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March 22, 1988

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

This paper provides background information to the staff report on the 1987 Article IV consultation discussions with Costa Rica and review under its stand-by arrangement (EBS/88/60, 3/15/88), which is now scheduled for discussion on Monday, April 4, 1988.

Mr. DeMilner (ext. 8502) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

COSTA RICA

Recent Economic Developments

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Approved by the Western Hemisphere Department

March 21, 1988

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Costa Rica--Basic Data

Social and demographic indicators

Area	51,100 sq. kilometers
Population density (1987)	51.3 per sq. km.
Income distribution (1973)	
Highest quintile	55.0 percent
Lowest quintile	3.0 percent
Population (1987)	2.7 million
Rate of population growth (1975-84)	2.9 percent
Life expectancy at birth (1986)	73 years
Infant mortality rate (aged under 1, 1986)	19 per thousand
Population per physician	1,400
Population per hospital bed	345
Population with access to safe water (1986)	
Urban	100.0 percent
Rural	68.0 percent
Population with access to electricity (1973)	69.0 percent
Calorie intake (1984)	2,800 calories per day
Adult literacy rate	93.1 percent
Primary school enrollment rate (1983)	100.0 percent

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
<u>Nominal GDP</u>						
Colones (million)	97,505	129,314	163,011	192,425	242,118	270,271
US\$ (million) ^{1/}	2,700	2,887	3,233	3,370	3,617	3,837
SDR (million)	2,445	2,526	2,995	3,268	3,083	2,968

GDP per capita (US\$)	1,121	1,165	1,268	1,266	1,340	1,381
Unemployment rate (percent)	8.0	7.4	6.4	6.0	6.3	6.0

<u>Origin of GDP</u>	<u>(In percent)</u>					
Agriculture	25	22	21	20	22	18
Manufacturing	20	22	22	22	22	22
Construction	3	3	4	4	3	3
Utilities	2	4	3	4	3	4
Commerce	22	20	19	19	18	19
Other	28	29	31	31	32	34

<u>Ratios to GDP</u>						
Exports of goods and nonfactor services	44	36	35	32	35	33
Imports of goods and nonfactor services	42	37	34	34	33	37
Central administration revenue	14	17	17	17	16	17
Central administration expenditure	18	20	20	19	19	19

Banking system credit to private sector	16	18	18	18	17	19
Money and quasi-money ^{2/}	35	37	35	34	33	37

<u>Banking system ^{3/}</u>	<u>(billions of colones)</u>					
Net international reserves	-44.8	-3.9	-10.3	-1.3	-4.8	-15.3
Of which: payments arrears	-42.7	-1.7	-9.8	-2.3	-10.2	-16.9
Net domestic assets	85.5	57.7	71.1	71.2	92.4	121.5
Net credit to public sector	11.6	26.5	25.4	23.8	35.7	32.0
Credit to private sector	18.1	27.5	32.5	37.7	44.8	55.8
Long-term foreign liabilities	-27.1	-64.4	-71.8	-86.9	-104.2	-114.3
Other ^{4/}	82.9	68.1	85.0	96.6	116.1	148.0
Liabilities to private sector	40.7	53.8	60.8	69.9	87.7	106.2

	1982	1983	1984	1985	1986	1987
(millions of colones)						
<u>Nonfinancial public sector 5/</u>						
<u>Central Administration</u>	-3,258	-4,627	-4,966	-3,940	-8,245	-5,845
Revenue	14,026	21,417	27,012	32,005	38,030	44,500
Expenditure	17,284	26,044	31,978	35,945	46,275	50,345
<u>Rest of general government</u>	320	2,347	1,909	2,605	3,281	3,690
Revenue	10,782	17,555	21,755	27,354	33,988	38,923
Expenditure	10,462	15,208	19,846	24,749	30,607	35,233
<u>Public enterprises</u>	-5,696	-1,737	-32	-2,380	895	1,623
Revenue	18,374	29,545	35,324	38,695	44,715	49,582
Expenditure	24,070	31,282	35,356	41,075	43,820	47,959
<u>Current account</u>	-2,431	5,020	8,041	8,177	12,232	14,965
Central Administration	-1,046	464	426	1,862	1,172	898
Rest public sector	-1,385	4,556	7,615	6,315	11,060	14,067
<u>Overall deficit</u>	-8,634	-4,017	-3,089	-3,715	-4,069	-532
External financing	-1,459	-341	1,460	699	-2,066	-5,626
Domestic financing	2,623	14,848	-471	-1,054	731	-415
External arrears (change)	7,470	-13,767	2,100	-3,096	2,044	676
Rescheduling	--	3,277	--	7,166	3,360	5,897
(millions of U.S. dollars)						
<u>Balance of payments</u>						
Merchandise exports, f.o.b.	869	852	998	939	1,086	1,114
Merchandise imports, c.i.f.	-894	-993	-1,102	-1,111	-1,163	-1,385
Investment income (net)	-347	-334	-314	-282	-281	-285
Other services and transfers (net)	132	191	263	324	287	321
Balance on current and transfer accounts (including official transfers)	-240	-284	-155	-130	-71	-215
Official capital (net)	-89	237	16	168	-71	-339
Private capital and errors and omissions (net)	16	97	12	99	49	102
Overall balance (deficit -)	-314	50	-127	137	-94	-472
Change in net official international reserves (increase -) 6/	-139	219	-48	-25	-55	77
Arrears, net (accumulation +)	453	-269	175	-112	149	395 7/
December 31						
	1982	1983	1984	1985	1986	1987
(millions of SDRs)						
<u>International reserve position</u>						
Central Bank (gross)	221	293	450	467	452	353
Central Bank (net)	-1,065	-127	-268	-60	-119	-219
Of which:						
payments arrears	-1,006	-38	-222	-42	-147	-189
Rest of banking system (net)	11	55	33	36	50	47
<u>IMF data (as of February 29, 1988)</u>						
Article VIII status						
Intervention currency and rate	U.S. dollar at ₡ 74.20 per US\$					
Quota	SDR 84.1 million					
Fund holdings of colones	SDR 174.0 million					
From Fund resources						
Credit tranche purchases (including SBA)	SDR 27.5 million					
EFF purchases	SDR 6.6 million					
CFF purchases	SDR 7.0 million					
Buffer stock financing problems	None					
Oil facility purchases	None					
From Supplementary and Enlarged Access Resources						
EAR purchases	SDR 47.5 million					
SFF purchases	SDR 1.4 million					
Fund holdings under Enlarged Access Policy	56.5 percent of quota					
Total Fund holdings	206.9 percent of quota					
Special Drawing Rights Department						
Cumulative SDR allocation	SDR 23.7 million					
Net acquisition or utilization (-) of SDRs	-SDR 23.7 million					

1/ GDP in colones has been converted into U.S. dollars using a constant real exchange rate between the colon and the U.S. dollar at the 1988 level.

2/ Ratio to GDP of average of liabilities to the private sector at the end of current and previous year.

3/ End of year; foreign currency balances are valued at accounting exchange rates.

4/ Includes government trust funds, counterpart arrears, and central bank operational losses.

5/ Expanded coverage of public sector, differs from program definition.

6/ Includes special lending facilities of foreign commercial banks.

7/ Includes arrears subject to rescheduling and rescheduling of previous arrears.



I. Overview

Beginning in the late 1970s, Costa Rica was affected by a series of external shocks, including a sharp deterioration in the terms of trade, and the pronounced rise in international interest rates. As Costa Rica did not adjust to those changes in external conditions, and instead expanded heavily its commercial borrowing abroad, it was faced with a severe financial crisis and deep recession in the period 1981-82.

A process of economic recovery and stabilization was started in the latter part of 1982. Progress was made over the next three years in reducing the deficit of the nonfinancial public sector, although this improvement was offset in part by growing operating losses of the Central Bank. In addition, the rate of inflation dropped sharply, domestic interest rates became significantly positive in real terms, and a unified and flexible exchange rate system was established. Costa Rica's external position remained weak, however, owing to a poor export performance and heavy debt service payments.

Although the recovery slowed somewhat in 1985 because of a drop in traditional exports, expansion resumed strongly in 1986, boosted by a large improvement in the terms of trade, with some of its effects being carried over into 1987. Inflation, which had decelerated from 90 percent during 1982 to 12 percent during 1984, picked up in late 1986 and into the first half of 1987 when the 12-month rate of increase of the CPI reached 20 percent. By year-end, the 12-month rate of inflation had subsided to about 16 percent. Real wages regained their pre-recession levels by 1986 and remained stable in 1987. The pace of economic expansion has kept the open unemployment rate below 6 1/2 percent.

In the fiscal area there has been considerable progress during the 1980s: the overall deficit of the nonfinancial public sector was reduced from 14 percent of GDP in 1981 to approximate balance in 1987, and the losses of the Central Bank declined from about 5 percent of GDP in 1983-85 to about 3 1/2 percent in 1986-87. Much of the substantial improvement in the finances of the nonfinancial public sector was brought about through revenue measures, although there were also cuts in fixed investment in recent years. In the state enterprises, a deficit equivalent to 7 3/4 percent of GDP in 1981 gave way to a surplus of 1/2 percent in 1987, as prices were adjusted substantially. In the same period, the deficit of the Central Administration fell from 5 percent of GDP to 2 percent as a result mainly of increases in indirect taxation. The position of the rest of the general government shifted from a deficit of 1 1/4 percent of GDP in 1981 to a surplus of 1 1/2 percent by 1987 largely because of an improvement in the finances of the Social Security Institute.

Financing of the nonfinancial public sector deficit in the early 1980s was dominated by external borrowing. The improvement of the public finances over subsequent years made it possible to repay domestic debt over the period 1984-87, even though the availability of foreign

financing decreased. Although net foreign disbursements to the non-financial public sector were negative in 1986 and 1987, there was continued reliance by the nonfinancial public sector on external financing through the accumulation of payments arrears.

The growth of private sector credit was relatively moderate until mid-1986 when first a liberalization, and then in 1987 the elimination, of credit controls increased the availability of credit. In addition, banks' loanable funds were swollen by the income gains derived from a boom in coffee exports, and credit demand began to expand very rapidly. In the third quarter of 1987 the authorities adopted a number of measures aimed at dampening credit expansion to the private sector, including increases in the discount rate and the deposit requirement for purchases of foreign exchange. However, late in 1987, the failure of a number of unregulated financial intermediaries provoked considerable uncertainty in the private financial sector and, except for a moderate increase in interest rates toward the end of 1987, there were no further attempts to tighten credit policy.

In the external sector, despite improvements in the terms of trade and declining international interest rates, Costa Rica's current account has been weak since the early 1980s reflecting largely the slow growth of traditional exports. Nontraditional exports have succeeded in penetrating new markets but this has been offset in part by the decline in sales to the Central American market. At the same time, the capital account has weakened due to dwindling disbursements of project loans and increasing amortization obligations. By the end of 1987, the stock of nonreschedulable external arrears had reached an estimated US\$270 million and liquid reserves were equal to less than one month of imports.

A reform of the exchange system led to a unified exchange rate in late 1983. In 1984 and the first half of 1985, the colon appreciated in real effective terms. Beginning in mid-1985 Costa Rica embarked on a more active exchange rate policy, with the objective of improving Costa Rica's export competitiveness; as a result, the colon was depreciated in real effective terms by 9 1/2 percent during 1985, 4 percent during 1986, and 17 1/2 percent during 1987.

II. Expenditure, Production, and Prices

Starting from the end of the recession in 1982, Costa Rica's GDP expanded at an uneven rate that averaged a little under 4 percent per year through 1985 (Table 1 and Chart 1). In 1986 output accelerated to over 4 1/2 percent, as a significant shift in the terms of trade lent impetus to the economic expansion. In 1987 output growth slowed to an estimated 3 percent as the gains from the terms of trade were partly reversed. Although 1987 real GDP was almost 10 percent higher than in 1980, on a per capita basis total output was still about 10 percent below the peak reached before the economic crisis of the early 1980s.

1. Domestic expenditure and savings

After weakening in 1985, domestic spending grew rapidly in 1986, stimulated by a brisk expansion in private investment and public sector consumption. A surge in national income associated with an improvement in the terms of trade contributed to a significant increase in private sector investment during the year, mainly in the form of a sizable rebuilding of inventories. Public sector consumption, which had declined in real terms in 1985, rose rapidly in 1986, boosted by a sharp increase in the Government's wage bill. In 1987 a tightening of fiscal policies and a slower buildup of inventories offset in part an increase in private sector spending and slowed the growth in domestic demand. Private spending increased rapidly during the year spurred by a significant expansion of credit, although some lagged effects of the 1986 gains in national income also appear to have played a role.

Gross national savings, which had recovered to an average of 13 percent of GDP in 1983-85, rose to 18 1/2 percent of GDP in 1986 before dropping back to 13 percent in 1987. This movement reflected the expansion in private sector income brought about by the boom in coffee prices and the delayed response of private consumption (private consumption declined with respect to nominal GDP during 1986). With the exception of 1986, external savings have continued to finance a substantial part of investment expenditure in recent years; such inflows have been increasingly in the form of concessional loans and grants.

2. Production by sectors

During the past two years Costa Rica has been engaged in an effort to reallocate resources into nontraditional activities with greater growth potential. Although a number of reforms introduced during this period appear to have been relatively successful in the agricultural and light industrial sectors, thus far their impact on the overall economy has been limited. The economic expansion of the last two years has been based largely on the strength of traditional activities, such as the foodstuff industries, banana production, and construction.

Table 1. Costa Rica: Expenditure and Savings

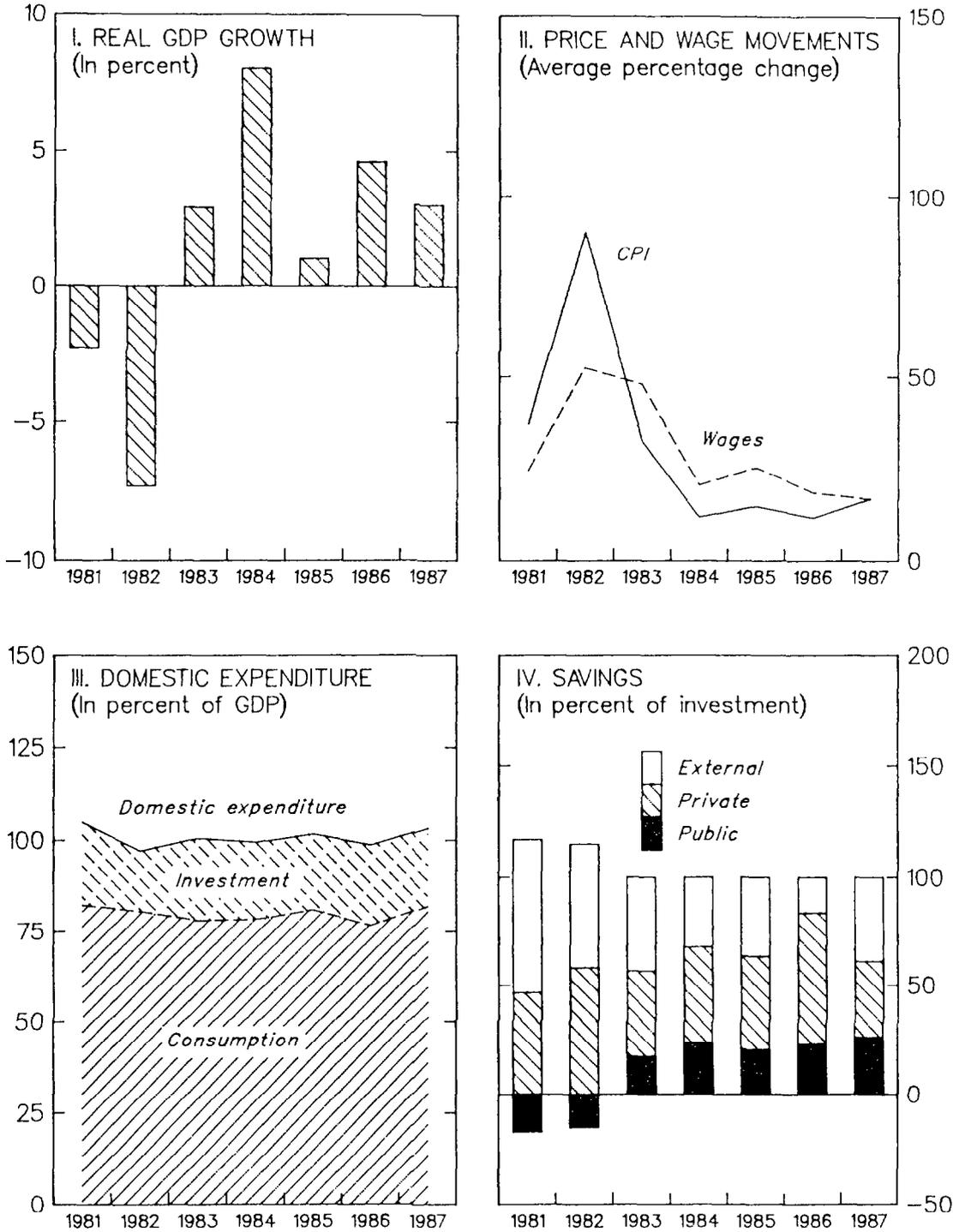
	1981	1982	1983	1984	1985	Prel. 1986	Est. 1987
(Annual percentage change, at 1966 prices)							
<u>Consumption</u>	-9.7	-3.8	-2.2	8.6	7.2	6.5	5.4
Private	-10.7	-3.0	-3.3	10.0	9.0	6.1	6.4
Public	-4.1	-7.5	3.8	2.1	-2.3	8.9	-0.5
<u>Investment</u>	-37.7	-40.8	80.2	6.4	6.2	20.1	-6.4
Private 1/	-45.2	-33.8	114.2	7.0	8.2	25.1	-5.0
Of which: gross fixed capital formation							
Private	-27.0	-14.2	6.7	33.9	6.6	15.3	10.1
Public	-21.0	-51.0	13.0	4.3	-1.5	-1.0	-13.6
<u>Gross domestic expenditure</u>	-16.9	-10.9	8.4	8.2	7.0	9.4	2.7
Exports of goods and nonfactor services	6.4	-10.9	0.4	10.1	-6.6	-5.2	14.5
Imports of goods and nonfactor services	-29.2	-22.2	17.2	11.1	9.0	7.6	13.0
<u>Gross domestic product</u>	-2.3	-7.3	2.9	8.0	1.0	4.6	3.0
(In percent of GDP at current prices)							
<u>Gross domestic product</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<u>Resource balance</u>	-4.8	2.8	-0.6	0.5	-1.7	1.3	-3.2
Exports of goods and nonfactor services	45.2	44.4	36.1	35.0	32.2	32.7	33.9
Imports of goods and nonfactor services	-50.0	-41.6	-36.7	-34.5	-33.9	-31.4	-37.1
<u>Gross domestic expenditure</u>	104.8	97.2	100.6	99.5	101.7	98.7	103.2
<u>Consumption</u>	82.4	80.6	78.1	78.4	81.0	76.7	82.0
Private	67.4	67.4	63.3	63.8	66.3	62.4	67.3
Public	15.0	13.2	14.8	14.6	14.7	14.3	14.7
<u>Gross domestic investment</u>	22.4	16.6	22.5	21.1	20.7	21.9	21.2
Fixed capital formation	24.1	20.3	18.0	20.0	19.4	18.8	21.0
Private	14.9	14.9	11.9	14.5	14.2	14.3	17.0
Public	9.1	5.4	6.1	5.6	5.2	4.5	4.0
Changes in inventories	-1.7	-3.7	4.5	1.0	1.3	3.2	0.2
<u>National savings</u>	6.6	7.2	12.3	14.3	13.1	18.2	13.0
Private	10.4	9.6	8.4	9.3	8.9	13.3	7.4
Public	-3.8	-2.5	3.9	4.9	4.2	5.1	5.5
<u>External savings 2/</u>	15.8	9.5	10.2	6.8	7.6	3.7	8.2
(In percent of gross domestic investment)							
<u>Gross domestic investment</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<u>National savings</u>	29.6	43.0	56.5	67.6	63.3	83.7	61.0
Private	46.7	58.0	39.2	44.2	42.8	60.7	34.9
Public	-17.0	-15.0	17.3	23.4	20.5	23.0	26.1
<u>External savings 2/</u>	70.4	57.0	43.5	32.4	36.7	16.3	39.0

Sources: Statistical Appendix Tables 14 and 15.

1/ Includes changes in inventory.

2/ Current account balance of payments excluding official transfers for balance of payments support valued at the annual average exchange rate.

CHART 1
COSTA RICA
SELECTED ECONOMIC INDICATORS



Sources: Central Bank of Costa Rica; and Fund staff estimates.



a. Agriculture

Agricultural output growth, which had been strong in the early stages of the recovery, generally weakened in the past two years owing in part to a relatively poor performance of coffee, banana, and rice production in 1986, and from a sharp reduction in meat production in 1987 (Table 2 and Statistical Appendix Table 17).

Table 2. Costa Rica: Growth in Real GDP by Sector
(Annual percentage change)

	1981	1982	1983	1984	1985	1986	Prel. 1987
<u>Real GDP</u>	<u>-2.3</u>	<u>-7.3</u>	<u>2.9</u>	<u>8.0</u>	<u>1.0</u>	<u>4.6</u>	<u>3.0</u>
Of which:							
Agriculture	5.1	-4.7	4.0	10.1	-2.8	2.9	-5.0
Manufacturing	-0.5	-11.4	1.8	10.4	3.2	7.1	5.2
Utilities	7.8	4.5	20.2	3.0	-7.3	6.0	6.3
Construction	-21.7	-32.0	5.0	23.4	1.2	1.4	10.1
Commerce	-10.6	-11.7	3.2	11.4	2.7	6.6	5.9

Source: Statistical Appendix Table 16.

The production of coffee, the main agricultural product in Costa Rica, fluctuates a great deal from year to year. A widespread effort to improve cultivation practices at the beginning of the decade succeeded in raising average yields but failed to smooth the production cycle. Accordingly, following a record crop in 1984, plant yield plummeted and total production fell by 12 percent in the two-year period 1985-86. By boosting export receipts, the 1986 boom in the international price of coffee facilitated an increased use of fertilizers and disease control techniques, which contributed to higher plant yields and to a rise of output of more than 15 percent in 1987.

Production of bananas, the second largest crop in Costa Rica, has recovered from the record low levels of 1985, when plantations were severely damaged by strong winds and one of the three transnational companies ceased operations. During the past two years a government-sponsored program restored most of the plantations abandoned by the transnational company, and profits in banana production have begun to recover as a result of a significant cut in the banana export tax as well as the depreciation of the colon in real effective terms.

Meat production, which represented close to one fourth of agricultural value added in 1981-85, declined sharply in the past two years. Falling international prices, restrictions in export markets, and domestic price controls reduced profit margins and hindered the sector's ability to service its huge domestic debt. To avoid foreclosures, cattle growers increased the slaughter of cattle in 1984-85. As a result of the dwindling herd size, meat production fell by 35 percent in 1987.

After peaking in 1984, total basic grain production declined steadily in 1985-87, largely because of a reduction in government support. Although during the past two years the Government has continued to subsidize these activities through special credit lines, crop insurance programs, and the provision of free marketing services, it has reduced drastically the spreads between producer support prices and international prices. Besides narrowing the differential with international prices, the official grain marketing agency (CNP) has raised the price at which it sells domestically corn and beans above the support price for these crops so that there is no longer a direct loss on these transactions. As a result of the elimination of direct government subsidies, the production of rice and sorghum has declined sharply in the last two years. Although the Government also has reduced direct subsidies for corn and beans, bean production increased in 1986-87, owing to favorable weather conditions (Statistical Appendix Tables 19 and 20).

The output of nontraditional agricultural activities, such as African palm, macadamia nuts, pineapple, citrus fruits, ornamental plants, and flowers, rose rapidly in 1986-87. Increased government support in the form of subsidized credit lines and export subsidies, ^{1/} combined with the substantial depreciation of the colon in real terms, have raised markedly the profit levels of these activities. In line with these developments, the share of nontraditional activities in agricultural value added has risen from less than 4 percent at the beginning of the decade to slightly more than 10 percent in 1987.

b. Manufacturing

Manufacturing output has grown rapidly in recent years, largely in response to strong domestic demand. During 1986-87, in particular, the production of goods oriented toward the domestic market such as foodstuffs and beverages, paper products, petroleum derivatives ^{2/}, non-metallic mineral products (like cement) and metal products, rose rapidly. At the same time, output growth in export-oriented industries

^{1/} In 1986 export subsidies were consolidated into "export-contracts" under which individual exporters, as a result of achieving a specified level of exports, receive certain tax credits and tax exemptions. For more details, see Section V.

^{2/} Part of the significant increase in oil refining in the past two years may reflect changes in relative prices which have stimulated the importation of crude oil in place of refined oil products.

such as textiles, leather, and clothing, has slowed in part because of the contraction of demand in the Central American region, but also because of generally high production costs stemming from relatively (for the Central American region) high minimum wages and outmoded technologies. To stimulate exports, and also to foster more efficient import substitution, the Government has adopted a number of measures in recent years. In addition to the reduction of effective protection brought about by the tariff reform of 1986, a number of tax exemptions that applied to small industry and the artisanal and import substitution sector were consolidated in a flexible system, called "production contracts", while incentives for export industries were consolidated in the "export contracts" referred to above (and described in Chapter 5). Thus far, these incentives appear to have been effective mainly in industries oriented to the export market, such as clothing and wood products.

c. Utilities

Value added in this sector grew at a rapid pace in the past two years largely on the strength of a significant increase in electricity generation (Statistical Appendix Table 22). A hydroelectric plant that had malfunctioned in 1985 was restarted in 1986 and the Ventanas-Garita hydroelectric project--with a generating capacity of 90 MW--went into operation in 1987. During the past two years, electricity demand has grown rapidly, reflecting in part the economic expansion, but also a decline in the real cost of electricity for residential customers that occurred because of delays in the adjustment of electricity rates. To meet this demand, Costa Rica has reopened thermal plants that had been closed since the mid-1970s, begun to import electricity from Honduras, and given priority to the construction of a number of additional generating plants. In addition, electricity tariffs have been raised.

d. Construction

Value added in construction remained relatively stagnant in 1985-86, as public investment in road construction and maintenance was drastically curtailed. However, construction activity grew by 10 percent in 1987; financing of this activity increased sharply during the year as a newly created state bank, the Housing Bank, mobilized substantial amounts of public and private resources for residential construction. By contrast, public construction activity remained weak in 1987, with the exception of the energy projects mentioned above.

3. Prices

Inflation reached record levels at the beginning of the decade, but abated during the early stages of the recovery in line with a tightening of fiscal and monetary policies (Table 3). Inflation began to rebound in late 1986, and by mid-1987 the 12-month inflation rate had risen to about 20 percent, up from 15 1/2 percent at the end of 1986. A number of factors may have contributed to this development, including the

strength of demand stemming from the income gains associated with the 1986 coffee boom and expansionary credit policies. By the end of the year, however, the 12-month inflation rate had declined to 16 1/2 percent.

Table 3. Costa Rica: Price Indicators
(Annual percentage change)

	1981	1982	1983	1984	1985	1986	Prel. 1987
<u>Consumer price index</u>							
Average	37.1	90.1	32.6	12.0	15.0	11.8	16.8
End of period	65.1	81.7	10.7	17.3	10.9	15.4	16.4
<u>Wholesale price index</u>							
Average	65.3	100.3	26.2	7.7	10.4	9.0	10.6
End of period	117.2	79.1	5.9	12.2	7.6	11.9	10.9
<u>GDP deflator</u>	41.1	84.2	28.9	16.7	16.9	20.3	8.3

Sources: Statistical Appendix Table 23.

In recent years wholesale prices have been growing more slowly than consumer prices, reflecting the larger weight of oil products in the wholesale price index (during 1983-86, prices of oil products in Costa Rica remained constant, see Statistical Appendix Table 25). Moreover, controlled prices of a number of items included in the Consumer Price Index were adjusted substantially in recent years. ^{1/}

In recent years changes in the GDP deflator have differed markedly from those in the wholesale and consumer price indices, largely as a the result of the wide fluctuations in Costa Rica's terms of trade. In 1986, following a sharp increase in the international price of coffee and a significant decline in the price of oil, Costa Rica's terms of trade rose by 27 percent and the GDP deflator increased at a faster pace than inflation at the wholesale and retail levels. By contrast, in 1987

^{1/} Since 1983, following a major revision of pricing policies, about 14 categories of goods and services have been subject to price controls. In 1987 the Ministry of the Economy instituted changes in the procedures used to estimate production and marketing costs for these items in an effort to reduce distortions in price setting.

the price of coffee fell and the terms of trade declined by 14 per cent. As a result, inflation as measured by changes in the GDP deflator was substantially lower than wholesale and retail inflation.

4. Wages

Following a marked decline during the recession years 1981-82, real wages have recovered sharply in the past five years, in part, in reflection of the labor demand associated with the overall economic recovery but also because of distortions in the wage indexation mechanisms (particularly in the public sector) that were in effect until recently (Table 4). By 1986 real wages had recovered their pre-recession levels, and were growing at a rate far in excess of the gains in labor productivity. The indexation mechanisms used both in the public and private sectors were substantially modified in late 1986, and real wages are estimated to have remained constant in 1987.

Table 4. Costa Rica: Real Wages
(Annual percentage change)

	1981	1982	1983	1984	1985	1986
<u>Average real wage</u>	<u>-9.1</u>	<u>-19.8</u>	<u>11.4</u>	<u>7.8</u>	<u>9.1</u>	<u>6.1</u>
Private sector	-8.6	-16.0	12.7	8.6	7.7	5.2
Public sector	-4.3	-25.4	9.8	5.0	12.7	6.5
<u>Average real minimum wage</u>	<u>-9.5</u>	<u>-7.1</u>	<u>14.8</u>	<u>5.1</u>	<u>3.8</u>	<u>2.0</u>

Sources: Statistical Appendix Tables 26 and 27.

The new indexation mechanisms replaced the practice of granting wage adjustments based on changes in the value of a basket of goods and services. According to the new guidelines, minimum wages for different categories of private sector employees ^{1/} are to be adjusted at the beginning of each year by the percent increase in the consumer price index over the previous 12-months; whenever inflation exceeds 7 percent (measured from the beginning of the year) negotiations are opened and an additional adjustment may be granted. Wages in the public sector are to

^{1/} In 1987 positions with salaries regulated by minimum wages were consolidated into 286 categories.

be adjusted by the equivalent of 75 percent of an absolute amount derived by applying the projected rate of inflation for the coming year to the average wage level in the central administration (the fraction of 3/4 is chosen to leave room for the effect of seniority increases and other benefits). In addition, the guidelines call for a second adjustment in midyear if there are indications that inflation is likely to differ from that projected at the beginning of the year.

5. Employment

Total employment has increased only moderately during the recovery, but at a pace sufficient to keep the rate of open unemployment below 6 1/2 percent (Statistical Appendix Table 28). Growth of private sector employment has been particularly modest, although some sectors such as manufacturing and construction have recently registered stronger increases. The virtual stagnation of employment in other parts of the private sector has been attributed to the rapid recovery of real wages to their pre-recessionary peak, but it may be also be due to incentives provided by the Government to promote nontraditional activities that have given rise to the introduction of more capital intensive techniques. ^{1/} Public sector employment--about 20 percent of the total--fell in the recession, but has grown at an average rate of a little under 6 percent per year in the recovery.

^{1/} As part of fiscal incentives introduced in recent years imported capital goods are exempt from import duties.

III. Public Sector Finances 1/

1. Overall trends

The overall deficit of the nonfinancial public sector declined from a peak of 14 percent of GDP in 1981 to about 3 percent in 1983 until it was virtually eliminated in 1987 (Table 5 and Chart 2). Much of the improvement from 1983 to 1987 reflected a strengthening of the revenue performance due largely to continued adjustments in the prices charged for public services. There was also some reduction in the ratio of expenditure to GDP as a result of lower interest payments and a slowdown of public investment. 2/

In 1986 the coincidence of the coffee boom and declines in oil prices and interest rates resulted in a strengthening of the finances of the public enterprises, as the financial performance of both the state oil company (RECOPE) and the electricity company (ICE) improved. The benefits that accrued to the central government in the form of higher coffee tax revenue, however, were more than offset by reductions in other revenues and by sharp increases in spending related in part to the national elections that took place that year; large wage adjustments were granted to central government employees, incentives to nontraditional activities were increased, and the new administration launched an ambitious housing program. As a result, the central administration deficit rose by nearly 1 1/2 percent of GDP in 1986.

In 1987 coffee prices dropped sharply and both interest rates and oil prices recovered somewhat. Current expenditures increased by 1 1/2 percent of GDP as a result of a rise in interest payments and an expansion of export subsidies. In an offset to this increase, public investment was reduced by nearly 1 percent of GDP. Despite the drop in coffee prices, the performance of revenue in 1987 improved on the basis of better tax administration, adjustments in public sector prices, and, to a limited degree, the introduction of new tax measures late in the year.

The reduction in the public sector's overall deficit permitted the repayment of domestic debt after 1983. In 1983 a substantial rescheduling of external debt (and assumption of much of this debt by the Central Bank) were followed by the reopening of credit lines, thus

1/ The quasi-fiscal operations of the Central Bank are discussed in Section IV; this section deals exclusively with the nonfinancial public sector finances.

2/ There was a substantial compression in central administration expenditures in 1987 that occurred in relation to the rise in domestic prices. The ratios to GDP shown in Table 5 for 1986-87 are affected by the sharp rise in nominal GDP in 1986 and the pronounced slowdown in 1987 that are associated with the large shifts in the terms of trade mentioned earlier.

Table 5. Costa Rica: Summary of Nonfinancial Public Sector Operations
(In percent of GDP)

	1983	1984	1985	1986	1987
<u>Total revenue</u>	<u>26.8</u>	<u>28.3</u>	<u>28.1</u>	<u>27.2</u>	<u>29.6</u>
Current revenue	27.3	28.2	28.0	27.1	29.1
Tax revenue	22.3	22.5	23.3	20.7	23.0
Public enterprises operating surplus <u>1/</u>	2.4	3.5	1.7	1.9	3.2
Other	2.1	2.2	3.0	3.5	3.0
Capital revenue	0.1	0.1	0.1	0.1	0.5
<u>Total expenditure and net lending</u>	<u>29.9</u>	<u>30.2</u>	<u>30.0</u>	<u>28.9</u>	<u>29.8</u>
General government current expenditures <u>1/</u>	22.8	23.2	23.6	22.0	23.6
Capital expenditure, net lending, and other <u>2/</u>	7.1	7.1	6.4	6.9	6.2
Of which: fixed capital formation	6.1	5.7	5.4	4.5	4.0
<u>Overall deficit</u>	<u>-3.1</u>	<u>-1.9</u>	<u>-1.9</u>	<u>-1.7</u>	<u>-0.2</u>
<u>Financing</u>	<u>3.1</u>	<u>1.9</u>	<u>1.9</u>	<u>1.7</u>	<u>0.2</u>
Domestic <u>3/</u>	11.5 <u>4/</u>	-0.3	-0.6	--	-0.2
External (net)	-8.4	2.2	2.5	1.7	0.4
Net disbursements	-0.3	0.9	0.4	-0.9	-2.1
Changes in arrears	-10.6	1.3	-1.6	1.2	2.3
Rescheduling	2.5	--	3.7	1.4	0.2
<u>Memorandum item</u>					
Current account surplus or deficit (-)	3.9	5.1	4.5	5.1	5.5

Sources: Statistical Appendix Tables 14 and 29.

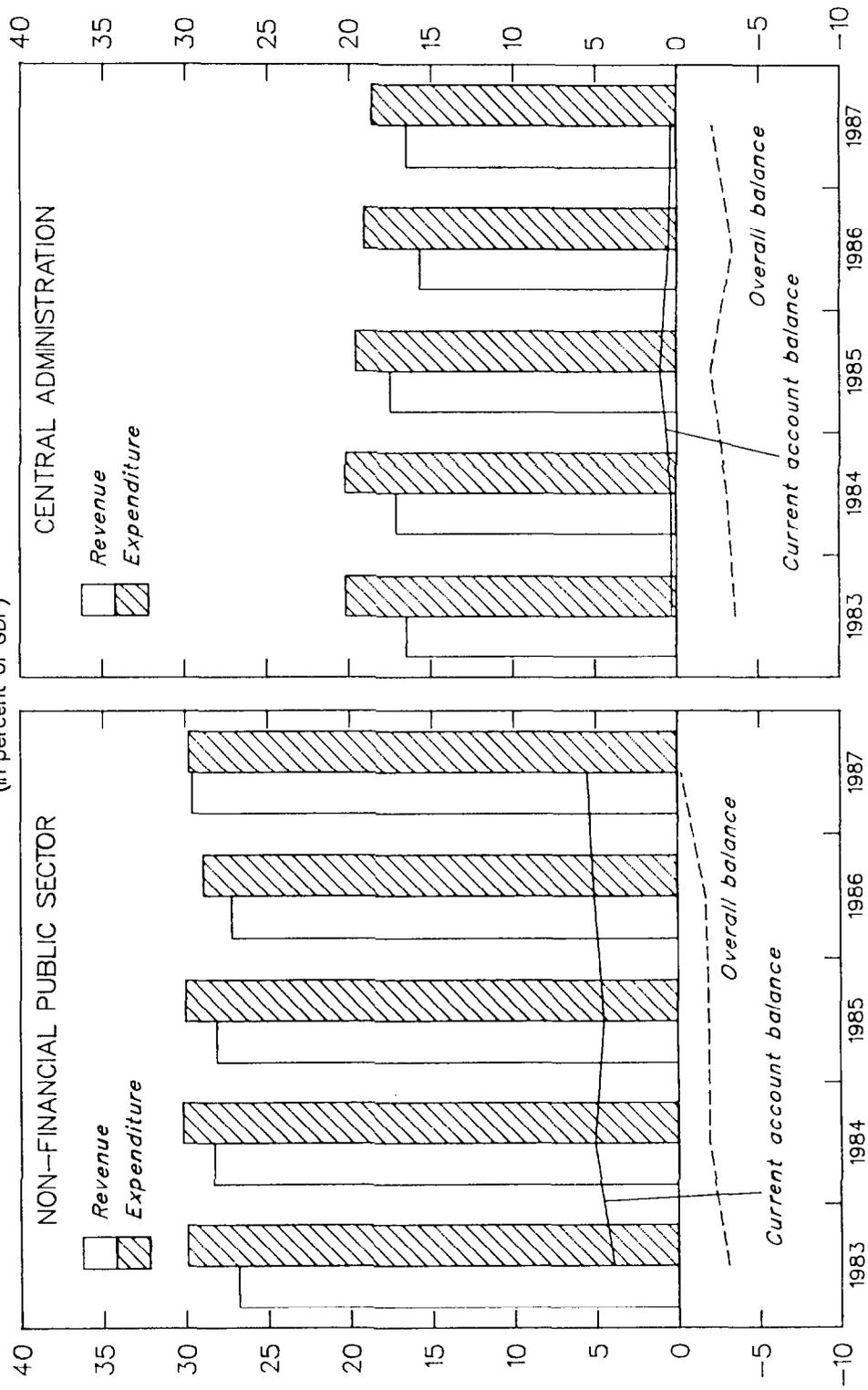
1/ Includes unpaid interest.

2/ Includes statistical discrepancies arising from reporting on an accrual and cash basis, and from reporting periods that differ from the calendar year.

3/ Includes changes in domestic floating debt.

4/ Includes the assumption by the Central Bank of a share of the external debt of the public sector in connection with the foreign commercial banks' rescheduling agreement of 1983.

CHART 2
COSTA RICA
OPERATIONS OF THE NON-FINANCIAL PUBLIC SECTOR
(In percent of GDP)



Source: Statistical Appendix Table 29.



reducing further the pressure on domestic financial resources in the following years. Another large debt rescheduling arrangement took place in 1985, followed by smaller reschedulings in 1986 and 1987. With the buildup of arrears in the past two years, however, credit lines were withdrawn. Moreover, a slowdown in disbursements of project loans from multilateral agencies has reduced sharply gross disbursements since 1985. In 1987 the nonfinancial public sector further reduced its debt with the banking system, and a large placement of government bonds permitted a substantial reduction in domestic floating debt.

2. Central administration

The overall deficit of the central administration declined from a peak of 5 1/4 percent in 1981 to 2 percent of GDP in 1985, then worsened to 3 1/2 percent in 1986 when a weakening of revenue performance was accompanied by a sharp increase in expenditure (Table 6). A tightening of expenditure in 1987 together with improvements in tax administration reduced the central administration deficit to about its 1985 level.

a. Revenues

The growth in central government revenues, which had been very rapid in 1983-85, slowed in 1986-87. Collections in 1986 were affected by the growing number of tax exemptions extended to the export and tourism sectors and by slippages in the implementation of a new customs tariff code in the first half of the year. In 1987 improvements were made in tax administration through the adoption of reforms in the internal tax and customs offices, a tightening of regulations on tax exemptions, and efforts to register non-filers, and in November a package of new tax measures was enacted by the Assembly.

Proceeds from direct taxes declined by 1 1/4 percentage points of GDP from 1983 to 1986 owing mainly to liberal exemption schemes incorporated in the income tax in connection with the introduction of incentives for nontraditional activities. The improvements made in tax administration in 1987 succeeded in halting the deterioration in direct tax revenue; in addition, by increasing property taxes, the November 1987 tax package (discussed below) strengthened the direct taxation base for the future.

In the period 1985-87 a number of important changes were made in indirect taxes. In May 1985 the rates of selective consumption taxes for a number of durable--mainly imported--goods were reduced. Early in 1986, small pick-up trucks that were previously taxed at 75 percent were exempted from the consumption tax. Consequently, selective consumption tax revenue fell by 3/4 of 1 percent of GDP from 1985 to 1986. In addition, an October 1986 reorganization of selective consumption taxes also resulted in a reduction of certain tax rates. In July 1987 the government exempted small cars from the consumption tax and partially restored the tax on small pick-up trucks. Also, transfers from RECOPE to the central government were augmented by imposing a consumption tax

Table 6. Costa Rica: Summary Operations of the Central Administration

(In percent of GDP)

	1983	1984	1985	1986	1987
<u>Total revenue</u>	<u>16.5</u>	<u>17.1</u>	<u>17.5</u>	<u>15.7</u>	<u>16.5</u>
Tax revenue	15.9	15.7	16.2	14.0	15.3
Direct taxes	3.9	3.4	3.1	2.7	2.8
Income and profits taxes	3.6	3.0	2.7	2.4	2.4
Other	0.3	0.4	0.4	0.4	0.3
Domestic indirect taxes	5.9	7.0	7.2	6.0	7.6
General sales tax	3.3	3.6	3.7	3.3	3.8
Selective taxes on goods and services	2.6	3.4	3.5	2.7	3.8 ^{1/}
Taxes on international trade	6.1	5.3	5.9	5.2	5.0
Taxes on imports	1.9	2.6	3.5	2.8	3.1
Taxes on exports	3.9	2.4	2.3	2.5	1.8
Other	0.3	0.2	0.1	--	--
Nontax revenue	0.6	1.4	1.3	1.7	1.2
<u>Total expenditure</u>	<u>20.1</u>	<u>20.2</u>	<u>19.6</u>	<u>19.1</u>	<u>18.6</u>
Current expenditure	16.2	16.8	16.4	15.2	16.1
Wages and salaries	6.0	6.3	6.0	5.6	5.8
Purchases of goods and services	0.9	0.9	1.0	0.8	0.9
Interest payments ^{2/}	2.9	2.6	2.5	2.5	2.8
Current transfers	6.4	7.0	6.9	6.3	6.6
Capital expenditure	3.9	3.4	3.2	3.9	2.5
Fixed capital formation	2.3	2.3	1.8	1.2	0.9
Capital transfers	1.5	0.9	1.3	2.7	1.6
Other capital expenditures	0.1	0.2	0.1	0.2	--
<u>Current account deficit (-)</u>	<u>0.3</u>	<u>0.3</u>	<u>1.0</u>	<u>0.5</u>	<u>0.3</u>
<u>Overall deficit (-)</u>	<u>-3.6</u>	<u>-3.1</u>	<u>-2.1</u>	<u>-3.4</u>	<u>-2.2</u>
<u>Financing (net)</u>	<u>3.6</u>	<u>3.1</u>	<u>2.1</u>	<u>3.4</u>	<u>2.2</u>
Domestic	1.9	1.2	-0.3	1.3	2.1
External	1.7	1.9	2.4	2.1	0.1
Net disbursements	1.5	1.6	2.0	1.6	0.1
Interest in arrears	0.2	0.3	0.4	0.5	--

Sources: Statistical Appendix Tables 14, 30, and 31; and Fund staff estimates.

^{1/} Includes approximately 1/2 percent of GDP of transfers from RECOPE (the state oil refinery) classified in 1987 as a consumption tax.

^{2/} Includes unpaid interest.

on gasoline in lieu of a direct transfer; as a result, revenues from selective consumption taxes increased in 1987 by 1 percent of GDP. Sales tax receipts also increased in 1987, mainly because of the inclusion of state lottery sales in the tax base.

Foreign trade tax revenue fell by close to 1 percentage point of GDP in 1986-87, split about equally between export and import taxes. There was a further reduction in the tax rate on banana exports and a restructuring of import taxes aimed at reducing effective protection. Tariff rates on imports of final goods were lowered, while those on imports of capital goods and raw materials were raised (with exemptions for inputs used in qualified export and import substitution industries). Taking the period 1983-87 as a whole, import tax revenue increased by more than 1 percentage point of GDP, while export tax revenue declined by some 2 percentage points.

In late November 1987 the Legislative Assembly adopted a broad package of tax measures. The legislation broadened the tax base by including a number of new activities; it also established a graduated tax on luxury construction, increased the rates of the current tax on the transfer of real estate, and adjusted real estate assessments by applying an inflation adjustment index. In addition, the tax rate on dividends and interest on stocks and bonds registered on the stock exchange was raised from 5 to 8 percent and that on income from all other securities to 15 percent; the revenue from the vehicle property tax was raised substantially by substituting the car's value in place of its weight as the basis for the tax; taxes were established on the sale of vehicles previously exempted and on gross casino revenues; and stamp taxes were raised and a number of import duty exemptions were eliminated.

b. Expenditure

Central administration expenditure rose rapidly in 1986, although it declined relative to GDP because of the sharp increase in nominal GDP associated with the gains in the terms of trade referred to above; some of the revenue from these gains (particularly those accruing to the state oil refinery) were allocated to social expenditures and to housing projects, including the capitalization of the newly created Housing Bank.

In 1987 expenditure was brought under better control and declined by 1/2 percent of GDP. Capital spending declined in line with cutbacks in outlays for road construction and maintenance associated with reductions in external financing. This development was partially offset by an increase in current expenditure due to growing interest payments on domestic debt, larger subsidies to nontraditional exports, and a higher wage bill.

3. Rest of the general government

Aside from the central administration, the general government consists largely of social welfare institutions which provide health, educational services, and retirement benefits. It also includes regulatory agencies and local governments. The single most important administrative unit is the Social Security Institute (CCSS). The general government excluding the central administration was in surplus throughout the period 1983-87, due almost entirely to strong financial performance by the CCSS.

In line with the recovery of real wages and employment throughout the period, social security contributions rose sharply from 1983 to 1987. Current expenditures by CCSS remained constant from 1983 to 1986; however, they increased substantially in 1987 mainly due to both legislated and judicially mandated pension increases (Statistical Appendix Table 32). Capital expenditures were raised in 1986-1987 when CCSS launched an ambitious housing program.

4. Public enterprises

The performance of the state enterprises has strengthened markedly in recent years, with their combined overall balance shifting from a deficit of 7 3/4 percent of GDP in 1981 to a surplus of 1/2 percent of GDP in 1986-87. In 1986-87, there was a slowdown in the growth of current expenditures that stemmed from a reduction in the cost of oil purchases by RECOPE, a decline in interest payments resulting from the drop in international interest rates, and a reduction in the National Development Corporation's (CODESA) operating expenditures as a consequence of its divestiture program. Capital expenditure declined slightly during this period, reflecting the completion of certain energy projects and some delays in the construction of other projects due to difficulties in obtaining external financing. During 1986-87 revenues of the enterprises in relation to GDP grew more slowly than earlier because of delays in adjusting public tariffs and charges, particularly in 1986; the slowdown also reflected a reduction in direct government support to the National Production Council (CNP) and a decline in CODESA's revenues associated with its divestiture program (Table 7).

RECOPE's financial position had weakened considerably in 1985 as a result of a freeze on domestic fuel prices and sharp increases in the domestic cost of imported fuel. This trend was reversed in 1986 as the drop in the international price of oil products was not passed on to consumers. Furthermore, as international oil prices began to rise again, domestic prices were adjusted upward in the last quarter of 1987 to compensate for the increase in the domestic cost of imported fuel-- which was also affected by the devaluation of the colon. Thus, RECOPE's financial position improved sharply during 1986-87, despite a significant increase in transfers to the rest of the public sector and a surge in its wage bill which reflected the outcome of collective bargaining

Table 7. Costa Rica: Summary Operations of Major Nonfinancial Public Enterprises

(In percent of GDP)

	1983	1984	1985	1986	1987
<u>Total revenue</u>	<u>22.8</u>	<u>21.7</u>	<u>19.8</u>	<u>18.5</u>	<u>18.3</u>
Of which:					
RECOPE	8.4	7.1	6.8	5.5	5.7
ICE	4.5	5.3	5.0	4.3	4.7
CODESA	2.8	2.4	1.7	1.6	1.2
CNP	3.1	3.1	2.7	2.8	2.0
<u>Current expenditure 1/</u>	<u>20.8</u>	<u>19.0</u>	<u>18.7</u>	<u>15.9</u>	<u>15.7</u>
Of which:					
RECOPE	7.4	6.2	6.7	4.8	5.0
ICE	3.6	3.3	3.3	2.8	2.8
CODESA	2.9	2.5	2.0	1.7	1.4
CNP	3.5	3.8	3.4	2.9	2.3
<u>Capital expenditure 2/</u>	<u>3.4</u>	<u>2.7</u>	<u>2.3</u>	<u>2.2</u>	<u>2.0</u>
Of which:					
RECOPE	0.6	0.5	0.3	0.2	0.3
ICE	1.8	1.6	1.6	1.5	1.3
CODESA	0.5	0.1	0.1	-0.1	-0.2
CNP	--	--	--	--	0.1
<u>Operating surplus</u>	<u>2.4</u>	<u>3.4</u>	<u>1.6</u>	<u>2.8</u>	<u>3.2</u>
Of which:					
RECOPE	1.3	1.3	0.6	1.5	1.2
ICE	1.0	2.3	1.8	1.7	2.1
CODESA	-0.6	-0.2	-0.3	-0.2	-0.1
CNP	-0.5	-0.8	-0.8	-0.6	-0.4
<u>Current account</u>	<u>1.6</u>	<u>2.5</u>	<u>0.9</u>	<u>1.9</u>	<u>2.3</u>
Of which:					
RECOPE	1.0	0.9	0.1	0.7	0.7
ICE	0.8	2.0	1.6	1.5	1.9
CODESA	-0.3	--	-0.3	-0.2	-0.2
CNP	-0.4	-0.7	-0.7	-0.3	-0.3
<u>Overall deficit (-)</u>	<u>-1.3</u>	<u>--</u>	<u>-1.2</u>	<u>0.4</u>	<u>0.6</u>
Of which:					
RECOPE	0.4	0.5	-0.2	0.5	0.4
ICE	-0.9	0.4	0.1	--	0.6
CODESA	-0.6	-0.2	-0.4	-0.1	--
CNP	-0.4	-0.7	-0.7	-0.1	-0.3

Sources: Statistical Appendix Tables 14 and 33.

1/ Includes all unpaid interest.

2/ Includes net lending.

agreements and judicial decisions affecting the interpretation of seniority rights as well as the effect of personnel reclassifications and promotions.

ICE generates, transmits, and distributes electricity, and is also the sole provider of telephone and radio communications in Costa Rica. ICE's financial situation weakened somewhat in 1986, mostly due to delays in the adjustments of tariffs, with electricity rates rising more slowly than domestic inflation. At the same time, ICE's wage bill began to rise at a faster pace as a result of reclassification of personnel and large wage adjustments granted in line with those granted in other public enterprises. These developments were offset in part by relief in its external obligations as a result of the decline in foreign interest rates. In 1987 ICE's financial situation improved largely as a result of a reduction in capital spending associated with the completion of the Ventanas-Garita hydroelectric project and some delays in the initiation of other projects. Also, electricity rates were raised by an average of 17 1/2 percent in October 1987 in an effort to curtail residential demand which had grown sharply in 1986-87.

CODESA is a holding company for a number of subsidiaries operating in various sectors of the economy, including cement plants, textile factories, mines, food processing plants, and chemical factories. Since 1985, CODESA has been involved in a divestiture program aimed at privatizing a number of its subsidiaries, 1/ transferring some to other parts of the public sector, and liquidating the remainder. This process has been facilitated by a trust set up under U.S. AID auspices that has assumed a substantial part of the liabilities of these entities. In recent years two major subsidiaries have been sold to the private sector, two more major subsidiaries have been transferred to the rest of the public sector, and a number of small subsidiaries have been liquidated. 2/ As a result, CODESA's overall balance, which used to be in large deficit during the early 1980s, reached virtual equilibrium in 1986-87.

CNP is an autonomous public entity charged with regulating the production and marketing of basic grains and other agricultural products. CNP's financial situation deteriorated markedly in the period 1983-85 as the government embarked on an ambitious program to promote the production of basic grains. In line with the changes in policy described in Section II, 2.a, above, and due also to support from the central administration, the deficit of CNP declined by close to one half of 1 percent of GDP in the past two years.

1/ Of the 42 entities related to CODESA, there were 7 major enterprises, 23 small subsidiaries, and 12 enterprises in which CODESA had a minority participation.

2/ Two major subsidiaries, FERTICA and CEMPASA, are to remain under the control of CODESA due to legal restrictions on their privatization.

IV. Financial Intermediation

1. Overall trends

The rate of total credit expansion (credit to the public and private sectors) declined sharply in 1984 and was relatively stable through 1986 in line with the implementation of stabilization measures. In 1987 there was a strong increase in credit expansion despite steps taken by the authorities starting in the second quarter to brake such increase. The flow of loanable resources to the banking system remained relatively constant in relation to nominal GDP throughout most of the period 1983-86 but registered some expansion in 1987 (Table 8).

The behavior of total bank credit has been heavily influenced by the strengthening of the financial position of the public sector since the early 1980s which, as noted in Section III above, permitted an overall net repayment of domestic debt from 1983 to 1987. Credit to the private sector has risen throughout the period, and growth was particularly brisk in 1986 and 1987 when lower real interest rates, a faster pace of economic activity, and reductions in import taxes stimulated private sector credit demands.

The net operating losses of the Central Bank have declined in the past two years, and an accumulation of external payments arrears has reduced the losses on a cash basis even further, diminishing the largest source of expansion of the banking system's domestic assets in the early 1980s.

2. Private sector financial savings

The stock of private financial savings (including government bond holdings of the nonbank private sector) declined in relation to GDP in the period 1983-86, although to some degree the decline in 1986 is explained by the rise in GDP that was due to a favorable shift in the terms of trade; measured with respect to the growth of gross domestic expenditure or consumer prices, the behavior of private financial assets was somewhat more stable (Table 9). The sharp growth of incomes in the latter part of 1986 that was associated with the boom in coffee exports led to a marked rise in the accumulation of financial assets in 1987, particularly bonds and foreign exchange deposits (Statistical Appendix Table 35). It should be noted, however, that part of the increase reflected the issue of stabilization bonds (€ 4.3 billion) in connection with the conversion of external debt (equivalent to 1 1/2 percent of GDP). ^{1/} Growth in other private sector financial assets in 1987 was

^{1/} External debt (mainly to commercial banks) having a face value of some US\$96 million was purchased in 1987 at an average of about 70 percent of face value using central bank stabilization bonds. These bonds could then be discounted in the stock market with the proceeds to be used for qualified investments (in export- and import-competing industries).

Table 8. Costa Rica: Summary Operations of the Banking System ^{1/}

	December 31				
	1983	1984	1985 ^{2/}	1986	1987
(Annual percentage change) ^{3/}					
I. Central Bank					
<u>Net international reserves</u>	<u>5.9</u>	<u>-10.5</u>	<u>15.8</u>	<u>-6.2</u>	<u>-11.6</u>
<u>Net domestic assets</u>	<u>-1.0</u>	<u>12.2</u>	<u>-10.4</u>	<u>11.8</u>	<u>14.0</u>
Public sector (net)	5.7	2.8	0.9	14.6	-7.2
Banks	-3.9	-1.4	4.2	5.3	3.7
Trust funds	--	-6.1	-10.5	-10.1	2.9
Stabilization bonds	-0.8	-0.3	-1.1	0.2	-3.1
Medium- and long-term foreign liabilities	-12.5	-5.7	-10.3	-8.4	2.2
Counterpart arrears	-11.7	12.3	-11.7	10.6	6.2
Operating losses (cash basis)	...	6.8	24.0	6.6	2.1
Other	22.2	3.8	-5.9	-7.0	7.2
<u>Currency issue</u>	<u>4.9</u>	<u>1.7</u>	<u>5.4</u>	<u>5.6</u>	<u>2.4</u>
II. Banking system					
<u>Net international reserves</u> ^{4/}	<u>-7.2</u>	<u>1.9</u>	<u>2.6</u>	<u>6.0</u>	<u>-5.0</u>
<u>Net domestic assets</u>	<u>37.5</u>	<u>8.5</u>	<u>14.8</u>	<u>16.3</u>	<u>23.4</u>
Public sector (net)	-4.0	-1.7 ^{5/}	0.8 ^{5/}	-1.6 ^{5/}	-1.0 ^{5//6/}
Private sector	22.8	9.0	8.5	9.3	11.9
Trust funds	--	-6.1	-10.5	-10.1	-2.9
Medium- and long-term foreign liabilities	-12.4	-5.7	-11.4	-8.4	-2.1
Other	31.1	12.5	27.4	27.1	17.5
<u>Liabilities to the private sector</u>	<u>30.3</u>	<u>10.4</u>	<u>17.4</u>	<u>22.3</u>	<u>18.4</u>
Money	13.4	5.9	5.3	15.2	0.6
Quasi-money	16.9	4.7	12.1	7.1	17.8
Domestic currency	16.6	3.5	6.9	1.6	12.8
Foreign currency	0.3	1.2	5.2	5.5	5.0
(Stocks, in percent of GDP) ^{7/}					
Credit to private sector	17.6	18.4	18.2	17.1	18.7
Liabilities to private sector	36.7	35.5	35.0	32.9	36.2

Sources: Statistical Appendix Tables 14 and 34.

^{1/} Accounts in foreign exchange valued at the average exchange rate for the relevant 12-month period.

^{2/} For comparison with 1984, the data show here are original data; in 1987 reclassification of a number of accounts was introduced, but available information did not permit revision of data prior to 1985. See also footnote 3, Statistical Appendix Table 34.

^{3/} In relation to the stock of liabilities to the private sector at the beginning of the period.

^{4/} Excludes external payment arrears.

^{5/} Excludes external debt of the nonfinancial public sector assumed by the Central Bank.

^{6/} Excludes the cancelation of debt of the nonfinancial public sector with the use of government trust funds.

^{7/} Ratio of the average stocks at the beginning and end of year in relation to GDP in the year.

limited by a large increase in private consumption, even though some of this growth was financed with bank credit.

Table 9. Costa Rica: Private Sector Financial Assets
(As percent of GDP) 1/

	1983	1984	1985	1986	1987
<u>Total</u>	<u>37.4</u>	<u>35.7</u>	<u>34.8</u>	<u>33.8</u>	<u>42.8</u>
<u>Money</u>	<u>15.3</u>	<u>14.8</u>	<u>14.2</u>	<u>14.2</u>	<u>15.0</u>
Currency	4.8	4.8	4.8	4.8	5.5
Demand deposits	10.5	10.0	9.4	9.4	9.5
<u>Quasi-money</u>	<u>20.9</u>	<u>19.6</u>	<u>18.4</u>	<u>17.3</u>	<u>24.6</u>
In domestic currency	15.0	13.9	11.7	10.5	15.1
Savings deposits	1.7	1.6	1.5	1.5	1.7
Time deposits	7.8	7.8	6.3	5.3	7.1
Bonds <u>2/</u>	5.5	4.5	3.9	3.7	6.3
In foreign currency	6.0	5.7	6.7	6.8	9.5
<u>Private capital and other obligations</u>	<u>1.2</u>	<u>1.3</u>	<u>2.2</u>	<u>2.3</u>	<u>3.2</u>
<u>Memorandum items</u>					
Total as a percent of gross domestic expenditures	42.1	38.0	36.9	38.3	41.5

Source: Statistical Appendix Table 35.

1/ Ratio of the average stock of financial assets at the beginning and end of year in relation to GDP of the same year. Foreign currency deposits are valued at the end-of-year banking exchange rate.

2/ Including government bonds.

Foreign exchange deposits grew rapidly in 1985 in response to a favorable interest rate differential with respect to LIBOR and because of lower real rates paid on assets denominated in local currency. There was another sharp rise in foreign currency deposits in 1987 as the stepped-up pace of currency devaluation lowered the relative returns on domestic currency deposits (Chart 3).

3. Credit operations

The rate of growth of total bank credit slowed in 1984-86 as a result of a marked decrease in credit to the nonfinancial public sector. A significant improvement in the public sector finances began in 1983 and was supplemented by the rescheduling of a large portion of the public sector's external debt in that year and again in 1985. In 1986 reported net credit to the nonfinancial public sector expanded sharply; however, this was due to the assumption by the Central Bank of ₡ 10 billion of debt of the nonfinancial public sector. Exclusive of this operation, credit to the nonfinancial public sector declined further in 1986. In 1987 reported net credit to the nonfinancial public sector fell sharply, due to the cancellation of ₡ 6 billion of indebtedness to the Central Bank with the use of counterpart trust funds. On an adjusted basis, there was a modest contraction of bank credit to the nonfinancial public sector in 1987 despite a decline in foreign loan disbursements and unavailability of foreign commercial bank lending as a means of financing.

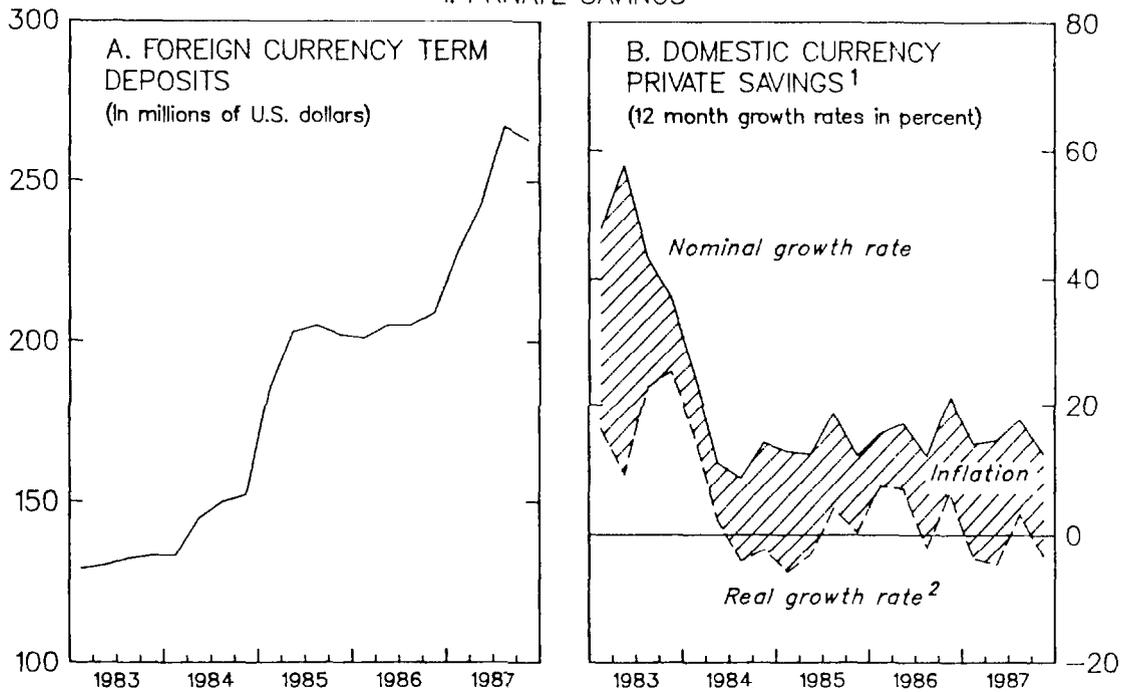
In 1987 credit to the private sector increased sharply, owing largely to the more rapid pace of overall economic activity and a decline in real interest rates, particularly in the first half of the year. During this period there was a shift in the allocation of credit toward the housing, personal consumption, and commercial sectors and away from the manufacturing and livestock sectors. This shift was stimulated in part by reductions in consumption taxes on imported goods (Statistical Appendix Table 37). Housing activities also absorbed a larger share of private sector credit. The shift in the composition of credit was made possible by the substitution, in mid-1986, of global credit ceilings on individual banks in place of the selective credit ceilings in use up to that point. In early 1987 the global ceilings were eliminated as well.

Net operating losses of the Central Bank represent an important component of the expansion of the banking system's domestic assets. ^{1/} These losses were on the order of 5 percent of GDP in 1983-85, but they were reduced to less than 4 percent in 1986 and to just over 3 percent in 1987 (Table 10). On a cash basis the losses were 2 percent of GDP in 1986 and 3/4 of 1 percent in 1987, as a substantial part of the interest on the Central Bank's external debt was not paid. The improvement in the operating position of the Central Bank in the past two years derived mainly from lower international interest rates, reductions in the interest paid on counterpart deposits of U.S. AID balance of payments support, and profits from external debt conversion (such conversions amounted to a little over US\$100 million). Other factors that contributed to the reduction in losses were lower interest paid on

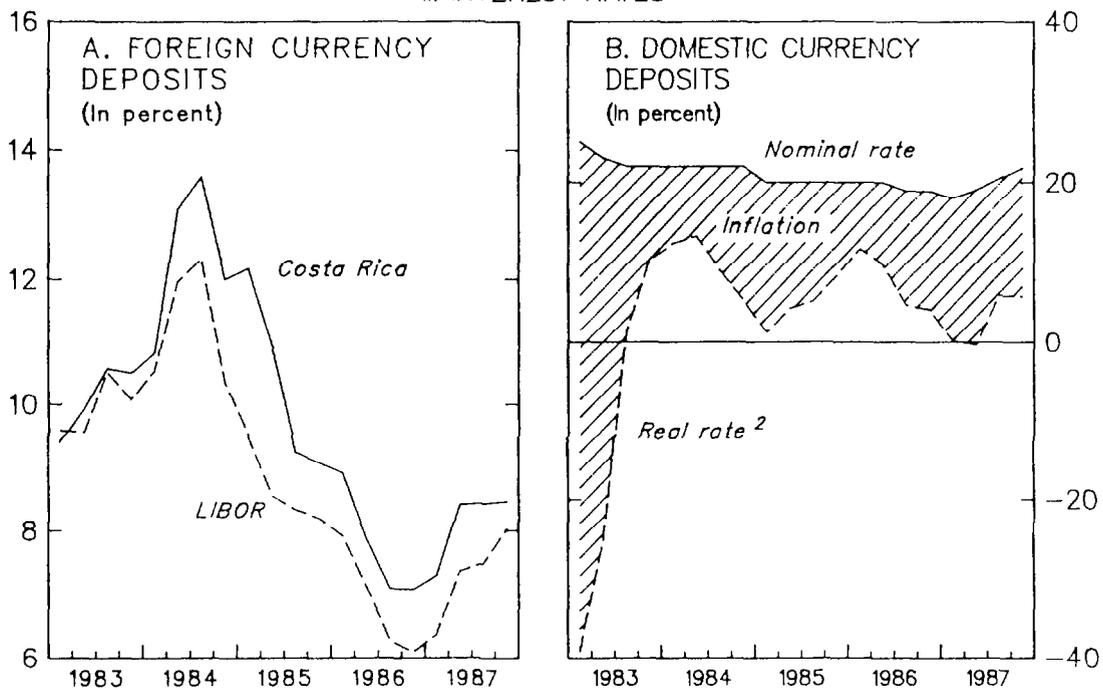
^{1/} A more detailed discussion of the operating losses of the Central Bank is found in Appendix II of SM/86/250.

CHART 3
COSTA RICA
PRIVATE SAVINGS AND INTEREST RATES

I. PRIVATE SAVINGS



II. INTEREST RATES³



Source: Central Bank of Costa Rica and Fund staff estimates.
¹ Money plus savings and time deposits and stabilization bonds.
² Deflated by the consumer price index.
³ Annual rates on 6 month deposits.



deposits of foreign exchange, revenue from a widening of the spread between buying and selling rates for foreign exchange, and a tax on bank credit.

Table 10. Costa Rica: Net Operating Losses of the Central Bank
(In percent of GDP)

	Preliminary				
	1983	1984	1985	1986	1987
I. <u>Revenue</u>	2.4	4.1	3.5	3.4	3.9
Interest on domestic claims	1.4	2.1	2.0	1.9	2.0
Interest on foreign claims	0.7	1.6	0.7	0.8	0.7
Other	0.3	0.4	0.8	0.7	1.2
II. <u>Expenditure</u>	7.4	8.8	8.8	7.2	7.0
Interest on domestic liabilities	1.2	1.3	1.6	1.8	1.2
Stabilization bonds	0.7	0.7	0.6	0.5	0.5
Trust funds	--	0.1	0.3	0.8	0.3
Commercial banks' foreign exchange deposits	0.5	0.5	0.7	0.5	0.4
Interest on external liabilities	5.2	6.4	6.4	4.7	5.0
Other	1.0	1.1	0.8	0.7	0.8
III. <u>Net losses (I-II)</u>	-5.0	-4.7	-5.3	-3.8	-3.1
<u>Memorandum item</u>					
Net losses (cash basis) <u>1/</u>	...	-1.7	-7.7	-2.0	-0.7

Sources: Central Bank of Costa Rica; and Fund staff estimates.

1/ Corresponds to the net operating losses shown in Table 8 and includes the effect of changes in arrears.

4. Instruments of monetary policy

From mid-1984 through 1985 monetary policy was implemented through a series of adjustments to reserve requirements and changes in the basic interest rate (which is geared to the rate paid on stabilization bonds) as well as in the interest rates paid on foreign currency deposits. Due

to the impact on its losses of growing placements of stabilization bonds and the rise in foreign currency deposits, the Central Bank in mid-1985 lowered the rate on foreign currency deposits to 1 1/2 percent over LIBOR, and in September lowered the interest rate on stabilization bonds by 5 points (from 22 percent to 17 percent). At the same time, the Central Bank initiated a series of gradual increases in banks' legal reserve requirements to compensate for the expected expansionary impact of the drop in interest rates.

In mid-1986 the Central Bank liberalized the system of credit controls on the state banks. As noted, global credit limits for each bank replaced limits on each line of credit; also, banks were permitted to use interbank deposits to cover temporary reserve shortfalls, and banks were given limited flexibility in setting deposit and lending rates. Further efforts were made to introduce greater efficiency in the operations of the state-owned commercial banks in 1986 and 1987; most of the remaining constraints on bank lending and deposit rates, which had been set within a specified range by the Central Bank, were removed in August 1986. There remained, however, a requirement that banks' lending rates be no higher than 10 percentage points above the rate paid on six-month deposits. This spread was to be reduced to 9 percent points in the first half of 1987 and to 8 percentage points in the second half of 1987. In the beginning of 1987, the global credit ceilings on individual state banks were removed.

Despite a buildup of excess reserves in the banking system in late 1986, in part a result of the boom in coffee exports, reserve requirements and discount policy were unchanged. As the situation developed into an excessive rise in credit creation in early 1987, the Central Bank took a series of measures to reduce the banks' excess reserves. Legal reserve requirements were raised in steps from April to June. Required reserves on demand deposits and time deposits of less than 30 days were raised from 32 percent to 35 percent, and those on 30-day to 6-month deposits from 20 percent to 23 percent. ^{1/} A further tightening of credit conditions occurred in September, when the rediscount rate was raised from 8 percentage points to 10 percentage points above the basic rate (Tasa Basica) of the Central Bank. These moves to reduce the banks' lending capacity were offset in part by the decision in May to reduce the deposit requirement on purchases of foreign exchange from an average of over 50 percent to a uniform 10 percent. This latter action was largely reversed in September when the deposit requirement was set at 50 percent.

Throughout 1987 the Central Bank also relied on the placement of stabilization bonds to offset excessive credit growth, but this effort was hampered somewhat by an acceleration of inflation in the first half

^{1/} By law, reserve requirements on deposits of six months or more cannot exceed 10 percent, and this has not been an active instrument of control.

of 1987 that reduced the rate of return in real terms. In September 1987 there was an attempt to rein in the rapid expansion of credit by requiring a transfer of bank deposits of the nonfinancial public sector to the Central Bank. In the months that followed there arose a concern over financial risk and the liquidity of private financial paper that was prompted by the failure of a number of unregulated financial companies. These events weakened confidence in the unregulated financial sector, caused liquidity problems in the stock market (which deals primarily in financial paper), and led first one, then the rest, of the state banks to sharply raise their deposit rates (by about 4 percentage points) in late October; however, these increases were rolled back two weeks later in view of growing difficulties in the private financial sector. The lowered interest rates were accompanied by a relaxation of the required impounding of the bank deposits of the nonfinancial public sector that had begun in September.

In November a partial restoration (about 2 percentage points) of the earlier interest rate increase was brought about by boosting interest rates on Central Bank and government bonds, and also on deposits in state banks. To maintain the competitiveness of bond returns in the market place, the new rates on stabilization bonds (as well as on government bonds) were set 1/2 percentage point higher than the commercial bank rate on six-month deposits.

Because of the continued uncertainty in financial markets the authorities were reluctant to pursue a policy of credit tightening by means of higher interest rates which would serve to siphon resources out of the private sector into the public sector. Instead, the authorities reinstated the practice of setting ceilings on individual banks credit to the private sector. Expansion of credit to the private sector financed with domestic resources was limited to 5 percent for 1988. In addition, the Central Bank would limit the external funds channeled to commercial banks sharply curtailing the expansion of bank credit financed from abroad, thus constraining the expansion of total credit to the private sector to 10 percent during 1988.

To support the financial system in the aftermath of several finance company failures in January 1988, the Central Bank adopted a number of measures in early February, including a temporary reduction from 10 to 6 percent in legal reserve requirements on time deposits of at least six months. The released resources were to be available for lending to troubled private commercial banks and to regulated financial intermediaries, as well as to borrowers of these institutions. Starting in July 1988 the affected reserve requirement will be raised in monthly steps of 1 percentage point to restore the previous rate of 10 percent by October 1988.

V. Balance of Payments

1. Overall trends

Costa Rica experienced a severe balance of payments crisis in the early 1980s as a result of adverse external developments and expansionary demand policies. Despite some improvement in the terms of trade and declining world interest rates in recent years, the current account has remained weak. Moreover, after a sizable rescheduling of external debt in 1985, the capital account shifted to a net outflow in 1986 and weakened further in 1987--a reflection of the absence of major new reschedulings and dwindling loan disbursements (Table 11).

Gross international reserves totaled US\$531 million at the end of December 1987, but about three fourths of this amount were nonliquid claims on the rest of Central America (Statistical Appendix Table 41). Liquid reserves were equivalent to less than one month of imports. The stock of external payment arrears rose to almost US\$550 million in 1987, with about half of this amount not subject to rescheduling.

2. Current account

The current account deficit (excluding official transfers) was nearly halved from a peak of 16 percent of GDP in 1981 to an average of 8 1/2 percent in 1984-85. There was a further large reduction in the deficit in 1986, but this improvement was reversed in 1987, reflecting changes in the trade balance largely associated with shifts in the terms of trade. As a result of the recent decline in international interest rates, Costa Rica's interest obligations were reduced from about 12 percent of GDP in 1983 to a little over 7 percent of GDP in 1987, despite an increase in external indebtedness. Private transfers and nonfactor services have been relatively stable in relation to GDP over the period 1984-87. Official transfers have become an important source of foreign financing over the last few years, with the bulk representing direct balance of payments support. From negligible amounts in the early 1980s, official transfers peaked at US\$176 million in 1985 (over 5 percent of GDP), representing mainly grants from USAID. In 1987 U.S. AID grants for balance of payments support amounted to US\$120 million.

3. Trade account and terms of trade

In the period since 1983 the merchandise trade deficit has shown considerable fluctuations from year to year, reflecting in part the behavior of coffee exports. The deficit varied between 3 to 5 percent of GDP in the period 1983-85, then declined to 2 1/4 percent in 1986 and rose to 7 percent in 1987. Merchandise exports grew by a little less than 7 percent a year from 1983 to 1987 (in U.S. dollar terms). Import growth by comparison has averaged more than 8 1/2 percent annually over the same period, although in 1987 there was a jump of nearly 20 percent that was an important factor behind the widening of the trade deficit. The terms of trade improved by 12 1/2 percent from 1983 to 1985 and by

Table 11. Costa Rica: Balance of Payments

	1983	1984	1985	1986	Prel. 1987
(In millions of U.S. dollars)					
<u>Current account (including official transfers)</u>	<u>-283.7</u>	<u>-154.9</u>	<u>-129.7</u>	<u>-71.5</u>	<u>-235.4</u>
<u>Current account (excluding official transfers)</u>	<u>-329.7</u>	<u>-263.9</u>	<u>-305.9</u>	<u>-186.8</u>	<u>-386.6</u>
Trade balance	-140.7	-104.7	-171.8	-79.7	-271.4
Exports	852.5	997.5	939.1	1,083.5	1,113.6
Imports	-993.2	-1,102.2	-1,110.9	-1,163.2	-1,385.0
Services (net)	-211.9	-191.1	-176.7	-141.1	-151.7
Nonfactor (net)	121.8	122.5	105.5	136.6	133.6
Factor (net)	-333.7	-313.6	-282.2	-280.7	-285.3
Of which: official interest due	-347.6	-314.0	-280.3	-281.7	-283.7
Private transfers	22.9	31.9	42.6	34.7	36.5
<u>Official transfers</u>	<u>46.0</u>	<u>109.0</u>	<u>176.2</u>	<u>115.3</u>	<u>151.2</u>
<u>Capital account</u>	<u>334.1</u>	<u>27.4</u>	<u>267.0</u>	<u>-22.1</u>	<u>-236.1</u>
Public (net inflow)	219.0	91.2	151.1	7.6	-82.9
Disbursements	311.8	200.8	225.2	175.2	79.6
Amortization (paid)	-92.8	-109.6	-74.1	-167.6	-162.5
Public (net refinancing of current obligations)	17.7	-75.7	17.3	-79.0	-255.6
Rescheduling of current principal and interest	191.6	153.7	300.8	133.0	21.8
Amortization (unpaid)	-173.9	-229.4	-283.5	-212.0	-277.4
Private and net errors and omissions 2/	97.4	11.9	98.6	49.3	102.4
<u>Rescheduling of past arrears</u>	<u>749.3</u>	<u>--</u>	<u>57.0</u>	<u>12.9</u>	<u>21.1</u>
<u>Arrears subject to rescheduling</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>285.8</u>
<u>Overall balance</u>	<u>799.7</u>	<u>-127.5</u>	<u>194.3</u>	<u>-80.7</u>	<u>-164.7</u>
Accumulation of arrears	-1,070.0	175.3	-169.5	135.7	88.0
Special bank credit facilities	212.1	49.9	75.0	--	--
Net official reserves (increase -)	58.1	-97.7	-99.8	-55.0	76.7
Net use of Fund resources	99.0	-34.0	30.0	-36.0	-62.2
Other net official reserves	-40.9	-63.7	-129.8	-19.0	138.9
(As percent of GDP) 3/					
<u>Current account (including official transfers)</u>	<u>-9.8</u>	<u>-4.8</u>	<u>-3.8</u>	<u>-2.0</u>	<u>-6.1</u>
<u>Current account (excluding official transfers)</u>	<u>-11.4</u>	<u>-8.2</u>	<u>-9.1</u>	<u>-5.2</u>	<u>-10.1</u>
Trade balance	-4.9	-3.2	-5.1	-2.1	-7.1
Net factor services	-11.6	-9.7	-8.4	-7.9	-7.4
Other services and transfers	5.1	4.7	4.4	4.8	4.4
<u>Official transfers</u>	<u>1.6</u>	<u>3.4</u>	<u>5.2</u>	<u>3.2</u>	<u>3.9</u>
<u>Capital account</u>	<u>11.6</u>	<u>0.8</u>	<u>7.9</u>	<u>-0.6</u>	<u>-6.2</u>
Private	3.4	0.4	2.9	1.4	2.7
Public (net inflow)	7.6	2.8	4.5	0.2	-2.2
Public (net refinancing)	0.6	-2.4	0.5	-2.2	-6.7

Source: Statistical Appendix Table 40.

1/ Includes debt equity conversions of US\$7 million in 1986 and US\$95.8 million in 1987.

2/ Includes SDR allocation, revaluation, debt conversions and transactions with nonmonetary agencies.

3/ GDP in colones has been converted into dollars using a constant real exchange rate between the colon and the U.S. dollar at the February 1988 level.

25 percent in 1986, before declining by 14 percent in 1987 (Statistical Appendix Table 44). As was noted earlier, the sharp changes in 1986 and 1987 reflected favorable movements in coffee and oil prices in 1986 and their partial reversal in 1987.

a. Exports

The U.S. dollar value of traditional exports, consisting mainly of coffee and bananas, grew 22 percent from 1983 to 1987, and accounted for roughly 60 percent of Costa Rica's total exports over the period (Table 12). Nontraditional exports, including light manufactured goods and cut flowers, account for the rest and have grown almost 45 percent since 1983--much of that in the past two years. About 70 percent of Costa Rica's exports--representing principally the traditional exports--are directed to the OECD countries, with the United States being by far the most important single market (40 percent) (Statistical Appendix Table 42). The share of exports to the Central American Common Market (CACM) has declined from nearly one fourth of Costa Rica's nontraditional exports in the early 1980s to less than 10 percent by 1986. The exports to the CACM represented almost entirely nontraditional exports which have increasingly been directed to new markets. The collapse of the CACM reflects mainly the slow growth and payments problems of several Central American countries.

Costa Rica's single most important export product is coffee, which accounted for some 30 percent of total exports over the 1983-87 period. Wide swings in both prices and volume make coffee exports the most volatile component of Costa Rica's commodity exports. Coffee exports increased by 24 percent in 1986, as a 62 percent increase in export unit value--induced by a frost in Brazil--more than offset a sharp drop in export volume. In 1987 Costa Rica's coffee shipments increased by 44 percent in volume terms but, as prices returned to previous levels, the value of coffee exports declined by 16 percent.

Banana exports are second in importance to coffee and averaged nearly one fourth of total exports over the 1983-87 period. Banana exports declined by 17 percent in 1985 as the result of adverse weather and the withdrawal of a major transnational company from Costa Rica. Over the last two years, volume has rebounded while prices, after declining in 1986, recovered in 1987. In value terms, 1987 banana exports were still at about their 1983 level.

The performance of nontraditional exports has been uneven during the 1980s but such exports increased by an average of 16 percent per year in 1986-87. This recent strength was based mainly on shipments to countries outside Central America; such exports increased by 46 percent in value terms in 1986 and by an estimated 32 percent in 1987. Although a variety of incentives for nontraditional exports have been in place since the 1970s, considerable expansion of fiscal incentives in recent years in combination with a more active exchange rate policy seem to

Table 12. Costa Rica: Merchandise Trade

	1983	1984	1985	1986	Prel. 1987
<u>(Value in millions of U.S. dollars; volume in thousands of units indicated; and unit value in U.S. dollars)</u>					
<u>Exports f.o.b. 1/</u>	<u>852.5</u>	<u>997.5</u>	<u>939.0</u>	<u>1,085.8</u>	<u>1,113.6</u>
<u>Traditional exports</u>	<u>526.1</u>	<u>597.3</u>	<u>591.0</u>	<u>689.6</u>	<u>641.8</u>
Coffee	230.0	267.3	315.8	391.9	330.0
Volume (46 kg. sacks)	2,357	2,457	2,683	2,053	2,950
Unit value (per sack)	97.6	108.8	117.7	190.9	113.6
Bananas	240.4	251.0	208.0	216.8	237.7
Volume (metric tons)	1,012	1,020	851	941	980
Unit value (per ton)	237.5	246.1	244.4	230.4	242.6
Meat	31.9	43.5	53.7	69.8	57.2
Volume (metric tons)	13.9	20.5	27.2	35.2	26.0
Unit value (per ton)	2,295	2,123	1,974	1,980	2,200
Sugar	23.8	35.5	13.5	11.1	16.9
Volume (quintales)	1,173	2,231	968	1,660	1,677
Unit value (per quintal)	20.3	15.9	14.0	6.7	10.1
<u>Nontraditional exports 1/</u>	<u>326.4</u>	<u>400.2</u>	<u>348.0</u>	<u>396.2</u>	<u>471.8</u>
Central America	198.2	193.0	143.5	98.9	98.0
Panama	33.5	36.3	28.9	41.7	37.0
Rest of the world	94.7	170.9	175.6	255.6	336.8
<u>Imports, c.i.f.</u>	<u>993.2</u>	<u>1,102.2</u>	<u>1,110.9</u>	<u>1,163.2</u>	<u>1,385.0</u>
Petroleum products	183.7	163.2	166.2	102.0	120.0
Volume (barrels)	5,226	4,920	5,560	6,460	6,280
Price (per barrel)	35.2	33.2	29.9	15.8	19.1
Non oil imports	809.5	939.0	944.7	1,061.2	1,265.0
<u>(Annual percentage change in value)</u>					
<u>Total exports</u>	<u>-2.0</u>	<u>17.0</u>	<u>-5.9</u>	<u>15.6</u>	<u>2.6</u>
Traditional exports	-1.6	13.5	-1.1	16.7	-6.9
Nontraditional exports	-2.6	22.6	-13.0	13.6	19.1
<u>Total imports</u>	<u>11.1</u>	<u>11.0</u>	<u>0.8</u>	<u>4.7</u>	<u>19.1</u>
Petroleum products	-2.8	-11.2	1.8	-38.6	17.6
Non-oil imports	14.8	16.0	0.6	12.3	19.2

Sources: Central Bank of Costa Rica; and Fund staff estimates.

1/ Excludes "maquila" exports which are included in the services account.

have played a role in their recent growth. In 1985 there was an expansion of export incentives which included total income tax exemption on profits generated by nontraditional exports, exemption from import taxes on raw materials and capital goods used in the production of nontraditional exports, and tax credits based on both the level of nontraditional exports and their growth rate. ^{1/} In addition, nontraditional exports were encouraged by the Caribbean Basin Initiative--under which assembled exports (maquila) to the United States are subject to import duties only on the value added in Costa Rica--and also by the establishment of a free trade zone in Cartago which now has some 17 firms in operation employing about 1,800 persons.

b. Imports

Following a sharp contraction in the early 1980s, related to Costa Rica's external payments difficulties, the value of imports expanded by about 7 percent per year over the 1983-86 period. A rapid expansion in credit and reductions of certain taxes on imported goods led to a nearly 20 percent increase in the value of imports in 1987.

About 55 percent of Costa Rica's imports consist of raw materials and petroleum products while consumer goods and capital goods account for a little over 20 percent each. The volume of oil imports increased by 16 percent in 1986 but, reflecting the substantial decline in prices, Costa Rica's oil import bill declined by nearly 40 percent. Following the buildup of stocks in 1986, the volume of oil imports declined moderately in 1987; the oil import bill, however, increased by nearly 18 percent due to price increases. The value of non-oil imports increased by 12 percent in 1986 and 19 percent in 1987, corresponding to volume increases of 8 percent and 14 percent, respectively.

In 1986 the authorities began implementing a broad reform of customs tariffs that had been agreed with the World Bank and supported by a structural adjustment loan (SAL-I). Although there were slippages in the timing of implementation of this reform in the first half of 1986, by 1987 the first stage of this reform was in place, and tariff revenue declined to 10 1/2 percent of imports from 13 1/4 percent in 1985. In addition to the change in the average tariff rate, the imposition of surcharges on imported inputs and their elimination on imported final consumer goods has resulted in a reduction in effective protection.

4. Capital account

Developments in the capital account during the 1980s have been marked by several debt reschedulings and declining disbursements on loans to the public sector. Net public capital inflows (i.e., excluding unpaid and rescheduled principal) reached US\$219 million in 1983 on the strength of larger disbursements under the U.S. Caribbean Basin

^{1/} More details on the export contract scheme are found below.

Initiative, but dwindled to near zero in 1986, as sources of foreign financing dried up. In 1987 public capital inflows, including US\$96 million of debt conversion, registered a deficit estimated at nearly US\$80 million. Rescheduling of current debt service obligations was very large in 1985 (US\$300 million) when arrangements were reached with the Paris Club, commercial banks, and Mexico, and three public bond issues were partially rescheduled through a voluntary exchange offer. ^{1/} However, the debt service obligations covered by reschedulings decreased sharply in 1986 and 1987 as negotiations with commercial banks were not completed and rescheduling with the Paris Club was delayed; as a result, net refinancing (i.e., unpaid amortization minus reschedulings of current debt service) was negative in 1986 and in 1987. Private capital flows, including errors and omissions, registered a surplus of US\$102 million in 1987 which reflects mostly the effect of debt conversion operations.

5. Net official reserves

The impact of the weakening of both the current and capital accounts on international reserves was mitigated by the large refinancings of external debt in 1983 and 1985, and by the accumulation of payments arrears in 1984 and in 1986-87. Costa Rica's net official international reserves increased throughout the period 1984-1986, but in 1987 official international reserves fell by an estimated US\$77 million; in addition there was an accumulation of external payments arrears of about US\$374 million (including import arrears).

6. External debt

Costa Rica's external public debt is estimated to have increased by 14 percent since 1983 (Table 13). The 5 1/2 percent increase from 1985 to 1987 reflected to a large extent valuation adjustments due to the depreciation of the U.S. dollar, as net drawings (including the effect of debt conversion) were negative. Overall, the rate of increase in indebtedness was well below the nominal expansion of income and, as a ratio to GDP, external debt decreased from 118 percent at the end of 1983 to about 102 percent in 1987. In terms of exports there was also some improvement; external debt decreased from the equivalent of four times yearly export earnings in 1983 to a little over 3 1/2 times such earnings in 1987. The debt service ratio ^{2/} (before rescheduling) remained practically unchanged throughout this period. Reschedulings played a major role in easing Costa Rica's debt burden and resulted in the debt service ratio declining to an average of 37 percent over the 1983-86 period, from 53 percent in 1981-82. However, in the absence of major rescheduling agreements in 1987, the debt service ratio (after rescheduling) returned to 53 percent of export earnings.

^{1/} These arrangements were discussed in more detail in SM/86/250, pp.32-33.

^{2/} Debt service obligations in relation to exports of goods and nonfactor services.

Table 13. Costa Rica: External Public Debt Operations

	1983	1984	1985	1986	Prel. 1987
(In millions of U.S. dollars)					
Outstanding debt (end of year) <u>1/</u>	3,427	3,524	3,709	3,856	3,914
Short-term <u>2/</u>	247 <u>3/</u>	284 <u>3/</u>	256 <u>3/</u>	241	206
Medium- and long-term <u>4/</u>	3,148	3,240	3,453	3,615	3,708
Nonfinancial public sector	1,743	1,785	1,908	1,638	...
Financial public intermediaries	1,438	1,455	1,545	1,977	...
Net drawings (medium- and long-term)	371	141	254	8	-83
Disbursements	464 <u>5/</u>	251 <u>5/</u>	328 <u>5/</u>	175	80
Amortization <u>6/</u>	-93	-110	-74	-168	-163
Contractual debt service	627	676	660	697	786
IMF	26	38	36	54	76
Repurchases	12	23	22	36	63
Charges	13	15	15	18	13
Other	601	638	623	644	710
Amortization <u>7/</u>	267	339	358	380	440
Interest <u>7/</u>	335	299	266	264	270
(In percent)					
Outstanding debt/GDP <u>8/</u>	118.0	109.0	110.1	106.6	102.0
Net drawings/GDP <u>8/</u>	12.9	4.4	7.5	0.2	-2.2
Debt service ratio before rescheduling <u>9/</u>	55.2	53.6	53.8	49.2	54.0
Debt service ratio after rescheduling <u>9/</u>	38.3	40.8	29.3	39.8	52.5
Contractual interest <u>9/</u>	28.6	24.5	22.9	19.9	19.5

Sources: Central Bank of Costa Rica; IBRD/DRS; Statistical Appendix Table 46; and Fund staff estimates.

1/ Includes valuation adjustments.

2/ Includes debt to IMF and short-term liabilities of the Central Bank.

3/ Excludes special credit facilities of foreign banks and all rescheduled debt, which are included in medium-term debt.

4/ Includes principal in arrears in 1981-85 and rescheduled debt in 1983-1985. Also includes US\$111.8 million capitalization of interest in 1983.

5/ Includes US\$152 million, US\$50, and US\$75 million disbursements under special credit facilities of foreign banks in 1983, 1984 and 1985, respectively. In 1985 includes US\$28 million of short-term debt with Mexico converted into long-term debt.

6/ Excludes unpaid or rescheduled amortization but includes US\$7 million of debt equity conversions in 1986 and US\$96 million of debt conversions in 1987.

7/ Includes unpaid or refinanced current amortization and interest.

8/ GDP in colones has been converted into U.S. dollars using a constant real exchange rate between the colon and U.S. dollar at the February 1988 level.

9/ In relation to of exports of goods and nonfactor services.

About 95 percent of Costa Rica's US\$4 billion external public debt is medium or long term. In the last few years there has been an increase in the relative importance of multilateral and bilateral creditors among the sources of foreign capital. Such creditors accounted for some 60 percent of Costa Rica's total debt in September 1987, compared with some 48 percent in 1983, while the share of commercial banks decreased from 39 percent to 35 percent (Statistical Appendix Table 46).

7. The exchange and trade system ^{1/}

a. Exchange system and exchange rate developments

Costa Rica has a virtually unified exchange rate system in which the bulk transactions are made at the banking rate. At end-February 1988 the colon was quoted at $\text{C} 73.20 = \text{US}\1 (buying) and $\text{C} 74.20 = \text{US}\1 (selling). The only transactions officially settled at a different rate are remittances to students who had registered with the Central Bank prior to 1981 and who obtain the official rate in effect at the time of $\text{C} 20 = \$1$. Some transactions are taking place in unofficial markets, but the spread with respect to the unified banking rate generally does not exceed 5 percent.

Most exchange restrictions were eliminated by the end of 1983 in the wake of the unification of the banking and free exchange rates, except for certain external payments arrears. Such arrears peaked at US\$1.1 billion at end-1982 but were reduced by means of reschedulings and cash payments to only US\$40 million at end-1983 (Statistical Appendix Table 47). At end-1984 external payments arrears had increased to US\$215 million but a new round of reschedulings reduced arrears to US\$46 million at end-1986. Difficulties in meeting debt service obligations caused total arrears to increase to \$554 million at end-December 1987 (including those expected to be rescheduled).

Since the beginning of 1985, the authorities have followed a crawling peg policy under which the value of the colon has been depreciated frequently to adjust for inflation differentials between Costa Rica and its major trading partners. The indicator developed in the framework of the Fund's Information Notice System, shows that the external value of the colon in real terms was very stable from mid-1982 to mid-1985. Subsequently, the colon depreciated in real effective terms, partly as the result of the depreciation of the U.S. dollar vis-a-vis the currencies of Costa Rica's other major trading partners. The real effective depreciation of the colon amounted to 9 1/2 percent in 1985, 4 percent in 1986, and 17 1/2 percent during 1987. It should be noted, however, that for the past several years the estimate of the real effective exchange rate is quite sensitive to the type of domestic price index

^{1/} A detailed description of the exchange and trade system in effect at end-December 1986, is contained in the Annual Report on Exchange Arrangements and Exchange Restrictions in 1987.

employed. An index of the real effective rate calculated on the basis of the consumer price index points to a real effective depreciation from mid-1985 to end-1987 of only slightly more than half that indicated by an index based on the WPI. However, since 1980 both measures indicate a roughly similar real effective depreciation--on the order of 40 percent (Chart 4).

b. Changes in the trade system

The trade system was subject to considerable changes in 1986 in the context of the Central American Common Market (CACM) agreement. Tariff reforms sharply reduced the highest nominal rate, eliminated some exemptions on imported inputs and some duties on imports of final goods, and introduced a new nomenclature. The tariff changes resulted in some reduction of effective protection, although the extent of this change is not clear. ^{1/} In addition, export incentives (discussed above) were strengthened.

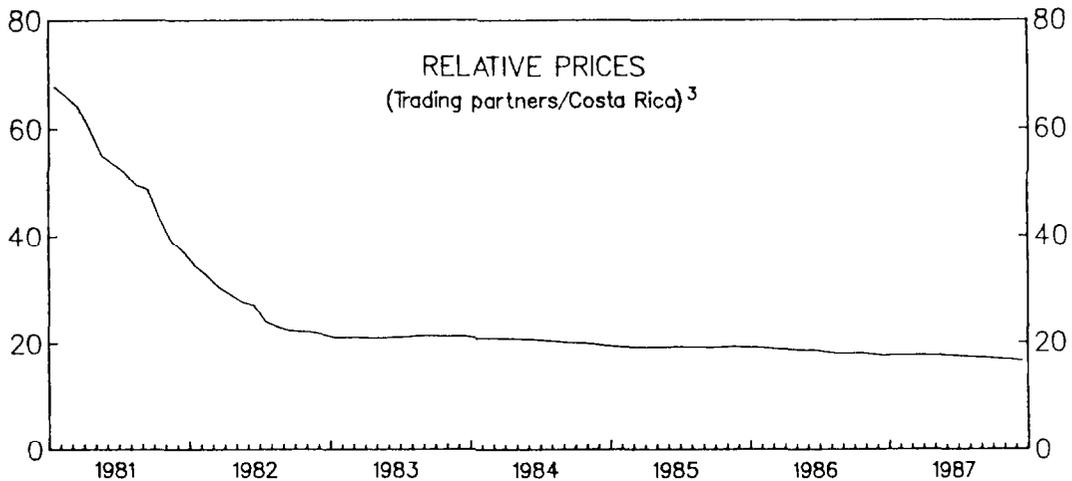
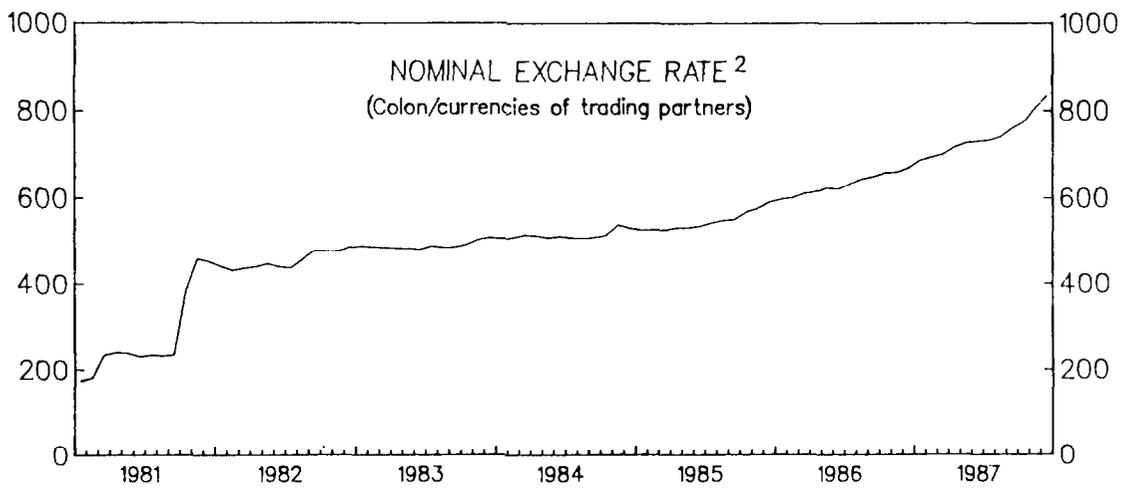
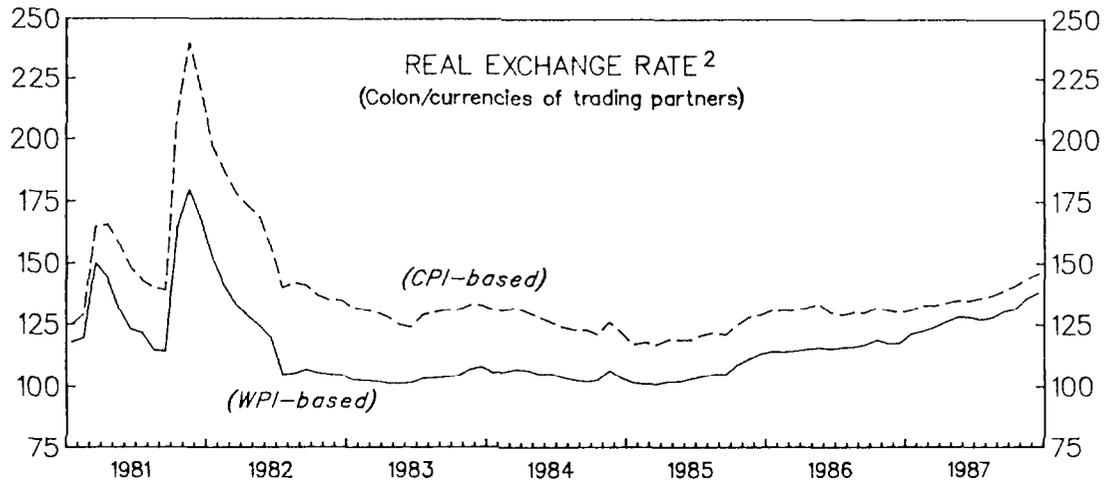
As part of the continuation of the tariff reform introduced in 1986, tariffs on consumer goods (excluding shoes and textile products) were reduced by 10 percent in October 1987. There were also a number of changes in consumption taxes on imported goods that had a major impact on the imports of these goods--most notably the elimination of consumption taxes on pick-up trucks in May 1986 and on small cars (auto popular) in July 1987, ^{2/} and the reduction of consumption taxes on electronic goods in October 1986.

Under the current export incentive regime established in 1985, exporters of nontraditional goods receive a number of incentives including tax credits based on the f.o.b. value of exports (CATS), tax credits based on year-to-year increases in export volumes (CIEX), income tax exemptions, accelerated depreciation allowances, duty-free import of inputs, indirect tax exemptions for local purchases, and investment financing for export production. These benefits are granted on an ex ante basis to firms that export 100 percent of their output. Firms that export only part of their output also can avail themselves of these benefits on an ex post basis.

^{1/} In the revised Common External Tariff introduced in 1986 by the CACM the specific tariff rates were converted to ad valorem rates; the highest tariff rates were reduced from 220 to 100 percent; the tariff exemption on imported inputs was eliminated; and import surcharges were reduced from a range of 12 1/2-100 percent to a maximum rate of 7 1/2 percent for regionally produced goods and 30 percent for goods not produced in the region (excluding motor vehicles).

^{2/} At the same time, the consumption tax on pick-up trucks was partially restored.

CHART 4
COSTA RICA
EFFECTIVE EXCHANGE RATES AND RELATIVE PRICES¹
(1980=100)



Sources: IMF, *International Financial Statistics*; and Fund staff estimates.

¹ 1980 trade weights excluding oil and Nicaragua.

² An increase (decrease) in the index indicates a depreciation (appreciation) of the colon.

³ Wholesale price index for Costa Rica and consumer price index for trading partners.



Table 14. Costa Rica: National Accounts

	1981	1982	1983	1984	1985	Prel. 1986	Est. 1987
(In millions of colones)							
<u>Consumption</u>	<u>47,064</u>	<u>78,546</u>	<u>101,021</u>	<u>127,849</u>	<u>155,870</u>	<u>185,787</u>	<u>221,589</u>
Private sector	38,484	65,682	81,828	103,993	127,670	151,095	181,987
Public sector	8,580	12,864	19,193	23,856	28,200	34,692	39,602
<u>Gross domestic investment</u>	<u>12,781</u>	<u>16,202</u>	<u>29,070</u>	<u>34,370</u>	<u>39,903</u>	<u>53,144</u>	<u>57,363</u>
Fixed capital formation	13,738	19,809	23,270	32,679	37,308	45,515	56,763
Private sector	8,516	14,535	15,389	23,598	27,316	34,720	46,052
Public sector	5,222	5,274	7,881	9,081	9,992	10,795	10,711
Inventory changes	-957	-3,607	5,800	1,691	2,595	7,629	600
<u>Gross domestic expenditure</u>	<u>59,845</u>	<u>94,748</u>	<u>130,091</u>	<u>162,219</u>	<u>195,773</u>	<u>238,931</u>	<u>278,952</u>
<u>Resource gap</u>	<u>-2,742</u>	<u>2,757</u>	<u>-777</u>	<u>792</u>	<u>-3,348</u>	<u>3,187</u>	<u>-8,681</u>
Exports of goods and nonfactor services	25,823	43,313	46,718	57,000	61,888	79,190	91,671
Imports of goods and nonfactor services	-28,565	-40,556	-47,495	-56,208	-65,236	-76,003	-100,353
<u>GDP at market prices</u>	<u>57,103</u>	<u>97,505</u>	<u>129,314</u>	<u>163,011</u>	<u>192,425</u>	<u>242,118</u>	<u>270,271</u>
<u>Net factor payments abroad</u>	<u>-6,253</u>	<u>-11,985</u>	<u>-12,400</u>	<u>-11,913</u>	<u>-11,292</u>	<u>-11,855</u>	<u>-13,709</u>
<u>GNP at market prices</u>	<u>50,850</u>	<u>85,520</u>	<u>116,914</u>	<u>151,098</u>	<u>181,133</u>	<u>230,263</u>	<u>256,562</u>
(In millions of 1966 colones)							
<u>Consumption</u>	<u>6,906</u>	<u>6,646</u>	<u>6,502</u>	<u>7,064</u>	<u>7,573</u>	<u>8,066</u>	<u>8,501</u>
Private sector	5,756	5,582	5,398	5,937	6,471	6,867	7,308
Public sector	1,150	1,064	1,104	1,127	1,102	1,199	1,193
<u>Gross domestic investment</u>	<u>1,662</u>	<u>984</u>	<u>1,773</u>	<u>1,887</u>	<u>2,004</u>	<u>2,407</u>	<u>2,254</u>
Fixed capital formation	1,821	1,314	1,423	1,795	1,882	2,107	2,229
Private sector	1,146	983	1,049	1,405	1,498	1,727	1,901
Public sector	675	331	374	390	384	380	328
Inventory changes	-159	-330	350	92	122	300	25
<u>Gross domestic expenditure</u>	<u>8,568</u>	<u>7,630</u>	<u>8,275</u>	<u>8,951</u>	<u>9,577</u>	<u>10,473</u>	<u>10,755</u>
<u>Resource gap</u>	<u>863</u>	<u>1,113</u>	<u>718</u>	<u>763</u>	<u>231</u>	<u>-212</u>	<u>-187</u>
Exports of goods and nonfactor services	3,913	3,486	3,499	3,853	3,600	3,413	3,909
Imports of goods and nonfactor services	-3,050	-2,373	-2,781	-3,090	-3,369	-3,625	-4,096
<u>GDP at market prices</u>	<u>9,431</u>	<u>8,743</u>	<u>8,993</u>	<u>9,714</u>	<u>9,808</u>	<u>10,261</u>	<u>10,568</u>
<u>Net factor payments abroad</u>	<u>-726</u>	<u>-759</u>	<u>-787</u>	<u>-718</u>	<u>-604</u>	<u>-597</u>	<u>-615</u>
<u>GNP at market prices</u>	<u>8,705</u>	<u>7,984</u>	<u>8,206</u>	<u>8,996</u>	<u>9,204</u>	<u>9,664</u>	<u>9,953</u>

Sources: Central Bank of Costa Rica; and Fund staff estimates.

Table 15. Costa Rica: Savings, Investment, and Composition of Fixed Capital Formation

(In millions of colones)

	1981	1982	1983	1984	1985	Prel. 1986	Est. 1987
<u>Gross national savings</u>	3,787	6,974	15,893	23,249	25,273	44,475	34,973
Private sector	5,964	9,405	10,873	15,208	17,096	32,243	20,008
Public sector	-2,177	-2,431	5,020	8,041	8,177	12,232	14,965
<u>External savings 1/</u>	8,994	9,228	13,177	11,121	14,630	8,669	22,390
<u>Gross domestic investment</u>	12,781	16,202	29,070	34,370	39,903	53,144	57,363
Fixed capital formation	13,738	19,809	23,270	32,679	37,308	45,515	56,763
Private sector	8,516	14,535	15,389	23,598	27,316	34,720	46,052
Public sector	5,222	5,274	7,881	9,081	9,992	10,795	10,711
Inventory changes	-957	-3,607	5,800	1,691	2,595	7,629	600
<u>Fixed capital formation</u>	13,738	19,809	23,270	32,679	37,308	45,515	56,763
By type							
Construction	7,112	10,656	12,063	16,111	18,132	21,377	25,505
Machinery and equipment	6,626	9,153	11,207	16,568	19,176	24,138	31,258
By economic sector							
Agriculture and related sectors	1,074	1,680	2,270	2,824	2,991	...	...
Industry and mining	2,649	4,351	4,765	7,084	7,962	...	...
Construction	468	605	967	1,710	1,674	...	...
Utilities	1,494	2,586	2,497	2,956	3,615	...	...
Transport and communications	2,354	3,441	4,245	5,881	7,276	...	...
Commercial services	644	1,107	1,088	1,123	1,085	...	...
Financial services	393	286	187	927	1,487	...	...
Housing	1,883	2,640	3,168	4,622	4,946	...	...
Public administration	2,436	2,426	3,398	4,920	5,469	...	...
Other services	343	687	685	632	803	...	...

Sources: Central Bank of Costa Rica; and Fund staff estimates.

1/ Equal to the deficit in the current account of the balance of payments excluding official transfers, valued at annual average exchange rate.

Table 16. Costa Rica: Gross Domestic Product by Sector of Activity

	1981	1982	1983	1984	1985	Prel. 1986	Est. 1987
(In millions of current colones)							
<u>Gross domestic product</u>	<u>57,103</u>	<u>97,505</u>	<u>129,314</u>	<u>163,011</u>	<u>192,425</u>	<u>242,118</u>	<u>270,271</u>
Agriculture and related areas	13,145	23,884	28,446	34,571	38,425	53,103	49,757
Manufacturing and mining	10,818	19,828	28,263	36,667	42,540	53,643	58,954
Utilities	1,424	2,264	4,950	5,536	6,648	7,559	9,593
Construction	2,960	3,005	3,789	5,807	6,762	7,546	9,255
Commerce	10,500	21,125	25,498	31,701	37,213	44,619	52,248
Transport and communications	2,555	4,487	6,283	7,842	9,417	10,358	12,031
Financial services	2,907	4,825	7,140	8,451	10,042	12,693	17,579
Housing	2,883	3,258	3,744	4,743	6,750	8,761	10,847
Government	7,625	11,324	15,800	20,543	25,777	33,382	37,830
Other services	2,286	3,505	5,401	7,150	8,851	10,454	12,177
(In millions of 1966 colones)							
<u>Gross domestic product</u>	<u>9,431</u>	<u>8,743</u>	<u>8,993</u>	<u>9,714</u>	<u>9,808</u>	<u>10,261</u>	<u>10,568</u>
Agriculture and related areas	1,825	1,739	1,808	1,990	1,934	1,991	1,891
Manufacturing and mining	2,109	1,869	1,902	2,100	2,167	2,321	2,442
Utilities	242	253	304	313	290	308	327
Construction	472	321	337	416	421	427	470
Commerce	1,556	1,374	1,418	1,580	1,623	1,730	1,832
Transport and communications	672	666	676	701	714	754	795
Financial services	491	494	522	552	577	609	645
Housing	676	682	689	700	711	728	755
Government	984	956	941	955	959	974	984
Other services	404	389	396	407	412	420	427

Source: Central Bank of Costa Rica.

Table 17. Costa Rica: Value Added in Agriculture and Related Sectors

(In millions of colones)

	1981	1982	1983	1984	1985	1986	Est. 1987
<u>I. At Current Prices</u>							
<u>Total</u>	<u>13,145</u>	<u>23,884</u>	<u>28,446</u>	<u>34,571</u>	<u>38,425</u>	<u>53,103</u>	<u>49,757</u>
Agriculture	9,430	17,333	20,349	25,348	27,428	40,471	...
Coffee	3,073	5,747	5,033	7,469	8,288	17,189	13,579
Bananas	3,723	6,627	7,575	8,726	8,503	10,433	12,635
Sugarcane	572	879	1,655	1,773	1,735	1,891	1,859
Cocoa	156	143	133	357	350	350	...
Rice	461	790	1,753	1,480	1,184	1,287	1,159
Corn	191	550	774	797	1,082	1,295	1,400
Beans	88	277	378	592	670	936	1,093
Sorghum	58	118	289	367	479	482	...
Plantains	212	465	450	375	622	873	926
Other	896	1,737	2,309	3,412	4,515	5,735	...
Livestock	3,069	4,829	6,310	7,054	8,427	9,069	5,679
Lumber	496	688	894	1,076	1,147	1,627	1,612
Fish	132	327	328	647	1,004	1,217	...
Other	18	707	565	446	419	719	...
<u>II. At Constant 1966 Prices</u>							
<u>Total</u>	<u>1,825</u>	<u>1,739</u>	<u>1,808</u>	<u>1,990</u>	<u>1,934</u>	<u>1,991</u>	<u>1,891</u>
Agriculture	1,226	1,225	1,338	1,445	1,325	1,372	1,461
Coffee	430	451	485	536	485	480	555
Bananas	393	401	401	404	341	376	395
Sugarcane	84	87	90	104	105	104	102
Cocoa	10	7	5	9	9	9	10
Rice	126	84	141	150	121	104	90
Corn	26	26	29	35	38	40	40
Beans	11	14	12	18	20	25	28
Sorghum	9	8	10	15	17	17	11
Plantains	44	48	46	40	39	40	42
Other	93	99	119	134	150	177	188
Livestock	467	413	390	454	515	491	308
Lumber	81	64	47	50	50	70	59
Fish	25	22	21	27	31	35	38
Other	26	15	12	14	13	23	25

Sources: Central Bank of Costa Rica; and Fund staff estimates.

Table 18. Costa Rica: Volume of Agricultural Production

(In thousands of metric tons)

	1981	1982	1983	1984	1985	1986	Est. 1987
Coffee	113.1	115.1	124.0	136.9	123.9	116.1	133.2
Bananas	1,141.3	1,153.3	1,155.4	1,168.6	1,007.9	1,080.5	1,122.6
Sugarcane	2,521.0	2,446.2	2,543.5	2,935.8	2,949.6	2,926.0	2,835.3
Cocoa	5.0	3.5	2.2	4.1	4.5	4.8	5.3
Rice	222.5	146.2	246.8	262.7	212.8	197.3	168.1
Corn	82.8	83.3	94.1	110.3	120.0	128.0	125.9
Beans	12.3	16.3	14.4	20.8	22.9	26.6	29.6
Plantains	89.9	97.9	92.8	80.8	79.8	81.8	84.3

Sources: Central Bank of Costa Rica; and Fund staff estimates.

Table 19. Costa Rica: Output and Prices of Major Agricultural Products

(Annual percentage change)

	1981	1982	1983	1984	1985	1986	Est. 1987
<u>Major exports</u>							
Coffee							
Output	6.3	1.8	7.7	10.4	-9.5	-6.3	14.7
Export price <u>1/</u>	80.3	81.8	-8.8	20.8	22.7	79.7	-33.0
Bananas							
Output	2.7	1.1	0.2	1.1	-13.8	7.2	3.9
Export price <u>1/</u>	163.1	43.3	12.6	12.2	12.7	10.1	14.8
Sugar							
Output (sugarcane)	0.2	-3.0	3.9	15.4	0.5	-0.8	-3.1
Export price <u>1/</u>	158.8	-6.7	54.8	-15.2	--	14.9	-20.0
<u>Basic grains</u>							
Rice							
Output	-3.5	-34.3	68.8	6.4	-19.0	-7.3	-14.8
Support price	67.5	117.0	46.9	-1.9	8.8	8.7	--
Sorghum							
Output	-25.9	-12.4	11.3	23.0	13.0	--	-35.0
Support price	63.4	123.7	58.3	--	--	--	--
Corn							
Output	9.9	0.6	13.0	17.2	8.8	6.7	-1.6
Support price	70.4	116.3	46.5	--	14.4	3.9	--
Beans							
Output	6.9	32.5	-11.7	44.4	10.1	16.2	11.3
Support price	61.2	109.8	59.2	0.1	12.9	0.3	-5.5

Sources: Central Bank of Costa Rica; and Fund staff estimates.

1/ Changes based on export unit values converted at the average annual (buying) exchange rate. The official rate was used for 1980; the banking rate for 1981-83; and the unified exchange rate for 1984-87.

Table 20. Costa Rica: Average Prices of Basic Grains

(In colones per kilogram)

	1981	1982	1983	1984	1985	1986	Est. 1987
<u>Rice</u>							
Support price	3.82	8.29	12.18	11.95	13.00	14.13	...
Wholesalers	4.36	14.86	21.98	21.98	21.98	26.57	...
Retailers	4.51	15.60	22.86	22.86	22.86	27.63	...
Consumers	5.05	17.47	25.15	25.15	25.15	30.40	30.7
<u>Corn</u>							
Support price	3.63	7.85	11.50	11.50	13.16	13.67	13.67
Wholesalers	2.29	6.69	10.43	10.43	11.51	13.93	13.93
Retailers	2.39	7.01	10.96	10.96	12.08	14.63	14.63
Consumers	2.65	7.85	12.25	12.25	13.90	16.40	16.40
<u>Sorghum</u>							
Support price	3.12	6.98	11.05	11.05	11.05	...	...
Wholesalers	3.27	7.33	11.02	11.02	11.02	11.57	11.57
<u>Beans</u>							
Support price	10.01	21.00	33.44	33.46	37.77	37.89	35.79
Wholesalers	6.33	18.23	24.70	27.95	31.76	38.00	38.00
Retailers	6.60	19.13	25.93	29.34	33.35	39.90	39.90
Consumers	7.30	21.40	29.00	32.83	37.35	44.75	44.75

Sources: National Production Council; and Fund staff estimates.

Table 21. Costa Rica: Industrial Production

(Index, 1980 = 100)

	1981	1982	1983	1984	1985	1986	1st Semester 1987
<u>Total</u>	<u>95.6</u>	<u>87.9</u>	<u>89.2</u>	<u>98.6</u>	<u>100.3</u>	<u>105.1</u>	<u>107.6</u>
Foodstuffs, beverages, and tobacco	99.4	99.1	105.0	114.3	119.7	127.3	131.5
Textiles, clothing, and leather	103.2	114.2	118.5	114.5	114.5	105.2	99.4
Wood and wood products	94.9	67.0	58.6	63.8	68.9	67.2	78.9
Paper and paper products	91.7	83.6	108.3	115.9	137.3	148.6	146.7
Chemical and petroleum products	95.6	82.8	80.0	88.2	87.3	96.4	96.7
Nonmetallic mineral products	86.1	71.1	75.0	112.2	113.0	118.9	119.0
Metal products	81.3	55.9	42.1	47.1	48.2	54.4	62.5
Other	84.6	72.5	75.4	83.9	91.3	85.6	89.2

Source: University of Costa Rica, Industrial Survey.

Table 22. Costa Rica: Electricity Statistics

	1981	1982	1983	1984	1985	Prel. 1986	Est. 1987
<u>Total generation (GWh)</u>	<u>2,291</u>	<u>2,400</u> ^{1/}	<u>2,860</u> ^{1/}	<u>3,008</u> ^{1/}	<u>2,768</u>	<u>2,647</u>	<u>3,086</u>
Hydroelectric	2,262	2,366	2,822	3,000	2,761	2,641	3,009
Thermal	29	34	38	8	7	6	76
<u>Consumption (GWh)</u>	<u>2,047</u>	<u>2,065</u>	<u>2,194</u>	<u>2,336</u>	<u>2,470</u>	<u>2,692</u> ^{2/}	<u>2,909</u> ^{2/}
Residential	901	946	1,010	1,046	1,122	1,242	1,366
Industrial	640	538	362	680	674	735	789
Other	506	581	822	610	674	715	754
<u>Average rates (colones/kwh)</u>	<u>0.66</u>	<u>1.05</u>	<u>2.07</u>	<u>2.41</u>	<u>2.81</u>	<u>3.19</u>	<u>3.71</u>
Residential	0.65	1.03	1.67	1.58	1.77	1.9	2.23
Industrial	0.56	0.88	1.85	2.33	2.66	3.02	3.54
Other	0.77	1.23	2.70	3.32	4.00	4.57	5.35
<u>Memorandum item</u>							
Exports (GWh)	--	108	478	443	--	--	--

Source: Costa Rican Electricity Institute.

^{1/} Includes generation for export.

^{2/} Includes imports from Honduras.

Table 23. Costa Rica: Price Indicators

	Weights	Indices						
		1981	1982	1983	1984	1985	1986	1987
<u>Wholesale prices (average) (1978=100)</u>	100.0	237.3	494.3	623.7	671.5	741.3	808.0	893.8
Food and beverages	41.5	193.1	417.5	544.2	584.1	654.8	729.6	821.4
Textiles and hides	4.8	228.0	531.4	624.9	649.7	698.1	774.5	877.1
Clothing	7.2	198.3	392.4	521.0	568.6	637.3	695.3	777.6
Construction materials	12.3	257.7	520.6	542.4	582.4	647.5	702.2	770.7
Fuel, electricity, and water	12.3	370.8	694.7	1,010.1	1,035.5	1,070.9	1,093.8	1,141.0
Chemicals and manufactures	21.8	248.2	533.9	631.3	716.0	848.4	890.1	993.0
<u>Wholesale prices (end of period)</u>		333.4	597.1	632.3	709.6	763.8	854.6	947.5
Food and beverages		265.7	525.4	554.2	621.5	677.6	777.7	868.0
Textiles and hides		358.0	645.9	605.5	670.5	713.1	841.8	916.7
Clothing		289.9	476.8	527.4	608.7	657.2	724.4	819.3
Construction materials		387.8	536.9	545.1	611.0	659.7	735.6	830.8
Fuel, electricity, and water		423.1	894.1	1,007.0	1,051.1	1,077.8	1,117.8	1,217.1
Chemicals and manufactures		388.4	623.7	652.7	774.3	889.1	952.6	1,052.5
<u>Implicit GDP deflator (1966=100)</u>		605.5	1,115.2	1,437.9	1,678.1	1,961.9	2,359.6	2,557.4
<u>Consumer prices (average) (1975=100)</u>	100.0	202.0	384.1	509.4	570.3	656.1	733.8	857.4
Food	40.8	216.5	462.4	611.4	665.2	746.7	835.2	958.2
Clothing	10.0	129.4	246.7	301.0	316.7	342.0	364.1	398.7
Housing	27.1	195.5	296.6	383.2	410.3	485.7	543.8	615.4
Other	22.1	216.4	409.7	571.2	707.1	840.8	948.1	1,176.5
<u>Consumer prices (end of period)</u>		261.3	474.9	525.7	616.9	684.3	789.9	919.7
Food		288.4	579.9	627.5	726.3	762.5	897.6	1,006.2
Clothing		174.4	294.1	304.3	328.2	353.6	376.3	419.0
Housing		231.9	357.7	376.0	436.6	517.1	577.3	679.0
Other		286.9	507.3	622.9	767.8	895.7	1,040.0	1,282.6
<u>Basic basket (end of period, in colones)</u>		2,550.5	4,736.3	5,239.7	5,696.3	8,758.3	--	--

Sources: Central Bank of Costa Rica; and Fund staff estimates.

Table 24. Costa Rica: Wholesale Price Index Components

(1980=100)

	General Index	By Origin		By Degree of Price Control	
		Domestic	Imported	Controlled	Noncontrolled
<u>1982</u>					
March	286.6	254.2	338.4	250.9	299.6
June	325.9	297.0	372.1	270.1	345.8
September	397.7	363.0	453.1	403.9	392.4
December	415.8	387.8	460.5	419.0	412.1
<u>1983</u>					
March	428.8	404.8	467.2	447.2	416.9
June	436.0	412.6	468.5	453.5	421.7
September	435.6	414.6	469.2	455.8	422.9
December	440.3	420.2	422.4	455.9	429.9
<u>1984</u>					
March	455.3	433.9	489.4	457.8	451.4
June	462.8	442.6	495.1	460.2	461.5
September	475.9	457.5	505.3	472.2	475.8
December	494.1	475.5	523.8	478.8	499.2
<u>1985</u>					
March	507.2	491.2	532.9	492.6	511.8
June	513.1	498.3	536.6	493.6	520.1
September	522.8	510.1	543.0	509.7	526.4
December	531.9	521.6	548.3	511.3	539.4
<u>1986</u>					
March	543.4	532.2	561.3	515.0	554.8
June	556.2	544.8	574.4	517.2	572.9
September	577.6	570.4	589.1	553.7	586.6
December	595.1	588.3	606.0	550.9	614.3
<u>1987</u>					
March	600.2	593.9	610.1	548.6	623.1
June	614.9	612.6	618.4	555.3	641.8
September	633.6	635.4	630.6	560.7	667.1
December	659.8	661.7	656.6	597.2	687.9

Source: Central Bank of Costa Rica.

Table 25. Costa Rica: Average Energy Prices

	1981	1982	1983	1984	1985	1986	1987
<u>(In colones per liter)</u>							
<u>Petroleum prices</u>							
Gasoline	10.35	17.52	24.06	24.00	24.00	24.00	24.90
Diesel	6.37	13.51	18.73	19.00	19.00	19.00	19.00
Kerosene	7.10	13.50	17.98	17.00	17.00	17.00	17.50
<u>(In colones per kwh)</u>							
<u>Electricity rates</u>							
Residential	0.65	1.03	1.67	1.58	1.77	1.99	2.23
Industrial	0.56	0.88	1.85	2.33	2.66	3.02	3.54
Commercial	0.77	1.23	2.70	3.32	4.00	4.57	5.35
<u>(Annual percentage change)</u>							
<u>Petroleum prices</u>							
Gasoline	66.9	69.3	37.3	-0.2	--	--	3.8
Diesel	143.1	112.1	38.6	1.4	--	--	--
Kerosene	177.3	90.1	33.2	-5.5	--	--	2.9
<u>Electricity rates</u>							
Residential	27.5	58.5	62.1	-5.4	12.0	12.4	12.1
Industrial	14.3	57.1	110.2	25.9	14.2	13.5	17.2
Commercial	35.1	59.7	119.5	23.0	20.5	14.3	17.1

Source: Central Bank of Costa Rica.

Table 26. Costa Rica: Average Wages ^{1/}

	1981	1982	1983	1984	1985	Prel. 1986	Jan.- June 1987
(In colones)							
<u>Total</u>	<u>3,062</u>	<u>4,668</u>	<u>6,899</u>	<u>8,328</u>	<u>10,449</u>	<u>12,396</u>	<u>13,852</u>
By sector							
Agriculture	1,918	3,283	4,779	5,837	7,027	8,223	9,112
Manufacturing, mining and utilities	2,757	4,434	6,604	8,047	9,823	11,582	12,826
Construction	2,256	3,432	5,452	6,466	9,824	9,613	10,525
Commerce	3,158	4,831	5,779	7,296	8,210	10,582	11,931
Transport, communication and storage	2,862	4,463	6,681	9,098	10,390	12,298	13,640
Personal services	3,961	5,762	8,319	9,614	12,962	15,514	17,545
By employer							
Public sector	4,560	6,469	9,423	11,081	14,372	17,122	19,135
Central Administration	4,543	6,247	8,600	10,403	12,273	14,811	16,736
Autonomous entities	4,642	6,628	10,003	11,496	15,820	18,667	20,739
Private sector	2,368	3,783	5,655	6,875	8,518	10,020	11,268
(In 1975 colones) ^{2/}							
<u>Total</u>	<u>1,516</u>	<u>1,215</u>	<u>1,354</u>	<u>1,460</u>	<u>1,593</u>	<u>1,689</u>	<u>1,664</u>
By sector							
Agriculture	949	855	938	1,024	1,071	1,121	1,095
Manufacturing, mining and utilities	1,365	1,154	1,296	1,411	1,161	1,578	1,541
Construction	1,117	894	1,070	1,134	1,497	1,310	1,264
Commerce	1,563	1,258	1,134	1,279	1,251	1,442	1,433
Transport, communication, and storage	1,417	1,162	1,312	1,597	1,584	1,676	1,638
Personal services	1,961	1,500	1,633	1,686	1,976	2,114	2,108
By employer							
Public sector	2,257	1,684	1,850	1,944	2,191	2,333	2,298
Central Administration	2,249	1,626	1,688	1,762	1,871	2,018	2,010
Autonomous entities	2,298	1,726	1,964	2,017	2,411	2,544	2,491
Private sector	1,172	985	1,110	1,206	1,298	1,366	1,354

Sources: Ministry of Labor; Social Security Institute; and Fund staff estimates.

- ^{1/} Average wage of the payrolls presented to the Social Security Institute.
^{2/} Nominal wages deflated by the consumer price index.

Table 27. Costa Rica: Minimum Wage Index

(1975 = 100)

	1981	1982	1983	1984	1985	1986	Jan.- June 1987
<u>Average nominal minimum</u> <u>wage index</u>	229.1	404.6	616.2	725.2	866.0	988.2	1,108.7
By sector							
Agriculture	238.0	422.0	626.2	735.4	887.3	1,025.0	1,160.7
Mining	230.8	401.3	594.5	699.7	840.1	961.9	1,081.7
Manufacturing	229.1	403.5	608.5	716.3	862.8	991.8	1,125.1
Construction	214.1	370.8	548.6	645.7	761.8	856.2	938.5
Utilities	233.1	410.5	615.9	725.0	872.0	1,001.5	1,130.1
Commerce	246.9	445.1	683.9	805.0	975.1	1,119.9	1,306.9
Transport, storage, and communication	222.4	385.8	578.1	681.2	815.0	920.0	1,017.0
Services	225.3	398.1	605.7	715.5	848.3	957.9	1,061.1
Other	225.1	399.3	636.6	749.4	887.1	1,007.6	1,127.1
<u>Average real minimum</u> <u>wage index 1/</u>	113.4	105.3	121.0	127.2	132.0	134.7	133.2
By sector							
Agriculture	117.8	109.9	122.9	128.9	135.2	139.7	139.4
Mining	114.3	104.5	116.7	122.7	128.0	131.1	129.9
Manufacturing	113.4	105.1	119.5	125.6	131.5	135.2	135.1
Construction	106.0	96.5	107.7	113.2	116.1	116.7	112.7
Utilities	115.4	106.9	120.9	127.1	132.9	136.5	135.7
Commerce	122.2	115.9	134.3	141.2	148.6	152.6	157.0
Transport, storage, and communication	110.1	100.4	113.5	119.4	124.2	125.4	122.2
Services	111.5	103.6	118.9	125.5	129.3	130.5	127.5
Other	111.4	104.0	125.0	131.4	135.2	137.3	135.4

Sources: Ministry of Labor; and Fund staff estimates.

1/ Nominal minimum wages deflated by the consumer price index.

Table 28. Costa Rica: Employment

	1981	1982	1983	1984	1985	Prel. 1986
(In thousands)						
<u>Total employment</u> <u>1/</u>	<u>751.5</u>	<u>777.6</u>	<u>778.0</u>	<u>805.1</u>	<u>837.4</u>	<u>848.0</u>
By sector						
Agriculture	224.6	245.8	230.3	224.2	226.3	224.7
Manufacturing and mining	115.9	121.7	127.1	125.8	132.6	145.9
Construction	49.5	42.8	38.6	41.2	42.3	49.7
Commerce	133.0	132.7	138.4	151.9	155.7	160.4
Basic services	42.3	41.8	43.6	46.4	49.4	49.6
Personal services	180.9	187.7	200.0	215.6	231.1	217.7
By employer						
Private sector	612.0	642.1	632.4	649.7	681.3	678.9
Public sector	139.5	135.5	145.6	155.4	156.1	169.1
(In percent)						
Participation rate <u>2/</u>	36.6	36.8	35.5	35.4	36.0	35.7
Open unemployment rate <u>2/</u>	8.0	8.0	7.4	6.4	6.0	6.3
<u>Total employment</u> <u>1/</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
By sector						
Agriculture	29.9	31.6	29.6	27.8	27.0	26.5
Manufacturing and mining	15.4	15.6	16.3	15.6	15.8	17.2
Construction	6.6	5.5	5.0	5.1	5.1	5.9
Commerce	17.7	17.1	17.8	18.9	18.6	18.9
Basic services	5.6	5.4	5.6	5.8	5.9	5.8
Personal services	24.8	24.1	25.7	26.8	27.6	25.7
By employer						
Private sector	81.4	82.6	81.3	80.7	81.4	80.1
Public sector	18.6	17.4	18.7	19.3	18.6	19.9

Sources: "Household Survey", Ministry of Labor; General Directorate of Statistics and Census; and Fund staff estimates.

1/ Average of three observations (March, July, and November).

2/ Average of two observations (March and December).

Table 29. Costa Rica: Operations of the Nonfinancial Public Sector
(In millions of colones)

	1983	1984	1985	1986	Est. 1987
I. Central Administration					
<u>Current revenue</u>	21,417	27,012	32,005	38,030	44,500
Tax revenue	20,622	24,864	29,666	33,810	41,389
Direct taxes	5,164	5,412	5,628	6,617	7,465
Indirect taxes	15,458	19,452	24,038	27,194	33,925
Sales of goods and services	58	55	126	256	283
Property income	288	353	311	237	748
Current transfers	249	1,531	1,668	3,401	1,608
Other	200	209	234	325	473
<u>Current expenditures</u>	20,953	26,586	30,143	36,858	43,602
Wages and salaries	7,730	9,822	10,981	13,651	15,648
Goods and services	1,158	1,460	1,803	2,012	2,370
Interest payments	3,739	4,201	4,633	5,977	7,701
Transfers to	8,326	11,103	12,726	14,383	16,965
Rest of general government 1/	4,895	5,889	6,784	8,292	8,543
Public enterprises	14	135	154	932	278
Other	3,417	5,079	5,788	5,995	9,063
Exchange subsidies 2/	--	--	--	--	--
<u>Current surplus or deficit (-)</u>	464	426	1,862	1,172	898
<u>Capital expenditures</u>	5,091	5,392	5,802	9,419	6,743
Fixed capital formation	2,931	3,662	3,390	2,834	2,386
Transfers to	2,033	1,477	2,328	6,022	4,273
Rest of general government	1,261	1,085	1,627	1,646	195
Public enterprises	456	215	323	1,180	582
Other	316	177	378	3,196	3,497
Other capital expenditure	127	253	84	563	84
<u>Overall surplus or deficit (-)</u>	-4,627	-4,966	-3,940	-8,247	-5,845
II. Rest of the General Government 3/					
<u>Current revenue</u>	16,239	20,508	25,471	32,469	37,682
Direct taxes	8,481	10,908	13,153	16,245	20,502
Of which: Social Security payments from	6,966	9,067	12,569	14,712	18,596
Central Government	582	708	710	835	918
Public enterprises	601	759	1,165	1,251	1,308
Other	5,783	7,600	10,694	12,626	16,370
Indirect taxes	951	1,415	1,554	2,130	2,364
Sales of goods and services	866	1,186	1,405	2,036	2,073
Property income	727	1,173	1,728	2,344	3,833
Transfers from	4,993	5,479	7,246	9,241	8,376
Central Government	4,324	4,621	5,977	7,673	7,611
Public enterprises	320	608	506	640	500
Other	349	250	766	927	264
Other current revenue	317	374	428	534	402
Adjustment transfer 4/	-33	-27	-43	-60	132
<u>Capital revenue</u>	1,316	1,247	1,883	1,532	1,241
Transfers from	1,173	1,148	1,821	1,537	1,241
Central Government	1,168	1,135	1,663	1,247	936
Public enterprises	3	3	1	1	1
Other	2	10	157	288	704
Other capital revenue	14	33	16	19	17
Adjustment transfers 4/	129	66	46	-24	-16
<u>Current expenditures</u>	13,806	16,856	20,879	25,950	29,727
Wages and salaries	6,285	8,237	10,078	12,481	13,714
Goods and services	4,021	4,337	5,340	6,547	7,870
Interest payments	59	84	135	96	238
Transfers to	3,342	4,064	5,326	6,826	7,905
Central Government	310	656	760	277	745
Public enterprises	2	--	37	--	--
Other	3,030	3,408	4,529	6,549	7,160
Other current expenditures	--	46	--	--	--
Exchange subsidies 2/	99	88	--	--	--
<u>Capital expenditures</u>	1,988	2,538	3,990	5,142	5,566
Fixed capital formation	1,397	1,541	2,158	2,373	2,400
Capital transfers	85	262	556	603	1,591
Central Government	--	1	41	79	54
Public enterprises	78	161	84	120	104
Other	7	100	431	404	1,434
Net lending	291	278	673	835	883
Other capital expenditure	215	457	603	1,331	692
<u>Overall surplus or deficit (-)</u>	1,761	2,361	2,485	2,908	3,630

Table 29. Costa Rica: Operations of the Nonfinancial Public Sector (Continued)

(In millions of colones)

	1983	1984	1985	1986	Est. 1987
III. General Government					
<u>Current revenue</u>	32,451	40,975	49,932	61,930	72,894
Tax revenue	29,410	36,479	43,664	51,349	63,338
Direct taxes	13,001	15,612	18,072	13,878	17,679
Indirect taxes	16,409	20,867	25,592	15,770	21,933
Sales of goods and services	924	1,241	1,531	2,292	2,356
Property income	1,015	1,526	2,273	2,581	4,581
Transfers from	696	1,867	2,129	3,958	1,931
Public enterprises	322	1,107	847	2,186	919
Other	374	760	1,282	1,773	1,012
Other current revenue	517	583	428	859	874
Adjustment transfer 4/	-111	-721	-93	890	-186
<u>Capital revenue</u>	55	161	214	-194	993
Transfers from	5	13	159	-290	305
Public enterprises	3	3	1	1	1
Other	2	10	158	288	304
Other capital revenue	14	33	16	19	17
Adjustment transfers 4/	36	115	39	-502	671
<u>Current expenditures</u>	29,554	36,897	43,478	54,239	64,041
Wages and salaries	14,014	18,059	21,058	26,133	29,362
Goods and services	5,179	5,797	7,142	8,559	10,240
Interest payments	3,799	4,285	4,769	6,072	7,939
Transfers to	6,463	8,622	10,509	13,475	16,500
Public enterprises	16	135	191	932	278
Other	6,447	8,487	10,318	12,544	16,223
Other current expenditures	--	46	--	--	--
Exchange subsidies 2/	99	88	--	--	--
<u>Capital and net lending</u>				12,835	12,061
Capital expenditures	5,818	6,844	8,123	12,000	11,178
Fixed capital formation	4,328	5,203	5,548	5,207	4,785
Transfers to	858	653	1,215	4,900	5,617
Public enterprises	535	376	406	1,300	685
Other	323	277	809	3,609	4,931
Other capital expenditure	341	710	655	1,894	777
Net lending	291	278	705	835	883
<u>Overall surplus or deficit (-)</u>	-2,866	-2,605	-1,455	-5,338	-2,215
IV. Nonfinancial Public Enterprises 5/					
<u>Current revenue</u>	28,949	35,027	38,395	42,984	48,635
Sales of goods and services	27,401	33,558	36,203	40,443	46,599
Property income	565	890	1,280	1,653	1,653
Transfers from	55	174	506	990	482
Central Government	19	174	506	939	482
Other	36	--	--	--	--
Other current revenue	930	378	365	351	386
Adjustment transfer 4/	-2	27	41	-456	-485
<u>Capital revenue</u>	596	297	300	1,731	948
Transfers from	518	222	261	1,113	823
Central Government	514	177	244	897	597
Rest of general government	4	45	17	139	150
Other capital revenues	78	72	39	618	125
Adjustment transfers 4/	--	3	--	--	--
<u>Current expenditures</u>	26,826	31,065	36,671	38,442	42,523
Wages and salaries	2,859	3,537	4,233	5,492	6,373
Social security contributions	601	759	812	1,251	1,308
Goods and services	15,408	17,810	20,335	18,989	20,111
Interest payments	5,528	5,466	6,582	5,614	6,287
Transfers to	2,430	3,493	4,709	7,095	8,444
Central Government	366	1,059	1,103	1,542	1,423
Rest of general government	--	--	--	554	350
Other	2,064	2,434	3,606	4,999	6,670
<u>Capital expenditures</u>	4,456	4,291	4,404	5,695	6,014
Fixed capital formation	3,552	3,878	4,444	5,589	5,926
Transfers to	285	295	35	19	41
Central Government	3	1	2	1	1
Rest of general government	--	--	--	--	--
Other	--	--	--	18	40
Net lending	577	84	-98	-317	-578
Other capital expenditure	42	34	23	--	--
<u>Operational surplus</u>	3,070	5,606	3,133	6,899	8,712
<u>Current account surplus or deficit (-) 6/</u>	2,123	3,962	1,724	4,542	6,112
<u>Overall surplus or deficit (-)</u>	-1,737	-32	-2,380	895	1,623

Table 29. Costa Rica: Operations of the Nonfinancial Public Sector (Concluded)

(In millions of colones)

	1983	1984	1985	1986	Est. 1987
V. Consolidated Nonfinancial Public Sector					
Current revenue	34,558	44,803	51,464	65,540	78,729
Tax revenue	28,809	35,720	42,852	50,098	62,030
Direct taxes	12,400	14,853	17,260	20,775	25,741
Indirect taxes	16,409	20,867	25,592	29,323	36,289
General government nontax revenue	2,456	3,350	4,231	5,732	7,811
Central Administration	546	617	671	819	1,503
Rest of general government	1,910	2,733	3,560	4,914	6,308
Public enterprises operating surplus	3,070	5,606	3,133	6,899	8,712
Current transfers	374	760	1,282	1,773	1,012
Adjustment 4/	-151	-633	-34	1,038	-837
Capital revenue	114	80	106	237	1,255
Transfers	6	55	175	365	380
Other capital revenue	92	105	55	637	142
Adjustment 4/	16	-80	-124	-765	733
Total expenditures	39,275	47,519	55,405	70,220	80,575
General government current expenditures	29,538	36,762	43,287	53,308	63,764
Capital expenditure and net lending	9,737	10,757	12,118	16,913	16,812
Fixed capital formation	7,881	9,081	9,992	10,795	10,711
Capital transfers	605	571	842	3,618	4,971
Other capital expenditure	383	744	678	1,982	825
Net lending	868	361	606	518	305
Overall surplus or deficit before adjustment (-)	-4,603	-2,636	-3,835	-4,443	-592
Net residual 6/	586	-453	120	-1,175	-60
Financing = overall deficit	4,017	3,089	3,715	3,268	532
External (net)	-341	1,460	699	-2,066	-5,626
Domestic	14,848	-471	-1,054	-70	-415
Banking system	13,889	-959	-1,633	-1,123	-877
Change in floating debt	440	836	-577	1,796	-1,820
Other 7/	519	-348	1,156	-743	2,282
External arrears change	-13,767	2,100	-3,096	2,044	676
Rescheduling	3,277	--	7,166	3,360	5,897 8/

Sources: Ministry of Finance; Comptroller General's Office; Central Bank of Costa Rica; and Fund staff estimates.

1/ Includes social security contributions.

2/ Exchange subsidies granted by the Central Bank.

3/ Includes: Local governments, CCSS, IDA, CTAMS, DESAF, ICT, INA, OCIS, OFICAFE, IMAS, CONICIT, CTAC, ITCR, MPNPE, PNI, SNASRA, SNE, UCR, UED, UN, and other public institutions.

4/ The adjustment for the difference between transfers made and transfers received. In general, the adjustment was made to the consolidated revenues assuming that the donor's classification is correct, except in those cases in which the donor's transfer is higher than the corresponding total revenues of the recipient; in the latter case, the adjustment was made to the consolidated expenditures.

5/ Includes: ICE, RECOPE, CODESA, CNP, ICAA, FECOSA, FSPH, JPSSJ, FNL, INCOP, JASEMC, JAPQ, and JAPDEVA.

6/ Includes discrepancies arising from reporting on accrual and cash basis, from reporting periods that differ from the calendar year, and from the operations of the nonconsolidated public sector.

7/ Includes Treasury bonds, accumulation of counterpart deposit of SAL and change in other investments.

8/ Includes expected rescheduling of current amortization and interest payments as well as rescheduling of arrears; derived from balance of payments data.

Table 30. Costa Rica: Central Administration Revenue

(In millions of colones)

	1981	1982	1983	1984	1985	1986	Est. 1987
<u>Total revenue</u>	<u>7,770</u>	<u>14,026</u>	<u>21,417</u>	<u>27,012</u>	<u>32,005</u>	<u>38,029</u>	<u>44,503</u>
<u>Tax revenue</u>	<u>7,517</u>	<u>13,717</u>	<u>20,622</u>	<u>24,864</u>	<u>29,702</u>	<u>33,809</u>	<u>41,383</u>
Direct taxes	1,701	3,215	5,166	5,413	5,629	6,618	7,458
Income and profits tax	1,487	2,910	4,714	4,738	5,024	5,696	6,513
Payroll tax	146	201	305	517	476	731	695
Property tax	68	104	147	158	129	190	250
Indirect taxes	5,816	10,502	15,456	19,451	24,073	27,192	33,925
General sales tax	1,123	2,695	4,271	5,673	6,881	8,046	10,355
Selective taxes on goods and services	1,565	2,020	3,344	5,392	6,417	6,448	10,156
Taxes on international trade	3,128	5,787	7,841	8,386	10,775	12,698	13,414
Taxes on imports	899	1,087	2,427	4,200	6,347	6,666	8,425
Import duties	474	647	1,208	2,019	2,917	4,092	5,595
Import surcharges	425	440	1,166	2,008	3,096	2,398	2,650
Other on imports	--	--	53	173	334	176	180
Taxes on exports	2,223	4,689	4,994	3,851	4,181	5,937	4,909
Ad-valorem export tax	706	1,542	1,483	1,518	1,595	3,577	2,575
Bananas export tax	1,080	1,659	1,757	1,364	1,325	668	515
Coffee processing	339	699	749	907	1,205	1,624	1,756
Exchange differential	5	766	933	--	--	--	--
Other on exports	93	23	72	62	55	68	63
Other	6	11	420	335	247	96	80
<u>Nontax revenue</u>	<u>253</u>	<u>309</u>	<u>795</u>	<u>2,148</u>	<u>2,303</u>	<u>4,220</u>	<u>3,121</u>
Sales of goods and services	36	48	58	55	126	256	283
Property income	52	48	288	353	311	237	748
Public enterprises	1	1	1	1	1	101	241
Public financial institutions	40	45	287	352	310	136	507
Other	11	2	--	--	--	--	--
Transfers	52	86	249	1,531	1,618	3,401	1,608
Rest of general government	43	62	222	521	692	1,011	441
Public enterprises	1	3	2	499	301	1,545	418
Public financial institutions	8	21	25	511	626	845	748
Other nontax revenue	113	127	200	209	249	325	483

Source: Ministry of Finance.

Table 31. Costa Rica: Central Administration Expenditure

(In millions of colones)

	1983	1984	1985	1986	Est. 1987
<u>Total expenditure</u>	<u>26,044</u>	<u>31,978</u>	<u>35,946</u>	<u>46,277</u>	<u>50,347</u>
<u>Current expenditure</u>	<u>20,953</u>	<u>26,586</u>	<u>30,144</u>	<u>36,859</u>	<u>43,604</u>
Wages and salaries	7,730	9,822	10,981	13,651	15,648
Purchases of goods and services	1,158	1,460	1,803	2,012	2,370
Interest	3,739	4,201	4,633	5,977	7,701
Domestic debt	1,351	1,772	1,833	3,207	4,391
External debt <u>1/</u>	2,388	2,429	2,800	2,770	3,310
Transfers to	8,326	11,103	12,727	15,219	17,885
Rest of general government <u>2/</u>	4,895	5,889	6,784	3,626	3,877
Public enterprises	14	135	154	932	278
Private sector <u>3/</u>	3,344	4,937	5,686	10,661	13,562
Abroad	73	142	103	--	169
<u>Capital expenditure</u>	<u>5,091</u>	<u>5,392</u>	<u>5,802</u>	<u>9,418</u>	<u>6,743</u>
Fixed capital formation	2,931	3,662	3,380	2,834	2,386
Transfers to	2,033	1,477	2,328	6,584	4,357
Rest of general government	1,261	1,085	1,627	553	195
Public enterprises	456	215	323	1,180	582
Private sector	316	177	378	4,288	3,497
Other capital expenditure	127	253	84	563	84

Source: Ministry of Finance.

1/ Includes unpaid interest.2/ Includes social security contributions.3/ Includes transfers to the nonconsolidated public sector.

Table 32. Costa Rica: Summary Operations
of the Social Security Institute (CCSS)

(In millions of colones)

	1983	1984	1985	1986	Est. 1987
<u>Current revenue</u>	<u>8,638</u>	<u>11,088</u>	<u>13,578</u>	<u>17,408</u>	<u>21,656</u>
Tax revenue <u>1/</u>	<u>7,067</u>	<u>8,879</u>	<u>10,905</u>	<u>13,486</u>	<u>17,008</u>
Nontax revenue	703	1,282	1,703	2,774	3,957
Current transfers	868	927	970	1,148	691
<u>Total expenditures</u>	<u>7,362</u>	<u>8,912</u>	<u>10,733</u>	<u>14,302</u>	<u>18,063</u>
Current expenditures	7,002	8,701	10,228	13,179	16,742
Wages and salaries	3,324	4,567	5,316	6,524	7,245
Goods and services	1,817	1,921	2,145	2,942	4,100
Interest	6	38	90	22	152
Current transfers	1,756	2,041	2,678	3,692	5,245
Exchange subsidies <u>2/</u>	99	134	--	--	--
<u>Capital and net lending</u>	<u>360</u>	<u>211</u>	<u>505</u>	<u>1,123</u>	<u>1,321</u>
Capital expenditures	103	47	141	648	763
Net lending	257	164	364	475	558
<u>Current account deficit</u>	<u>1,636</u>	<u>2,387</u>	<u>3,350</u>	<u>4,229</u>	<u>4,914</u>
<u>Overall deficit</u>	<u>1,276</u>	<u>2,176</u>	<u>2,845</u>	<u>3,106</u>	<u>3,593</u>

Source: Ministry of Finance.

1/ Mostly social security contributions.

2/ Exchange losses of the Central Bank on account of CCSS's payments abroad at a subsidized exchange rate.

Table 33. Costa Rica: Summary Operations of Major Nonfinancial Public Enterprises

(In millions of colones)

	1983	1984	1985	1986	Est. 1987
<u>Total revenue</u>	<u>29,543</u>	<u>35,324</u>	<u>38,098</u>	<u>44,715</u>	<u>49,582</u>
Of which:					
RECOPE	10,858	11,638	13,117	13,228	15,358
ICE	5,843	8,654	9,536	10,462	12,747
CODESA	3,641	3,930	3,363	3,813	3,329
CNP	4,022	5,053	5,208	6,852	5,496
<u>Current expenditure 1/</u>	<u>26,833</u>	<u>30,965</u>	<u>36,074</u>	<u>38,442</u>	<u>42,523</u>
Of which:					
RECOPE	9,577	10,147	12,967	11,644	13,540
ICE	4,678	5,329	6,389	6,759	7,636
CODESA	3,735	4,000	3,933	4,182	3,782
CNP	4,532	6,114	6,497	7,071	6,090
<u>Capital expenditure 2/</u>	<u>4,456</u>	<u>4,391</u>	<u>4,406</u>	<u>5,378</u>	<u>5,437</u>
Of which:					
RECOPE	804	740	576	475	700
ICE	2,313	2,594	3,002	3,651	3,507
CODESA	622	224	144	-234	-412
CNP	55	30	21	26	244
<u>Operating surplus</u>	<u>3,043</u>	<u>5,607</u>	<u>3,133</u>	<u>6,899</u>	<u>8,712</u>
Of which:					
RECOPE	1,735	2,149	1,091	3,653	3,121
ICE	1,308	3,670	3,486	4,150	5,604
CODESA	-731	-387	-611	-385	-358
CNP	-651	-1,227	-1,513	-1,335	-946
<u>Current account</u>	<u>2,116</u>	<u>4,062</u>	<u>1,724</u>	<u>4,542</u>	<u>6,112</u>
Of which:					
RECOPE	1,281	1,491	150	1,585	1,818
ICE	1,089	3,272	3,111	3,645	5,046
CODESA	-428	-78	-571	-373	-459
CNP	-510	-1,067	-1,292	-753	-759
<u>Overall deficit (-)</u>	<u>-1,746</u>	<u>-32</u>	<u>-2,382</u>	<u>895</u>	<u>1,623</u>
Of which:					
RECOPE	477	751	-425	1,110	1,118
ICE	-1,148	732	146	52	1,604
CODESA	-715	-294	-715	-136	-41
CNP	-565	-1,091	-1,311	-245	-837

Sources: Ministry of Finance; and Fund staff estimates.

1/ Includes all contractual interest and exchange losses of the Central Bank on account of the enterprises' payments abroad at a subsidized exchange rate.

2/ Includes net lending.

Table 34. Costa Rica: Detailed Accounts of the Banking System

(In millions of colones)

	December 31							
	₡ 45.00=US\$1		₡ 50.00=US\$1		₡ 56.5=US\$1		₡ 63.0=US\$1	
	Recl. 1983 1/	1984	1984	1985	Recl. 1985 2/	1986	1986	1987 3/
I. Central Bank								
<u>Net international reserves</u>	-4,180	-2,030	-2,256	-1,022	-1,155	1,979	2,206	-2,627
<u>Assets</u>	18,522	19,836	22,040	25,643	28,994	31,194	34,783	31,576
<u>Short-term liabilities</u>	-22,702	-21,866	-24,296	-26,665	-30,139	-29,215	-32,577	-34,203
<u>Net domestic assets</u>	103,525	108,327	117,611	136,787	148,798	168,934	182,258	188,798
<u>Credit to public sector (net) 4/</u>	26,615	27,540	29,074	29,656	31,437	41,904	45,254	38,756
<u>Credit to Central Government (net) 5/</u>	6,286	6,148	6,544	6,734	7,447	13,449	14,565	14,705
Of which: rescheduling	3,433	3,626	4,030	4,227	4,948	9,738	10,858	8,654
<u>Credit to rest of public sector (net)</u>	20,329	21,392	22,530	22,922	23,990	28,456	30,689	24,051
Of which: rescheduling	11,637	10,245	11,383	12,146	14,103	17,762	19,806	19,013
<u>Official capital and reserves</u>	-15	-15	-15	-15	-15	-15	-15	-15
<u>Credit to commercial banks</u>	6,953	5,935	6,071	8,379	8,744	11,728	12,159	15,578
Of which: rescheduling	4,087	1,220	1,354	1,463	1,828	3,153	3,524	3,275
<u>Credit to rest of banking system</u>	447	476	476	448	448	405	405	398
<u>Credit to nonbank intermediaries</u>	726	969	969	1,272	1,272	2,103	2,224	2,097
<u>Subscriptions to international agencies (net)</u>	-1,057	-454	-704	-191	-463	-278	-634	-686
<u>Unclassified assets (net)</u>	49,149	53,120	53,120	68,618	68,618	73,692	73,692	83,497
<u>Valuation adjustment</u>	20,756	20,756	28,620	28,620	39,395	39,395	49,173	49,173
<u>Counterpart unrequited foreign exchange</u>	1,282	1,057	1,174	1,303	1,472	1,640	1,828	2,053
<u>Government trust funds</u>	1,098	4,478	4,478	10,957	10,985	18,263	18,263	15,676
<u>Medium- and long-term foreign liabilities</u>	66,845	69,126	76,806	83,171	93,983	102,979	114,826	112,867
Regular	43,939	48,318	53,686	60,095	67,908	48,599	54,190	54,528
Rescheduled	22,906	20,808	23,120	23,076	26,076	54,380	60,636	58,339
<u>Liabilities to banks</u>	17,497	17,992	18,983	24,095	25,641	28,988	30,504	32,374
<u>Liabilities to nonbank intermediaries</u>	357	284	284	584	584	375	375	318
<u>Liabilities to private sector</u>	12,266	13,630	13,630	15,655	14,969	18,668	18,668	22,883
Currency in circulation	6,940	8,588	8,588	9,938	9,938	13,286	13,286	14,777
Demand deposits	277	145	145	130	130	229	229	210
Foreign currency deposits	4	--	--	--	--	39	39	--
Stabilization bonds	5,041	4,895	4,895	5,586	4,900	5,079	5,079	7,885
Other	4	2	2	2	1	35	35	12
II. Commercial Banks								
<u>Net international reserves</u>	2,579	1,472	1,636	1,985	2,243	3,441	3,837	4,190
<u>Assets</u>	2,707	1,741	1,934	2,488	2,814	4,187	4,668	5,500
<u>Short-term liabilities</u>	-128	-269	-298	-503	-571	-746	-831	-1,310
<u>Claims on Central Bank</u>	17,052	18,256	19,247	24,837	26,383	28,276	29,761	33,089
<u>Net domestic assets</u>	31,197	35,542	35,914	42,222	40,829	48,851	49,489	61,799
<u>Credit to public sector (net)</u>	-2,239	-4,817	-4,836	-5,902	-8,023	-9,121	-9,144	-9,448
Credit to Central Government (net) 6/	3,352	3,601	3,601	3,993	3,993	3,840	3,840	4,087
Credit to rest of public sector (net)	-5,592	-8,418	-8,437	-9,895	-12,016	-12,961	-12,984	-13,585
<u>Official capital and reserves</u>	-678	-941	-941	-2,427	-2,427	-2,516	-2,516	-3,243
<u>Credit to private sector</u>	24,819	29,229	29,249	34,092	34,141	40,146	40,281	50,695
<u>Credit to rest of banking system</u>	647	934	934	934	934	911	911	1,056
<u>Credit to nonbank intermediaries</u>	170	170	170	170	170	--	--	360
<u>Unclassified assets (net)</u>	6,296	8,785	8,935	12,952	12,952	16,347	16,347	18,768
<u>Valuation adjustment</u>	2,182	2,182	2,403	2,403	3,083	3,083	3,611	3,611
<u>Medium- and long-term foreign liabilities</u>	1,628	2,507	2,785	3,510	3,966	1,119	1,247	1,153
<u>Liabilities to Central Bank</u>	6,932	5,906	6,056	9,133	9,329	11,498	11,920	15,298
<u>Liabilities to rest of banking system</u>	29	258	258	276	276	76	76	34
<u>Liabilities to nonbank intermediaries</u>	1,223	1,308	1,311	1,045	1,049	1,021	1,026	1,250
<u>Liabilities to private sector</u>	41,016	45,291	46,387	55,080	54,935	66,853	68,818	81,330
Demand deposits	15,264	16,978	16,978	18,902	18,902	26,386	26,386	25,480
Savings deposits	2,394	2,879	2,879	3,079	3,079	4,144	4,144	4,511
Time deposits	13,074	12,360	12,360	14,070	11,984	13,536	13,536	19,185
Foreign currency deposits	9,210	9,860	10,956	14,161	16,002	17,086	19,051	23,562
Other obligations	648	2,260	2,260	3,485	3,485	3,669	3,669	5,443
Private capital	425	954	954	1,383	1,383	2,032	2,032	3,149

Table 34. Costa Rica: Detailed Accounts of the Banking System (Concluded)

(In millions of colones)

	December 31							
	₡ 45.00=US\$1		₡ 50.00=US\$1		₡ 56.5=US\$1		₡ 63.0=US\$1	
	Recl. 1983 1/	1984	1984	1985	Recl. 1985 2/	1986	1986	1987 3/
III. Rest of Banking System								
<u>Claims on Central Bank</u>	124	219	219	84	84	44	44	--
<u>Net domestic assets</u>	1,567	1,650	1,672	1,805	1,859	2,258	2,271	2,204
<u>Credit to public sector (net)</u>	-8	-54	-54	-60	-60	44	44	-123
Credit to Central Government (net)	2	4	4	1	1	-100	100	77
Credit to rest of public sector (net)	-10	-58	-58	-61	-61	-56	-56	-200
<u>Official capital and reserves</u>	-139	-139	-139	-139	-139	-161	-161	-171
<u>Credit to commercial banks</u>	29	106	106	224	224	191	191	392
<u>Credit to private sector</u>	1,826	2,102	2,102	2,199	2,199	2,574	2,574	2,606
<u>Unclassified assets (net)</u>	-360	-584	-584	-419	-632	-657	-657	-780
<u>Valuation adjustment</u>	219	219	241	241	267	267	280	280
<u>Medium- and long-term foreign liabilities</u>	243	193	215	200	231	111	124	294
<u>Liabilities to Central Bank</u>	445	475	475	476	476	479	479	475
<u>Liabilities to commercial banks</u>	641	934	934	956	956	912	912	1,056
<u>Liabilities to nonbank intermediaries</u>	235	204	204	224	222	221	221	207
<u>Liabilities to private sector</u>	127	63	63	58	58	579	579	172
<u>Demand deposits</u>	--	--	--	--	--	--	--	--
<u>Bonds</u>	59	14	14	--	--	--	--	--
<u>Other obligations</u>	68	49	49	58	58	579	579	172
IV. Consolidated Banking System								
<u>Net international reserves</u>	-1,601	-558	-620	964	1,089	5,420	6,044	-1,563
<u>Assets</u>	21,229	21,577	23,974	28,131	31,794	35,381	39,451	37,076
<u>Short-term liabilities</u>	-22,830	-22,135	-24,594	-27,168	-30,705	-29,961	-33,407	35,513
<u>Net domestic assets</u>	127,738	138,169	147,957	170,823	181,267	206,407	219,933	236,639
<u>Credit to public sector (net) 4/</u>	24,367	22,669	24,184	23,694	23,354	32,827	36,149	29,186
Credit to Central Government (net)	9,640	9,753	10,149	10,728	11,441	17,389	18,505	18,869
Credit to rest of public sector (net)	14,727	12,916	14,035	12,966	11,913	15,438	17,644	10,317
<u>Official capital and reserves</u>	-832	-1,095	-1,095	-1,581	-2,581	-2,693	-2,693	-3,429
<u>Credit to nonbank intermediaries</u>	896	1,139	1,139	1,442	1,442	2,105	2,225	2,484
<u>Credit to private sector</u>	26,645	31,331	31,351	36,291	36,340	42,721	42,856	53,301
<u>Subscriptions to international agencies (net)</u>	-1,057	-454	-704	-191	-463	-278	-634	-686
<u>Unclassified assets (net)</u>	54,854	61,561	61,561	80,998	80,998	90,083	90,083	96,440
<u>Interbank float</u>	-292	361	347	-5	139	-396	-420	1,276
<u>Valuation adjustment</u>	23,157	23,157	31,175	31,175	42,038	42,038	58,067	58,067
<u>Counterpart unrequited foreign exchange</u>	1,282	1,057	1,174	1,303	1,472	1,640	1,828	2,053
<u>Government trust funds</u>	1,098	4,478	4,478	10,957	10,985	18,263	18,263	15,676
<u>Medium- and long-term foreign liabilities</u>	68,716	71,826	79,806	86,881	98,181	104,209	116,198	114,313
<u>Liabilities to nonbank intermediaries</u>	1,632	1,796	1,799	1,853	1,855	1,618	1,622	1,775
<u>Liabilities to private sector</u>	53,409	58,984	60,080	70,793	69,862	86,097	88,066	104,385
<u>Currency</u>	6,440	8,587	8,587	9,938	9,938	13,286	13,286	14,777
<u>Demand deposits</u>	15,541	17,123	17,123	19,032	19,032	26,615	26,615	25,690
<u>Savings deposits</u>	2,394	2,879	2,879	3,079	3,079	4,144	4,144	4,511
<u>Time deposits</u>	13,074	12,360	12,360	14,070	11,984	13,536	13,536	19,185
<u>Foreign currency deposits</u>	9,213	9,860	10,956	14,161	16,002	17,121	19,090	23,562
<u>Bonds</u>	5,041	4,895	4,895	5,586	4,900	5,079	5,079	7,885
<u>Other</u>	779	2,325	2,325	3,544	3,544	4,284	4,284	5,626
<u>Private capital</u>	426	954	954	1,383	1,383	2,032	2,032	3,149

Sources: Central Bank of Costa Rica; and Fund staff estimates.

1/ Reclassified; reflects the effect of the rescheduling of public sector payments arrears.

2/ A number of accounts have been reclassified beginning with the data for 1985. The major revisions involve reclassification of certain time deposits, other deposits, and bond holdings to reflect ownership by the nonfinancial public sector instead of the private sector. Data are unavailable to revise earlier year figures. Also, there was reclassification of some commercial bank external debt to reflect assumption by the Central Bank.

3/ In 1987 net international reserves are defined to include as a short-term liability the change in foreign exchange deposits with the banking system since end-1986.

4/ Does not include exchange subsidies.

5/ Includes all credit of the Central Bank to the commercial banks for relending to the Central Government.

6/ Excludes all credit of the Central Bank to the commercial banks for relending to the Central Government.

Table 35. Costa Rica: Private Sector Financial Assets

	December 31				
	1983	1984	1985	1986	1987
(In millions of colones)					
<u>Total</u>	<u>54,778</u>	<u>61,652</u>	<u>72,206</u>	<u>91,562</u>	<u>115,770</u>
By instrument					
Money	22,481	25,710	28,970	39,901	40,467
Currency	6,940	8,587	9,938	13,286	14,777
Demand deposits	15,541	17,123	19,032	26,615	25,690
Quasi-money	31,092	32,663	38,309	45,401	66,433
In domestic currency	23,017	22,200	23,171	27,674	40,720
Savings deposits	2,394	2,879	3,079	4,144	4,511
Time deposits	13,074	12,360	11,984	13,536	19,185
Bonds ^{1/}	7,549	6,961	8,108	9,994	17,024
In foreign currency ^{2/}	8,075	10,463	15,138	17,727	25,713
Private capital and other	1,205	3,279	4,927	6,260	8,870
By entity					
Banking system	52,378	59,600	68,998	86,646	106,631
Central Bank	12,314	13,630	14,969	18,666	22,883
Commercial banks	40,064	45,970	54,029	67,981	83,748
Nonfinancial public sector	2,400	2,052	3,208	4,915	9,139
(Changes in percent)					
<u>Total</u>	<u>30.5</u>	<u>12.5</u>	<u>17.1</u>	<u>26.8</u>	<u>26.4</u>
Money	32.5	14.4	12.7	37.7	1.4
Currency	27.7	23.7	15.7	33.7	11.2
Demand deposits	34.8	10.2	11.1	39.8	-3.5
Quasi-money	35.0	5.1	17.3	18.5	46.3
In domestic currency	46.8	-3.5	4.4	18.9	47.1
Savings deposits	14.2	20.3	6.9	34.6	8.9
Time deposits	87.4	-5.5	-3.0	13.0	41.7
Bonds	14.3	-7.8	16.5	23.3	70.3
In foreign currency	9.8	29.6	44.7	17.1	45.0
Private capital and other	-38.7	172.1	50.3	27.1	41.7

Source: Central Bank of Costa Rica.

^{1/} Includes private sector holdings of bonds issued by the nonfinancial public sector.

^{2/} Foreign currency deposits are valued at the actual end-of-year exchange rates.

Table 36. Costa Rica: Changes in Banking System Domestic Credit
by Origin, Destination and Financing

(In millions of colones; end of period)

	1983	1984	1985	1986	1987
<u>Origin</u>	<u>15,171</u>	<u>18,042</u>	<u>13,808</u>	<u>32,729</u>	<u>22,256</u>
Central Bank	7,483	12,628	9,770	24,779	8,929
Commercial banks	7,952	5,286	3,882	7,946	12,302
Other banks	-3	-233	161	400	-251
Interbank float (net)	-261	361	-5	-396	1,276
<u>Destination</u>	<u>15,171</u>	<u>18,042</u>	<u>13,808</u>	<u>32,729</u>	<u>22,256</u>
Public sector (net)	389	-1,610	-490	9,473	-6,963
Private sector	9,083	4,686	4,940	6,381	10,445
Other financial intermediaries	343	243	303	663	259
Counterpart arrears	-5,026	6,709	-7,839	7,572	5,569
Other	10,555	7,361	17,240	8,875	12,022
Interbank float (net)	-173	653	-352	-236	1,276
<u>Financing</u>	<u>15,171</u>	<u>18,042</u>	<u>13,808</u>	<u>32,729</u>	<u>22,256</u>
Net international reserves <u>1/</u>	-2,447	6,038	-10,670	3,257	10,031
Long-term foreign liabilities <u>2/</u>	5,130	6,264	13,683	13,474	-4,247
Private sector liabilities	12,488	5,740	10,767	15,998	16,472
Money	5,519	3,229	3,259	10,931	566
Other	6,969	2,511	7,508	5,067	15,906

Source: Statistical Appendix Table 34.

1/ Includes payments arrears.2/ Includes counterpart of U.S. AID grants.

Table 37. Costa Rica: Banking System Credit to the Private Sector ^{1/}

	December 31				
	1983	1984	1985	1986	1987
(In millions of colones)					
<u>Total</u>	<u>25,643</u>	<u>30,389</u>	<u>34,907</u>	<u>41,628</u>	<u>52,127</u>
Agriculture	7,409	7,404	7,821	8,362	10,249
Livestock and fishing	6,597	8,276	8,723	8,713	8,903
Manufacturing	7,590	10,048	11,863	14,322	16,799
Export promotion	336	599	696	755	1,000
Construction and housing	883	1,054	1,405	2,152	3,328
Commerce, personal, and other	2,828	3,008	4,399	7,324	11,848
(In percent of total)					
<u>Total</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.0</u>	<u>100.0</u>
Agriculture	28.9	24.4	22.4	20.1	19.7
Livestock and fishing	25.7	27.2	25.0	20.9	17.1
Manufacturing	29.6	33.1	34.0	34.4	32.2
Export promotion	1.3	2.0	2.0	1.8	1.9
Construction and housing	3.4	3.5	4.0	5.2	6.4
Commerce, personal, and other	11.0	9.9	12.6	17.6	22.7

Source: Central Bank of Costa Rica.

^{1/} Coverage includes commercial departments of state banks, private banks, and rural credit department of Banco Nacional de Costa Rica.

Table 38. Costa Rica: Legal Reserve Position of the Commercial Banks ^{1/}

	December 31				
	1983	1984	1985	1986	1987
(In millions of colones)					
<u>Liabilities subject to requirements</u>	<u>39,773</u>	<u>45,169</u>	<u>51,505</u>	<u>61,916</u>	<u>66,519</u>
Local currency	35,653	40,336	45,957	55,925	59,173
Foreign currency	4,120	4,833	5,548	5,991	7,346
<u>Required reserves</u>	<u>11,434</u>	<u>13,778</u>	<u>15,386</u>	<u>18,359</u>	<u>21,009</u>
Local currency	8,532	13,314	11,026	13,856	15,294
Currency and deposits	5,785	7,311	11,026	13,856	15,294
Government bonds	2,747	3,003	--	--	--
Foreign currency	2,902	3,464	4,360	4,503	5,715
<u>Actual reserves</u>	<u>12,642</u>	<u>14,831</u>	<u>17,803</u>	<u>21,456</u>	<u>21,262</u>
Local currency	8,554	10,343	12,387	15,991	14,654
Currency and deposits	5,900	7,339	12,387	15,991	14,654
Government bonds	2,654	3,004	--	--	--
Foreign currency	4,088	4,488	5,116	5,465	6,608
<u>Net excess or deficiency (-)</u>	<u>1,208</u>	<u>1,053</u>	<u>2,117</u>	<u>3,096</u>	<u>253</u>
Local currency	122	29	1,361	2,135	-640
Currency and deposits	115	28	1,361	2,135	-640
Government bonds	-93	1	--	--	--
Foreign currency	1,186	1,024	756	961	893
(As percent of liabilities subject to requirements)					
<u>Required reserves</u>	<u>28.7</u>	<u>30.5</u>	<u>29.9</u>	<u>24.8</u>	<u>31.6</u>
Local currency	23.9	25.6	24.0	24.7	25.8
Foreign currency	70.4	71.7	78.6	75.1	77.8
<u>Actual reserves</u>	<u>31.8</u>	<u>32.8</u>	<u>34.6</u>	<u>34.6</u>	<u>32.0</u>
Local currency	24.0	25.6	27.0	28.6	24.8
Foreign currency	99.2	92.9	92.2	91.2	90.0
<u>Net excess or deficiency (-)</u>	<u>3.3</u>	<u>2.3</u>	<u>4.1</u>	<u>5.0</u>	<u>0.4</u>
Local currency	0.3	0.1	3.0	3.8	-1.1
Foreign currency	28.8	21.2	13.6	16.0	12.2

Source: Comptroller General of Banks.

^{1/} Foreign currency accounts valued at the official exchange rate.

Table 39. Costa Rica: Central Bank Interest Earning
Assets and Interest Bearing Liabilities

(In millions of colones)

	1983	1984	1985	1986	1987
<u>Assets</u>	<u>56,590</u>	<u>60,406</u>	<u>72,637</u>	<u>94,436</u>	<u>104,063</u>
Foreign assets	17,905	20,554	27,438	32,297	34,463
Credit to public sector	30,695	32,404	34,998	48,133	51,461
Of which: rescheduling	14,568	14,642	17,519	30,035	30,192
Credit to banks	7,264	6,479	8,929	12,948	17,208
Of which: rescheduling	3,951	1,287	1,565	4,355	4,846
Other	726	969	1,272	1,058	931
<u>Liabilities 1/</u>	<u>115,107</u>	<u>127,310</u>	<u>161,984</u>	<u>193,678</u>	<u>209,544</u>
Reserve related liabilities	21,945	22,046	28,532	30,272	33,198
Public sector	4,582	4,097	4,196	4,118	7,350
Banks	15,894	17,191	21,610	25,434	20,116
Trust funds	1,098	4,478	10,957	18,263	15,676
Other foreign liabilities	65,856	74,082	90,387	108,322	124,749
Stabilization bonds	5,090	4,985	5,586	6,291	8,137
Other	642	431	716	978	318
<u>Net</u>	<u>-58,517</u>	<u>-66,904</u>	<u>-89,347</u>	<u>-99,242</u>	<u>-105,481</u>
In domestic currency	1,246	2,170	-4,224	-13,685	-16,952
In foreign currency	-59,763	-69,074	-85,123	-85,557	-88,529
<u>Memorandum items</u>					
Liabilities/assets	2.0	2.1	2.2	2.0	2.1
Exchange rate (in colones per U.S. dollar)	43.50	47.50	53.50	58.50	68.75

Sources: Central Bank of Costa Rica; and Fund staff estimates.

1/ Does not include external payments arrears.

Table 40. Costa Rica: Detailed Balance of Payments

(In millions of U.S. dollars)

	1983			1984		
	Credit	Debit	Net	Credit	Debit	Net
<u>Goods and services</u>	<u>1,763.0</u>	<u>1,528.9</u>	<u>-323.0</u>	<u>1,318.1</u>	<u>1,613.9</u>	<u>-295.8</u>
Merchandise trade	852.5	993.2	131.1	997.5	1,102.2	-104.7
Freight and insurance	8.2	--	8.2	10.4	--	10.4
Other transportation	54.2	41.1	13.1	54.5	33.0	21.5
Travel	132.9	52.3	80.6	120.9	54.8	66.1
Factor services	39.6	373.3	-313.7	37.2	350.8	-313.6
Direct investment	5.5	25.6	14.0	4.0	36.8	-32.8
Interest (official)	34.1	347.7	-327.7	33.2	314.0	-280.8
Paid	34.1	295.4	-275.4	33.2	208.7	-175.5
Unpaid	--	52.3	-52.3	--	105.3	-105.3
Other services	88.9	69.0	19.9	97.6	73.1	24.5
<u>Transfers</u>	<u>78.1</u>	<u>9.2</u>	<u>68.9</u>	<u>151.3</u>	<u>10.4</u>	<u>140.9</u>
Private	30.1	7.2	22.9	39.5	7.6	31.9
Public	48.0	2.0	46.0	111.8	2.8	109.0
<u>Current account balance</u>	<u>1,254.4</u>	<u>1,538.1</u>	<u>-283.7</u>	<u>1,469.4</u>	<u>1,624.3</u>	<u>-154.9</u>
<u>Private capital</u>			<u>97.4</u>			<u>24.3</u>
Direct investment			55.1			51.9
Medium- and long-term loans			-13.1			-31.6
Short term (including net errors and omissions)			55.4			4.0
<u>Official capital</u>	<u>187.4</u>	<u>145.9</u>	<u>41.5</u>	<u>156.0</u>	<u>123.3</u>	<u>32.7</u>
Central Government	78.6	--	78.6	74.2	17.6	56.6
Public enterprises	42.6	59.0	-16.4	23.4	26.6	-3.2
Rest of nonfinancial public sector	--	1.0	-1.0	--	--	--
Short-term loans	--	3.0	-3.0	--	0.1	-0.1
Rescheduling/unpaid principal	66.2	82.9	-16.7	58.4	79.0	-20.6
<u>Financial intermediaries</u>	<u>281.6</u>	<u>120.8</u>	<u>160.8</u>	<u>198.5</u>	<u>215.7</u>	<u>-17.2</u>
Central Bank	184.8	25.2	159.6	103.0	56.6	46.4
Commercial banks	1.0	4.0	-3.0	0.2	7.4	-7.2
Long-term	1.0	4.0	-3.0	--	--	--
Short-term	--	--	--	--	--	--
Other public intermediaries	4.8	0.6	4.2	--	1.3	-1.3
Rescheduling/unpaid principal	91.0	91.0	--	95.3	150.4	-55.1
<u>Refinancing of current interest</u>	<u>34.4</u>	<u>--</u>	<u>34.4</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>SDR allocation and gold revaluation</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>13.4</u>	<u>25.8</u>	<u>-12.4</u>
<u>Rescheduling of past arrears</u>			<u>749.3</u>			<u>--</u>
<u>Overall balance of payments (net international reserves)</u>			<u>799.7</u>			<u>-127.5</u>
Change in arrears (decrease -)			-1,070.0			175.3
Conversion of CDs			51.8			--
Special bank credit facilities			152.3			49.9
Valuation adjustment			8.1			--
Net official reserves (increase -)			58.1			-97.7
Net use of Fund resources			99.0			-34.0
Other net official reserves			-40.9			-63.7

Table 40. Costa Rica: Detailed Balance of Payments (Concluded)

(In millions of U.S. dollars)

	1985			1986			Prel. 1987		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
<u>Goods and services</u>	<u>1,274.7</u>	<u>1,623.2</u>	<u>-348.5</u>	<u>1,462.5</u>	<u>1,684.0</u>	<u>-221.5</u>	<u>1,503.3</u>	<u>1,926.4</u>	<u>-423.1</u>
Merchandise trade	939.1	1,110.9	-171.8	1,085.8	1,163.2	-79.7	1,113.6	1,385.0	-271.4
Freight and insurance	10.2	--	10.2	10.6	--	10.6	12.5	--	12.5
Other transportation	44.0	42.9	1.1	48.1	41.2	6.9	52.5	45.0	7.5
Travel	122.4	58.1	64.3	138.1	66.7	71.4	141.9	74.0	65.6
Factor services	49.2	331.4	-282.2	46.1	326.8	-280.7	48.2	333.5	-285.3
Direct investment	4.9	51.1	-46.2	5.2	45.1	-39.9	6.0	49.8	-43.8
Interest (official)	44.3	280.3	-236.0	40.9	281.7	-240.8	42.2	283.7	-254.0
Paid	44.3	245.0	-200.7	40.9	183.9	-143.0	42.2	139.1	-96.9
Unpaid	--	35.3	-35.3	--	97.8	-97.8	--	157.1	-157.1
Other services	109.8	79.9	29.9	133.8	86.1	47.7	134.6	88.9	45.7
<u>Transfers</u>	<u>229.4</u>	<u>10.6</u>	<u>218.8</u>	<u>160.7</u>	<u>10.7</u>	<u>150.0</u>	<u>198.8</u>	<u>11.1</u>	<u>187.7</u>
Private	50.5	7.9	42.6	43.0	8.3	34.7	45.0	8.5	36.5
Public	178.9	2.7	176.2	117.7	2.4	115.3	153.8	2.6	151.2
<u>Current account balance</u>	<u>1,504.1</u>	<u>1,633.8</u>	<u>-129.7</u>	<u>1,623.2</u>	<u>1,694.7</u>	<u>-71.5</u>	<u>1,702.1</u>	<u>1,937.5</u>	<u>-235.4</u>
<u>Private capital</u>			<u>104.8</u>			<u>61.8</u>			<u>107.0</u>
Direct investment			65.1			65.1			64.5
Medium- and long-term loans			-15.5			-8.4			-7.5
Short-term (including net errors and omissions and debt conversion)			55.2			5.1			50.0
<u>Official capital</u>	<u>300.6</u>	<u>163.3</u>	<u>137.3</u>	<u>203.8</u>	<u>156.8</u>	<u>47.0</u>	<u>70.6</u>	<u>159.9</u>	<u>-89.3</u>
Central Government	96.4	18.9	77.5	94.3	25.8	68.5	42.5	29.0	13.5
Public enterprises	53.1	17.1	36.0	51.9	25.9	26.0	28.1	25.5	2.6
Rest of nonfinancial public sector	--	--	--	--	--	--	--	--	--
Short-term loans	--	--	--	--	--	--	--	--	--
Rescheduled/unpaid principal	151.1	127.3	23.8	57.6	105.1	-47.5	--	105.4	-105.4
<u>Financial intermediaries</u>	<u>202.9</u>	<u>194.3</u>	<u>8.6</u>	<u>102.0</u>	<u>222.8</u>	<u>-120.8</u>	<u>30.8</u>	<u>280.0</u>	<u>-249.2</u>
Central Bank	75.7	31.9	43.8	29.0	106.7	-77.7	9.0	9.5	-0.5
Commercial banks	--	5.5	-5.5	--	1.9	-1.9	--	2.6	-2.6
Long-term	--	5.5	-5.5	--	1.9	-1.9	--	2.6	-2.6
Short-term	--	--	--	--	--	--	--	--	--
Other public intermediaries	--	0.7	-0.7	--	0.3	-0.3	--	--	--
Rescheduled/unpaid principal	127.2	156.2	-29.0	73.0	106.9	-33.9	21.8	172.0	-150.2
Debt conversion	--	--	--	--	7.0	-7.0	--	95.9	-95.9
<u>Refinancing of current interest</u>	<u>22.5</u>	<u>--</u>	<u>22.5</u>	<u>2.4</u>	<u>--</u>	<u>2.4</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>SDR allocation and gold revaluation</u>			<u>-6.2</u>			<u>-12.5</u>			<u>--</u>
<u>Rescheduling of past arrears</u>			<u>57.0</u>			<u>12.9</u>			<u>21.1</u>
<u>Arrears subject to rescheduling</u>			<u>--</u>			<u>--</u>			<u>285.8</u>
<u>Overall balance of payments (net international reserves)</u>			<u>194.3</u>			<u>-80.7</u>			<u>-164.7</u>
Change in arrears (decrease -)			-169.5			135.7			88.0
Conversion of CDs			--			--			--
Special bank credit facilities			--			--			--
Valuation adjustment			--			--			--
Net official reserves (increase -)			-24.8			-55.0			76.7
Net use of Fund resources			30.0			-36.0			-62.2
Other net official reserves			-54.8			-19.0			138.9

Sources: Central Bank of Costa Rica; and Fund staff estimates.

Table 41. Costa Rica: Net International Reserves

	December 31				
	1983 <u>1/</u>	1984	1985	1986	1987
(In millions of U.S. dollars)					
<u>Net international reserves</u>	<u>-133.2</u>	<u>-185.7</u>	<u>-66.2</u>	<u>-145.4</u>	<u>-530.9</u> <u>1/2/</u>
<u>Net official reserves</u> <u>3/</u>	<u>59.4</u>	<u>156.8</u>	<u>256.6</u>	<u>311.3</u>	<u>294.2</u> <u>1/</u>
Assets	306.7	440.8	513.0	552.6	501.2
Gold	24.4	8.7	19.1	26.1	23.7
SDRs	0.6	--	--	2.2	3.4
IMF position	--	--	--	--	--
Contribution to the Central American Stabilization Fund	17.8	19.2	19.2	22.5	23.7
Assets with multilateral clearing arrangements	87.8	115.1	113.7	31.1	16.7
Investments with foreign commercial banks	33.6	67.2	11.0	92.3	67.7
Time deposits with central banks in Central America and other central banks	134.8	184.8	238.8	365.4	344.1
Other assets	7.7	46.0	111.2	13.0	21.9
Liabilities	-247.3	-284.0	-256.4	-241.3	-207.0
Liabilities to IMF	-191.9	-158.6	-188.6	-172.4	-132.3
Liabilities with multilateral clearing arrangements	--	-21.6	-3.1	-5.4	--
Other	-55.4	-103.8	-64.7	-63.5	-74.7
<u>Outstanding arrears</u> <u>4/</u>	<u>-40.3</u>	<u>-140.6</u>	<u>-45.9</u>	<u>-179.9</u>	<u>-548.7</u> <u>5/</u>
<u>Special bank credit facilities</u>	<u>-152.3</u>	<u>-201.9</u>	<u>-276.9</u>	<u>-276.8</u>	<u>-276.4</u>
(In months of imports)					
Net official international reserves	0.7	1.7	2.8	3.2	2.5
Gross official international reserves	3.7	4.8	5.5	5.7	4.3

Sources: Central Bank of Costa Rica; and Fund staff estimates.

1/ The program definition for official reserves differs by including as a short-term liability the change in foreign currency deposits since end-1986.

2/ The program definition for net international reserves excludes arrears subject to rescheduling.

3/ SDRs valued at end-of-year market rate and gold valued at end-of-year official price.

4/ Excludes imports arrears.

5/ Includes US\$285.8 million that are subject to rescheduling.

Table 42. Costa Rica: Direction of Trade

(In millions of U.S. dollars)

	Exports				Imports			
	1983	1984	1985	1986	1983	1984	1985	1986
Total	852.5	997.5	939.1	1,085.8	993.2	1,102.2	1,110.9	1,163.2
United States	273.8	372.2	354.1	436.1	374.3	395.8	377.9	408.2
United Kingdom	22.0	36.7	27.1	42.4	12.6	14.2	20.4	22.2
Canada	6.5	5.5	10.9	14.4	18.6	21.8	18.5	22.4
Japan	4.9	4.8	5.2	10.3	52.8	82.4	105.2	121.0
France	11.1	11.5	11.5	17.5	9.8	21.2	16.0	21.6
Germany	110.6	131.5	120.8	157.1	46.7	56.7	58.3	64.4
Italy	27.3	33.9	20.1	36.2	17.1	20.3	20.2	22.1
Netherlands	21.0	22.2	19.3	28.7	6.1	10.5	9.7	13.3
Spain	4.4	8.6	9.4	18.1	16.0	21.2	25.7	17.5
Central America	198.2	193.0	143.5	100.5	120.2	114.9	92.7	106.3
Guatemala	88.5	75.9	39.2	37.2	59.4	59.4	46.4	61.3
El Salvador	41.6	44.5	46.3	29.0	29.7	30.8	30.1	33.8
Honduras	27.2	44.8	30.8	22.7	11.0	8.3	7.3	5.9
Nicaragua	40.9	27.8	27.2	11.6	20.1	16.4	8.9	5.3
Mexico	0.1	13.5	7.7	5.6	81.6	76.4	32.0	55.9
Panama	36.4	36.3	38.9	43.0	17.5	22.1	19.6	20.3
Venezuela	3.0	1.8	5.7	3.3	72.4	93.5	124.7	60.4
Other <u>1/</u>	133.2	126.0	164.9 <u>2/</u>	172.6	147.5	151.2	190.0 <u>2/</u>	207.6
(In percent of total)								
United States	32.1	37.3	37.7	40.2	37.7	35.9	34.0	35.1
Other industrial	24.4	25.5	23.9	29.9	18.1	22.5	24.7	26.2
Central America	23.2	19.3	15.3	9.3	12.1	10.4	8.3	9.1
Other	20.3	17.8	23.1	20.6	32.1	31.1	33.0	20.6

Sources: Central Bank of Costa Rica; Direction of Trade Statistics; and Fund staff estimates.

1/ Includes an adjustment for consistency with balance of payments data.

2/ Includes some exports to Mexico, Panama and Venezuela and some imports from Mexico and Venezuela, for which data are not available.

Table 43. Costa Rica: Imports, c.i.f.

	1982	1983	1984	1985	1986
(In millions of U.S. dollars)					
<u>Imports, c.i.f.</u>	<u>894.2</u>	<u>993.2</u>	<u>1,102.2</u>	<u>1,110.9</u>	<u>1,163.2</u>
<u>Consumer goods</u>	<u>167.0</u>	<u>215.3</u>	<u>243.7</u>	<u>244.5</u>	<u>232.8</u>
Nondurables	134.4	167.7	171.1	166.3	168.0
Durables	32.6	47.6	72.6	78.2	64.8
<u>Raw materials</u>	<u>362.2</u>	<u>431.7</u>	<u>466.1</u>	<u>437.1</u>	<u>504.5</u>
Agriculture	43.9	50.3	47.3	39.8	61.1
Manufacturing and mining	293.0	344.2	384.7	355.3	406.9
Construction	25.3	37.2	34.1	42.0	36.5
<u>Petroleum and petroleum products</u>	<u>189.0</u>	<u>183.7</u>	<u>163.2</u>	<u>166.2</u>	<u>116.8</u>
<u>Capital goods</u>	<u>167.2</u>	<u>151.9</u>	<u>211.6</u>	<u>230.9</u>	<u>279.8</u>
Manufacturing and mining	42.4	53.3	68.7	79.2	186.5 ^{1/}
Agriculture	9.5	15.7	19.4	16.8	8.0
Construction	8.8	18.1	26.3	20.7	...
Transport	61.3	30.9	50.3	61.7	85.3
Other	45.2	33.9	46.9	52.5	...
<u>Other</u>	<u>8.8</u>	<u>10.6</u>	<u>17.6</u>	<u>32.2</u>	<u>29.3</u>
(In percent of total)					
<u>Total imports</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Consumer goods	18.7	21.7	22.1	22.0	20.0
Raw materials	40.5	43.5	42.3	39.3	43.4
Petroleum products	21.1	18.5	14.8	15.0	10.0
Capital goods	18.7	15.3	19.2	20.8	24.1
Other	1.0	1.0	1.6	2.9	2.5
(Annual percentage change)					
<u>Total imports</u>	<u>-26.3</u>	<u>11.1</u>	<u>11.0</u>	<u>0.8</u>	<u>4.7</u>
Consumer goods	-33.7	28.9	13.2	0.3	-4.8
Raw materials	-25.1	19.2	8.0	-6.2	15.4
Petroleum products	-7.9	-2.8	-11.1	1.8	-29.7
Capital goods	-35.3	-9.2	39.3	9.1	21.2

Source: Central Bank of Costa Rica.

^{1/} Includes "Construction" and "Other", and balance of payments adjustment.

Table 44. Costa Rica: Indices of Terms of Trade 1/
(1985=100)

	1983	1984	1985	1986	Prel. 1987
<u>Total value</u>					
Exports	90.8	106.2	100.0	115.6	118.4
Imports	89.4	99.2	100.0	104.7	124.7
<u>Volume</u>					
Exports	94.3	107.9	100.0	95.4	108.1
Imports	82.5	93.1	100.0	107.7	122.3
<u>Unit value</u>					
Exports	96.3	98.4	100.0	121.2	109.5
Imports	108.4	106.6	100.0	97.2	102.0
<u>Terms of trade</u>	88.8	92.4	100.0	124.6	107.4

Sources: Central Bank of Costa Rica; and Fund staff estimates.

1/ Paasche index.

Table 45. Costa Rica: Petroleum Imports

	1983	1984	1985	1986	Prel. 1987
(In millions of U.S. dollars)					
<u>Total imports, c.i.f.</u>	<u>183.7</u>	<u>163.2</u>	<u>166.2</u>	<u>102.0</u>	<u>121.2</u>
Partially refined oil	80.1	79.6	87.8	68.2	83.5
Diesel	50.0	48.5	44.4	21.3	24.8
Gasoline	19.1	13.4	23.3	7.0	9.8
Aviation fuel	1.9	1.7	1.3	1.3	0.7
Asphalt	4.1	2.0	1.6	1.8	0.5
Bunker C	1.5	1.0	--	--	--
Other products	27.0	17.0	7.8	2.4	1.9
(In thousands of barrels)					
<u>Total imports</u>	<u>5,225</u>	<u>4,919</u>	<u>5,566</u>	<u>6,459</u>	<u>6,410</u>
Partially refined oil	2,579	2,716	3,104	4,652	4,596
Diesel	1,605	1,031	1,407	1,152	1,184
Gasoline	544	359	670	377	459
Aviation fuel	32	30	20	29	29
Asphalt	171	67	46	104	24
Bunker C	60	21	--	--	--
Other	234	195	319	145	118
(In U.S. dollars per barrel)					
<u>Average price</u>	<u>31.5</u>	<u>33.2</u>	<u>29.9</u>	<u>15.8</u>	<u>18.9</u>
Partially refined oil	31.1	29.3	28.3	14.7	18.5
Diesel	31.1	31.7	31.6	18.5	20.7
Gasoline	35.1	37.3	34.8	18.6	21.2
Bunker C	25.0	47.6	--	--	--

Sources: Central Bank of Costa Rica; RECOPE; and ICE.

Table 46. Costa Rica: External Public Debt by Creditor and Debtor 1/
(End of year, in millions of U.S. dollars)

	1983	1984	1985	1986	1987
<u>Total</u>	<u>3,427</u>	<u>3,524</u>	<u>3,709</u>	<u>3,856</u>	<u>3,914</u>
<u>Creditor</u>					
Commercial banks	1,327	1,327	1,459	1,463	1,383
Of which: revolving credit facility	167	201	201	201	201
Multilaterals	937	972	1,036	1,136	1,345
Bilaterals	701	841	905	1,007	946
Bonds	131	131	74	73	70
Certificates of deposit	262	219	185	160	149
Suppliers	69	33	50	17	22
<u>Debtor</u>					
Nonfinancial public sector	1,743	1,785	1,908	1,638	...
Financial public sector <u>2/</u>	1,685	1,739	1,801	2,218	...

Sources: Central Bank of Costa Rica; IBRD/DRS; and Fund staff estimates.

1/ Preliminary estimates. Includes principal in arrears in 1982-85, rescheduled debt in 1983-85, and US\$112 million of interest capitalized in 1983.

2/ Includes IMF and short-term liabilities of the Central Bank.

Table 47. Costa Rica: External Debt Payments Arrears ^{1/}

(In millions of U.S. dollars)

	Dec. 31, 1983			Dec. 31, 1984			Dec. 31, 1985			Dec. 31, 1986			Dec. 31, 1987 ^{2/}		
	Prin- cipal	Inter- est	Total	Prin- cipal	Inter- est	Total	Prin- cipal	Inter- est	Total	Prin- cipal	Inter- est	Total	Prin- cipal	Inter- est	Total
<u>Total</u>	<u>22.4</u>	<u>17.9</u>	<u>40.3</u>	<u>110.4</u>	<u>104.1</u>	<u>214.5</u>	<u>33.1</u>	<u>12.8</u>	<u>45.9</u>	<u>86.8</u>	<u>93.4</u>	<u>187.1</u>	<u>321.8</u>	<u>232.2</u>	<u>554.0</u>
<u>Short term ^{3/}</u>	--	--	--	--	<u>1.2</u>	<u>1.2</u>	--	--	--	--	--	--	--	--	--
Banks	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Multilateral	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Bilateral	--	--	--	1.2	1.2	--	--	--	--	--	--	--	--	--	--
<u>Medium- and long-term</u>	<u>13.0</u>	<u>12.7</u>	<u>25.7</u>	<u>78.2</u>	<u>97.2</u>	<u>175.4</u>	<u>25.3</u>	<u>5.8</u>	<u>31.1</u>	<u>75.4</u>	<u>93.0</u>	<u>166.9</u>	<u>306.9</u>	<u>231.0</u>	<u>537.9</u>
Banks	--	--	--	1.8	44.5	46.3	--	1.2	1.2	0.4	57.2 ^{4/}	57.6 ^{4/}	169.2	154.4	323.6
Multilateral	--	--	--	15.4	6.7	22.1	--	1.0	1.0	3.7	7.0	10.7	20.9	12.3	33.2
Bilateral	4.3	2.8	7.1	48.3	36.8	85.1	1.3	3.6	4.9	54.0	28.7	82.7	116.4	63.0	179.4
Bonds	8.7	9.9	18.6	12.7	9.2	21.9	24.0	--	24.0	17.3	--	17.3	0.4	1.3	1.7
<u>Certificates of deposit (CDs) ^{5/}</u>	--	<u>3.3</u>	<u>3.3</u>	--	<u>4.4</u>	<u>4.4</u>	--	--	--	--	--	--	--	--	--
<u>Suppliers</u>	<u>9.4</u>	<u>1.9</u>	<u>11.3</u>	<u>6.2</u>	<u>1.3</u>	<u>7.5</u>	<u>7.8</u>	<u>7.0</u>	<u>14.8</u>	<u>11.1</u>	<u>0.4</u>	<u>11.5</u>	<u>9.5</u>	<u>1.2</u>	<u>10.7</u>
<u>Imports</u>	--	--	--	<u>26.0</u>	--	<u>26.0</u>	--	--	--	<u>0.3</u>	--	<u>0.3</u>	<u>5.4</u>	--	<u>5.4</u>

Sources: Central Bank of Costa Rica; and Fund staff estimates.

^{1/} Includes imputed interest on arrears.^{2/} Includes arrears subject to rescheduling.^{3/} Excludes short-term liabilities of Central Bank of Costa Rica.^{4/} Includes adjustment of US\$3.1 million for interest on principal in arrears.^{5/} In 1986-87, excludes CDs so as to conform to program definition of arrears.

Table 48. Costa Rica: Exchange Rates
(Colones per U.S. dollar; period averages)

	Official		Banking (Unified)		Free 1/	
	Buying	Selling	Buying	Selling	Buying	Selling
<u>1983</u>	20.00	20.30	41.12	41.89	43.60	44.10
December	20.00	20.30	43.15	43.65	...	...
<u>1984</u>	20.00	20.30	44.13	44.71		
March	20.00	20.30	43.15	43.65		
June	20.00	20.30	43.50	44.00		
September	20.00	20.30	44.50	45.00		
December	20.00	20.30	47.50	48.00		
<u>1985</u>	20.00	20.30	50.21	50.71		
March	20.00	20.30	48.53	48.98		
June	20.00	20.30	49.84	50.28		
September	20.00	20.30	51.62	52.17		
December	20.00	20.30	53.12	53.65		
<u>1986</u>						
January	20.00	20.50	53.45	53.94		
February	20.00	20.50	53.72	54.24		
March	20.00	20.50	54.04	54.81		
April	20.00	20.50	54.50	55.25		
May	20.00	20.50	54.89	55.64		
June	20.00	20.50	55.33	56.08		
July	20.00	20.50	55.84	56.56		
August	20.00	20.50	56.18	56.98		
September	20.00	20.50	56.77	57.45		
October	20.00	20.50	57.11	57.86		
November	20.00	20.50	57.63	58.37		
December	20.00	20.50	58.15	58.91		
<u>1987</u>						
January	20.00	20.50	58.61	59.36		
February	20.00	20.50	59.03	59.75		
March	20.00	20.50	59.52	60.27		
April	20.00	20.50	60.31	61.08		
May	20.00	20.50	60.92	61.62		
June	20.00	20.50	61.66	62.35		
July	20.00	20.50	62.28	62.99		
August	20.00	20.50	62.993	63.58		
September	20.00	20.50	63.84	64.84		
October	20.00	20.50	65.03	66.03		
November	20.00	20.50	66.38	67.38		
December	20.00	20.50	67.96	68.96		

Source: Central Bank of Costa Rica.

1/ The banking and free exchange markets were unified in November 1983.

