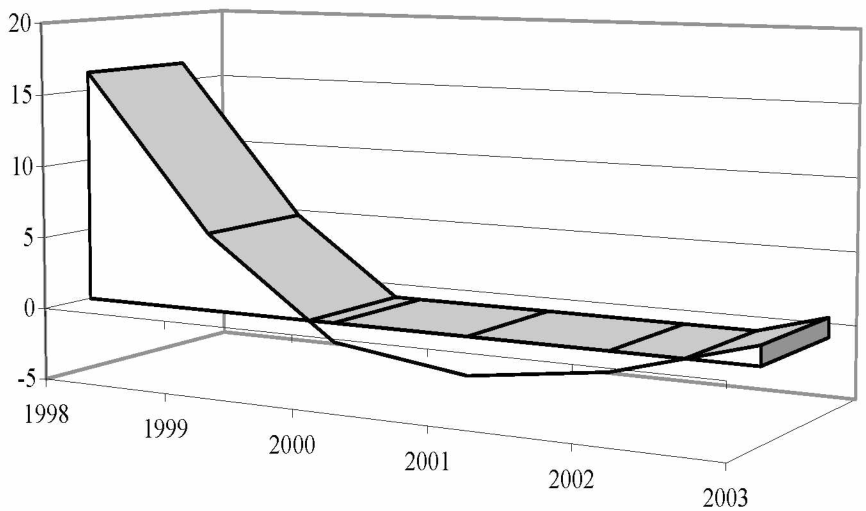
	2000	2001	2002	2003 a/
	Growth rates			
Economic activity and prices				
Gross domestic product (GDP)	3,0	1,7	2,4	3,5
GDP per capita	0,5	-0,7	0,0	1,1
Consumer prices (December-December)	-6,1	6,3	5,7	5,6
Interchange relationship	-5,7	-1,1	-1,4	-3,7
	Percentages			
Open urban unemployment	4,2	5,4	7,1	7,8
Fiscal outcome/GDP	2,5	3,0	2,6	2,9
	Million dollars			
External sector				
Goods and services exports	26 552,4	25 691,9	25 875,1	27 473,7
Goods and services imports	-31 953,3	-32 009,9	-33 577,0	-35 532,4
Goods and services balance	-5 400,8	-6 318,0	-7 701,9	-8 058,8
Revenue factor balance	-2 46,6	-2 63,2	-1 847,9	-2 769,1
Current transfers balance	4 001,4	4 934,0	5 762,8	6 548,1
Current account balance	-4 046,0	-3 547,2	-3 786,9	-4 279,8
Foreign direct investment	2 061,0	1 935,9	1 700,0	1 978,8
Capital and financial account	4 172,3	4 233,7	3 762,0	4 881,5
Global balance	126,3	686,5	-24,9	601,7
Net asset transfers	1 849,4	2 359,9	2 337,6	2 517,1

Source: ECLAC, based upon official data.
a/ Preliminary estimates

The macroeconomic regional context was characterized by relative stability, and even improvement on account of international support programs for Honduras and Nicaragua, the region's most-indebted countries. The three main international rating agencies maintained their assessments of long-term foreign debt for most of the countries, and even improved those of El Salvador and Panama. This helped Costa Rica, El Salvador and Guatemala to place sovereign bonds of 450, 350 and 300 million dollars respectively, into international markets during 2003.

Graph 2

CENTRAL AMERICA: CAPITAL FORMATION



In general, the Central American governments continued to promote the positively-tested macroeconomic policies of the last few years, although fiscal and financial fragility remain. To cope with this, several stringent monetary and fiscal policies were adopted. The exception was Panama, which resolved to stimulate its own economy through infrastructure investment after the National Assembly's approval in 2002 to use both a portion of the Development Trust Fund and the sale of some assets from the former Canal Zone.

With one-digit inflation increases in all of the countries, inflation remained low, while exchange rates continued to be stable, and fiscal imbalances diminished. It has just been the external sector which has shown moderate outlays in the balance of payments current account deficit, mainly due to increased demand for imports from both renewed exports and economic growth in general.

Tax policy continued to be centerestage in the political and economic debates. Almost all of the governments compellingly sought to increase public income and improve their primary balances, at the same time as they promoted tax reforms to level their long-term fiscal imbalances. In fact, some countries managed to narrow their fiscal gaps, yet Costa Rica's and Honduras' remain wide, as their respective public-debt servicing levels are burdensome.

In pursuit of stabilizing objectives, monetary policy was restrictive. Central bank intervention increased the already-high quasi-fiscal costs in some of the countries. Likewise, there was a discernable, steady *dollarization* of financial assets and liabilities which enervated the effectiveness of monetary policies and augmented risks and costs as well.

Table 2

SOBERING RISK ASSESMENT

(Long terms)

	Fitch				Moody's				S&P			
	Date	Foreign currency debt	Trend	Local currency debt	Date	Foreign currency debt	Trend	Local currency debt	Date	Foreign currency debt	Trend	Local currency debt
Costa Rica	12/jan/2004	BB	negative	BB+	06-Feb-04	Ba1	negative	Ba1	06-Feb-04	BB	negative	BB+
	28/Aprl/2003	BB	negative	BB+	2003	Ba1	negative	Ba1	2003	BB	negative	BB+
El Salvador	12/Jan/2004	BB+	negative	BB+	06-Feb-04	Baa3	stable	Baa2	06-Feb-04	BB+	stable	BB+
	21/Aug/2002	BB+	negative	BB+	2003	Baa3	negative	Baa2	2003	BB+	stable	BB+
Guatemala					06-Feb-04	Ba2	stable	Ba1	06-Feb-04	BB-	stable	BB
					2003	Ba2	stable	Ba1	2003	BB-	stable	BB
Honduras					06-Feb-04	B2	stable	B2				
					2003	B2	stable	B2				
Nicaragua					06-Feb-04	Caa1	stable	B3				
					2003	Caa1	stable	B3				
Panama	03/Dec/2003	BB+	stable	BB+	06-Feb-04	Ba1	stable		06-Feb-04	BB	negative	BB
	24-Oct-02	BB+	negative	BB+	2003	Ba1	stable		2003	BB	negative	BB

Source: Fitch Ratings, Moody's Investors Service y Standard & Poor's.

Due to low international interest rates, some countries substituted foreign debt for domestic to benefit from the cost variance. Yet, the move was made at the expense of enlarging foreign liabilities, which amounted to 29.567 million dollars regionally, a sum being equivalent to 36.5% of the regional GDP, 7.8% larger than that of 2002, which caused foreign-indebtedness indicators to deteriorate slightly.

Both Nicaragua and Honduras took important steps to improve both their respective foreign-debt positions and public finance positions. Nicaragua successfully accomplished the "culmination point" of the IMF requirements within the frame of the Initiative for Heavily Indebted Poor Countries (HIPC) in January 2004, two years after the plan was initiated. As a consequence, 80% (about 6.400 million dollars US) of Nicaragua´s foreign debt will be forgiven. Honduras, for its part, attained a three-year agreement with the IMF (PRGF) involving 107 million dollars, through which it will continue receiving temporary financial assistance from the HIPC program.

The region's moderate economic growth was lower than needed to lessen the high unemployment level and to alleviate the precarious living conditions of the poor in the long term. Notwithstanding the resumption of exports, the external sector has not created enough jobs, nor strengthened the domestic buying power, while the local producers for domestic demand have not yet found the path to recovery. Scarce and weak linkages between the non-traditional export sectors and the local economy seem to be the point at issue.

Regional unemployment has been slightly ameliorated, and real wages for the formal-sector grew meagerly. Sluggish economic growth, however, continues to encourage people to migrate, while changes in labour market participation seem to reveal some disheartening of labour-available persons. Jobs characterized by instability and informal economic activities continue to absorb growing numbers of entrants to the work force in most of the countries.

The commercial openness process combined with fresh initiatives to make tariff and custom procedures compatible throughout the entire region. In this context there has been an impulse by foreign and local firms to enlarge and reinforce regional business. Breweries, dairy products, construction and textile industries, and the telecommunication and banking services, have been the activities preferred by investors.

In most of the countries, a number of structural reforms were made. The privatization and licensing processes encompassed additional sectors (telecommunications, power generation and distribution, drinking water, seaports, airports, and others). The preexisting financial sector trends persisted throughout the year. Financial mergers and strategic alliances between diverse firms continued at a constant pace, while the major regional financial groups were consolidated. On the other hand, public intervention into unsound financial entities also continued, and some of the strictest prudential and supervisory policies seen in the region, were adopted.

2. The external sector evolution

In comparison to the three previous years, the Central American external sector improved. Goods and services exports experienced a discernable increase as a response to strong foreign demand, especially that of the United States, the region's main trade partner. Likewise, current transfers continued to expand, particularly family remittances, which amounted to 7.2% of the regional GDP. Although foreign direct investment remained stagnant, foreign financial flows persisted. To sum up, net financial asset transfers to the region maintained their high levels at around 3.1% of the regional GDP. Half of the countries increased their foreign currency reserves.

The balance of payments current account deficit amounted to $4,280 million dollars US (or $4.280 Billion in US) (5.3% of the regional GDP), a $500 million dollar US increase over the previous year. With respect to the balance of payments current account, and unlike the Latin American favorable balance average, the Central American countries continued deepening their deficit for the third consecutive year due to deteriorations in trade and returns balances. During the year, their balance of returns deficit grew 50%, from $1,850 million dollars US to $2,770 million dollars US, due mainly to capital outflows from Costa Rica's high-tech firms and Panama's financial sector. Such a drainage was, however, limited by low interest rates, which curtailed interest pay outs, and also limited by foreign transfers, especially from family remittances, which continued to grow, substantially increasing the family's disposable income and allaying other current account deficits as well. Current transfers already amount to 8% of the regional GDP.

Table 3

CENTRAL AMERICAN COUNTRIES: CURRENT TRANSFERS EVOLUTION

	1998	1999	2000	2001	2002	2003 a/
			Million dollars			
Central American Isthmus	3 191,5	3 606,5	4 001,4	4 934,0	5 762,8	6 548,1
Central America	3 032,9	3 435,4	3 824,4	4 707,9	5 513,2	6 306,8
Costa Rica	113,2	102,2	92,2	147,9	169,0	197,4
El Salvador	1 526,8	1 581,5	1 797,1	2 298,3	2 022,8	2 117,1
Guatemala	705,3	714,8	868,2	996,8	1 976,2	2 461,9
Honduras	487,6	736,9	746,9	929,2	968,7	1 091,6
Nicaragua	200,0	300,0	320,0	335,7	376,5	438,8
Panama	158,6	171,1	177,0	226,1	249,6	241,3
			Percentages			
Central American Isthmus	4,9	5,4	5,7	6,7	7,5	8,1
Central America	5,6	6,2	6,6	7,6	8,5	9,3
Costa Rica	0,8	0,6	0,6	0,9	1,0	1,1
El Salvador	12,8	12,7	13,7	16,6	14,1	14,2
Guatemala	3,6	3,9	4,5	4,7	8,5	9,9
Honduras	9,4	13,7	12,5	14,7	14,9	15,9
Nicaragua	5,6	8,0	8,1	8,4	9,4	10,6
Panama	1,5	1,5	1,5	1,9	2,0	1,9
			Growth rates			
Central American Isthmus	18,0	13,0	11,0	23,3	16,8	13,6
Central America	18,7	13,3	11,3	23,1	17,1	14,4
Costa Rica	-9,8	-9,7	-9,8	60,4	14,3	16,8
El Salvador	12,2	3,6	13,6	27,9	-12,0	4,7
Guatemala	16,3	1,3	21,5	14,8	98,3	24,6
Honduras	56,3	51,1	1,4	24,4	4,3	12,7
Nicaragua	33,3	50,0	6,7	4,9	12,2	16,5
Panama	5,3	7,9	3,4	27,7	10,4	-3,3

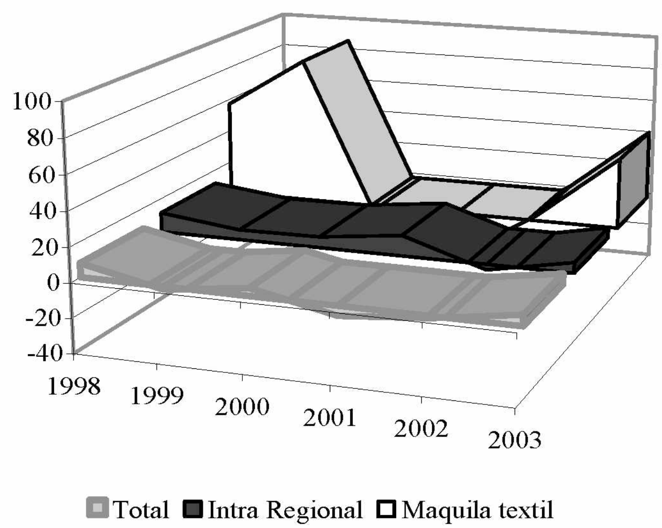
Source: ECLAC, based on official data.
a/ Preliminary data.

The region's capital and financial accounts (including errors and omissions) had a favorable balance, amounting to $4,880 million dollars US, an increase of $1,220 million dollars US compared to the previous year. This translated into a considerable strengthening of foreign currency reserves (about $600 million dollars US), and helped maintain exchange-market stability.

Graph 3

GOODS EXPORTS EVOLUTION

(Annual growth rates)



Unlike other Latin American countries, Central America's exchange terms continued to deteriorate as a consequence of its particular export-import structure. Whereas many South American countries export a number of commodities to the thriving Asian countries, mainly China, and profit from climbing international prices, the Central American economies are net importers of these commodities. Therefore, they were burdened with strenuous pay outs for imported oil and other raw materials, burdens great enough to undo the rising returns for some of their exports, not to mention the stagnant prices for other exports representing the bulk of their foreign sales.

The resumption of the global economic activity, especially during the second half of 2003 year, had an invigorating effect on the region after two years of decline. Goods exports totaled $20,220 million dollars US, 6% percent above the previous year. Excluding Panama, which recoiled because of the Colon free-zone's drowsy performance, the region's exports grew 10.3%, with Costa Rica excelling with a 16.6% increase in exports. In general, the region's non-traditional exports, including assembly products, thrived, while traditional exports grew moderately, due mainly to the rising price of coffee-grain and, to a lesser extent, increases in cane sugar and bovine meat export-volumes.

Assembly industry and free-zones for value-added products greatly expanded (41.8%) propelled by Costa Rica's microprocessor, medical equipment and pharmaceutical product exports (125.6%). The garment and accessories industry, on the other hand, according to the U. S. Department of Commerce, barely grew at 1.8% against 16.7% during the period 1997-2000, this in spite of being sheltered by chapters 61 and 62 of the compatible custom system. Except for El Salvador, the countries had double-digit assembly-industry value-added growth rates. Such a trend seems to indicate an ongoing diversification of the assembly industry, so overcoming the previously preponderant garment and accessories export patterns.

Interregional trade, spurred by manufactured products, increased again (6.1%) after a 3.3% decline in 2002. It should be stressed that Costa Rica, El Salvador, and Guatemala, contribute about 80% of interregional exports. Trade with Mexico grew 13%, amounting to around $2,700 million dollars US. Although Central Americans exports to Mexico are equivalent to only half of the Mexican exports to the region, they are growing at a rapid rate (37.3% in 2003), fostered by the trade agreements.

Goods imports ($29,785 million dollars US) were 6.4% larger than exports. Among the greatest contributing factors were, the recovery of domestic demand and the high prices of oil and fuel. Expenses for oil and fuel purchases increased by around 33%. The laggard evolution of capital goods imports is worrisome since they account for the basis of future growth.

The region continued to receive huge foreign capital net income, 6.5% of GDP in 2003, larger than the Latin American average of 1.4%. Since factorial pay outs amounted to $2,770 million dollars US, the net foreign asset transfers to the entire region was $2,517 million dollars US. Again, this figure differs sharply with that of Latin America, where the net foreign asset transfers have been negative over the last six years, a situation undoubtedly related to the economic crisis within the South American economies. By excluding the book value operations of Panama's Banks, which translated into a $791 million dollar US foreign direct investment jump, the region experienced a 9% slide backwards, barely amounting to $1,547 million dollars US. Foreign direct investment for the five countries was 2.3% of the total GDP, with El Salvador and Guatemala pushing the figure downward.

3. Economic policy and structural reforms

Sustained foreign capital transfers and growing family remittances encouraged the Central American governments to focus upon macroeconomic-stability-oriented economic policies. They therefore adopted a diverse mixture of monetary and fiscal measures to keep inflation at bay, refrain from fiscal deficit, maintain exchange rate stability, and reinforce external positions. However although these policies were decisive in reining in the economy, such a set of measures resulted in dampening domestic demand, which, along with interchange terms-deterioration, contributed to the restraint of economic recovery. Price stability was preserved, real interest rates went downward, and exchanges rates kept reasonably stable, yet tenuous fiscal accounts deterioration was observable, while the external sector was upset by an increasing trade deficit.

a) Tax policy

As was the case during the two previous years, deficit control and public-debt management continued to be the major policy emphasis. During the sluggish period of 2001-2002, public finance failed to stabilize economic growth. Instead of outweighing the adverse external effects, the fiscal policy seemed to aggravate them.

In a torpid economic environment, authorities embraced fiscal discipline as their main economic instrument due to a lack of room to maneuver with respect to alternative courses of action. The elongated public finance adjustment process in the nineties substantially leveled the fiscal imbalances, and further contributed to fiscal surpluses that governments could employ during the descending phase of the economic cycle. They did not. The exception was Panama, which used earnings from privatizations, including those from some of Canal's services, and tax incentives to foster economic growth.

As can be inferred from Table 4, the non-financial public-sector performance (NFPS) average, except for Guatemala, [1] improved slightly, lessening its deficit from 2.8% in 2002 to 2.6% in 2003. This was due to improved fiscal performance by both local governments and public enterprises and agencies in contrast with growing fiscal deficits incurred by central governments —except for two central governments which experienced a decrease of one point—, and despite public-debt restructuring efforts by placing sovereign bonds in the global markets.

Increased public-debt servicing was the main source of fiscal deterioration for central governments. Most of the increase in public-debt servicing came from Honduras and Nicaragua, the two countries under the IMF's PRGF program. The logic behind this deterioration therefore seems to be obeyance of agreements between the multilateral financial organizations and the debtor countries, rather than responding to global financial conditions, which were rather favorable during 2003.

Table 4

CENTRAL AMERICA: FISCAL INDICATORS IN 2003

(GDP percentages at current prices)

	NFPS global balance		CG balance		CG interests payments		CG primary balance		Public debts	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Costa Rica	-5,4	-4,2	-4,3	-2,9	4,3	4,3	0,0	1,4	47,1	47,2
El Salvador	-3,3	-1,3	-3,1	-2,3	1,6	1,9	-1,2	-1,1	29,9	33,1
Guatemala	n.d.	n.d.	-1,0	-2,3	1,2	1,2	0,2	-1,1	17,3	19,0
Honduras	-2,5	-4,0	-4,8	-5,9	1,2	1,9	-3,6	-4,0	70,7	73,8
Nicaragua	-0,8	-1,4	-1,3	-2,0	3,0	3,7	1,7	1,7	158,8	159,5
Panama	-2,0	-1,9	-2,0	-3,4	4,2	4,3	2,2	0,9	69,8	67,2
Regional average a/	-2,8	-2,6	-2,8	-3,1	2,6	2,9	-0,1	-0,4	65,6	66,6

a/ Uncompounded average.

[1] Guatemala is not included because it does not publish the corresponding data.

Public income grew slightly as a result of equally slight economic recovery and lower trade tariffs. Additionally, public expenditure increased (though less than during the previous year) through rising wages for public employees, infrastructure investment, and social spending.

Fiscal policy has been grossly determined by cash constraints rather than by a medium-term view, and economic authorities have therefore engaged in collecting ready money by both tax-management changes and cost cutting. Indeed, all of the countries have introduced or are currently trying to introduce tax reforms, a concern that mirrors their own public finance fragility.

The main components of both ongoing and planned fiscal reforms include: transferring the fiscal burden from direct and foreign trade taxes to indirect ones; translating the sale tax to the value-added tax (VAT); broadening the tax base by eliminating tax exemptions; abbreviating taxing categories; suppressing minute taxes whose collecting costs exceed their own benefits; clamping down on tax evasion and elusion, and improving public-finance transparency.

The pressing need for strengthening public finance is also spurred by tariff relief accords in the process to culminate in the creation of a Central American Custom Union and additional bilateral and multilateral trade agreements. Such a fiscal commitment, however, seems to run contrary to deep social discontent and growing demands for social services requiring resolute public action. Most of the arguments revolve around how to increase fiscal income, disregarding efforts to bring about a basic social consensus or what the Economic Commission for Latin American and Caribbean Countries (CEPAL in Spanish) has called "the fiscal contract"[2]. Lack of consensus is illustrated by the fact that half of the Centro American countries operated during the first semester of 2004 without a congressionally-approved public budget. Even in Guatemala, where an explicit fiscal pact does exist, a real social consent about the role of the state and the reciprocal duties by taxpayers appears to be absent.

An additional indicator of Central America's public finance fragility is the increase of public-debt as a share of the GDP in five of the countries. Only Panama has pushed this ratio downward, nonetheless it is increasing in absolute terms, thanks to a steady growth performance. For the rest of the countries, the financial needs of the fiscal deficits translated into bigger indebtedness indicators, so the regional average was about 47% of GDP.

Although Guatemala's public-debt/GDP ratio remained relatively low, El Salvador's has soared to worrisome heights. It is expected that Nicaragua and Honduras will significantly decrease their public-debt/GDP ratios in the near future on account of the HIPC initiative. Yet, the rest of the countries lie outside such an arrangement. Therefore, the efforts aimed to consolidate public finance, in spite of the huge obstacles, seem to be indispensable to securing long-term public sector creditworthiness.

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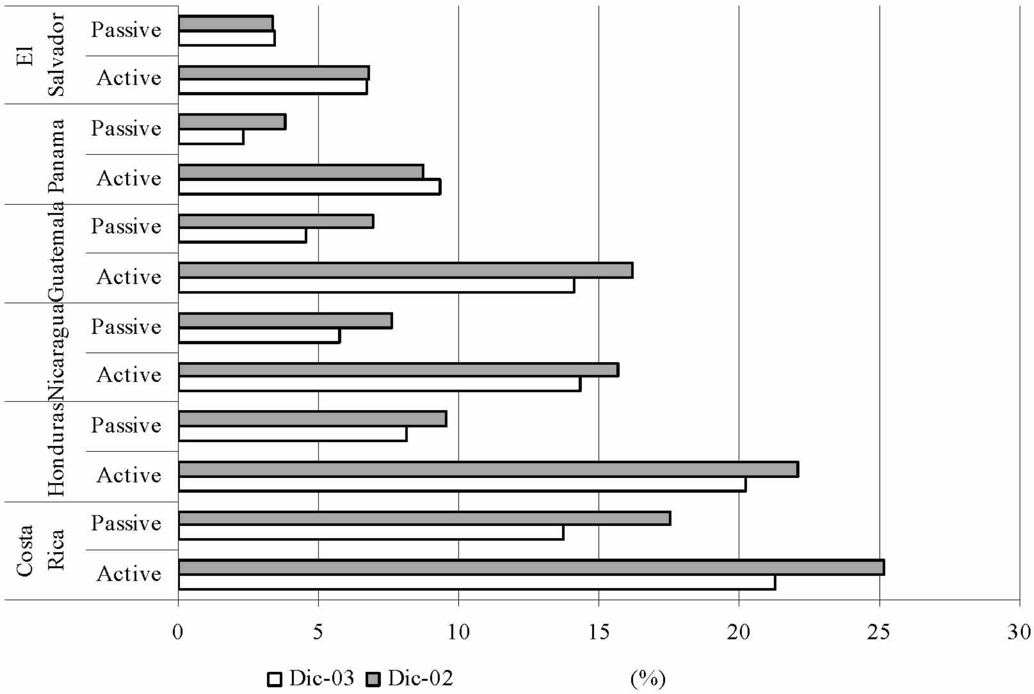
[2] CEPAL (1998), *El pacto fiscal: Fortalezas, debilidades, desafios*, Santiago de Chile.

Graph 4

PASSIVE AND ACTIVE INTEREST-RATE

(Average)



b) Monetary policy

Excluding both El Salvador, whose monetary-policy maneuvering-room vanished in the 2001 year *dollarization* decree, and Panama, whose monetary-policy tools are negligible, monetary policy of the rest of the countries became more restrictive in orientation to control inflationary pressures coming from fuel-price upswing and rising public-services tariff-adjustments, as well as to act as counterweight to the fiscal imbalances effects and preserve exchange stability. Monetary policy operated in increasingly difficult conditions, characterized by growing *dollarization* of banks' assets and liabilities, national banks' *off-shore* operations, foreign banks' domestic credit operations, and national banks' huge foreign leverage to carry out domestic credit operations.

Liquidity control was managed by means of open-market operations. It should be noted, however, that such a device has become costly in the last few years, particularly for Costa Rica, who has consequently seen its quasi-fiscal imbalances increase, so exacerbating its own financial vulnerability. On the face of it, Costa Rica had to resort to banking reserves to induce the creation of secondary money by the banking system, and to curb losses being provoked by interest pay-outs against monetary stabilization bonds.

Both passive and active, nominal and real interest rates of almost all of the countries decreased. Yet, they maintained a high level in comparison to the international rates. Spread margins were kept high too. Costa Rica and Honduras had the region's highest active interest rates. El Salvador's and Panama's had the lowest ones, while Guatemala's and Nicaragua's were in the middle.

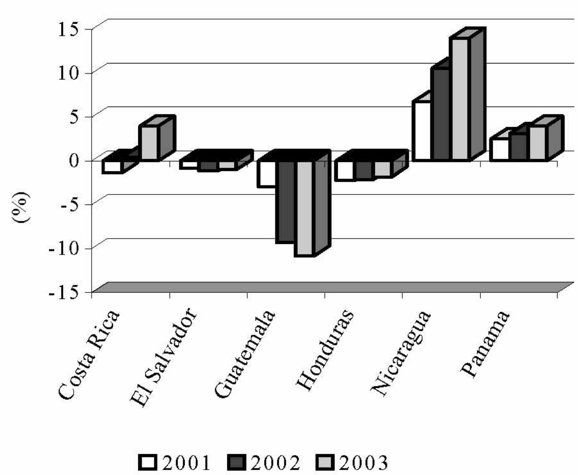
The domestic credit for the private sector grew meagerly, while public sector's decreased. The increase was spent on private consumption, housing, and commerce, the first of them being the most favored, which translated into a relative stimulation of domestic demand.

As already stated, the capital net inflows and subsequent strengthening of international reserves translated into relative stability for exchange markets. It should be stressed that the region harbors a diversity of exchange rate regimes: Costa Rica's and Nicaragua's crawling peg exchange-rates, Honduras' currency auctions, El Salvador's and Panama's fixed exchange-rates, and Guatemala's free-floating exchange-rate, so their functioning *vis-a-vis* the dollar varied, although the variation margins were close. Extending a trend triggered in 2000, Nicaraguan, Costa Rican, and Panaman currencies experienced real depreciation, 4.3%, 3.5%, and 0.9%, respectively. El Salvador's and Honduras' remained stable, while Guatemala's continued to appreciate.

Graph 5

REAL-EXCHANGE APPRECIATION AND DEPRECIATION

(With respect to 2000 year)



c) Structural reforms

The region's structural reforms continued at a rapid pace. As already stated, efforts to overhaul the tax system persisted. In spite of some delays, privatization and licensing continued to gain ground in additional areas (especially in telecommunications, power generation and distribution, drinking water, seaports and airports). Commercial opening made further inroads by tearing-down trade tariffs and making custom codes compatible to encourage foreign direct investment. Mergers and strategic alliances between diverse financial sectors grew, while the main financial groups consolidated. Concomitantly, public intervention into unsound financial business persevered, whilst the strictest prudential and supervising norms were promoted.

4. Production, employment, income, and prices

a) Economic activity by countries

In an unexceptional economic resumption, the region's core relevant characteristic was a contribution of exports to economic growth after recoiling in 2001 and virtually stagnating in 2002. The leading-export country was Costa Rica, followed by Panama, Guatemala and Nicaragua. Domestic demand was moderately alleviated thanks to family remittances and consumer credit. Capital formation diminished as a contributor to economic growth as a consequence of shrinking public investment —a constraint in turn determined by fiscal imbalances—, and enervated private investment, both domestic and foreign.

Although most of the countries grew moderately, economic-growth rates were scattered. Costa Rica lead the performance of economic-growth (6.5%), followed by Panama (4.1%). The growth rates of the remaining countries showed tiny progress, oscillating between 1.8% and 3.2%. Product per capita (1.1%) appeared deficient after a 0.3% descent during the two prior years, a worrisome figure regarding human development and social stability.

After three consecutive years of middle-of-the-road performance, Costa Rica's remarkable recovery was fuelled by an exporting upsurge (12.5%), mainly Intel's microprocessors, medical equipment, and pharmaceutical products. Excluding these exporting lines, Costa Rica's export growth rate would be only 5.7%. Costa Rica's exports plus a vigorous gross-capital formation rate (9.5%) —owing to public investment in telecommunications and energy, and both public and private investment in construction—, outweighed a hesitant domestic demand growth (1.3%).

Panama's domestic demand, on the other hand, soared due to an expansive fiscal policy supporting a 4.1% economic growth-rate, almost doubling that of the prior year, in a context of gradual external recovery. Gross domestic investment grew 12% as a result of public works in infrastructure, housing, and telecommunications.

Nicaragua achieved a modest recovery (2.3%) after three consecutively sluggish years, a result clearly owed to thriving exports (8.1%) since domestic demand barely grew at 1.4%. Private investment showed a negative performance (–3.6%) due to macroeconomic adjustment, upswinging prices for some raw materials and intermediate goods, and conflicting political situations. Product per capita diminished again (–0.3%).

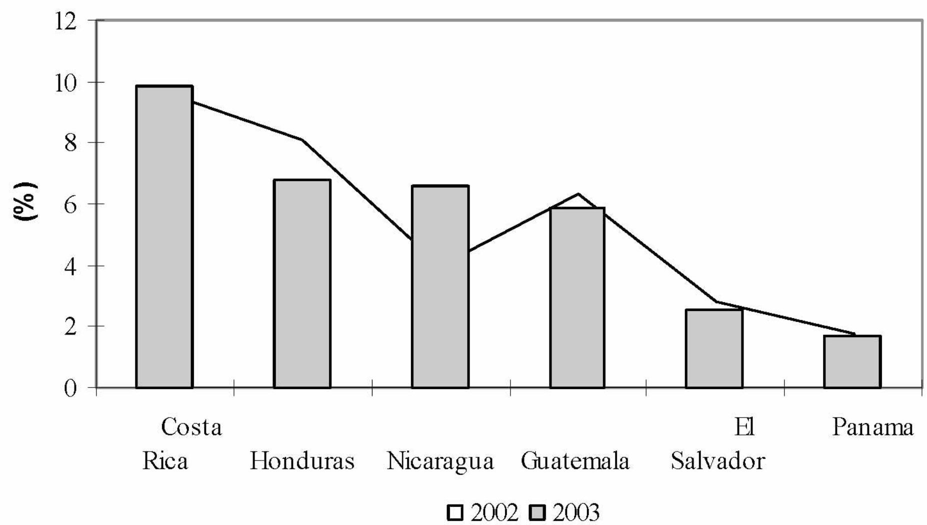
Guatemala repeated the low-growth pattern it has embraced since 2001. Its 2.1% growth-rate was insufficient to reverse the three consecutive declining years of product per capita. Such a sluggish performance seems to be owed to a sharp fall-off in gross domestic investment (–8.6%) in the middle of an aggravating political conflict between the government and special business groups, and political uncertainty related to the presidential election of November 2003. The hesitant reawakening of both exports (4.6%) and private consumption (3.9%) did not compensate for the worrisome general situation.

El Salvador grew meagerly at 1.8% because of an infirm external-demand draw out. Product per capita accumulated during four consecutive stagnant years. A rise of private investment was discernible in the context of the already consummated *dollarization*. Public investment, however, shrank in the form of diminished allowances for the 2001 earthquakes reconstruction program. Capital formation has already had three consecutive sluggish years, a serious challenge to the country's competitiveness.

With regards to the region's economic sectors, goods production performed better than services. Agriculture production showed a considerable 3.5% growth rate after two consecutive years of lethargy. The construction industry greatly overcame the stagnant previous year. Mining and quarrying also expanded. The manufacturing industry took a discernible step forward, although it currently seems far from the large expansion it experienced at the end of the nineties.

Graph 6

CONSUMER-PRICE VARIANCE



Except for the remarkable dynamism of Costa Rica's high-tech exports, the rest of the exporting sectors had meager growth rates. Such was the case for the free-zones settled garment-industry, which barely grew 4.2% against 3.5% during the prior year. The interregional trade, however, became reanimated after an apathetic prior year.

b) Prices, income, and employment

Although the regional economy grew more than the previous year –however with larger external and fiscal imbalances- price stability was preserved. In El Salvador, Guatemala, and Honduras, annual price variation decreased; in Costa Rica and Panama prices remained virtually stable. Only in Nicaragua did variation increase.

Price stability was favoured by cautious fiscal and monetary policies, low international inflationary levels, partial foreign financing of fiscal deficits, and the relative stability of exchange-markets being supported by considerable net foreign capital inflows. Domestic-market-oriented agricultural production, trade- tariff relief, and low international interest rates also played a beneficial function.

All of these factors acted to counterbalance the rising international oil prices and their onerous effects on fuel and transportation prices, as well as on the basic public services tariff adjustment. The relatively high inflation level prevalent in some countries, particularly in Costa Rica, seems to be related to fiscal imbalances, nominal exchange-rate depreciation and some tax increases to strengthening public finance.

The region's economic growth-rate turned out to be insufficient to create the number of jobs necessary for an increasing labour-available population. Unemployment, job instability, informal activities, and migration continued to grow.

Information on disposable income reflects the exiguous increase in real wages. This was the case for all of the countries, except for Costa Rica, where minimum wage remained stagnant. The increasing average seems to be a result of wage adjustment for public-sector employees and specific sectors' work-force in Costa Rica and Nicaragua.

5. Perspectives for 2004

At the onset of 2004, the economic perspectives for the region seemed promising, despite elements of uncertainty. In a relatively stable macroeconomic context, a continuation of the recovery of 2003 seemed plausible. Optimistic forecasting for global economic and commercial growth allowed anticipation of improved demand for the region's products and services. At the same time, the concluding talks of the U. S.-Central America Free-Trade Agreement (CAFTA) spurred positive expectations among the economic actors with respect to enlarging the abiding CBI's trade benefits, and trusting in reliable rules for expanded trade and direct foreign investment in the area as well. All of this intensified efforts to deepen regional economic integration to make investment and trade flows easier. The trade opening process went hand-in-hand with far-reaching agreeements on tariff, customs, and technical procedure compatibility.

During 2004 the global economic recovery continued to provide a relatively favorable environment for external financing accessing. Nonetheless, in the face of inflationary pressures, the U. S. Federal Reserve Bank initiated a restrictive monetary policy cycle by raising short-term interest rates from 1% to 1.25% in July, to 1.5% in August, and to 1.75% in September. Recent economic forecasting anticipates a 4.9% global GDP growth rate, one percent higher than 2003. It has also been anticipated that the U. S. economy will grow between 4.3% and 4.5%. Unlike the previous year, Japan's economy is expected to expand considerably (4.4%), while the European Union is forecast to grow only slightly (2.2%). The Chinese economy will extend its vigorous trend, between 8% and 8.5%, a little bellow its 9.1% growth rate during 2003. Global dynamism is already pushing an increase in international goods trade, amounting to 8.4%.

Central America's economic stability and growth, however, seems to be threatened by several factors. Unexpected domestic conditions related to skyrocketing prices of imported commodities' are compelling countries to impose restrictive economic policies. Most countries have programmed fiscal-deficit decreases. Inflationary pressures and gradual cost increases for foreign credit are adding to this burden. In such a context, a modification of the main economic-policy tools can be expected to occur. Therefore, a lessening of economic activity during the second half of the year can be anticipated. Yet, the macroeconomic environment continues to be stable, while the main rating agencies' risk-assessment has not been adjusted during the last twelve months.

It is expected that the region's economic growth-rate will be close to the 2003 level (3.5%), and that a more homogeneous regional growth pattern will emerge. During the first months of 2004, the economic indicators for most of the countries exhibited improved results compared to 2003. Panama's economy will strengthen due to an expansionary public-investment policy and expected exports recovery. Guatemala, Honduras, and Nicaragua will also grow, though at a slower pace than Panama. Costa Rica, on the other hand, will see its 2003 high growth rate diminish because of shrinking exports and necessary fiscal adjustment. El Salvador will exhibit another year of weak performance due to delays in public-budget approval.

Table 5

GROWTH FORECAST FOR 2004

(Annual growth rates)

	2002	2003 a/	Forecast 2004
Central American Isthmus	2,4	3,5	3,5
Central America	2,4	3,4	3,2
Costa Rica	2,9	6,5	3,9
El Salvador	2,2	1,8	2,0
Guatemala	2,2	2,1	3,0
Honduras	2,7	3,2	4,0
Nicaragua	1,0	2,3	4,0
Panama	2,2	4,1	5,0

Source: ECLAC, based on official data.
a/ Preliminary data.

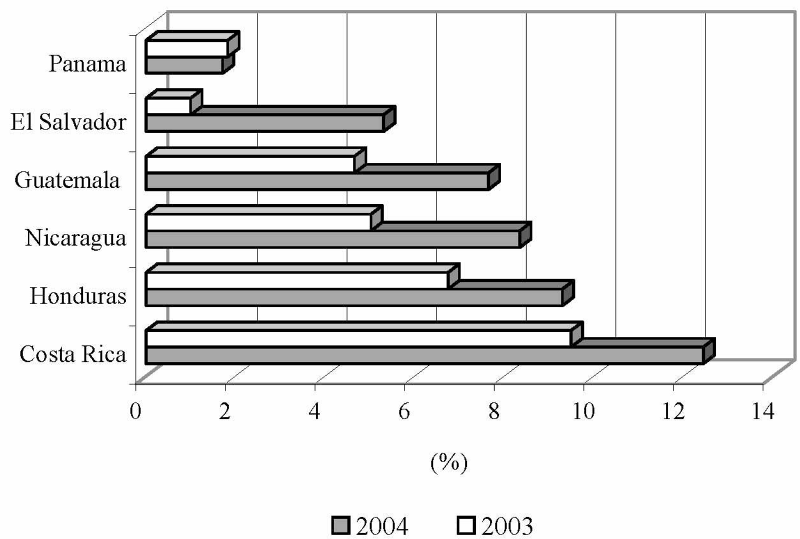
Increasing prices in international oil and other basic products have already led to a rise in inflation across the region. The resulting deterioration of the terms of trade will hit disposable income, domestic consume and savings. Except for Guatemala, the region is highly vulnerable to high oil prices. Oil Prices increased 19% during 2003, and have increased a further 22% during the first eight months of 2004. At the middle of the year, the inflation rate had climbed to an average of 27% for the entire region.

During the first half of 2004, exchange rates oscillated within the 2003 range. Nominal parities varied slightly, showing a lean towards an appreciation due to inflation pressures.

Graph 7

CONSUMER-PRICE EVOLUTION

(January-July variance)



During the first half of 2004, goods exports increased 9%, surpassing the same annual average for 2003. Yet, Costa Rica's virtual export stagnation, Panama's export recovery from both national exporters and Colon's free-zone re-exports (20.8% for both of them), and increasing export volumes from Honduras and Nicaragua, seem to highlight changing conditions in the region. Assembly-industry garment exports remain in a slow-growth phase. According to the U. S. Department of commerce, garment sales have totaled $4,335 million dollars US up until the first semester of 2004 (2.4% over the same period in 2003), despite Honduras' and Nicaragua's industry recovery.

With respect to family remittances, these seem to keep the steady growth they have shown during the last few years. During the first semester they grew 30,6% in Honduras, 22% in El Salvador, and 20,5% in Guatemala (including August). As for the region as a whole, the forecasting targets 3% of the regional GDP, that is, the past three-year level.

Statistical Annex

Table 1

CENTRAL AMERICAN ISTHMUS: MAIN ECONOMIC INDICATORS

	1998	1999	2000	2001	2002	2003 a/
	Annual percentage change					
Economic activity and prices						
Gross domestic product	5,7	4,5	3,0	1,7	2,4	3,5
GDP per person b/	3,1	2,0	0,5	-0,7	0,0	1,1
Fixed-capital gross formation	16,3	5,4	-1,3	-2,6	-1,4	1,3
Consumer-price index (December-December)	8,2	5,1	6,1	6,3	5,7	5,6
	In percent of GDP					
Fiscal deficit	2,2	2,3	2,5	3,0	2,6	2,9
	Million dollars					
External sector						
Current account	-3 572,3	-4 425,6	-4 046,0	-3 547,2	-3 786,9	-4 279,8
Return-balance of factors	-1 682,1	-3 335,8	-2 646,6	-2 163,2	-1 847,9	-2 769,1
Current-transfers balance	3 191,5	3 606,5	4 001,4	4 934,0	5 762,8	6 548,1
Financial and capital account c/	3 756,0	5 301,8	4 172,3	4 233,7	3 762,0	4 881,5
Foreing direct investment	3 874,0	2 391,6	2 061,0	1 935,9	1 700,0	1 979,8
Global balance	183,7	876,2	126,3	686,5	-24,9	601,7
Net-assets transfer	2 465,9	2 466,9	1 849,4	2 359,9	2 337,6	2 517,1
Public-external debt	23 132,2	24 337,2	24 801,9	26 050,3	27 422,2	29 567,3
	Indexes (1995 = 100)					
Goods-terms of trade	100,9	97,8	92,3	91,2	89,9	86,6

Source: ECLAC, based on official data.

a/ Preliminary data.

b/ 1995 constant-dollar prices.

c/ Including errors and omissions.

Table 2

CENTRAL AMERICAN ISTHMUS: MAIN ECONOMIC INDICATORS

(Growth rate)

	1998	1999	2000	2001	2002	2003 a/
Gross domestic product b/						
Central American Isthmus	5,7	4,5	3,0	1,7	2,4	3,5
Central America	5,4	4,6	3,0	1,9	2,4	3,4
Costa Rica	8,3	8,0	1,8	1,0	2,9	6,5
El Salvador	3,8	3,4	2,2	1,7	2,2	1,8
Guatemala	5,1	3,9	3,6	2,3	2,2	2,1
Honduras	3,3	-1,5	5,7	2,6	2,7	3,2
Nicaragua	3,5	7,0	4,2	3,0	1,0	2,3
Panama	7,4	4,1	2,7	0,6	2,2	4,1
GDP per person						
Central American Isthmus	3,1	2,0	0,5	-0,7	0,0	1,1
Central America	2,7	2,1	0,5	-0,5	0,0	1,0
Costa Rica	5,6	5,6	-0,6	-1,0	0,9	4,4
El Salvador	1,6	1,3	0,2	-0,2	0,3	-0,1
Guatemala	2,4	1,1	0,9	-0,2	-0,4	-0,5
Honduras	0,5	-4,1	3,0	0,0	0,1	0,7
Nicaragua	0,7	4,2	1,4	0,3	-1,6	-0,3
Panama	5,3	2,1	0,8	-1,3	0,4	2,2
Fixed-capital gross formation						
Central American Isthmus	16,3	5,4	-1,3	-2,6	-1,4	1,3
Central America	16,6	4,4	-4,0	0,3	3,3	3,1
Costa Rica	25,0	-3,8	-0,9	2,6	6,6	9,5
El Salvador	9,4	-0,9	5,2	1,5	2,6	3,4
Guatemala	19,6	5,5	-8,8	1,8	5,1	-4,0
Honduras	10,3	6,5	-7,6	-7,7	-5,9	8,5
Nicaragua	7,1	36,1	-8,2	-2,8	0,2	-0,8
Panama	14,9	9,7	9,4	-12,8	-20,0	-7,7

Source: ECLAC, based on official data.
a/ Preliminary data.
b/ 1995 constant-dollar prices.

Table 3

CENTRAL AMERICAN ISTHMUS: FOB GOODS-TRADE INDICATORS

	1998	1999	2000	2001	2002	2003 a/
			Million dollars			
Fob goods exports						
Central American Isthmus	19 892	19 563	20 441	19 326	19 069	20 220
Central America	13 561	14 275	14 602	13 333	13 754	15 169
Costa Rica	5 538	6 576	5 813	4 923	5 259	6 132
El Salvador	2 460	2 534	2 963	2 892	3 021	3 162
Guatemala	2 848	2 781	3 082	2 860	2 819	3 048
Honduras	2 067	1 756	2 012	1 935	1 974	2 078
Nicaragua	648	627	732	723	681	748
Panama	6 332	5 288	5 839	5 992	5 315	5 051
Fob goods imports						
Central American Isthmus	-25 353	-24 903	-26 774	-26 786	-27 996	-29 785
Central America	-17 726	-18 275	-19 792	-20 098	-21 644	-23 642
Costa Rica	-5 937	-5 996	-6 025	-5 743	-6 535	-7 245
El Salvador	-3 765	-3 890	-4 703	-4 824	-4 892	-5 436
Guatemala	-4 256	-4 181	-4 742	-5 142	-5 791	-6 175
Honduras	-2 371	-2 510	-2 670	-2 768	-2 809	-3 065
Nicaragua	-1 397	-1 698	-1 653	-1 620	-1 618	-1 720
Panama	-7 627	-6 628	-6 981	-6 689	-6 352	-6 143
			Growth rate			
Fob goods exports						
Central American Isthmus	8,0	-1,7	4,5	-5,5	-1,3	6,0
Central America	15,5	5,3	2,3	-8,7	3,2	10,3
Costa Rica	31,2	18,7	-11,6	-15,3	6,8	16,6
El Salvador	0,9	3,0	16,9	-2,4	4,5	4,7
Guatemala	9,4	-2,3	10,8	-7,2	-1,4	8,1
Honduras	11,9	-15,0	14,5	-3,8	2,0	5,3
Nicaragua	1,7	-3,3	16,8	-1,3	-5,8	9,8
Panama	-5,1	-16,5	10,4	2,6	-11,3	-5,0
Fob goods imports						
Central American Isthmus	12,2	-1,8	7,5	0,0	4,5	6,4
Central America	16,2	3,1	8,3	1,5	7,7	9,2
Costa Rica	25,8	1,0	0,5	-4,7	13,8	10,9
El Salvador	5,2	3,3	20,9	2,6	1,4	11,1
Guatemala	20,1	-1,8	13,4	8,4	12,6	6,6
Honduras	16,3	5,9	6,4	3,7	1,5	9,1
Nicaragua	1,9	21,6	-2,7	-2,0	-0,2	6,3
Panama	3,7	-13,1	5,3	-4,2	-5,0	-3,3
			Indexes (1995 = 100)			
Fob/Fob goods-trade price relation						
Central American Isthmus	100,9	97,8	92,3	91,2	89,9	86,6
Central America	99,8	95,3	89,5	87,4	86,5	84,1
Costa Rica	103,9	102,8	95,8	94,5	93,0	90,3
El Salvador	91,8	86,9	82,7	80,2	79,5	81,5
Guatemala	94,3	87,2	84,7	82,9	82,1	80,2
Honduras	118,0	110,2	103,8	101,6	98,5	90,1
Nicaragua	87,4	81,1	77,3	70,9	69,8	67,5
Panama	103,3	105,9	99,8	100,3	99,3	94,4

Source: ECLAC, based on official data.

a/ Preliminary data.

Table 4

CENTRAL AMERICAN ISTHMUS: BALANCE OF PAYMENT INDICATORS

(Million dollars)

	1998	1999	2000	2001	2002 a/	2003 a/
Current-account balance						
Central American Isthmus	-3 572,3	-4 425,6	-4 046,0	-3 547,2	-3 786,9	-4 279,8
Central America	-2 556,3	-3 266,8	-3 356,6	-3 373,7	-3 694,6	-3 871,8
Costa Rica	-520,7	-681,1	-706,9	-736,6	-959,6	-969,7
El Salvador	-90,7	-239,3	-430,5	-150,3	-411,8	-733,6
Guatemala	-997,2	-1 015,1	-1 049,0	-1 252,9	-1 234,9	-1 050,6
Honduras	-128,1	-240,9	-245,7	-302,4	-218,7	-258,3
Nicaragua	-819,6	-1 090,4	-924,5	-931,5	-869,7	-859,6
Panama	-1 016,0	-1 158,8	-689,4	-173,5	-92,3	-408,0
Trade balance						
Central American Isthmus	-5 081,7	-4 696,3	-5 400,8	-6 318,0	-7 701,9	-8 058,8
Central America	-4 424,4	-4 057,5	-5 111,5	-6 520,8	-7 644,0	-8 229,4
Costa Rica	-165,5	1 038,3	453,4	-91,8	-596,5	-336,7
El Salvador	-1 454,5	-1 538,7	-1 974,5	-2 182,9	-2 111,2	-2 443,0
Guatemala	-1 562,8	-1 549,2	-1 707,9	-2 165,3	-2 892,7	-3 194,8
Honduras	-407,3	-814,3	-839,8	-1 053,9	-997,8	-1 159,7
Nicaragua	-834,3	-1 193,6	-1 042,7	-1 026,9	-1 045,8	-1 095,2
Panama	-657,3	-638,8	-289,3	202,8	-57,9	170,6
Current transfer balance						
Central American Isthmus	3 191,5	3 606,5	4 001,4	4 934,0	5 762,8	6 548,1
Central America	3 032,9	3 435,4	3 824,4	4 707,9	5 513,2	6 306,8
Costa Rica	113,2	102,2	92,2	147,9	169,0	197,4
El Salvador	1 526,8	1 581,5	1 797,1	2 298,3	2 022,8	2 117,1
Guatemala	705,3	714,8	868,2	996,8	1 976,2	2 461,9
Honduras	487,6	736,9	746,9	929,2	968,7	1 091,6
Nicaragua	200,0	300,0	320,0	335,7	376,5	438,8
Panama	158,6	171,1	177,0	226,1	249,6	241,3
Financial and capital accounts b/						
Central American Isthmus	3 756,0	5 301,8	4 172,3	4 233,7	3 762,0	4 881,5
Central America	2 844,9	3 952,4	3 560,1	3 416,2	3 609,7	4 626,5
Costa Rica	371,1	1 161,2	554,7	749,7	1 122,6	1 311,1
El Salvador	393,9	447,1	385,0	-27,4	288,3	1 049,8
Guatemala	1 239,8	889,7	1 703,3	1 726,7	1 256,7	1 600,2
Honduras	250,1	454,4	192,0	302,1	282,2	27,1
Nicaragua	590,1	1 000,0	725,1	665,1	660,0	638,4
Panama	911,1	1 349,4	612,2	817,5	152,3	255,0
Global balance						
Central American Isthmus	183,7	876,2	126,3	686,5	-24,9	601,7
Central America	288,6	685,6	203,5	42,5	-84,9	754,7
Costa Rica	-149,6	480,1	-152,2	13,1	163,0	341,3
El Salvador	303,2	207,8	-45,5	-177,7	-123,5	316,2
Guatemala	242,6	-125,4	654,4	473,8	21,8	549,6
Honduras	122,0	213,5	-53,7	-0,3	63,5	-231,2
Nicaragua	-229,5	-90,4	-199,4	-266,4	-209,7	-221,2
Panama	-104,9	190,6	-77,2	644,0	60,0	-153,0

Source: ECLAC, based on official data.

a/ Preliminary data.

b/ Including errors and omissions.

Table 5

CENTRAL AMERICAN ISTHMUS: PUBLIC-DEBT INDICATORS

	1998	1999	2000	2001	2002	2003 a/
			Million dollars			
External public-debt balance						
Central American Isthmus	23 132,2	24 337,2	24 801,9	26 050,3	27 422,2	29 567,3
Central America	17 952,5	18 925,4	19 197,8	19 787,5	21 073,1	23 064,8
Costa Rica	2 872,4	3 056,5	3 150,6	3 242,5	3 337,7	3 753,0
El Salvador	2 646,0	2 788,9	2 831,3	3 147,7	3 987,1	4 717,2
Guatemala	2 354,3	2 412,1	2 455,0	2 793,5	2 987,9	3 336,0
Honduras	3 792,7	4 119,0	4 101,0	4 229,6	4 397,8	4 662,8
Nicaragua	6 287,1	6 548,9	6 659,9	6 374,2	6 362,6	6 595,8
Panama	5 179,7	5 411,8	5 604,1	6 262,8	6 349,1	6 502,5
			GDP percentages			
External public-debt balance						
Central American Isthmus	35,5	36,3	35,5	35,5	35,5	36,5
Central America	33,1	34,0	32,9	32,1	32,4	33,9
Costa Rica	20,4	19,3	19,8	19,8	19,8	21,5
El Salvador	22,1	22,5	21,6	22,8	27,9	31,6
Guatemala	12,1	13,2	12,7	13,3	12,8	13,5
Honduras	72,9	76,6	68,9	66,8	67,6	68,0
Nicaragua	176,2	175,0	168,6	158,7	158,8	159,5
Panama	47,4	47,2	48,2	53,0	52,0	50,5
			Million dollars			
Domestic public-debt balance						
Central American Isthmus b/	7 244,0	7 573,8	7 739,6	8 132,6	8 307,8	8 701,3
Central America b/	5 505,4	5 357,9	5 611,6	5 994,6	6 135,7	6 543,2
Costa Rica	4 197,5	4 028,3	4 090,4	4 378,2	4 579,7	4 497,4
El Salvador	153,9	177,2	224,7	268,0	272,0	272,7
Guatemala	946,9	1 011,4	1 112,7	1 153,1	1 078,3	1 372,0
Honduras	207,1	141,1	183,8	195,3	205,8	401,1
Nicaragua	…	…	…	…	…	…
Panama	1 738,6	2 215,9	2 128,0	2 138,0	2 172,1	2 158,1
			GDP percentages			
Domestic public-debt balance						
Central American Isthmus b/	11,1	11,3	11,1	11,1	10,8	10,7
Central America b/	10,2	9,6	9,6	9,7	9,4	9,6
Costa Rica	29,8	25,5	25,7	26,7	27,2	25,8
El Salvador	1,3	1,4	1,7	1,9	1,9	1,8
Guatemala	4,9	5,5	5,8	5,5	4,6	5,5
Honduras	4,0	2,6	3,1	3,1	3,2	5,8
Nicaragua	…	…	…	…	…	…
Panama	15,9	19,3	18,3	18,1	17,8	16,7

Source: ECLAC, based on official data.

a/ Preliminary data.

b/ Not including Nicaragua.

Table 6

CENTRAL AMERICAN ISTHMUS: INTERREGIONAL EXPORTS

(Million dollars)

	1998	1999	2000	2001	2002	2003 a/
	Export-value to the rest of Central American Isthmus					
Central American Isthmus	2 534,9	2 684,3	2 853,0	3 191,5	3 085,2	3 272,9
Central America	2 423,9	2 580,2	2 741,4	3 068,2	2 971,0	3 178,6
Costa Rica	573,4	637,5	663,2	675,9	633,5	696,5
El Salvador	642,2	674,1	774,7	770,1	784,6	792,0
Guatemala	815,9	854,3	870,0	1 103,0	1 059,9	1 156,2
Honduras	268,0	260,4	266,8	328,4	292,4	306,1
Nicaragua	124,4	153,9	166,6	190,8	200,6	227,8
Panama	111,0	104,0	111,6	123,3	114,2	94,3
	Growth rate					
Central American Isthmus	11,5	5,9	6,3	11,9	-3,3	6,1
Central America	11,6	6,5	6,2	11,9	-3,2	7,0
Costa Rica	15,3	11,2	4,0	1,9	-6,3	9,9
El Salvador	6,4	5,0	14,9	-0,6	1,9	0,9
Guatemala	12,4	4,7	1,8	26,8	-3,9	9,1
Honduras	23,2	-2,8	2,5	23,1	-11,0	4,7
Nicaragua	-2,4	23,7	8,3	14,5	5,1	13,6
Panama	9,9	-6,3	7,3	10,5	-7,4	-17,4

Source: ECLAC, based on central Banks and Panama's Comptrollership.
a/ Preliminary data.

Table 7

CENTRAL AMERICAN ISTHMUS: ASSEMBLY AND FREE-ZONES INDUSTRY VALUE-ADDED EVOLUTION

	1998	1999	2000	2001	2002	2003 a/
			Million dollars			
Central American Isthmus	1 650,2	3 092,1	2 745,5	2 017,0	2 075,9	2 944,1
Central America	1 647,9	3 091,6	2 736,7	2 015,4	2 075,3	2 943,2
Costa Rica	495,0	1 805,9	1 241,7	450,6	521,3	1 176,0
El Salvador	337,9	378,7	456,3	489,7	475,2	500,3
Guatemala	284,9	287,7	373,8	396,2	345,8	418,5
Honduras	454,9	538,5	575,4	560,8	612,8	704,7
Nicaragua	75,2	80,8	89,5	118,1	120,2	143,7
Panama	2,3	0,5	8,8	1,6	0,6	0,9
			Growth rate			
Central American Isthmus	57,2	87,4	-11,2	-26,5	2,9	41,8
Central America	58,3	87,6	-11,5	-26,4	3,0	41,8
Costa Rica	201,3	264,8	-31,2	-63,7	15,7	125,6
El Salvador	16,1	12,1	20,5	7,3	-3,0	5,3
Guatemala	34,3	1,0	29,9	6,0	-12,7	21,0
Honduras	45,5	18,4	6,9	-2,5	9,3	15,0
Nicaragua	24,1	7,4	10,8	32,0	1,8	19,6
Panama	-74,2	-78,3	1 660,0	-81,8	-62,5	50,0

Source: ECLAC, based on official data.

a/ Preliminary data.

Table 8

CENTRAL AMERICAN ISTHMUS: FOREIGN-TRAVELS ACCOUNT BALANCE

(Million dollars)

	1998	1999	2000	2001	2002	2003 a/
Total						
Income	2 083,8	2 405,9	2 847,8	2 813,4	2 988,9	3 167,2
expenditures	-1 077,0	-1 161,5	-1 218,8	-1 164,8	-1 189,4	-1 246,0
Balance	1 006,8	1 244,4	1 629,1	1 648,6	1 799,5	1 921,1
Costa Rica						
Income	913,5	1 098,3	1 302,4	1 173,3	1 160,7	1 248,2
expenditures	-408,9	-447,1	-485,4	-364,4	-344,9	-353,2
Balance	504,6	651,2	817,1	808,9	815,8	894,9
El Salvador						
Income	206,2	222,3	216,9	201,1	245,2	225,9
expenditures	-179,4	-168,9	-165,2	-195,3	-191,1	-159,7
Balance	26,8	53,4	51,7	5,8	54,1	66,2
Guatemala						
Income	314,5	356,2	482,3	561,5	619,6	620,7
expenditures	-157,1	-183,3	-181,8	-225,5	-275,6	-312,0
Balance	157,4	172,9	300,5	336,0	344,0	308,7
Honduras						
Income	167,6	208,0	259,8	256,3	301,0	337,1
expenditures	-81,0	-94,0	-119,6	-127,6	-130,6	-138,4
Balance	86,6	114,0	140,2	128,7	170,4	198,7
Nicaragua						
Income	100,1	125,2	128,6	135,3	134,6	150,7
expenditures	-70,0	-77,8	-78,4	-76,0	-69,4	-75,0
Balance	30,1	47,4	50,2	59,3	65,2	75,7
Panama						
Income	381,9	395,9	457,8	485,9	527,8	584,6
expenditures	-180,6	-190,4	-188,4	-176,0	-177,8	-207,7
Balance	201,3	205,5	269,4	309,9	350,0	376,9

Source: ECLAC, based on official data.
a/ Preliminary data.

Table 9

CENTRAL AMERICAN ISTHMUS: GARMENT-EXPORTS TO THE UNITED STATES a/

	1998	1999	2000	2001	2002	2003	January-July 2003	January-July 2004
	Million dollars							
Central American Isthmus	5 395,8	6 008,0	6 829,5	7 001,3	7 173,9	7 301,5	4 235,6	4 335,6
Central America	5 385,0	5 996,0	6 822,9	6 994,6	7 168,3	7 296,8	4 233,0	4 333,4
Costa Rica	835,7	839,1	843,8	790,4	745,0	603,0	368,4	300,7
El Salvador	1 198,7	1 360,6	1 640,7	1 670,9	1 712,3	1 758,6	986,1	989,3
Guatemala	1 170,1	1 270,6	1 530,5	1 657,7	1 709,7	1 814,9	1 067,2	1 127,5
Honduras	1 943,1	2 241,5	2 462,0	2 485,1	2 555,5	2 622,1	1 509,1	1 588,2
Nicaragua	237,4	284,0	345,8	390,6	445,8	498,2	302,3	327,7
Panama	10,8	12,1	6,6	6,7	5,5	4,7	2,6	2,2
	Growth rate							
Central American Isthmus	11,1	11,3	13,7	2,5	2,5	1,8		2,4
Central America	11,3	11,3	13,8	2,5	2,5	1,8		2,4
Costa Rica	-3,1	0,4	0,6	-6,3	-5,7	-19,1		-18,4
El Salvador	11,2	13,5	20,6	1,8	2,5	2,7		0,3
Guatemala	18,2	8,6	20,5	8,3	3,1	6,2		5,6
Honduras	12,8	15,4	9,8	0,9	2,8	2,6		5,2
Nicaragua	27,2	19,6	21,8	12,9	14,1	11,8		8,4
Panama	-41,1	11,8	-45,2	1,4	-18,0	-14,5		-13,5

Source: ECLAC, based on National Trade Data Bank, US Department of Commerce official data.

a/ Compatible system, chapters 61 and 62, including garment and accessories.

Table 10

CENTRAL AMERICAN ISTHMUS: FOB GOODS FOREIGN TRADE WITH MEXICO

	Million dollars			January-June		Growth rate			January-june
	2001	2002	2003 a/	2003	2004	2001	2002	2003 a/	2004
Fob exports									
Central American Isthmus	403,4	657,1	902,5	409,7	545,4	-10,5	62,9	37,3	33,1
Central America	358,1	621,9	864,7	404,5	533,2	8,2	73,7	39,0	31,8
Costa Rica	184,2	416,3	584,2	288,8	359,0	2,3	126,0	40,3	24,3
El Salvador	29,9	36,4	44,3	20,1	21,1	50,9	21,9	21,8	5,0
Guatemala	95,2	116,7	151,1	57,2	107,1	4,9	22,5	29,5	87,4
Honduras	17,4	25,4	47,0	21,0	18,1	30,7	46,5	85,0	-14,0
Nicaragua	31,4	27,1	38,1	17,4	28,0	16,7	-13,8	40,5	60,8
Panama	45,2	35,3	37,8	5,2	12,2	-62,2	-22,1	7,1	136,0
Fob exports									
Central American Isthmus	1 691,3	1 737,8	1 804,4	871,1	913,8	2,7	2,7	3,8	4,9
Central America	1 444,2	1 421,8	1 449,2	703,7	734,3	5,9	-1,5	1,9	4,4
Costa Rica	338,2	344,0	331,4	167,3	171,8	18,2	1,7	-3,7	2,7
El Salvador	274,3	265,0	261,2	120,8	123,8	11,7	-3,4	-1,4	2,5
Guatemala	559,7	513,9	536,7	253,8	287,6	4,6	-8,2	4,4	13,3
Honduras	180,4	207,8	208,9	99,3	103,8	-11,5	15,2	0,5	4,5
Nicaragua	91,7	91,0	111,1	62,5	47,4	-1,9	-0,7	22,0	-24,2
Panama	247,2	316,0	355,2	167,5	179,5	-12,6	27,8	12,4	7,2
Trade balance									
Central American Isthmus	-1 288,0	-1 080,6	-901,9	-461,4	-368,4	-7,7	16,1	16,5	20,2
Central America	-1 086,1	-799,9	-584,5	-299,1	-201,1	-5,1	26,3	26,9	32,8
Costa Rica	-154,0	72,3	252,8	121,6	187,1	-45,2	147,0	249,7	54,0
El Salvador	-244,4	-228,6	-216,9	-100,7	-102,7	-8,3	6,5	5,1	-2,0
Guatemala	-464,4	-397,3	-385,6	-196,6	-180,4	-4,5	14,5	2,9	8,2
Honduras	-163,0	-182,4	-161,9	-78,3	-85,7	14,4	-11,9	11,3	-9,5
Nicaragua	-60,2	-63,9	-73,0	-45,1	-19,4	9,4	-6,1	-14,2	57,0
Panama	-201,9	-280,7	-317,4	-162,3	-167,4	-23,7	-39,0	-13,1	-3,1

Source: ECLAC, based on Mexico's Instituto Nacional de Geografía, Estadística e Informática (INEGI).
a/ Preliminary data.

Table 11

CENTRAL AMERICAN ISTHMUS: CENTRAL GOVERNMENTS INDICATORS

(Percentages)

	1998	1999	2000	2001	2002	2003 a/
GDP/total income						
Costa Rica	12,7	12,5	12,5	13,5	13,4	14,0
El Salvador	11,7	11,3	12,1	11,9	12,5	13,3
Guatemala	10,3	11,0	11,0	11,1	11,4	11,1
Honduras	19,3	20,0	18,7	19,9	19,6	19,6
Nicaragua	17,4	19,6	18,8	17,3	19,6	21,1
Panama	15,9	16,7	18,2	17,7	16,9	15,9
GDP/total expenditures						
Costa Rica	15,1	14,7	15,5	16,4	17,6	16,9
El Salvador	13,6	13,5	14,3	15,5	15,7	15,6
Guatemala	12,5	13,8	12,8	12,9	12,4	13,4
Honduras	20,4	23,6	23,7	25,2	24,3	25,5
Nicaragua	18,5	22,5	23,5	24,6	20,9	23,1
Panama	19,0	17,4	19,3	19,4	18,9	19,3
GDP/fiscal deficit						
Costa Rica	-2,5	-2,2	-3,0	-2,9	-4,3	-2,9
El Salvador	-2,0	-2,1	-2,3	-3,6	-3,1	-2,3
Guatemala	-2,2	-2,8	-1,8	-1,9	-1,0	-2,3
Honduras	-1,1	-3,6	-4,9	-5,3	-4,8	-5,9
Nicaragua	-1,1	-2,9	-4,7	-7,2	-1,3	-2,0
Panama	-3,2	-0,7	-1,1	-1,7	-2,0	-3,4

Source: ECLAC, Based on official data.
a/ Preliminary data.

Table 12

CENTRAL AMERICAN ISTHMUS: CREDIT INDICATORS a/

(Real-growth rate)

	1998	1999	2000	2001	2002	2003 b/
Domestic credit						
Costa Rica	22,4	-2,5	22,5	3,4	8,5	6,0
El Salvador	1,4	10,3	4,5	0,9	-5,6	-2,5
Guatemala	-0,4	7,9	10,3	-1,3	6,9	-0,4
Honduras	-8,0	-13,6	12,4	3,5	-2,3	23,4
Nicaragua	27,0	21,1	1,4	14,0	0,5	5,8
Panama	16,9	11,1	3,5	5,8	-7,6	-0,5
Private-sector credit						
Costa Rica	34,4	7,6	18,5	11,0	10,6	9,8
El Salvador	8,6	7,1	0,6	-4,1	5,0	4,3
Guatemala	17,8	9,6	9,3	4,7	1,0	2,9
Honduras	16,2	8,6	3,1	3,1	-0,5	5,1
Nicaragua	22,7	30,5	16,7	-47,3	10,8	19,5
Panama	20,2	14,0	5,5	7,4	-7,7	0,2

Source: ECLAC and Central American Monetary Council.

a/ Based on yearly nominal balance.

b/ Approximative data.

Table 13

CENTRAL AMERICAN ISTHMUS: NOMINAL-INTEREST RATE

(Percentages)

	Costa Rica a/		El Salvador b/		Guatemala c/		Honduras d/		Nicaragua e/		Panama f/	
	Active	Passive	Active	Passive	Active	Passive	Active	Passive	Active	Passive	Active	Passive
2001												
January	23,28	15,50	11,29	6,48	19,92	9,76	24,62	12,30	19,56	12,13	10,10	6,92
February	23,28	15,38	10,99	6,35	19,88	9,80	24,31	12,23	17,57	12,38	10,09	6,95
March	22,50	15,00	10,60	6,43	19,58	9,62	24,27	12,21	17,31	11,84	10,00	6,88
April	22,50	15,00	10,66	6,38	19,42	9,48	24,13	12,20	16,26	12,14	10,07	6,89
May	22,50	14,82	10,15	6,01	19,23	9,19	23,98	12,20	15,28	11,68	10,17	6,85
Jume	22,50	14,75	9,63	5,73	19,03	8,94	23,63	11,95	18,65	12,75	10,15	6,75
July	22,50	14,75	9,75	5,44	19,21	8,54	23,44	11,96	18,46	12,49	10,15	6,66
August	22,50	14,81	9,43	5,37	18,88	8,24	23,47	11,94	19,20	12,27	10,15	6,42
September	22,39	14,96	8,82	5,21	18,65	8,15	23,45	11,87	20,65	12,10	10,14	5,92
October	22,39	15,00	8,46	4,48	18,34	8,08	23,27	11,82	19,19	12,00	10,12	5,48
November	22,39	15,03	7,64	4,00	18,11	7,81	23,42	11,86	20,92	12,30	10,01	5,06
December	22,39	15,92	7,83	3,89	17,90	7,72	23,18	11,76	20,44	11,78	9,91	4,92
2002												
January	22,73	16,18	7,84	3,67	17,71	7,74	23,13	11,44	19,88	11,11	10,47	4,68
February	23,71	16,33	7,39	3,49	17,50	7,51	23,08	11,36	19,62	10,27	10,38	4,64
March	24,06	16,75	7,29	3,41	17,22	7,35	23,11	11,35	19,06	9,75	10,25	4,33
April	24,61	17,16	7,16	3,39	17,21	7,17	23,08	11,13	18,56	9,12	10,18	4,24
May	24,99	17,25	7,13	3,34	17,11	7,05	22,89	11,13	18,15	8,28	8,88	4,16
Jume	25,00	17,25	6,89	3,39	16,88	6,97	22,92	11,03	18,43	7,92	8,73	4,15
July	25,00	17,36	7,06	3,36	16,75	6,80	22,81	10,52	19,02	8,15	8,42	4,01
August	25,00	17,50	7,52	3,33	16,55	6,63	22,63	10,15	18,74	7,52	8,53	4,07
September	25,00	17,50	7,10	3,40	16,49	6,54	22,43	10,02	16,94	7,53	8,89	4,12
October	25,28	17,50	6,94	3,43	16,41	7,13	22,07	9,86	18,70	8,17	8,71	3,88
November	25,14	17,50	6,58	3,35	16,34	7,08	22,09	9,78	17,61	8,19	8,69	3,81
December	25,14	17,50	6,76	3,38	16,20	6,91	22,06	9,57	15,69	7,58	8,70	3,82
2003												
January	25,43	17,50	6,70	3,35	16,01	6,31	21,82	9,39	17,43	7,28	8,77	3,70
February	25,75	17,29	6,63	3,27	15,84	6,12	21,40	9,26	16,14	6,79	8,79	3,64
March	26,05	17,11	6,44	3,28	15,61	5,84	21,26	9,02	17,74	7,83	8,79	3,59
April	25,97	16,75	6,49	3,34	15,49	5,58	21,15	8,87	15,66	7,24	8,78	3,58
May	25,76	16,62	6,32	3,46	15,12	5,32	21,02	8,66	16,84	6,86	8,76	3,67
Jume	25,37	15,96	6,62	3,41	15,10	5,22	20,65	8,59	15,80	7,10	8,82	3,65
July	23,24	15,63	6,56	3,40	14,72	4,99	20,62	8,30	15,25	6,74	8,55	3,67
August	22,83	15,06	6,94	3,36	14,64	4,86	20,55	8,31	13,66	5,63	8,76	3,57
September	21,89	14,64	6,33	3,44	14,47	4,75	20,47	8,18	12,50	5,86	8,89	3,16
October	21,55	14,19	6,51	3,34	14,39	4,65	20,43	8,21	14,72	5,85	9,04	2,32
November	21,31	13,91	6,47	3,40	14,24	4,60	20,05	8,06	16,50	5,61	9,36	2,25
December	21,24	13,75	6,71	3,41	14,11	4,52	20,24	8,14	14,35	5,78	9,32	2,31
2004												
January	21,08	13,73	6,80	3,37	14,00	4,48	20,24	8,20	16,05	5,80	8,81	2,33
February	20,96	13,50	6,61	3,36	13,93	4,43	20,12	8,23	13,11	5,85	8,34	2,22
March	20,96	13,50	6,40	3,44	13,89	4,39	20,00	8,25	14,55	4,92	8,15	2,18
April	20,88	13,50	6,23	3,41	13,97	4,41	20,17	8,21	13,37	5,59	8,04	2,11
May	20,91	13,50	6,05	3,47	13,93	4,46	19,98	8,23	12,91	4,75	8,02	2,11
Jume	21,04	13,62	6,35	3,42	13,89	4,44	19,94	8,16	12,38	5,18	7,89	2,16
July	21,25	13,75	6,39	3,29	13,79	4,42	19,82	8,00	14,40	4,87		
August	21,16	13,91	6,17	3,25	13,83							
September												
October												
November												
December												

Source: ECLAC, based on official data.

a/ Passive-basic rate, estimated by Costa Rica´s Central Bank; Industry-applied national-currency.

b/ Monthly bank-balanced average interest rate; until-one-year active rate; until 180-days passive rate

c/ Bank-balanced average.

d/ National financial-system balanced-average; lending active-rate; saving-deposit, time limit and certificate of balanced deposit estimate for passive interest rate.

e/ Average interest-rate; short-term active rate; three-month passive rate.

f/ Average interest-rate; one-year active rate; three-month passive rate.

Table 14

CENTRAL AMERICAN ISTHMUS: PRICE INDICATORS

(Growth rate)

	1998	1999	2000	2001	2002	2003 a/	January-August b/ 2003	January-August b/ 2004
Consumer-price index (December to December)								
Central American Isthmus	8,2	5,1	6,1	6,3	5,7	5,6	…	…
Central America	7,9	4,8	6,0	6,3	5,4	5,3	…	…
Costa Rica	12,4	10,1	10,2	11,0	9,7	9,9	8,7	13,1
El Salvador	4,2	-1,0	4,3	1,4	2,8	2,5	1,7	5,2
Guatemala c/	7,5	4,9	5,1	8,9	6,3	5,9	5,0	7,7
Honduras	15,6	10,9	10,1	8,8	8,1	6,8	7,0	8,7
Nicaragua	18,5	7,2	9,9	4,8	4,0	6,6	5,0	8,5
Panama	1,4	1,5	0,7	0,0	1,8	1,7	1,5	2,5
Consumer-price index (Annual average)								
Central American Isthmus	6,9	5,7	6,4	6,6	3,3	5,2	…	…
Central America	6,8	5,4	6,2	6,5	3,2	5,0	…	…
Costa Rica	11,7	10,0	11,0	11,3	9,2	9,4	9,6	11,8
El Salvador	2,5	0,5	2,3	3,8	1,9	2,1	2,0	4,0
Guatemala c/	6,6	5,2	6,0	7,3	8,1	5,6	5,5	7,0
Honduras	13,7	11,7	11,0	9,7	7,7	7,7	7,9	7,7
Nicaragua	13,0	11,2	11,5	7,4	-44,1	4,0	4,9	7,9
Panama	0,6	1,2	1,5	0,3	1,0	1,4	1,5	1,8
Food-price index (December to December)								
Costa Rica	15,5	7,9	9,5	11,5	10,2	10,0	8,1	13,7
El Salvador	6,9	-5,2	2,1	2,6	0,7	4,3	-0,1	7,2
Guatemala c/	7,0	0,0	4,5	13,9	6,2	7,1	5,2	9,8
Honduras	15,4	4,8	8,7	8,0	2,3	5,0	2,6	7,8
Nicaragua	23,1	-3,6	6,7	6,4	1,2	7,1	3,3	10,3
Panama	-0,3	1,6	2,6	-3,6	-0,4	2,4	2,0	2,6
Food-price index (Annual average)								
Costa Rica	14,4	9,7	9,8	10,7	10,1	9,4	9,8	13,2
El Salvador	2,0	-0,9	0,2	3,7	1,0	1,9	0,9	5,1
Guatemala c/	4,6	2,2	4,3	10,0	10,5	5,7	5,4	8,8
Honduras	11,7	6,8	7,6	8,7	3,9	3,6	3,1	5,9
Nicaragua	14,3	5,4	5,0	7,2	2,9	3,7	2,9	9,2
Panama	0,4	0,2	0,5	-0,4	-0,7	1,3	0,9	2,2

Source: ECLAC, based on official data.

a/ Preliminary data.

b/ GeneraL CPI, Panama´s last up-to-date month, June-June; Average-inflation, January-June. Food CPI, El Salvador's last up-to-date month May-May; Guatemala and Panama, June-June Food CPI average, El Salvador: January-May; Guatemala and Panama: January-June.

c/ Guatemala city.

Table 15

CENTRAL AMERICAN ISTHMUS: NOMINAL AND REAL EXCHANGE-RATE

(National currencies *vis-a-vis dollar*) a/

						January-August c/	
	1999	2000	2001	2002 b/	2003 b/	2003	2004
Nominal exchange-rate							
Costa Rica	285,69	308,19	328,87	359,82	398,66	391,94	431,15
El Salvador	8,79	8,75	8,75	8,75	8,75	8,75	8,75
Guatemala	7,38	7,76	7,85	7,81	7,93	7,88	8,00
Honduras	14,35	15,01	15,65	16,61	17,54	17,40	18,26
Nicaragua	11,81	12,68	13,44	14,25	15,11	14,96	15,81
Panama	1,00	1,00	1,00	1,00	1,00	1,00	1,00
Real exchange-rate at 1995 price							
Costa Rica	190,98	191,94	189,30	192,73	199,53	184,85	186,41
El Salvador	8,13	8,18	8,10	8,08	8,09	6,22	6,13
Guatemala	5,93	6,08	5,90	5,51	5,42	7,97	7,76
Honduras	8,30	8,09	7,91	7,91	7,94	15,71	15,68
Nicaragua	8,42	8,38	8,51	16,39	17,09	14,58	14,63
Panama	1,05	1,07	1,09	1,10	1,11	1,03	1,04

Source: ECLAC, based on official data.

a/ Colón currency for Costa Rica and El Salvador; Quetzal for Guatemala; Lempira for Honduras; Córdoba for Nicaragua; Balboa for Panama.

b/ Preliminary data.

c/ Excepting Panama (January-June average).