REPUBLICA DEL CENTRO DE AMERICA
1829
CONSEJO MONETARIO CENTROAMERICANO

CENTRAL AMERICAN MACROECONOMIC PERFORMANCE IN 2006 AND PROSPECTS FOR 2007

Central American Monetary Council

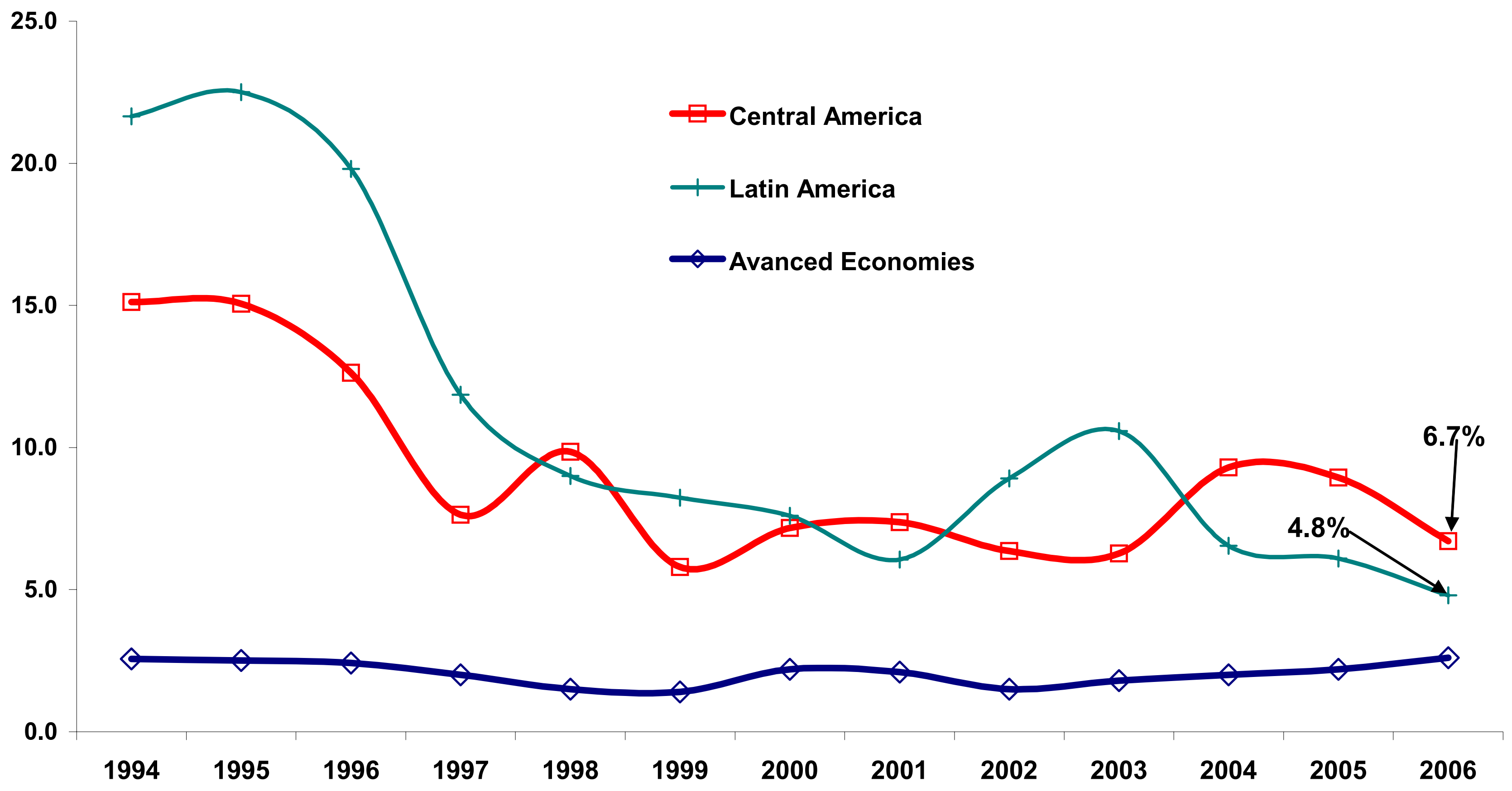
Executive Secretary

San José, Costa Rica

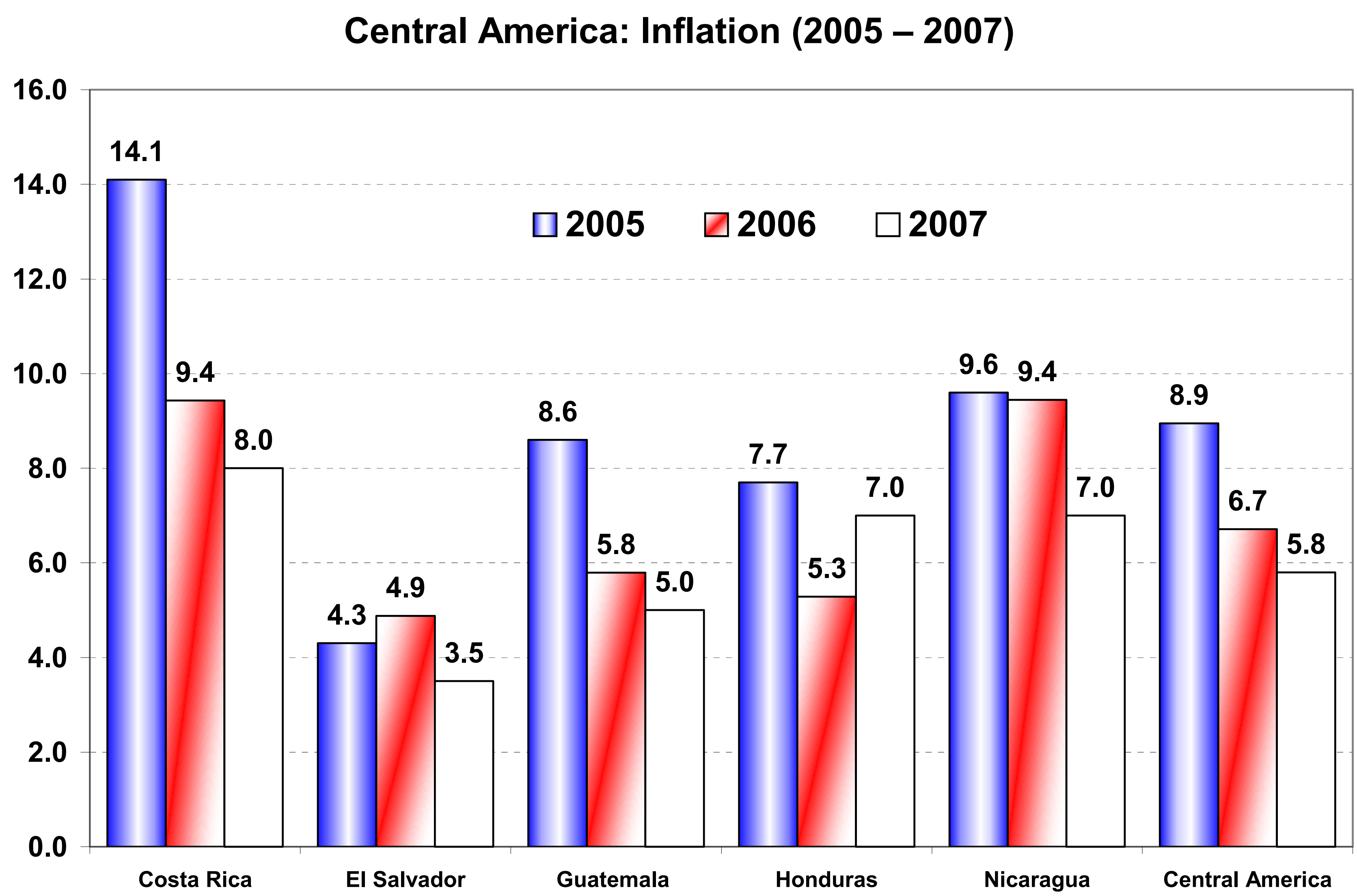
March, 2007

Inflation has been reduced

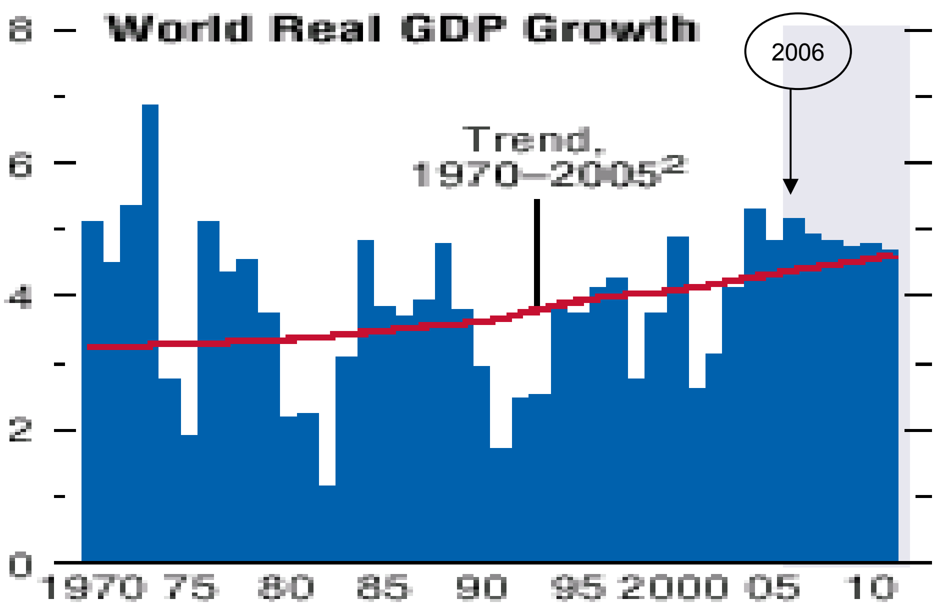
Inflation in Central America, Latin America and Advanced Economies (1994 – 2006)

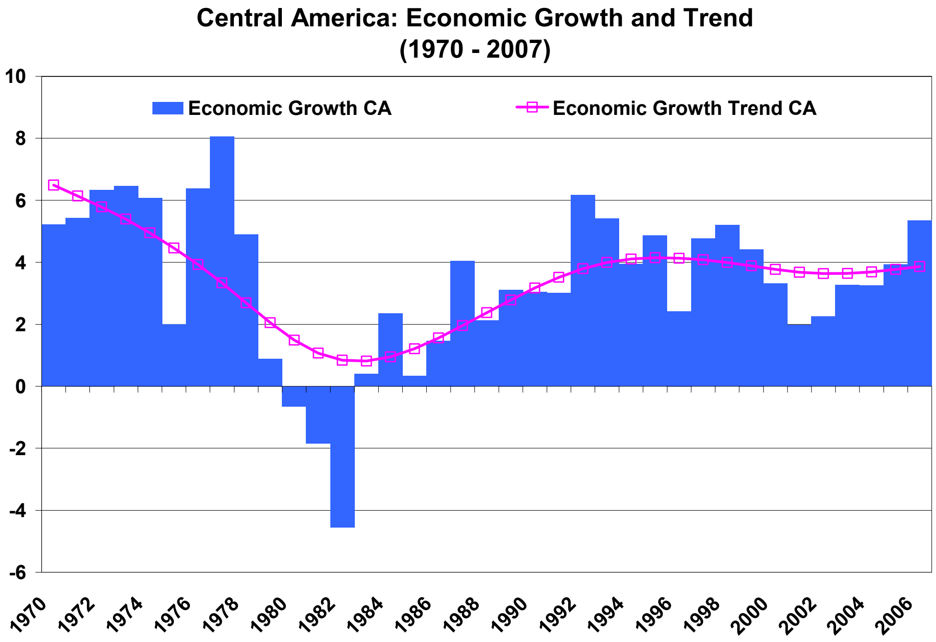


Inflation prospective for 2007 are also lower

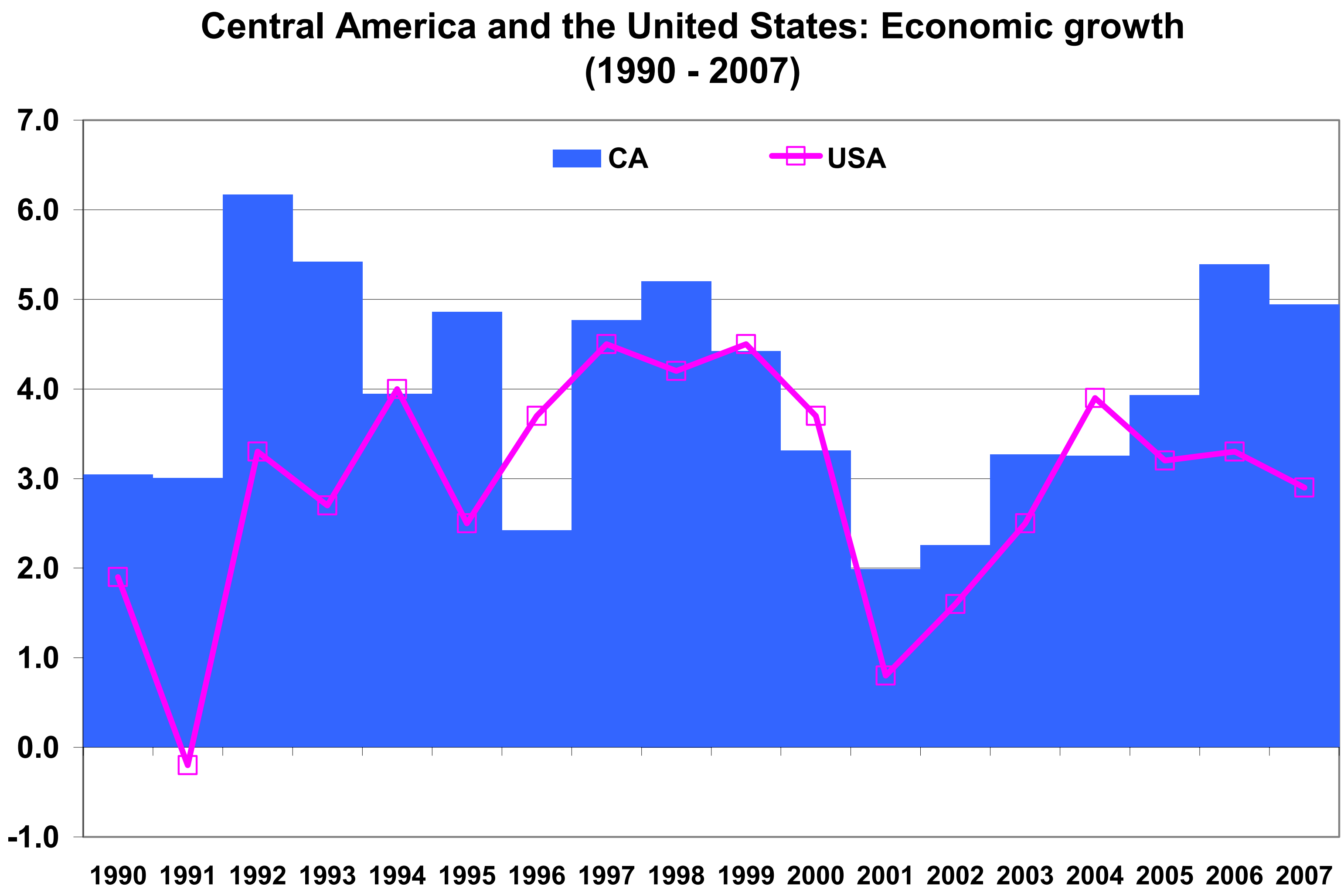


Global economic expansion supports economic growth in the region

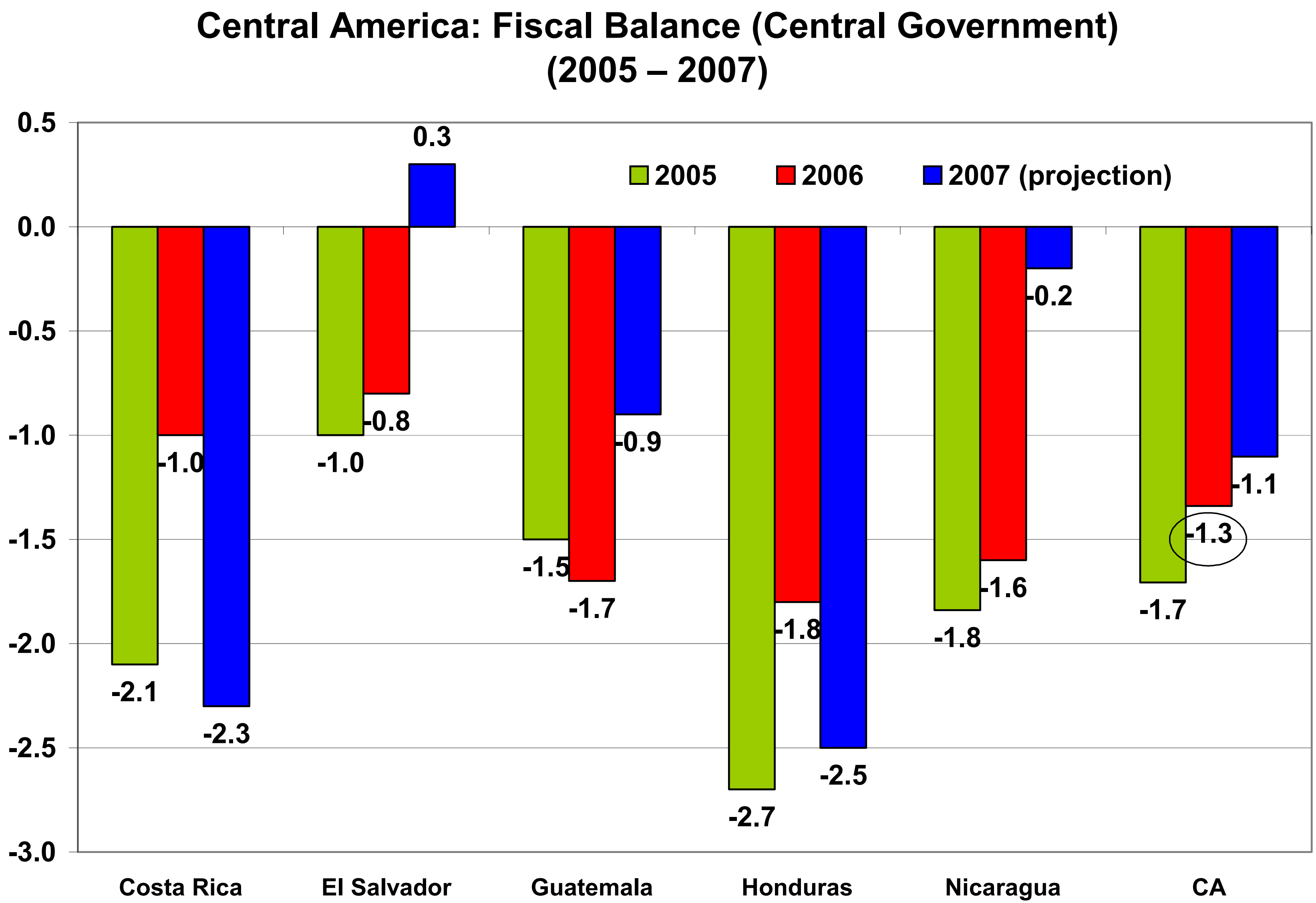




High correlation between regional economic growth and economic expansion of the United States



The fiscal deficit was, on average, lower than 2% in 2006



Most countries had improved country credit risk in 2006

Country Credit Risk

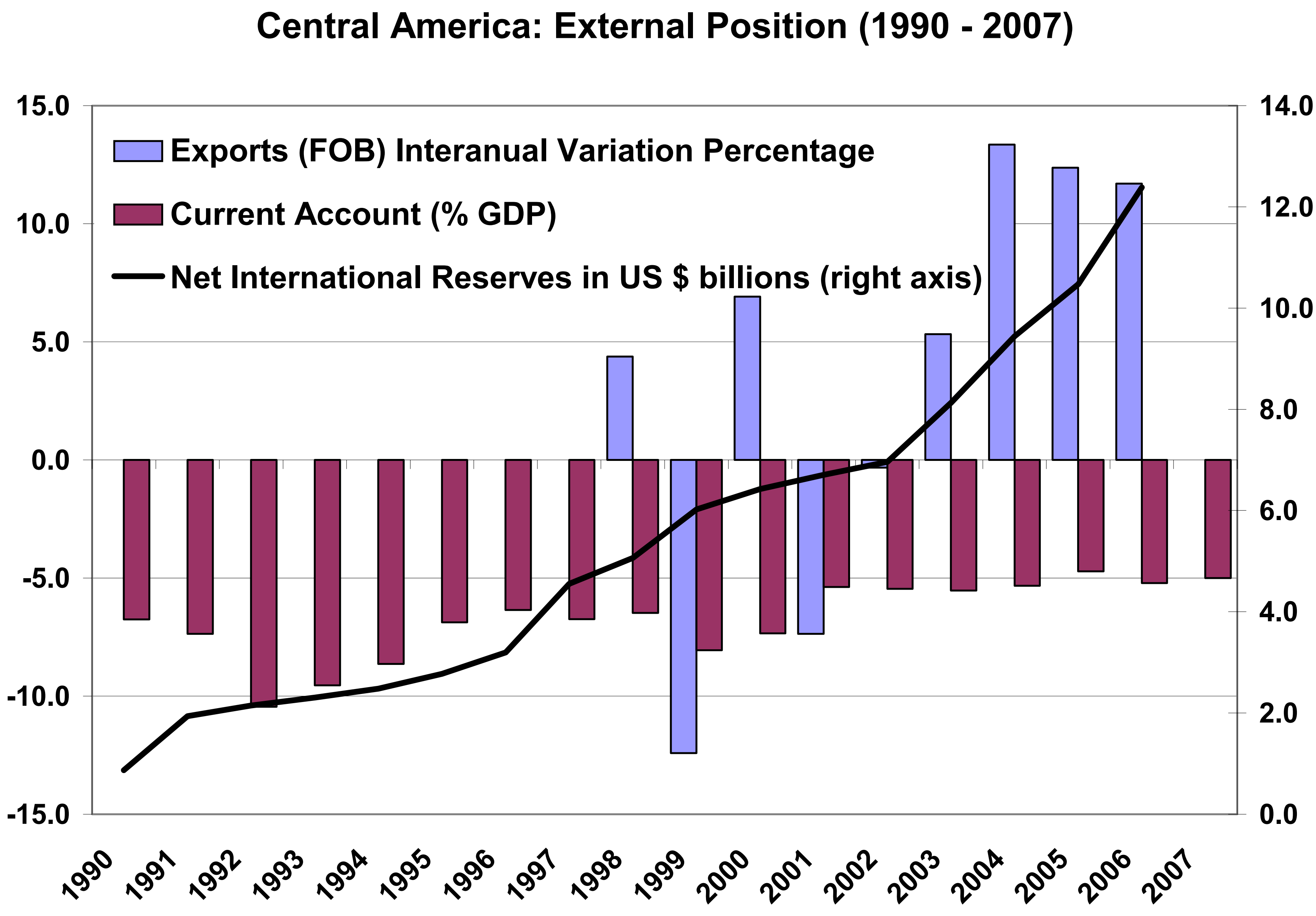
Moody's

	2002		2005		2006	
	Foreign Currency	Trend	Foreign Currency	Trend	Foreign Currency	Trend
Costa Rica	Ba1	Positive	Ba1	Negative	Baa3	Stable
El Salvador	Baa3	Stable	Baa3	Stable	Baa3	Stable
Guatemala	Ba2	Stable	Ba2	Stable	Ba1	Stable
Honduras	B2	Stable	B2	Stable	Ba3	Stable
Nicaragua	B2	Stable	Caa1	Stable	B3	Stable

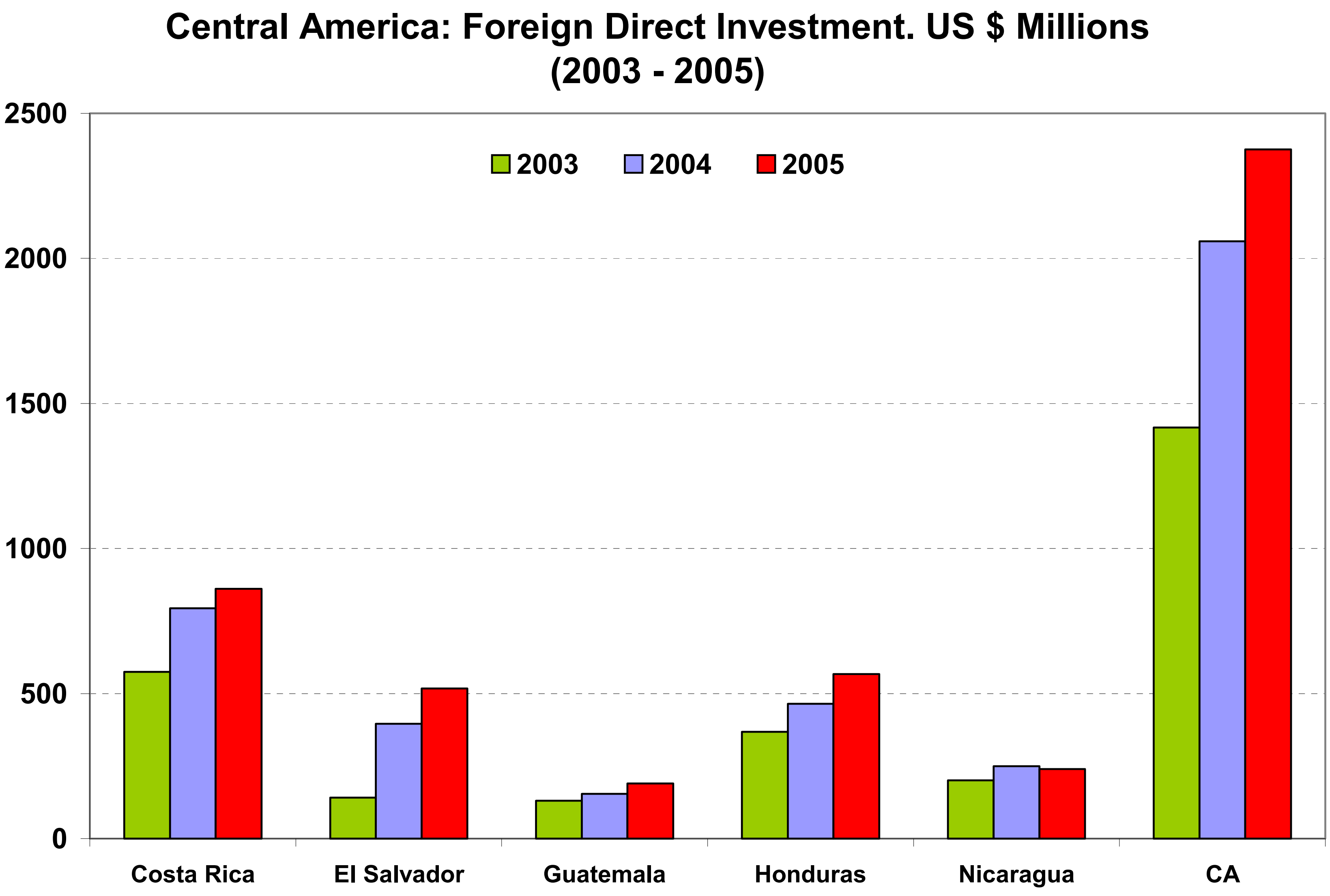
Fuente: Web Moody´s

Investment grade	Sub-investment grade
Aaa	Ba1
Aa1	Ba2
Aa2	Ba3
Aa3	B1
A1	B2
A2	B3
A3	Caa1
Baa1	Caa2
Baa2	Caa3
Baa3	Ca
	C

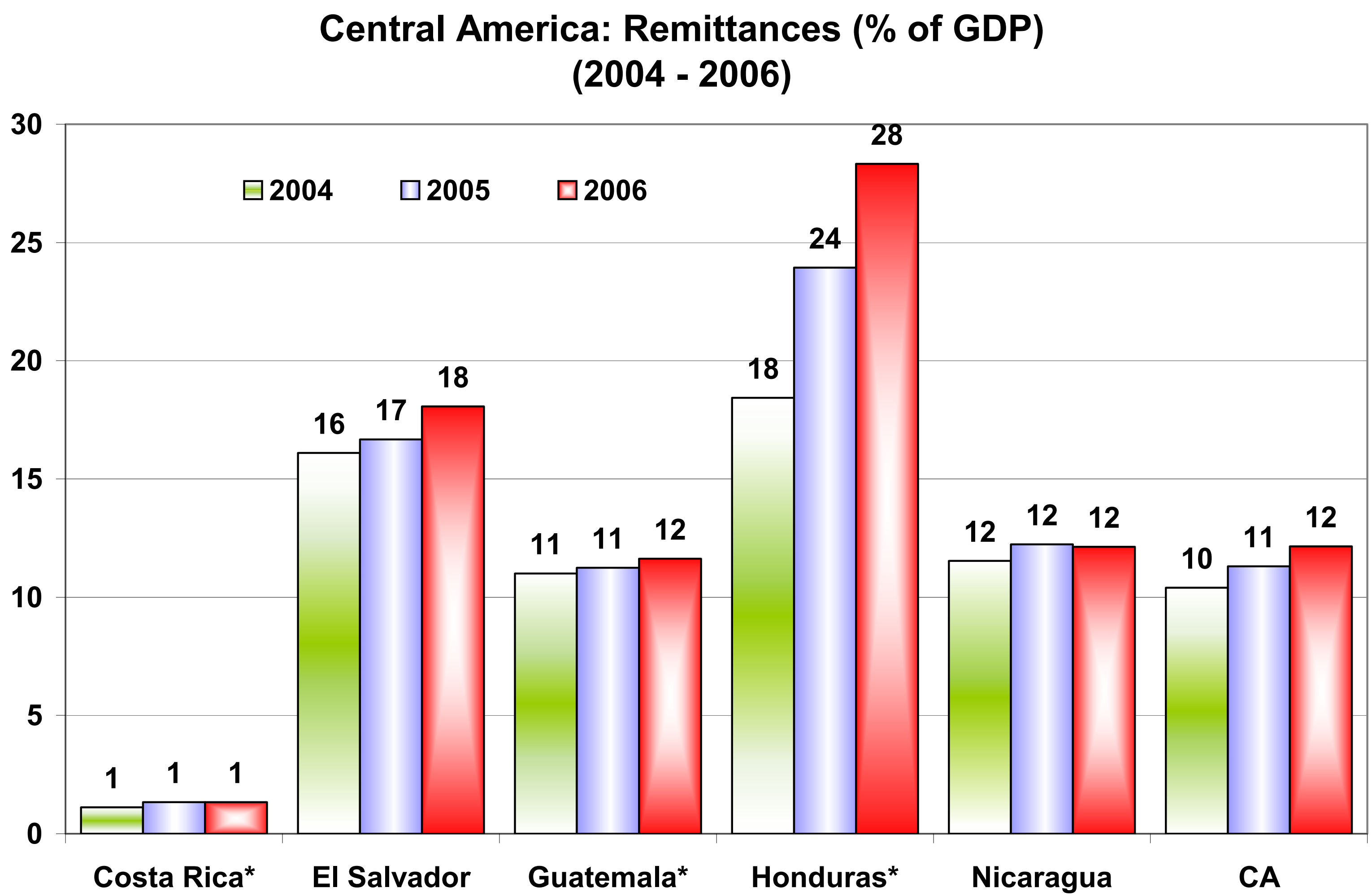
External Position with dualities



Foreign Direct Investment is growing



Remittances have been growing steadily, isolated from U.S. economic cycles. They have financed a larger amount of the trade balance deficit



* Transferencias corrientes netas de la Balanza de Pagos.

International acquisitions of regional banks

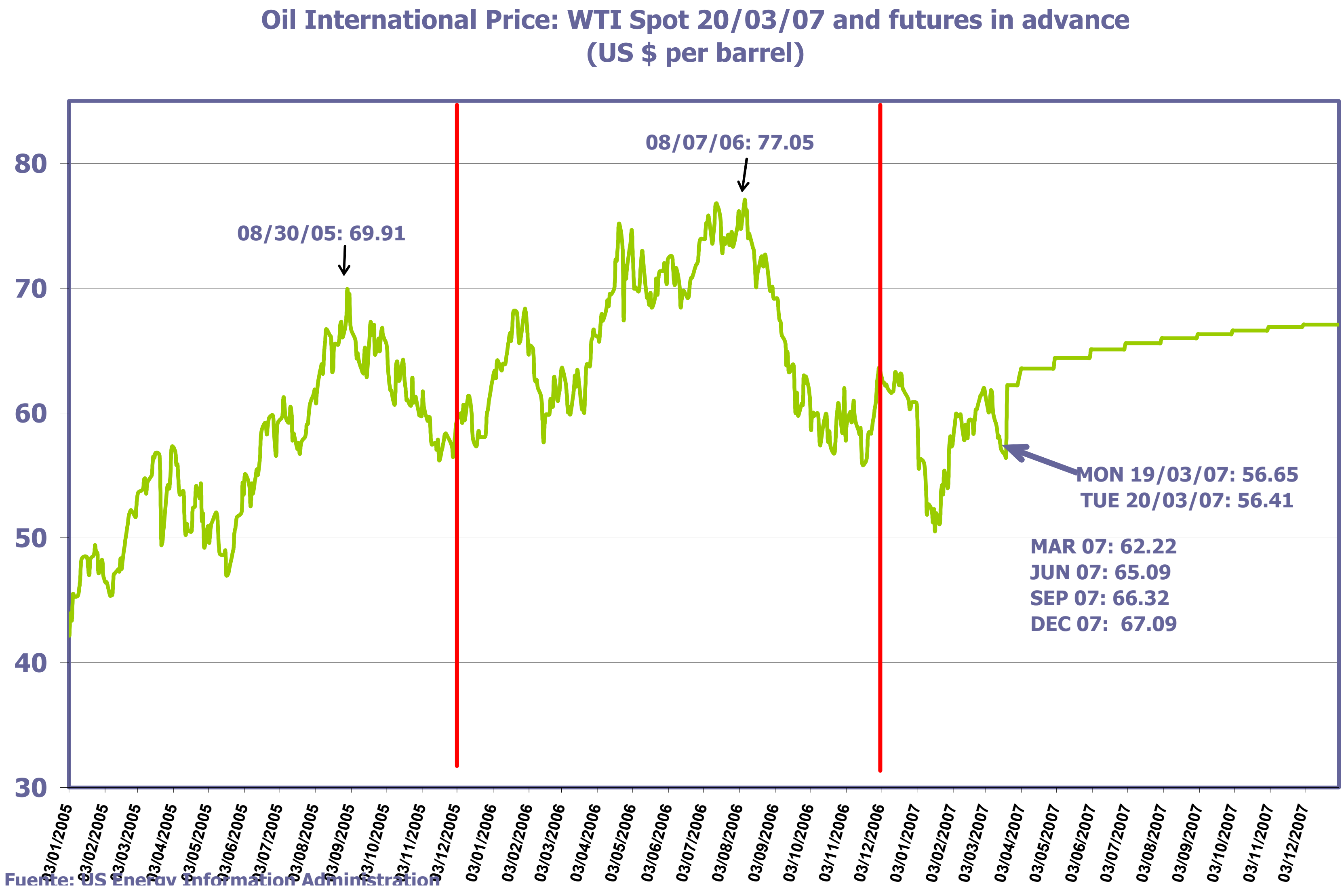
Year/ Month	Investor	Institution	Amount, US$ millions	Activity
2005 May	Bank of Nova Scotia (Scotiabank)	Inversiones Financieras Banco de Comercio de El Salvador	US$175.8	Commercial, detail, insurance, leasing.
2005 May	GE Consumer Finance	BAC Internacional Bank (Banco de America Central/Credomatic)	US$500	Detail/ credit card
2005 October	Grupo Banistmo S.A. (Banistmo)	Inversiones Financieras Bancosal (Banco Salvadoreño)	US$131	Commercial, detail, insurance.
2006 June	G&T Continental	Banco Americano de El Salvador	US$20 millones	Commercial
2006 June	Bank of Nova Scotia (Scotiabank)	Corporación Interfin	US$293.5	Commercial, leasing.
2006 July	The Hong Kong and Shanghai Banking Corporation Limited, HSBC	Grupo Banistmo S.A. (Banistmo): Banco Salvadoreño, BGA Honduras, Banex CR	US1,770	Commercial, detail, insurance, corporative
2006 October	Citigroup	Grupo Financiero Uno (Aval)	US$1,100	Consumption, credit card, insurance, pension funds, exchange operations and remittances.
2006 November	Banco Industrial/Guatemala	Banco de Occidente (Guatemala)	US$136	Commercial
2006 December	Citigroup	UBC Internacional (Grupo Cuscatlán)	US$1,510	Corporative, bank, securities, insurance and remittances.
2007 January	Bancolombia/Panamá	Banagrícola S.A.	US$900	Bank, insurance, securities, pension funds, remittances.
Total Transaction			US$6,516.3	

Prospects and challenges

- Programs with IMF: Guatemala, Honduras and Nicaragua.
- The Monetary and Fiscal Authorities are committed to continue working toward stabilizing their economies.
- The majority of the countries have approved CAFTA.
- The international acquisition of regional financial groups will continue.
- Member nation’s institutions must be strengthened.
- Member nations must continue working on the establishment of a custom union and tax harmonization.
- The underlying structural problem of public finance is a task that needs to be resolved.

Policy risk balance for 2007

Oil will continue to be the main inflationary risk



Fuente: US Energy Information Administration

Terms of trade