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MASTER FILES

ROOM C-120

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SM/84/146

Correction 1

CONTAINS CONFIDENTIAL  
INFORMATION

July 25, 1984

To: Members of the Executive Board  
From: The Acting Secretary  
Subject: Costa Rica - Recent Economic Developments

The following corrections have been made in SM/84/146 (6/29/84):

Page 6, Table 3, column 3, penultimate line: for "(-1.7)" read "(-17.1)"

Page 15, Table 7, column 5, line 18: for "85.0" read "89.4"  
line 23: for "(35.1)" read "(41.2)"  
line 31: for "29.8" read "28.8"

Page 16, Table 8, column 2, line 17: for "30/7" read "30.7"

Corrected pages are attached.

Att: (3)

Other Distribution:  
Department Heads

Table 2. Costa Rica: Real Gross Domestic Expenditure at 1966 Prices

|  | 1979         | 1980         | 1981         | 1982         | Prel.<br>1983 |
|--|--------------|--------------|--------------|--------------|---------------|
| <u>(Annual percentage change)</u>            |              |              |              |              |               |
| Consumption                                  | 7.3          | -1.9         | -4.7         | -10.3        | -3.8          |
| Private                                      | (8.2)        | (-3.5)       | (-6.0)       | (-9.3)       | (-6.3)        |
| Public                                       | (3.4)        | (5.4)        | (0.8)        | (-14.2)      | (6.1)         |
| Investment                                   | 9.3          | 6.9          | -48.6        | -37.1        | 52.4          |
| Private <u>1/</u>                            | (7.5)        | (9.6)        | (-59.9)      | (-27.8)      | (77.9)        |
| Public                                       | (13.4)       | (1.4)        | (-23.8)      | (-47.9)      | (11.7)        |
| <u>Gross domestic expenditure</u>            | <u>7.8</u>   | <u>0.3</u>   | <u>-16.0</u> | <u>-14.6</u> | <u>2.8</u>    |
| Exports of goods and non-<br>factor services | 0.6          | -2.5         | 8.8          | -11.0        | -0.5          |
| Imports of goods and non-<br>factor services | 7.8          | -2.9         | -26.0        | -26.0        | 5.2           |
| <u>Gross domestic product</u>                | <u>4.9</u>   | <u>0.8</u>   | <u>-2.3</u>  | <u>-9.1</u>  | <u>0.8</u>    |
| <u>(In percent of GDP)</u>                   |              |              |              |              |               |
| Consumption                                  | 83.7         | 81.6         | 79.6         | 78.5         | 74.9          |
| Private                                      | (68.3)       | (65.4)       | (62.9)       | (62.8)       | (58.4)        |
| Public                                       | (15.4)       | (16.2)       | (16.7)       | (15.7)       | (16.5)        |
| Investment                                   | 26.9         | 28.5         | 15.0         | 10.4         | 15.7          |
| Private <u>1/</u>                            | (18.0)       | (19.6)       | (8.1)        | (6.4)        | (11.3)        |
| Public                                       | (8.9)        | (8.9)        | (6.9)        | (4.0)        | (4.4)         |
| <u>Gross domestic expenditure</u>            | <u>110.6</u> | <u>110.1</u> | <u>94.6</u>  | <u>88.8</u>  | <u>90.6</u>   |
| <u>Resource balance</u>                      | <u>-10.6</u> | <u>-10.1</u> | <u>5.4</u>   | <u>11.2</u>  | <u>9.4</u>    |
| Exports of goods and non-<br>factor services | 37.9         | 36.7         | 40.9         | 40.0         | 39.5          |
| Imports of goods and non-<br>factor services | 48.5         | 46.8         | 35.4         | 28.8         | 30.1          |
| <u>Gross domestic product</u>                | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u>  |

Sources: Statistical Appendix Tables 18 and 19.

1/ Includes changes in inventory.

one half of gross domestic investment and almost doubled to 10 percent of GDP as a result of a marked improvement in the savings performance of the public sector and a significant increase in real interest rates (Table 3).

Table 3. Costa Rica: Savings and Investment at Current Prices

|   | 1979         | 1980         | 1981         | 1982         | Prel.<br>1983 |
|---|--------------|--------------|--------------|--------------|---------------|
| (In percent of GDP at current prices)     |              |              |              |              |               |
| <u>Gross domestic investment</u>          | <u>25.3</u>  | <u>26.6</u>  | <u>22.4</u>  | <u>14.6</u>  | <u>20.8</u>   |
| Private <u>1/</u>                         | 16.4         | 17.3         | 13.5         | 9.0          | 14.9          |
| Public                                    | 8.9          | 9.3          | 8.9          | 5.6          | 5.9           |
| <u>Gross national savings</u>             | <u>11.4</u>  | <u>11.8</u>  | <u>6.6</u>   | <u>5.0</u>   | <u>9.5</u>    |
| Private                                   | 12.7         | 14.1         | 10.4         | 7.7          | 6.2           |
| Public                                    | -1.3         | -2.3         | -3.8         | -2.7         | 3.3           |
| <u>External savings <u>2/</u></u>         | <u>13.9</u>  | <u>14.8</u>  | <u>15.8</u>  | <u>9.6</u>   | <u>11.3</u>   |
| (In percent of gross domestic investment) |              |              |              |              |               |
| <u>Gross domestic investment</u>          | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u>  |
| <u>Gross national savings</u>             | <u>45.1</u>  | <u>44.3</u>  | <u>29.3</u>  | <u>34.4</u>  | <u>45.9</u>   |
| Private                                   | (50.2)       | (52.9)       | (46.4)       | (52.9)       | (30.1)        |
| Public                                    | (-5.1)       | (-8.6)       | (-17.1)      | (-18.5)      | (15.8)        |
| <u>External savings <u>2/</u></u>         | <u>54.9</u>  | <u>55.7</u>  | <u>70.7</u>  | <u>65.6</u>  | <u>54.1</u>   |

Source: Statistical Appendix Table 20.

1/ Includes change in inventory.

2/ Equals current account balance of payments (including transfers).

### c. Output by sector

The initial recovery of real GDP in 1983 was accounted for by a rapid increase in rice production and electricity generation, which more than offset continuing moderate declines in many sectors of the economy, including manufacturing, construction, and commerce. Because of good weather conditions and high guaranteed support prices, rice production increased by 75 percent. Real value added in the utilities sector rose by 18 percent on account of large exports of electric power to neighboring countries. Manufacturing and commerce showed some initial recovery in the second half of 1983, although for the year as a whole they still registered moderate declines (Table 4).

Table 7. Costa Rica: Summary of Public Sector Operations

|   | 1979          | 1980          | 1981          | 1982          | Prel.<br>1983 |
|---|---------------|---------------|---------------|---------------|---------------|
| (In millions of colones)                              |               |               |               |               |               |
| <u>Total revenues</u>                                 | <u>7,738</u>  | <u>8,760</u>  | <u>10,268</u> | <u>17,011</u> | <u>32,223</u> |
| Current revenue                                       | 7,691         | 8,687         | 10,060        | 16,798        | 31,909        |
| Tax revenue   | (6,687)       | (7,662)       | (10,732)      | (18,603)      | (29,147)      |
| Public enterprises' current account <sup>1/</sup>     | (-120)        | (-116)        | (-1,839)      | (-3,021)      | (1,623)       |
| Other   | (1,124)       | (1,141)       | (1,167)       | (1,216)       | (1,139)       |
| Capital revenue                                       | 47            | 73            | 208           | 213           | 314           |
| <u>Total expenditure and net lending</u>              | <u>12,388</u> | <u>13,395</u> | <u>18,429</u> | <u>25,868</u> | <u>36,183</u> |
| General government current expenditure <sup>1/</sup>  | 8,133         | 9,638         | 12,237        | 19,836        | 27,786        |
| Capital expenditure and net lending                   | 4,255         | 3,757         | 6,192         | 6,032         | 8,397         |
| Fixed capital formation <sup>2/</sup>                 | (3,541)       | (2,932)       | (5,576)       | (5,049)       | (7,127)       |
| Net lending and other                                 | (714)         | (825)         | (616)         | (983)         | (1,270)       |
| <u>Current account surplus or deficit (-)</u>         | <u>-442</u>   | <u>-951</u>   | <u>-2,177</u> | <u>-3,038</u> | <u>4,123</u>  |
| <u>Overall deficit</u>                                | <u>-4,650</u> | <u>-4,635</u> | <u>-8,161</u> | <u>-8,857</u> | <u>-3,960</u> |
| <u>Financing (net)</u>                                | <u>4,650</u>  | <u>4,635</u>  | <u>8,161</u>  | <u>8,857</u>  | <u>3,960</u>  |
| External  | 1,937         | 1,936         | 4,767         | 2,094         | 2,214         |
| Domestic  | 2,713         | 2,699         | 1,739         | 2,697         | 1,746         |
| Interest in arrears (change)                          | --            | --            | 1,655         | 4,066         | --            |
| (Annual percentage change)                            |               |               |               |               |               |
| <u>Total revenues</u>                                 | <u>13.2</u>   | <u>13.2</u>   | <u>17.2</u>   | <u>65.7</u>   | <u>89.4</u>   |
| Of which: tax revenue                                 | 11.9          | 14.6          | 40.0          | 73.3          | 56.7          |
| <u>Total expenditure and net lending</u>              | <u>30.6</u>   | <u>8.1</u>    | <u>37.6</u>   | <u>40.4</u>   | <u>39.9</u>   |
| General government current expenditure <sup>1/</sup>  | 26.9          | 18.5          | 27.0          | 62.1          | 40.1          |
| Capital expenditure and net lending                   | 38.4          | -11.7         | 64.8          | -2.6          | 39.2          |
| Of which: fixed capital formation <sup>2/</sup>       | (48.0)        | (-17.2)       | (90.2)        | (-9.5)        | (41.2)        |
| <u>Memorandum item</u>                                |               |               |               |               |               |
| Consumer prices (annual average)                      | 9.2           | 18.1          | 37.1          | 90.1          | 32.7          |
| (In percent of GDP)                                   |               |               |               |               |               |
| <u>Total revenue</u>                                  | <u>22.4</u>   | <u>21.2</u>   | <u>18.0</u>   | <u>17.5</u>   | <u>25.7</u>   |
| Current revenue                                       | 22.2          | 21.0          | 17.6          | 17.3          | 25.5          |
| Tax revenue   | (19.3)        | (18.5)        | (18.8)        | (19.2)        | (23.2)        |
| Public enterprises' current account <sup>1/</sup>     | (-0.3)        | (-0.3)        | (-3.2)        | (-3.1)        | (1.3)         |
| Other   | (3.2)         | (2.8)         | (2.0)         | (1.2)         | (1.0)         |
| Capital revenue                                       | 0.2           | 0.2           | 0.4           | 0.2           | 0.2           |
| <u>Total expenditure and net lending</u>              | <u>35.8</u>   | <u>32.4</u>   | <u>32.2</u>   | <u>26.6</u>   | <u>28.8</u>   |
| General government current expenditures <sup>1/</sup> | 23.5          | 23.3          | 21.4          | 20.4          | 22.1          |
| Capital expenditure and net lending                   | 12.3          | 9.1           | 10.8          | 6.2           | 6.7           |
| Of which: fixed capital formation <sup>2/</sup>       | (10.2)        | (7.1)         | (9.8)         | (5.2)         | (5.7)         |
| <u>Current account surplus or deficit (-)</u>         | <u>-1.3</u>   | <u>-2.3</u>   | <u>-3.8</u>   | <u>-3.1</u>   | <u>3.3</u>    |
| <u>Overall deficit</u>                                | <u>-13.5</u>  | <u>-11.2</u>  | <u>-14.3</u>  | <u>-9.1</u>   | <u>-3.2</u>   |
| <u>Financing (net)</u>                                | <u>13.5</u>   | <u>11.2</u>   | <u>14.3</u>   | <u>9.1</u>    | <u>3.2</u>    |
| External  | 5.6           | 4.7           | 8.3           | 2.2           | 1.8           |
| Domestic  | 7.9           | 6.5           | 3.1           | 2.8           | 1.4           |
| Interest in arrears (change)                          | --            | --            | 2.9           | 4.1           | --            |

Sources: Statistical Appendix Table 34.

<sup>1/</sup> Includes all contractual interest (paid and unpaid).<sup>2/</sup> Includes statistical discrepancies arising from reporting on an accrual and cash basis, from reporting periods that differ from the calendar year, and from the operations of the nonconsolidated public sector.

Table 8. Costa Rica: Summary Operations of Central Administration

|                                    | 1979          | 1980          | 1981          | 1982          | Prel.<br>1983 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| (In millions of colones)           |               |               |               |               |               |
| <u>Revenue</u>                     | <u>4,238</u>  | <u>4,982</u>  | <u>7,333</u>  | <u>13,317</u> | <u>21,612</u> |
| Tax revenue                        | 4,098         | 4,800         | 7,080         | 13,008        | 21,067        |
| Other                              | 140           | 182           | 253           | 309           | 545           |
| <u>Total expenditure</u>           | <u>6,629</u>  | <u>8,282</u>  | <u>10,332</u> | <u>16,575</u> | <u>25,727</u> |
| Current expenditure <u>1/</u>      | <u>5,152</u>  | <u>6,352</u>  | <u>8,226</u>  | <u>14,363</u> | <u>20,633</u> |
| Capital expenditure                | 1,477         | 1,930         | 2,106         | 2,212         | 5,094         |
| <u>Current account deficit (-)</u> | <u>-914</u>   | <u>-1,370</u> | <u>-893</u>   | <u>-1,046</u> | <u>979</u>    |
| <u>Overall deficit (-)</u>         | <u>-2,391</u> | <u>-3,300</u> | <u>-2,999</u> | <u>-3,258</u> | <u>-4,115</u> |
| <u>Financing (net)</u>             | <u>2,391</u>  | <u>3,300</u>  | <u>2,999</u>  | <u>3,258</u>  | <u>4,115</u>  |
| External                           | 763           | 678           | 968           | 1,287         | 2,091         |
| Domestic <u>2/</u>                 | 1,628         | 2,622         | 1,512         | 989           | 2,024         |
| Interest in arrears                | --            | --            | 519           | 982           | --            |
| (Annual percentage change)         |               |               |               |               |               |
| <u>Revenue</u>                     | <u>5.3</u>    | <u>17.6</u>   | <u>47.2</u>   | <u>81.6</u>   | <u>62.3</u>   |
| Of which: tax revenue              | 5.4           | 17.1          | 47.5          | 83.7          | 62.0          |
| <u>Total expenditure</u>           | <u>20.9</u>   | <u>24.9</u>   | <u>24.8</u>   | <u>60.4</u>   | <u>55.2</u>   |
| Current expenditure <u>1/</u>      | <u>20.5</u>   | <u>23.3</u>   | <u>29.5</u>   | <u>74.6</u>   | <u>43.7</u>   |
| Capital expenditure                | 22.3          | 30.7          | 9.1           | 5.0           | 130.3         |
| Memorandum item                    |               |               |               |               |               |
| Consumer price index (average)     | 9.2           | 18.1          | 37.1          | 90.1          | 32.7          |
| (In percent of GDP)                |               |               |               |               |               |
| <u>Total revenue</u>               | <u>12.3</u>   | <u>12.0</u>   | <u>12.8</u>   | <u>13.7</u>   | <u>17.2</u>   |
| <u>Total expenditure</u>           | <u>19.2</u>   | <u>20.0</u>   | <u>18.1</u>   | <u>17.1</u>   | <u>20.5</u>   |
| Current expenditure <u>1/</u>      | <u>14.9</u>   | <u>15.3</u>   | <u>14.4</u>   | <u>14.8</u>   | <u>16.4</u>   |
| Capital expenditure                | 4.3           | 4.7           | 3.7           | 2.3           | 4.1           |
| <u>Current account deficit (-)</u> | <u>-2.6</u>   | <u>-3.3</u>   | <u>-1.5</u>   | <u>-1.1</u>   | <u>0.8</u>    |
| <u>Overall deficit (-)</u>         | <u>-6.9</u>   | <u>-8.0</u>   | <u>-5.3</u>   | <u>-3.4</u>   | <u>-3.3</u>   |
| <u>Financing (net)</u>             |               |               |               |               |               |
| External                           | 2.2           | 1.7           | 1.7           | 1.4           | 1.7           |
| Domestic                           | 4.7           | 6.3           | 2.6           | 1.0           | 1.6           |
| Interest in arrears                | --            | --            | 0.9           | 1.0           | --            |

Source: Statistical Appendix Table 34.

1/ Includes all contractual interest (paid and unpaid).

2/ Includes statistical discrepancies.