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MACROECONOMIC OVERVIEW

The Costa Rican economy in the first quarter of 2002 has shown signs of a small increase in economic growth compared with a decidedly lackluster 2001. The BCCR revised upwards its earlier estimate of GDP growth in 2001 from 0.6 percent to 0.9 due to the better-than-anticipated rebound in the tourism sector. The BCCR projects GDP to grow 1.6 percent in 2002, a projection which remains dependent on a recovery in the U.S. economy, an increase in foreign direct investment, and continued growth in the tourism sector. The March 2002 Monthly Index of Economic Activity (IMAE), adjusted for seasonal factors increased 0.7 percent with respect to the previous month, and 2.2 percent with respect to March 2001. Costa Rican exports declined 14.4 percent to USD 5,006 million in 2001 due to lower exports of textiles, electronic parts and bananas to the United States, as well as to much lower coffee prices. Banana exports, Costa Rica's largest agricultural export, were USD 510.3 million in 2001, down 6.6 percent from 2000. Coffee export revenues were USD 161.9 million in 2001, down 40.5 percent from 2000. The tourism sector experienced a decline after September 11, 2001, with fewer visitors coming during the last quarter of 2001. The number of visitors during January and February 2002 was 6.5 percent below the same period in 2001. Average net internal credit increased in December 2001 and January 2002, but by April 2002 it had fallen to late-2001 levels. The consumer price index increased 2.5 percent through April 2002, compared to 5.7 percent through April 2001. The total public sector debt of Costa Rica was USD 8,504 million, equivalent to 52.0 percent of GDP, on December 31, 2001. The public sector fiscal deficit was USD 447 million, equivalent to 2.9 percent of GDP in 2001, down from 3.8 percent of GDP deficit in 2000. The combined public sector fiscal deficit continues to be the most serious economic problem facing the country. Net international reserves (NIR) of the national banking system were USD 1,282 million at the end of 2001, 2.7 percent less than at the end of 2000. NIR were USD 1,313 at the end of March 2002, 6.1 percent less than one year earlier.

ECONOMIC GROWTH - Continued Slow Growth

The Costa Rican economy in the first quarter of 2002 has shown signs of a small increase in economic growth compared with a decidedly lackluster 2001. The BCCR revised upwards its earlier estimate of GDP growth in 2001 from 0.6 percent to 0.9 due to the better-than-anticipated rebound in the tourism sector. The BCCR projects GDP to grow 1.6 percent in 2002, a projection which remains dependent on a recovery in the U.S. economy, an increase in foreign direct investment, and continued growth in the tourism sector.

GDP REAL GROWTH RATE (PERCENT)

| | |
|------|-----------------------|
| 1994 | 4.9 |
| 1995 | 3.7 |
| 1996 | 0.7 |
| 1997 | 5.7 |
| 1998 | 8.4 |
| 1999 | 8.3 |
| 2000 | 1.7 |
| 2001 | 0.9 |
| 2002 | 1.4 (BCCR projection) |

Source: BCCR.

MONTHLY INDEX OF ECONOMIC ACTIVITY - Improvement in
March

The March 2002 Monthly Index of Economic Activity (IMAE), adjusted for seasonal factors increased 0.7 percent with respect to the previous month, and 2.2 percent with respect to March 2001. This rise in March is associated with the peak of the tourist season and an improving economic situation in the U.S., Costa Rica's principal commercial partner. The IMAE adjusted for seasonal factors decreased -1.1 percent in 2000 and grew 0.5 percent in 2001. The IMAE grew 1.7 percent in 2001 if electronic parts (mostly INTEL) production is excluded.

MONTHLY INDEX OF ECONOMIC ACTIVITY (IMAE) (1991 = 100)

| | <u>ORIGINAL SERIES</u> | <u>ADJUSTED SEASONAL FACTORS</u> | <u>PCT CHANGE PREVIOUS MONTH</u> | <u>PCT CHANGE SAME MONTH YEAR EARLIER</u> |
|--------------------|----------------------------|--|--|---|
| Dec 1997 | 147.3 | 136.3 | | |
| Dec 1998 | 157.4 | 150.2 | | |
| Dec 1999 | 169.3 | 161.3 | | |
| Dec 2000 | 165.2 | 159.7 | | |
| Dec 2001 | 165.9 | 160.4 | | |
| <u>2001</u> | | | | |
| Jan | 166.4 | 160.3 | 0.5 | -0.5 |
| Feb | 165.9 | 160.1 | -0.1 | -0.4 |
| Mar | 168.6 | 159.5 | -0.4 | -0.6 |
| Apr | 148.6 | 159.6 | 0.1 | -0.4 |
| May | 168.0 | 160.1 | 0.3 | -0.1 |
| Jun | 161.8 | 160.3 | 0.1 | -0.1 |
| Jul | 155.3 | 160.4 | 0.1 | 0.3 |
| Aug | 160.1 | 160.7 | 0.0 | 0.9 |
| Sep | 152.9 | 160.9 | 0.1 | 1.3 |
| Oct | 160.6 | 160.8 | 0.0 | 1.4 |
| Nov | 160.7 | 160.6 | -0.1 | 1.1 |
| Dec | 165.9 | 160.4 | -0.1 | 0.5 |
| <u>2002</u> | | | | |
| Jan | 162.8 | 160.8 | 0.1 | 0.3 |
| Feb | 166.6 | 161.8 | 0.0 | 1.1 |
| Mar | 169.4 | 162.9 | 0.7 | 2.2 |

Note: Data published May 30, 2002. The IMAE is the BCCR's monthly measure of the volume of goods and services produced in Costa Rica. Its purpose is to track short-term variations in production. The data contained in this table may have changed from previous Macroeconomic Reports due to BCCR changes in methodology as of July 19, 2001.

**MONTHLY INDEX OF ECONOMIC ACTIVITY (IMAE) WITHOUT
ELECTRONICS PARTS PRODUCTION (1991 = 100)**

| | <u>ORIGINAL SERIES</u> | <u>ADJUSTED SEASONAL FACTORS</u> | <u>PCT CHANGE PREVIOUS MONTH</u> | <u>PCT CHANGE SAME MONTH YEAR EARLIER</u> |
|-----------------|----------------------------|--|--|---|
| Dec 1997 | 147.3 | 136.9 | | |
| Dec 1998 | 150.9 | 141.6 | | |
| Dec 1999 | 156.3 | 146.8 | | |
| Dec 2000 | 160.0 | 151.3 | | |
| Dec 2001 | 161.8 | 154.1 | | |
| Jan 2001 | 155.2 | 151.5 | -0.2 | 2.8 |
| Feb | 152.3 | 151.4 | 0.0 | 2.4 |
| Mar | 160.3 | 151.5 | 0.0 | 2.2 |
| Apr | 143.6 | 151.8 | 0.1 | 2.2 |
| May | 157.0 | 152.2 | 0.1 | 2.4 |
| Jun | 149.4 | 152.7 | 0.1 | 2.5 |
| Jul | 148.2 | 153.2 | 0.0 | 2.6 |
| Aug | 152.8 | 153.8 | 0.3 | 2.9 |
| Sep | 146.5 | 154.4 | 0.3 | 3.1 |
| Oct | 154.6 | 154.5 | 0.0 | 2.8 |
| Nov | 154.7 | 154.3 | 0.0 | 2.3 |
| Dec | 161.8 | 154.1 | 0.0 | 1.8 |
| Jan 2002 | 155.0 | 154.1 | 0.0 | 1.7 |
| Feb | 156.3 | 154.5 | 0.0 | 2.0 |
| Mar | 160.0 | 154.9 | 0.3 | 2.3 |

Note: Data published May 30, 2002. The data contained in this table may have changed from previous Macroeconomic Reports due to BCCR changes in methodology as of July 19, 2001.

EXPORTS - Significant Decline

Costa Rica exported USD 5,006 million in 2001, including free trade zone and temporary entry exports. This is a 14.4 percent reduction in the value of exports with respect to 2000. The United States continues to be the most important consumer of Costa Rica's exports. However, Costa Rican exports to the U.S. dropped 21.4 percent to USD 2,420 million in 2001, compared to USD 3,083 million in 2000. The reduced amount is due to lower exports of textiles, electronic parts and bananas to the United States, as well as to much lower coffee prices. The share of total Costa Rican exports imported by the United States was 48.3 percent in 2001, in comparison with 52.4 percent in 2000.

EXPORTS (FOB, in USD MILLIONS)

| | <u>TOTAL</u> | <u>TO</u> <u>U. S.</u> | <u>PCT OF</u> <u>TOTAL</u> |
|------|--------------|---------------------------|-------------------------------|
| 1995 | 3,476 | 1,482 | 42.6 |
| 1996 | 3,758 | 1,794 | 47.7 |
| 1997 | 4,206 | 2,074 | 49.3 |
| 1998 | 5,526 | 2,551 | 46.2 |
| 1999 | 6,662 | 3,452 | 52.0 |
| 2000 | 5,850 | 3,083 | 52.4 |
| 2001 | 5,006 | 2,420 | 48.3 |

2001

| | | | |
|-----|-----|-----|------|
| JAN | 432 | 219 | 50.7 |
| FEB | 426 | 194 | 45.5 |
| MAR | 437 | 212 | 48.5 |
| APR | 345 | 171 | 49.6 |
| MAY | 489 | 233 | 47.6 |
| JUN | 456 | 231 | 50.7 |
| JUL | 389 | 196 | 50.4 |
| AUG | 456 | 195 | 42.8 |
| SEP | 388 | 205 | 53.0 |
| OCT | 436 | 200 | 45.9 |
| NOV | 438 | 205 | 46.8 |
| DEC | 314 | 159 | 50.6 |

2002

| | | | |
|-----|-----|-----|------|
| JAN | 366 | 169 | 46.2 |
| FEB | 423 | | |
| MAR | 423 | | |
| APR | 432 | | |

Sources: BCCR and PROCOMER. Includes the gross value of free trade zones and temporary entry exports.
Data published May 30, 2002

BANANA EXPORTS - Mild Recovery in 2002 Volume and Revenue

Banana export revenues were USD 510.3 million in 2001, down 6.6 percent from 2000. Both the volume of exports and prices were lower in 2001 than in 2000. Volume and revenue have increased through February 2002, compared to the same period in 2001. Recent flooding on the Caribbean coast, a principal banana growing area of Costa Rica, will have negative ramifications for banana exports in the short term.

BANANA EXPORT REVENUE (USD MILLIONS)

| | <u>TOTAL</u> | <u>PCT CHANGE</u> |
|------|--------------|-----------------------|
| 1995 | 680.2 | -- |
| 1996 | 631.1 | - 7.2 |
| 1997 | 577.3 | - 8.5 |
| 1998 | 667.5 | 15.6 |
| 1999 | 623.5 | - 6.6 |
| 2000 | 546.5 | -12.3 |
| 2001 | 510.3 | - 6.6 |

| <u>YEAR</u> | <u>ACCUMULATED VOL (THOUSANDS OF METRIC TONS)</u> | | <u>AVERAGE PRICE/TON (USD)</u> | | <u>REVENUES (USD MILLIONS)</u> |
|-------------|---|---|--|---|------------------------------------|
| 1998 | 2,150.0 | x | 310.5 | = | 667.5 |
| 1999 | 1,962.6 | x | 317.7 | = | 623.5 |
| 2000 | 1,975.0 | x | 276.7 | = | 546.5 |
| 2001 | 1,859.7 | x | 274.4 | = | 510.3 |

Source: The BCCR. Data published May 30, 2002.

| <u>THROUGH</u> | <u>ACCUMULATED VOL (THOUSANDS OF METRIC TONS)</u> | | <u>AVERAGE PRICE/TON (USD)</u> | = | <u>REVENUES (USD MILLIONS)</u> |
|----------------|---|---|--|---|------------------------------------|
| February 1998 | 310.1 | x | 313.5 | = | 97.2 |
| February 1999 | 304.5 | x | 306.0 | = | 93.2 |
| February 2000 | 320.6 | x | 281.9 | = | 90.4 |
| February 2001 | 282.1 | x | 279.6 | = | 78.9 |
| February 2002 | 313.8 | x | 280.8 | = | 88.1 |

Source: The BCCR. Data published May 30, 2002.

COFFEE EXPORTS - Continued Decline in 2002 Prices and Revenue

Coffee export revenues were USD 161.9 million in 2001, down 40.5 percent from 2000. The average price of coffee was USD 58.4 per hundred-pound sack, a drop of 38.7 percent during 2001 compared to 2000. The volume of coffee exports was 2.77 million hundred-pound sacks during 2001, a 2.8 percent decrease compared to 2000. Coffee export revenues through February 2002 were 68 percent lower than through the same period in 2001 due to lower volume and prices.

COFFEE EXPORT REVENUE (USD MILLIONS)

| <u>YEAR</u> | <u>AMOUNT</u> | <u>PCT. CHANGE FROM PREV. YR.</u> |
|-------------|---------------|-----------------------------------|
| 1995 | 417.3 | 35.7 |
| 1996 | 385.4 | - 7.6 |
| 1997 | 402.3 | 4.4 |
| 1998 | 409.4 | 1.8 |
| 1999 | 288.7 | -29.5 |
| 2000 | 272.0 | - 5.8 |
| 2001 | 161.9 | -40.5 |

| <u>YEAR</u> | <u>VOLUME (THOUSANDS OF 46-KG SACKS)</u> | <u>AVERAGE PRICE/SACK (USD)</u> | <u>REVENUES (USD MILLIONS)</u> |
|-------------|--|---------------------------------|--------------------------------|
| 1998 | 2,918.2 | x 140.3 | = 409.4 |
| 1999 | 2,801.8 | x 103.1 | = 288.7 |
| 2000 | 2,854.8 | x 95.3 | = 272.0 |
| 2001 | 2,771.9 | x 58.4 | = 161.9 |

Sources: The BCCR. Data published May 30, 2002.

| <u>THROUGH</u> | <u>ACCUMULATED VOLUME (THOUSANDS OF 46-KG SACKS)</u> | | <u>AVERAGE PRICE/SACK (USD)</u> | | <u>REVENUES (USD MILLIONS)</u> |
|----------------|--|---|---|---|------------------------------------|
| February 1998 | 627.9 | x | 161.6 | = | 101.5 |
| February 1999 | 504.5 | x | 112.9 | = | 57.0 |
| February 2000 | 647.7 | x | 106.2 | = | 68.8 |
| February 2001 | 537.2 | x | 67.7 | = | 36.4 |
| February 2002 | 561.5 | x | 56.4 | = | 31.7 |

Sources: The BCCR. Data published May 30, 2002.

IMPORTS - Small Increase in 2002

Costa Rica imported USD 2,316 million during the first four months of 2002, an increase of 10.1 percent over the first four months of 2001. Costa Rica imported USD 6,564 million in 2001, 2.7 percent higher than during 2000, though imports did dip immediately following September 11th. The relatively higher increase in imports in the first four months of 2002 than in the first four months of 2001 is probably due to a perceived risk of a faster rate of currency *depreciation* in 2002 which would make future industrial and agricultural raw material imports more expensive. This encourages importers to accelerate their import purchases. The increase in imports is expected to be temporary and not to extend throughout the entire year. Raw materials for industry and agriculture accounted for 55.4 percent of all imports in 2001. Raw materials imports for draw-back production in free trade zones were USD 2,057 million in 2001, an increase of 7.9 percent from 2000. Capital goods imports decreased 5 percent in 2001 from 2000. Costa Rica imported USD 410 million worth of petroleum fuels and lubricants in 2001, a decrease of 13 percent or USD 65 million from 2000 due to lower oil prices. The United States continues to account for more than half of Costa Rica's imports.

IMPORTS (CIF, in USD MILLIONS)

| | <u>TOTAL</u> | <u>FROM</u> <u>U. S.</u> | <u>PCT OF</u> <u>TOTAL</u> |
|-----------------|--------------|-----------------------------|-------------------------------|
| 1994 | 3,788 | 1,965 | 51.9 |
| 1995 | 4,090 | 2,165 | 52.9 |
| 1996 | 4,327 | 2,275 | 52.6 |
| 1997 | 4,970 | 2,553 | 51.4 |
| 1998 | 6,239 | 3,464 | 55.5 |
| 1999 | 6,355 | 3,581 | 56.4 |
| 2000 | 6,389 | 3,388 | 53.1 |
| 2001 | 6,564 | 3,515 | 53.5 |
| JAN 2001 | 560 | JAN 2002 | 600 |
| FEB | 513 | FEB | 561 |
| MAR | 544 | MAR | 535 |
| APR | 487 | APR | 620 |
| MAY | 626 | | |
| JUN | 590 | | |
| JUL | 540 | | |
| AUG | 565 | | |
| SEP | 477 | | |
| OCT | 540 | | |
| NOV | 593 | | |
| DEC | 546 | | |

Sources: BCCR and PROCOMER. Includes the gross value of free trade zones and temporary entry imports. Data published May 30, 2002

FOREIGN DIRECT INVESTMENT: U.S. Still Dominant

FDI in Costa Rica in 2001 totaled USD 448 million, up from USD 409 million in 2000. The United States continues to be the predominant source of FDI, investing USD 264 million in 2001, or 59 percent of total FDI. Reinvestment by foreign companies already operating in Costa Rica represented almost one-half of total FDI in 2001. The industrial sector represented 52 percent of total FDI in 2001, while the tourism sector received 27 percent. Though official statistics have not been released, indications are that FDI in Costa Rica has slowed in the first quarter of 2002, particularly within the tourist sector.

FOREIGN DIRECT INVESTMENT BY SECTOR **(USD millions, current)**

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Agriculture | 38.1 | 41.9 | 49.9 | -11.2 | 17.9 |
| Agro-industry | 6.5 | 14.7 | 10.4 | 11.5 | 6.1 |
| Commercial | 17.6 | 39.3 | 9.2 | 17.4 | 6.1 |
| Industry | 270.6 | 423.5 | 355.9 | 296.2 | 231.6 |
| Services | -7.3 | 6.6 | 12.7 | 14.6 | 34.1 |
| Financial | -0.2 | 22.1 | 93.4 | 27.1 | 29.8 |
| Tourism | 79.3 | 61.4 | 84.7 | 52.1 | 121.8 |
| Other | 2.3 | 2.1 | 3.3 | 0.9 | 0.6 |
| TOTAL | 406.9 | 611.7 | 619.5 | 408.6 | 447.9 |

Source: BCCR, CINDE, PROCOMER, COMEX, ICT

FOREIGN DIRECT INVESTMENT BY COUNTRY OF ORIGIN
(Selected countries, not comprehensive)
(USD millions, current)

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|---------------|-------------|-------------|-------------|-------------|-------------|
| United States | 304.6 | 486.0 | 345.5 | 279.5 | 264.1 |
| Canada | 8.2 | 34.2 | 35.7 | -2.7 | 52.4 |
| Mexico | 21.7 | 21.2 | 92.5 | 29.3 | 27.5 |
| Panama | 0.2 | 1.9 | 69.2 | 26.2 | 22.3 |
| Spain | 1.5 | 0.0 | 0.1 | 21.8 | 15.7 |
| El Salvador | 13.9 | 0.6 | 15.0 | 15.1 | 11.4 |
| Nicaragua | 0.1 | 4.6 | 7.2 | 1.8 | 8.6 |
| Taiwan | 3.8 | 6.9 | 3.9 | 2.9 | 8.4 |
| Germany | 5.4 | 10.9 | 7.5 | 10.3 | 5.8 |
| Italy | 10.3 | 0.4 | 8.2 | 6.6 | 4.3 |
| Guatemala | 2.1 | 1.9 | 13.7 | 2.4 | 3.3 |

Source: BCCR, CINDE, PROCOMER, COMEX, ICT

TOURISM - Still Recovering from September 11 Dip

The tourism sector experienced a decline after September 11, 2001, with 7.4 percent fewer visitors arriving in the fourth quarter of 2001 than during the same period in the previous year. Despite the reduction during the fourth quarter, 1.1 million tourists visited Costa Rica in 2001, a 3.9 percent increase over 2000. The number of visitors during January and February 2002 was still 6.5 percent below the same period in 2001. Foreign tourists spent an estimated USD 1,278 million in 2001. According to official GOCR statistics, 430,713 tourists (38 percent) came from the United States in 2001. Other important sources of tourists are the countries of Central America (28.3 percent), Colombia (4.2 percent), Canada (4.1 percent), Mexico (3.2 percent), Spain (2.5 percent), Germany (2.1 percent), and Argentina (1.5 percent). Tourism is Costa Rica's largest foreign currency earner and the most active sector of the economy.

NUMBER OF VISITORS (THOUSANDS) AND REVENUE (USD MILLIONS)

| | <u>2000</u> | | <u>2001</u> | | <u>2002</u> | |
|-------------------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| | <u>VISITORS</u> | <u>REVENUE</u> | <u>VISITORS</u> | <u>REVENUE</u> | <u>VISITORS</u> | <u>REVENUE</u> |
| JAN | 116.0 | 131.0 | 133.0 | 150.2 | 123.2 | 141.8 |
| FEB | 106.3 | 120.1 | 113.2 | 127.9 | 107.0 | 123.2 |
| MAR | 107.9 | 121.9 | 116.1 | 131.2 | | |
| APR | 87.9 | 99.3 | 96.0 | 108.5 | | |
| MAY | 75.4 | 85.2 | 74.2 | 83.8 | | |
| JUN | 77.0 | 87.0 | 88.3 | 99.7 | | |
| JUL | 91.9 | 103.8 | 96.6 | 109.1 | | |
| AUG | 78.3 | 88.5 | 78.8 | 89.0 | | |
| SEP | 65.3 | 73.7 | 58.0 | 65.5 | | |
| OCT | 68.8 | 77.8 | 67.5 | 76.3 | | |
| NOV | 94.0 | 106.3 | 87.3 | 98.6 | | |
| DEC | 119.2 | 134.6 | 106.3 | 120.1 | | |
| <u>TOTAL</u> | 1,088.1 | 1,229.2 | 1,130.9 | 1,277.6 | 230.2 | 265.0 |
| EXPENDITURES PER | | | | | | |
| CAPITA IN USD | | 1,130 | | 1,130 | | 1,152 |

Source: BCCR and Ministry of Tourism. Note that all visitors to Costa Rica, regardless of stated intention, are recorded as tourists. Recent tourism numbers may have also been inflated somewhat by the arrival of an increasing number of cruise ships, the passengers of which often remain in Costa Rica for less than one day. Data published May 30, 2002.

NET INTERNAL CREDIT - Insufficient to Maintain Growth

The dollar value of the average net internal credit of public and private sector banks, or the net stock of outstanding loans, decreased 6.2 percent in 2001 to USD 4,243 million. Average net internal credit increased in December 2001 and January 2002, but by May 2002 it had fallen to December-2001 levels, reflecting continuing high interest rates and general economic uncertainty. An estimated 45 percent of bank credit is now in U.S. dollars, including an estimated 75 percent of private bank credit. The percentage of bank credit in U.S. dollars would be even higher if the offshore banking sector were taken into account. The BCCR has gradually lowered the reserve requirement from 14 percent in 1999 to five percent by February 2002, hoping to increase financial sector efficiency and stimulate investment by a resulting drop in the Colon interest rate. The Central Bank expects that a lower Colon interest rate will help to slow down the movement to U.S. dollar debt.

NET INTERNAL CREDIT (USD MILLIONS)

| | <u>END OF PERIOD</u> | <u>AVERAGE</u> | <u>PCT CHANGE</u> |
|--------------------|----------------------|--------------------|--------------------------|
| 1994 | 2,326 | 2,305 | 15.4 |
| 1995 | 2,190 | 2,315 | 0.4 |
| 1996 | 2,953 | 2,218 | -4.2 |
| 1997 | 3,428 | 3,200 | 44.3 |
| 1998 | 4,216 | 3,753 | 17.3 |
| 1999 | 3,996 | 4,210 | 12.2 |
| 2000 | 4,422 | 4,279 | 1.6 |
| 2001 | 4,243 | 4,012 | -6.2 |
| <u>2001</u> | | <u>2002</u> | <u>PCT CHANGE</u> |
| JAN | 4,070 | JAN | 4,443 10.5 |
| FEB | 4,057 | FEB | 4,256 -4.2 |
| MAR | 3,854 | MAR | 4,204 -1.2 |
| APR | 3,865 | APR | 4,186 -0.4 |
| MAY | 3,840 | MAY 30 | 4,256 1.7 |
| JUN | 3,921 | | |
| JUL | 3,916 | | |
| AUG | 3,948 | | |
| SEP | 4,001 | | |
| OCT | 4,033 | | |
| NOV | 4,026 | | |
| DEC | 4,243 | | |

Note: Measured in current Colones, translated to current US dollars, at end-of-the-period exchange rates.

Source: BCCR. Data published May 30, 2002.

INTEREST RATES - Spread Remains High

The state bank interest rates for industrial borrowers was 24.99 percent interest, in colones, while the private bank interest rates for industrial borrowers was 25.44 percent on May 30, 2002. These rates are 2.49 points lower for state banks, and 1.65 points lower for private banks, with respect to May 2001. The spread between bank lending rates for industrial borrowers and six-month CDs was 12.23 points for state commercial banks and 9.33 points for private banks on May 30, 2002. The lower interest rates have not been enough to attract many additional borrowers.

INTEREST RATES FOR INDUSTRIAL BORROWERS

| | <u>4TH QUARTER</u> <u>INT. RATES</u> <u>STATE BKS.</u> | <u>4TH QUARTER</u> <u>INT. RATES</u> <u>PRIV. BKS.</u> | | |
|-------------|---|---|---|---|
| 1996 | 25.73 | 31.54 | | |
| 1997 | 22.50 | 28.47 | | |
| 1998 | 24.56 | 31.02 | | |
| 1999 | 25.64 | 30.85 | | |
| 2000 | 24.05 | 28.38 | | |
| 2001 | 22.39 | 25.89 | | |
| | <u>YEAR 2001</u> <u>INT. RATES</u> <u>STATE BKS.</u> | <u>YEAR 2001</u> <u>INT. RATES</u> <u>PRIV. BKS.</u> | <u>YEAR 2002</u> <u>INT. RATES</u> <u>STATE BKS.</u> | <u>YEAR 2002</u> <u>INT. RATES</u> <u>PRIV. BKS.</u> |
| JAN | 23.28 | 28.33 | 22.79 | 24.66 |
| FEB | 23.28 | 28.33 | 23.76 | 24.60 |
| MAR | 22.50 | 28.25 | 24.06 | 25.13 |
| APR | 22.50 | 28.25 | 24.99 | 25.45 |
| MAY | 22.50 | 27.09 | 24.99 | 25.44 |
| JUN | 22.50 | 26.96 | | |
| JUL | 22.50 | 26.90 | | |
| AUG | 22.50 | 26.78 | | |
| SEP | 23.42 | 27.30 | | |
| OCT | 23.42 | 26.74 | | |
| NOV | 23.42 | 26.60 | | |
| DEC | 22.39 | 28.81 | | |

Source: BCCR. Data Published May 30, 2002.

MONEY SUPPLY - Small Increase

Money supply (M2), as measured by liquidity of the banking system in local currency, increased 1.3 percent in May 2002, and 12.7 percent with respect to May 2001. M2 has increased gradually since July 2001, probably preventing worse economic results during the second half of 2001 and the first quarter of 2002. The M2 to GDP ratio in February 2002 was 18.4 percent, a slight drop from 18.9 percent at the end of 2001, and significantly smaller than the 21.2 percent ratio at the end of 2000.

MONEY SUPPLY (M2) (MILLIONS OF COLONES)

| | <u>END OF YEAR BALANCE</u> | <u>PCT CHG PREV YR</u> | <u>PCT GDP (NOMINAL)</u> |
|-------------|--------------------------------|----------------------------|------------------------------|
| 1996 | 535,424 | 24.3 | 20.7 |
| 1997 | 618,922 | 15.6 | 19.9 |
| 1998 | 727,260 | 17.5 | 19.3 |
| 1999 | 846,835 | 16.4 | 18.4 |
| 2000 | 1,016,231 | 20.0 | 21.2 |
| 2001 | 1,076,001 | 5.9 | 18.9 |

| <u>2001</u> | <u>END OF MONTH</u> | <u>PCT CHG PREV MO</u> | <u>2002</u> | <u>END OF MONTH</u> | <u>PCT CHG PREV MO</u> |
|-------------|-------------------------|----------------------------|-------------|-------------------------|----------------------------|
| JAN | 994,954 | -2.1 | JAN | 1,077,916 | 0.2 |
| FEB | 999,745 | 0.5 | FEB | 1,086,276 | 0.2 |
| MAR | 994,915 | -0.5 | MAR | 1,088,445 | -1.4 |
| APR | 1,001,157 | 0.6 | APR | 1,073,538 | -1.4 |
| MAY | 964,627 | -3.6 | MAY | 1,087,005 | 1.3 |
| JUN | 981,733 | 1.8 | | | |
| JUL | 971,585 | -1.0 | | | |
| AUG | 955,908 | -1.6 | | | |
| SEP | 971,377 | 1.6 | | | |
| OCT | 992,601 | 2.2 | | | |
| NOV | 1,022,997 | 3.1 | | | |
| DEC | 1,076,001 | 5.2 | | | |

Source: BCCR. Data published May 30, 2002.

CONSUMER PRICE INDEX - Inflation at 11 Percent

The consumer price index (CPI) increased 2.5 percent through April 2002, compared to 5.7 percent through April 2001. The BCCR projected in January 11.4 percent inflation for 2002. Consumer goods price increases reflect changes in the exchange rate of the Colon, which is usually devalued daily as part of the BCCR's mini-depreciation or "crawling peg" policy.

CONSUMER PRICE INDEX (January 1995 = 100)

| | <u>END OF PERIOD</u> | <u>PCT CHG PREV YR</u> |
|-------------|--------------------------|----------------------------|
| 1994 | 96.0 | 19.6 |
| 1995 | 117.6 | 22.5 |
| 1996 | 134.0 | 13.9 |
| 1997 | 149.0 | 11.2 |
| 1998 | 167.4 | 12.3 |
| 1999 | 184.3 | 10.1 |
| 2000 | 203.2 | 10.3 |
| 2001 | 225.5 | 11.0 |

| <u>2001</u> | <u>END OF PERIOD</u> | <u>PCT CHG PREV MO</u> | <u>2002</u> | <u>END OF PERIOD</u> | <u>PCT CHG PREV MO</u> |
|-------------|--------------------------|----------------------------|-------------|--------------------------|----------------------------|
| JAN | 206.1 | 1.4 | JAN | 228.0 | 1.1 |
| FEB | 208.4 | 1.1 | FEB | 229.0 | 0.4 |
| MAR | 212.0 | 1.7 | MAR | 230.8 | 0.8 |
| APR | 214.7 | 1.3 | APR | 231.2 | 0.2 |
| MAY | 216.1 | 0.7 | | | |
| JUN | 216.7 | 0.3 | | | |
| JUL | 218.0 | 0.6 | | | |
| AUG | 220.0 | 1.0 | | | |
| SEP | 221.1 | 0.5 | | | |
| OCT | 221.1 | 0.0 | | | |
| NOV | 223.1 | 0.9 | | | |
| DEC | 225.5 | 1.1 | | | |

Source: BCCR. Data published May 30, 2002.

EXCHANGE RATE - Accelerating Depreciation

The bank's sell exchange rate was 356.52 Colones per U.S. dollar on May 30, 2002, a currency depreciation of 9.1 percent from one year earlier and 4.26 percent since January 1, 2002. BCCR authorities announced that the pace of depreciation will continue to increase slightly in 2002. The target depreciation rate is based on the projected difference between domestic inflation, which remains close to 11 percent per year, and the average inflation rate in Costa Rica's main trading partners, which was roughly 3.6 percent in May 2002. The BCCR's "crawling peg" method of setting the exchange rate is being questioned by proponents of both slower and faster rates of depreciation. The proponents of a slower rate wish to limit the rate of depreciation for the sake of containing inflation, but the proponents of a faster rate of depreciation want to promote exports and protect the country's foreign currency reserves.

**ANNUAL AND MONTHLY EXCHANGE RATES
(BANK SELL RATE, COLONES/USD)**

| | <u>END OF PERIOD</u> | <u>AVERAGE*</u> | <u>END OF PERIOD PCT CHG</u> | <u>CPI** DIFFERENCE</u> |
|-------------|--------------------------|-----------------|--------------------------------------|-----------------------------|
| 1994 | 165.6 | 165.1 | 8.8 | 16.9 |
| 1995 | 195.4 | 194.9 | 18.0 | 20.0 |
| 1996 | 220.3 | 219.9 | 12.7 | 10.3 |
| 1997 | 244.5 | 244.1 | 11.0 | 10.5 |
| 1998 | 271.6 | 271.4 | 11.1 | 10.7 |
| 1999 | 298.4 | 298.0 | 9.9 | 7.4 |
| 2000 | 318.3 | 318.4 | 6.7 | 7.0 |
| 2001 | 341.9 | 341.7 | 7.4 | 6.0 |

| | <u>END OF PERIOD</u> | <u>AVERAGE*</u> | <u>END OF PERIOD PCT CHG</u> | <u>CPI** DIFFERENCE</u> |
|--------------------|--------------------------|-----------------|--------------------------------------|-----------------------------|
| <u>2002</u> | | | | |
| JAN | 344.2 | 344.5 | 0.7 | 0.9 |
| FEB | 347.1 | 347.4 | 0.8 | 0.3 |
| MAR | 349.8 | 350.1 | 0.8 | 0.5 |
| APR | 352.9 | 353.3 | 0.9 | 0.3 |
| MAY | 356.9 | 356.6 | 1.1 | NA |

* End-of-period average of bank buy and sell rates.

** Percentage change in Costa Rica's CPI less the percentage change in the U.S. CPI.

Sources: BCCR, INEC, U.S. Bureau of Labor Statistics (U.S. CPI)
Data published May 30, 2002

PUBLIC SECTOR FINANCES - Reduced Deficit in 2001

The public sector fiscal deficit was USD 447 million, equivalent to 2.9 percent of GDP in 2001, down from 3.8 percent of GDP deficit in 2000. The improvement was due to increased tax revenue and to an increased surplus of USD 188 million in the operation of parastatal service institutions, equivalent to 1.2 percent of GDP. Overall public sector spending increased, but not as much as did revenue. The Central Bank reduced its deficit to 1.2 percent of GDP in 2001, compared to a deficit of 1.8 percent of GDP in 2000. The public sector deficit is expected to increase in 2002 because of the one-time nature of some of the tax revenue increases in 2001 and the continued growth of government expenditures. The combined public sector fiscal deficit continues to be the most serious economic problem facing the country.

COMBINED PUBLIC SECTOR FINANCES
(USD Millions and Percentage of GDP)

| | <u>2000</u> | | <u>2001</u> | |
|--|---------------|-------------------|---------------|-------------------|
| | <u>AMOUNT</u> | <u>PCT OF GDP</u> | <u>AMOUNT</u> | <u>PCT OF GDP</u> |
| (A) GENERAL PUBLIC SECTOR | | | | |
| Revenue | 4,772 | 30.9 | 5,182 | 33.2 |
| Spending | 5,355 | 34.7 | -5,629 | 36.1 |
| Deficit | - 583 | - 3.8 | - 447 | -2.9 |
| (B) CENTRAL BANK OF C.R. | | | | |
| Revenue | 142 | 0.9 | 76 | 0.5 |
| Spending | 418 | 2.7 | - 263 | 1.7 |
| Deficit | 276 | - 1.8 | - 187 | -1.2 |
| (C) NON-FINANCIAL PUBLIC SECTOR | | | | |
| Revenue | 4,630 | 30.0 | 5,106 | 32.7 |
| Spending | 4,936 | 32.0 | -5,366 | 34.4 |
| Deficit | - 306 | - 2.0 | - 260 | -1.7 |
| (D) CENTRAL GOVERNMENT | | | | |
| Revenue | 1,922 | 12.5 | 2,130 | 13.7 |
| Spending | 2,384 | 15.5 | 2,578 | 16.5 |
| Deficit | - 462 | - 3.0 | - 448 | -2.9 |
| (E) OTHER NON-FINANCIAL PUBLIC SECTOR | | | | |
| Revenue | 2,708 | 17.6 | 2,976 | 19.1 |
| Spending | 2,552 | 16.5 | 2,788 | 17.9 |
| Surplus | 156 | 1.0 | 188 | +1.2 |
| Exch Rate= | 317.40 | | 340.70 | |

Source: BCCR. Data published May 30, 2002

COMBINED PUBLIC SECTOR FINANCES
(USD Millions and Percentage of GDP)

| | <u>THROUGH</u> <u>FEB 2001</u> | | <u>THROUGH</u> <u>FEB 2002</u> | |
|--|---|---|---|---|
| | <u>AMOUNT</u> | <u>PCT OF</u> <u>GDP</u> | <u>AMOUNT</u> | <u>PCT OF</u> <u>GDP</u> |
| (A) GENERAL PUBLIC SECTOR | | | | |
| Revenue | 759 | 4.6 | 810 | 4.7 |
| Spending | 877 | 5.3 | 1,030 | 6.0 |
| Deficit | - 118 | - 0.7 | - 220 | - 1.3 |
| (B) CENTRAL BANK OF C.R. | | | | |
| Revenue | 14 | 0.1 | 10 | 0.1 |
| Spending | 45 | 0.3 | 42 | 0.2 |
| Deficit | - 32 | - 0.2 | 32 | - 0.2 |
| (C) NON-FINANCIAL PUBLIC SECTOR | | | | |
| Revenue | 745 | 4.5 | 800 | 4.7 |
| Spending | 832 | 5.0 | 988 | 5.8 |
| Deficit | - 87 | - 0.5 | - 182 | - 1.1 |
| (D) CENTRAL GOVERNMENT | | | | |
| Revenue | 353 | 2.1 | 363 | 2.1 |
| Spending | 458 | 2.8 | 549 | 3.2 |
| Deficit | - 106 | - 0.7 | - 185 | - 1.1 |
| (E) OTHER NON-FINANCIAL PUBLIC SECTOR | | | | |
| Revenue | 392 | 2.4 | 437 | 2.5 |
| Spending | 374 | 2.3 | 440 | 2.6 |
| Surplus | 19 | 0.1 | 3 | 0.1 |

Notes: GDP in USD Mill 15,840 16,223
Exch Rate= 320.7 346.0

Source: BCCR. Data published May 8, 2002

PUBLIC SECTOR DEBT - Continues to Grow

The government placed USD 250 million in bonds, with a 10-year period and at 8.11 percent initial interest, on January 25, 2002. This is the fifth such bond placement since 1998 totaling USD 1.25 billion. Public sector debt totals have not yet been released for 2001. The total public sector debt of Costa Rica was USD 8,504 million, equivalent to 52.0 percent of GDP, on December 31, 2001. Of this total, domestic or internal debt was USD 5,507 million, equivalent to 35.4 percent of GDP, and foreign debt was USD 3,150 million, equivalent to 20.3 percent of GDP. The stated policy of the Ministry of Finance is to borrow through the placement of USD-denominated bonds in the international market in order to obtain cheaper financing and not compete with domestic Colon borrowers. Consequently, domestic debt can be expected to continue to decrease as a percent of total debt. The GOCR is authorized by the Legislative Assembly to borrow another USD 450 million in 2003 and USD 250 million in 2004.

TOTAL PUBLIC SECTOR DEBT (USD MILLIONS)

| | <u>1998</u> | <u>PCT OF GDP</u> | <u>1999</u> | <u>PCT OF GDP</u> | <u>2000</u> | <u>PCT OF GDP</u> |
|----------------------------|-------------|-----------------------|-------------|-----------------------|-------------|-----------------------|
| TOTAL FOREIGN DEBT | 2,872 | 20.4 | 3,057 | 20.3 | 3,150 | 20.3 |
| CENTRAL GOVERNMENT | 1,082 | 7.7 | 1,299 | 8.6 | 1,565 | 10.1 |
| CENTRAL BANK | 967 | 6.9 | 887 | 5.9 | 811 | 5.2 |
| NON-FINANCE SECTOR | 810 | 5.7 | 848 | 5.6 | 743 | 4.8 |
| FINANCE SECTOR | 13 | 0.1 | 23 | 0.2 | 31 | 0.2 |
| TOTAL DOMESTIC DEBT | 3,964 | 28.1 | 5,494 | 36.5 | 5,508 | 35.4 |
| PUBLIC SECTOR | 3,297 | 23.4 | 4,221 | 28.1 | 4,236 | 27.2 |
| CENTRAL GOVERNMENT | 3,274 | 23.2 | 4,201 | 28.0 | 4,217 | 27.1 |
| REST PUBLIC SECTOR | 23 | 0.2 | 20 | 0.1 | 19 | 0.1 |
| BANKING SECTOR | 667 | 4.7 | 1,273 | 8.5 | 1,272 | 8.2 |
| CENTRAL BANK | 652 | 4.6 | 1,260 | 8.4 | 1,259 | 8.1 |
| REST BANKING SECTOR | 15 | 0.1 | 13 | 0.1 | 13 | 0.1 |
| TOTAL PUBLIC DEBT | 6,836 | 48.5 | 8,551 | 56.9 | 8,658 | 55.7 |

Note: GDP= USD million 15,025 @ 297.32 ex rate for 1999,
 USD million 15,424 @ 317.40 ex rate for 2000

Source: For table: BCCR. Data published May 8, 2002.

INTERNATIONAL RESERVES - Drop in January

Net international reserves (NIR) of the national banking system were USD 1,282 million at the end of 2001, 2.7 percent less than at the end of 2000. NIR were USD 1,313 at the end of March 2002, 6.1 percent less than one year earlier. A USD 250 million public bond offering was successfully placed on the international market on January 25, 2002 with a ten-year period and at 8.11 percent interest rate. The money is to be used to pay part of the Government's debt to the BCCR. The BCCR policy is to maintain reserves equivalent to three months worth of imports, even though the BCCR does not supply the money to purchase imports. The BCCR supplies most foreign currency payments of the Central Government and other state institutions out of these reserves.

INTERNATIONAL RESERVES (USD MILLIONS)

| <u>END OF PERIOD</u> | | | | | | | |
|----------------------|-------------|-------------------|------------------|-------------|-------------------|------------------|-------|
| <u>2000</u> | <u>2001</u> | <u>PCT CHANGE</u> | <u>2000-2001</u> | <u>2002</u> | <u>PCT CHANGE</u> | <u>2001-2002</u> | |
| 1995 | 1,170 | | | | | | |
| 1996 | 1,076 | | | | | | |
| 1997 | 1,183 | | | | | | |
| 1998 | 1,044 | | | | | | |
| 1999 | 1,468 | | | | | | |
| 2000 | 1,318 | | | | | | |
| JAN | 1,418 | JAN | 1,216 | -14.2 | JAN | 972 | -13.0 |
| FEB | 1,485 | FEB | 1,198 | -19.3 | FEB | 1,235 | 3.1 |
| MAR | 1,511 | MAR | 1,401 | - 7.3 | MAR | 1,313 | -6.1 |
| APR | 1,511 | ABR | 1,452 | - 3.9 | | | |
| MAY | 1,380 | MAY | 1,354 | - 1.9 | | | |
| JUN | 1,365 | JUN | 1,359 | - 0.4 | | | |
| JUL | 1,573 | JUL | 1,276 | -10.3 | | | |
| AUG | 1,515 | AUG | 1,359 | -10.3 | | | |
| SEP | 1,405 | SET | 1,370 | - 2.5 | | | |
| OCT | 1,312 | OCT | 1,322 | 0.8 | | | |
| NOV | 1,321 | NOV | 1,249 | - 5.5 | | | |

DEC 1,318 DEC 1,282 - 2.7

Source: BCCR. Data published May 28, 2002.

BALANCE OF PAYMENTS - Significant Current Account
Deficit

The current account deficit on December 31, 2001 was USD 750 million, equivalent to 4.8 percent of GDP. The current account deficit was affected by both a substantial decline in exports and a lesser increase in imports.

BALANCE OF PAYMENTS SUMMARY (USD MILLIONS)

| | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|--|-------------|-------------|-------------|
| (A) CURRENT ACCOUNT (1)+(2)+(3)+(4) | -675 | -757 | -750 |
| (1) TRADE BALANCE (a)+(b) | 636 | -211 | -761 |
| (a) EXPORTS, FOB | 6,632 | 5,812 | 4,932 |
| (b) IMPORTS, FOB | -5,996 | -6,023 | -5,694 |
| (2) SERVICES | 408 | 615 | 697 |
| (3) INVESTMENT SERVICE | -1,822 | -1,253 | -776 |
| (4) TRANSFERS | 102 | 92 | 92 |
| (B) CAPITAL AND FINANCIAL ACCOUNT | 962 | 385 | 463 |
| (1) CAPITAL ACCOUNT | 0 | 0 | 0 |
| (2) FINANCIAL ACCOUNT (a)+(b) | 962 | 385 | 463 |
| (a) DIRECT INVESTMENT | 615 | 404 | 441 |
| (b) DEPOSITS AND OTHER INVESTMENT | 347 | -19 | 22 |
| (C) ERRORS AND OMISSIONS | 194 | 219 | 299 |
| (D) INTERNATIONAL RESERVES | | | |
| (DECREASE +, INCREASE -) | -480 | 154 | -12 |
| OVERALL BALANCE (A)+(B)+(C)+(D) | 0 | 0 | 0 |

Note: The trade figures reported here differ from those used earlier in the report. These figures conform with practices outlined in the IMF Manual, 5th Edition. The trade figures reported elsewhere are compiled on a customs basis.

Source: BCCR, Data published May 9, 2002.

UNEMPLOYMENT - Increasing

Unemployment rose to 6.1 percent in July 2001, up from 5.2 percent in July 2000, according to the National Institute of Statistics and Census (INEC). The unemployment rate was 5.2 percent for men and 7.6 percent for women. Rural and urban unemployment were both 6.5 percent. The highest unemployment rate was among rural women, 9.8 percent. According to INEC, 20.3 of all households were in poverty, including 5.9 percent said to be in extreme poverty. Poverty was highest in rural areas where 25.2 percent were in poverty, including 8.9 percent in extreme poverty.

UNEMPLOYMENT (PERCENT OF LABOR FORCE - JULY OF EACH YEAR)

| | |
|---------------------|-----|
| 1995 (Total) | 5.2 |
| Men | 4.6 |
| Women | 6.5 |
| 1996 (Total) | 6.2 |
| Men | 5.3 |
| Women | 8.3 |
| 1997 (Total) | 5.7 |
| Men | 4.9 |
| Women | 7.5 |
| 1998 (Total) | 5.6 |
| Men | 4.4 |
| Women | 8.0 |
| 1999 (Total) | 6.0 |
| Men | 4.9 |
| Women | 8.2 |
| 2000 (Total) | 5.2 |
| Men | 4.4 |
| Women | 6.8 |

| | |
|---------------------|-----|
| 2001 (Total) | 6.1 |
| Men | 5.2 |
| Women | 7.6 |

Source: INEC. Data current on May 30, 2002. Note that this information is only updated once each year.

INTERNET RESOURCES

AMEMBASSY SAN JOSE WEBSITE: www.usembassy.or.cr

COMPREHENSIVE ECONOMIC INFORMATION:

Central Bank of Costa Rica - www.bccr.fi.cr
 Ministry of Foreign Trade - www.comex.go.cr
 Ministry of National Planning - www.mideplan.go.cr
 Ministry of Finance - www.hacienda.go.cr
 Ministry of Economy, Industry and Commerce - meic.go.cr/ingles/
 Costa Rican Foreign Trade Corporation - www.procomer.com
 U. S. Bureau of Labor Statistics - <http://stats.bls.gov>
 (for U.S. CPI)

BUSINESS INFORMATION:

Costa Rican American Chamber of Commerce - www.amcham.co.cr

TOURISM:

Costa Rican Tourism Institute - www.tourism-costarica.com
 Costa Rican National Chamber of Tourism -
www.costarica.tourism.co.cr

STATISTICS AND POPULATION:

National Institute of Statistics and Census - INEC
www.inec.go.cr

NEWSPAPERS:

La Nacion - www.nacion.co.cr
 El Financiero - financiero@financiero.co.cr
 La Republica - www.larepublica.net
 La Prensa Libre - www.prensalibre.co.cr
 The Tico Times - www.ticotimes.net

NOTE: This report and future updates can be found on U.S.

Embassy San Jose Web Site at www.usembassy.or.cr. and at the Costa Rican - American Chamber of Commerce Web Site: www.amcham.co.cr. The Costa Rica Macroeconomic Update is prepared by the Political/Economic Section of the U.S. Embassy, San Jose.