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October 3, 1986

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 1986 Article IV consultation discussions with Costa Rica, which was circulated as SM/86/241 on September 15, 1986 and is now tentatively scheduled for discussion by the Executive Board on Wednesday, October 22, 1986.

Mr. Tandeciarz (ext. 8501) 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

September 30, 1986

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Costa Rica--Basic Data

<u>Area and population</u>	
Area	50,900 sq. kilometers
Population (1985)	2.5 million
Annual rate of population increase (1979-85)	2.5 percent
Unemployment rate (1985)	6 percent
<u>GDP (1985)</u>	
	SDR 3,580 million
	US\$3,635 million
	¢ 183,556 million

GDP per capita (1985) SDR 1,432

<u>Origin of GDP</u>	<u>1981</u>	<u>1982</u>	<u>1983</u> (percent)	<u>1984</u>	<u>1985</u>
Agriculture and fishing	23	25	21	21	20
Manufacturing	19	20	22	22	23
Construction	5	3	3	4	4
Utilities	2	2	4	4	3
Commerce	18	22	20	20	19
Other	33	28	30	29	31

Ratios to GDP

Exports of goods and nonfactor services	46	43	36	36	34
Imports of goods and nonfactor services	51	40	37	35	35
Current account of the balance of payments (including official transfers)	-16.0	-9.2	-8.1	-4.3	-4.5
Central government revenue	13	14	17	17	17
Central government expenditure	18	18	20	20	20
Central government savings	-1.6	-1.1	0.4	0.3	1.0
Central government overall surplus or deficit (-)	-5.3	-3.3	-3.6	-3.1	-2.1
External public and government-guaranteed debt (end of year) ^{1/}	102	121	108	97	102
Gross national savings	6	7	13	17	15
Gross domestic investment	22	17	22	25	24
Money and quasi-money ^{2/}	36	34	36	35	36

Annual changes in selected economic indicators

Real GDP per capita	-4.8	-9.8	0.4	5.0	-1.5
Real GDP	-2.3	-7.3	2.9	7.5	1.0
GDP at current prices	37.9	70.8	32.6	22.8	15.6
Domestic expenditures (at current prices)	30.1	58.3	36.8	21.7	18.1
Investment	16.2	26.8	79.4	35.2	12.3
Consumption	34.5	66.9	28.0	17.8	20.0
GDP deflator	41.1	84.2	28.9	14.2	14.5
Consumer prices (annual averages)	37.1	90.1	32.7	11.9	15.1
Central government revenue	47.2	81.6	52.7	26.1	18.5
Central government expenditure	24.8	60.4	50.7	22.8	12.4
Money and quasi-money	27.3	50.5	30.3	10.4	17.4
Money	46.7	59.9	32.5	14.4	12.7
Quasi-money	14.6	43.9	28.7	7.0	20.8
Net domestic assets ^{3/}	60.5	96.5	24.6	21.4	0.2
Credit to public sector (net) ^{3/}	9.1	8.7	0.9 ^{4/}	-2.9 ^{4/}	-0.8 ^{4/}
Credit to private sector ^{3/}	6.4	17.9	22.8	9.0	8.5
Merchandise exports (f.o.b., in U.S. dollars)	0.2	-13.8	-0.9	15.7	-6.4
Merchandise imports (c.i.f., in U.S. dollars)	-20.6	-26.3	11.1	11.0	0.6

	1981	1982	1983	1984	1985
<u>Central government finances</u>					
		(millions of colones)			
Revenue	7,770	14,026	21,417	27,012	32,005
Expenditure	10,769	17,284	26,044	31,977	35,945
Current account surplus or deficit (-)	-893	-1,046	464	426	1,862
Overall surplus or deficit (-)	-2,999	-3,258	-4,627	-4,965	-3,940
Internal financing (net)	1,441	1,002	2,341	2,014	-563
External financing (net) <u>5/</u>	1,558	2,256	2,286	2,951	4,503
<u>Balance of payments</u>		(millions of U.S. dollars)			
Merchandise exports, f.o.b.	1,009	869	862	998	934
Merchandise imports, c.i.f.	-1,213	-894	-993	-1,102	-1,109
Investment income (net)	-319	-347	-314	-314	-313
Other services and transfers (net)	103	132	191	263	325
Balance on current and transfer accounts (including official transfers)	-420	-240	-254	-155	-163
Official capital (net)	20	-89	237	15	156
Private capital and errors and omissions (net)	-75	16	68	12	106
SDR allocations	5	--	--	--	--
Overall balance (deficit -)	-470	-314	51	-127	99
Change in net official international reserves (increase -) <u>6/</u>	111	-139	218	-47	-25
Arrears, net (accumulation +)	359	453	-269 <u>7/</u>	175	-74 <u>7/</u>

	December 31				
	1981	1982	1983	1984	1985
<u>International reserve position</u>		(millions of SDRs)			
Central Bank (gross)	126	221	293	450	467
Central Bank (net) <u>8/</u>	-731	-1,065	-127	-239	-48
Rest of banking system (net)	10	12	-1	33	36

IMF data (as of August 31, 1986)

Article VIII status

Intervention currency and rate	U.S. dollar at ₡ 57.05 per US\$
Quota	SDR 84.1 million
Fund holdings of colones	SDR 240.3 million
From Fund resources	
Credit tranche purchases (including SBA)	SDR 59.2 million
EFF purchases	SDR 9.4 million
CFF purchases	SDR 18.6 million
Buffer stock financing purchases	None
Oil facility purchases	None
From Supplementary and Enlarged Access Resources	
Stand-by purchases	SDR 63.4 million
EFF purchases	SDR 5.6 million
Fund holdings under Enlarged Access Policy	263.6 percent of quota
Total Fund holdings	285.7 percent of quota
Special Drawing Rights Department	
Cumulative SDR allocation	SDR 23.7 million
Net acquisition or utilization (-) of SDRs	-SDR 23.4 million

- 1/ Includes IMF, but excludes short-term debt.
- 2/ Ratio of two-year average of liabilities to the private sector, including liabilities to nonbank financial intermediaries, to GDP.
- 3/ Measured in terms of the liabilities to the private sector at the beginning of the period.
- 4/ Excludes credit growth arising from external debt rescheduling.
- 5/ Includes accumulation of arrears on interest and/or principal.
- 6/ Includes revolving trade credit facility.
- 7/ Reduction in arrears, excluding rescheduling.
- 8/ Includes changes in 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. Costa Rica did not adjust its domestic policies appropriately in response to these changes in external conditions, and instead expanded heavily its commercial borrowing abroad. These developments exposed the underlying weakness of the Costa Rican economy, which was very dependent upon traditional exports and a highly protected domestic market. The failure to adjust domestic policies, together with the structural rigidities of the economy and a heavy debt service burden, led to a financial crisis and deep recession in the period 1981-82.

A process of economic recovery and stabilization was started in the second half 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, interest rates became significantly positive in real terms, and a unified and flexible exchange rate system was established. However, Costa Rica's external position at the end of the period under review remained weak as a result of a poor export performance and heavy debt service payments.

The economic recovery that took place in 1983-84 was just enough to offset the drop in real output during the previous two years; this expansion in economic activity, however, subsided in 1985. At the same time, the average rate of inflation dropped from a peak of 90 percent in 1982 to 12 percent in 1984, although it picked up to 15 percent in 1985. Over the last three years there was a decline in the unemployment rate of 2 percentage points to a level of 6 percent, and a recovery in real wages which restored most of the purchasing power lost during the recession.

In the fiscal area, the overall deficit of the nonfinancial public sector was reduced from 14 percent of GDP in 1981 to 2 percent of GDP in 1985. This improvement was brought about mainly through revenue measures, including price and tariff adjustments for goods and services provided by state enterprises, and some cuts in investment outlays. The bulk of the adjustment took place in the operations of the main public enterprises, whose combined deficit narrowed by nearly 6 1/2 percentage points of GDP to 1.3 percent of GDP from 1981 to 1985. The deficit of the Central Administration was reduced over the same period from 5 1/4 percent of GDP to just over 2 percent of GDP mainly through increases in indirect taxation. Moreover, the overall balance of the rest of the general government swung from a deficit of 3/4 of 1 percent of GDP in 1981 to a surplus of 1 1/3 percent of GDP in 1985, largely reflecting an improvement in the financial position of the Social Security Institute associated with rises in contribution rates, employment and real wages. These positive trends were reversed to some

extent, however, during the first half of 1986 as a result of a relaxation in fiscal policy, partly in anticipation of the favorable effects of higher coffee prices and lower petroleum prices.

The reduction in the overall fiscal deficit facilitated a reduction in the public sector's net indebtedness with the banking system in 1984-85. Notwithstanding a strong growth in private sector credit since 1983, the combined stock of bank credit to the public and private sectors declined from almost 27 percent of GDP in 1982 to 25 percent of GDP in 1985. During this period, the largest source of bank credit expansion was the net operating losses of the Central Bank which represented, on average, the equivalent of 5 1/2 percent of GDP.

Following the financial crisis of 1981-82, Costa Rica's external payments position fluctuated according to the availability of exceptional financing, as no major changes were recorded in the current account (excluding official transfers). The external current account deficit narrowed substantially in 1982 as a result of a sharp drop in imports. Thereafter, the deficit on goods, services and private transfers remained at about 9 percent of GDP, as a modest recovery in imports was offset by an increase in travel receipts. Export performance in recent years has been sluggish, owing in part to the inability of Costa Rican exporters to penetrate new markets in the face of a weakening of regional trade.

The adjustment effort that started in the second half of 1982 had a positive effect on the capital account of the balance of payments. With the rapid decline in the rate of inflation, interest rates became positive in real terms and led to a reflow of private capital. Public capital inflows also recovered after 1982, and were accompanied by debt relief in the form of rescheduling agreements with the Paris Club and foreign commercial banks in 1983. The rescheduling arrangements, combined with other exceptional financing (in particular grant assistance from U.S. AID), facilitated the virtual elimination of external arrears by the end of 1983. The capital account weakened in 1984 and there was a relapse into arrears, but new rescheduling agreements with the Paris Club and the commercial banks, as well as increased AID grants, permitted nearly all the arrears to be eliminated by end-1985.

The exchange reform of mid-1982, involving the establishment of a dual exchange rate system, paved the way for a unified exchange system in November 1983. In 1984, the colon was depreciated against the U.S. dollar on several occasions, although for the year as a whole it appreciated in real effective terms by about 1 1/2 percent. This process was reversed in mid-1985, when Costa Rica embarked upon a more active exchange rate policy whereby the value of the colon was adjusted frequently to take account of relative rates of inflation between Costa Rica and its main trading partners and developments in the balance of payments. As a result, the colon depreciated in real effective terms by 9 1/2 percent during the 12-month period ending December 1985 and by a further 2 percent in the first half of 1986.

II. The Domestic Economy

1. Overall trends

Following the recession of the early 1980s, the Costa Rican economy recovered in 1983-84, stimulated by a brisk expansion in private sector spending. During this period, external demand remained weak as Costa Rica failed to gain substantial access to new markets or to diversify exports in the face of declining regional trade and low prices for traditional export commodities. In 1985, the pace of economic recovery slowed because of a decline in the production of traditional exports; real GDP rose by only 1 percent, down from an annual rate of growth of over 5 percent in 1983-84 (Chart 1). Consequently, in 1985 total output was not much changed from the beginning of the decade, while real per capita GDP was 9 percent lower than in 1981.

The high inflation rates that characterized the recession years of 1981-82 were sharply cut over the next three years, largely as a result of a tightening of financial policies; from an annual average of 90 percent in 1982, the rate of increase in consumer prices declined to 15 percent in 1985. This process was accompanied by a recovery in real wages to almost the pre-recession level, and by a decline in the unemployment rate from 8 percent in 1981-82 to 6 percent in 1985.

2. Domestic expenditure and savings

The 1983-84 recovery was led by a sizable rebuilding of inventories, a turnaround in fixed capital formation by the private sector, and an expansion in public sector expenditure (Table 1). Private consumption in real terms continued to decline in 1983, but turned up in 1984 with a gradual recovery in real wages. Private sector fixed investment rose sharply in 1984, while a more restrictive fiscal stance resulted in a slowing in the growth of government purchases of goods and services. Private consumption continued to expand in 1985 as did private investment, but public capital formation declined as the implementation of certain investment projects was postponed.

Gross national savings rose sharply in 1983 owing to an improvement in the current operations of the nonfinancial public sector in the context of the adjustment program. Public sector savings rose further in 1984, when there also was a strengthening of private savings perhaps reflecting the marked increase that occurred in real interest rates. In 1985, however, national savings declined as a result of a deterioration in the operational balance of the state enterprises and the expansion in private consumption referred to above. In all, the participation of national savings in the financing of domestic investment increased from approximately one third in 1981-82 to nearly two thirds in 1984-85. It should be noted that, although Costa Rica continued to rely heavily on external savings to finance investment expenditure, a substantial part of foreign inflows in the last three years was in the form of concessional aid.

Table 1. Costa Rica: Expenditure and Savings

	1981	1982	1983	1984	Prel. 1985
(Annual percentage change, at 1966 prices)					
<u>Consumption</u>	-9.7	-3.1	-3.1	6.2	6.1
Private	-10.7	-2.2	-4.4	7.0	7.0
Public	-4.1	-7.5	3.8	2.2	1.0
<u>Investment</u>	-37.7	-40.8	80.2	13.9	2.0
Private 1/	-45.2	-33.8	114.2	16.4	2.8
Of which: gross fixed capi- tal formation	-27.0	-14.2	6.7	33.6	6.8
Public	-21.0	-51.0	13.0	4.3	-1.5
<u>Gross domestic expenditure</u>	-16.9	-10.4	7.6	7.9	5.1
Exports of goods and non- factor services	6.4	-15.1	4.2	11.8	-7.1
Imports of goods and non- factor services	-29.2	-25.8	20.7	14.1	2.4
<u>Gross domestic product</u>	-2.3	-7.3	2.9	7.5	1.0
(In percent of GDP at current prices)					
<u>Gross domestic product</u>	100.0	100.0	100.0	100.0	100.0
<u>Resource balance</u>	-4.9	2.7	-0.3	0.5	-1.6
Exports of goods and nonfactor services	46.1	43.1	36.4	35.9	33.7
Imports of goods and nonfactor services	-51.0	-40.4	-36.7	-35.4	-35.3
<u>Gross domestic expenditure</u>	104.9	97.3	100.3	99.5	101.6
<u>Consumption</u>	82.5	80.7	77.8	74.7	77.6
Private	67.5	67.5	63.0	59.7	62.2
Public	15.0	13.2	14.8	15.0	15.4
<u>Gross domestic investment</u>	22.4	16.6	22.5	24.8	24.0
Fixed capital formation	24.1	20.3	18.0	21.2	21.5
Private	15.0	14.9	11.9	15.5	16.1
Public	9.1	5.4	6.1	5.7	5.4
Changes in inventories	-1.7	-3.7	4.5	3.6	2.5
<u>National savings</u>	6.4	7.2	13.0	17.4	14.7
Private	10.2	9.7	9.1	12.3	10.2
Public	-3.8	-2.5	3.9	5.1	4.5
<u>External savings 1/</u>	16.0	9.4	9.5	7.4	9.3
(In percent of gross domestic investment)					
<u>Gross domestic investment</u>	100.0	100.0	100.0	100.0	100.0
National savings	28.3	43.2	57.6	70.1	61.3
Private	45.4	58.2	40.3	49.7	42.7
Public	-17.0	-15.0	17.3	20.5	18.5
External savings 1/	71.7	56.8	42.4	29.9	38.7

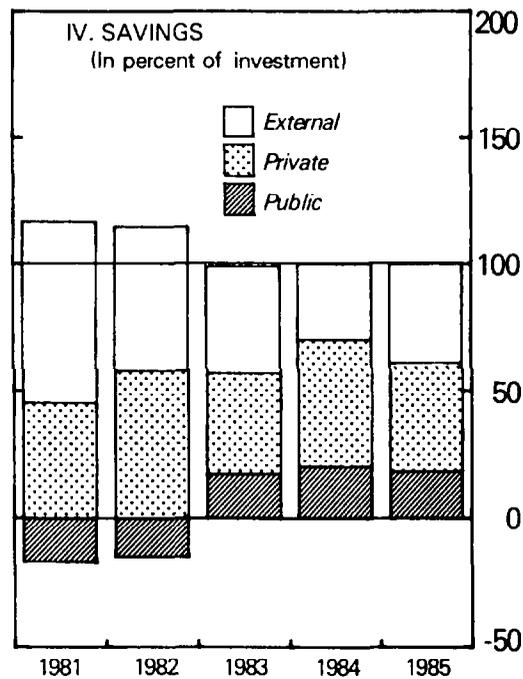
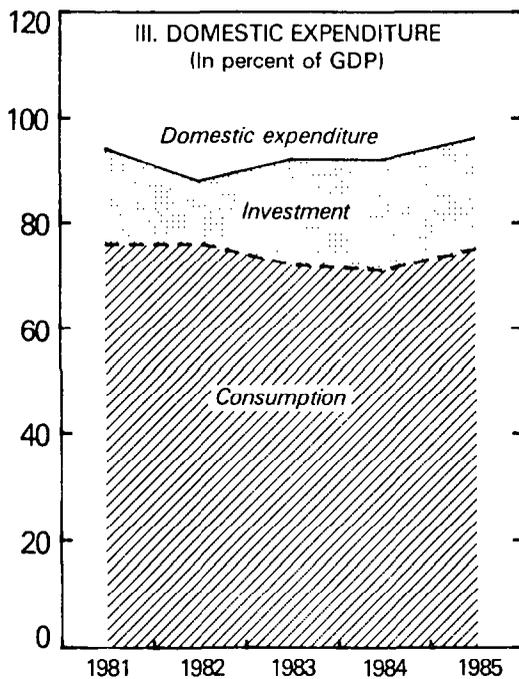
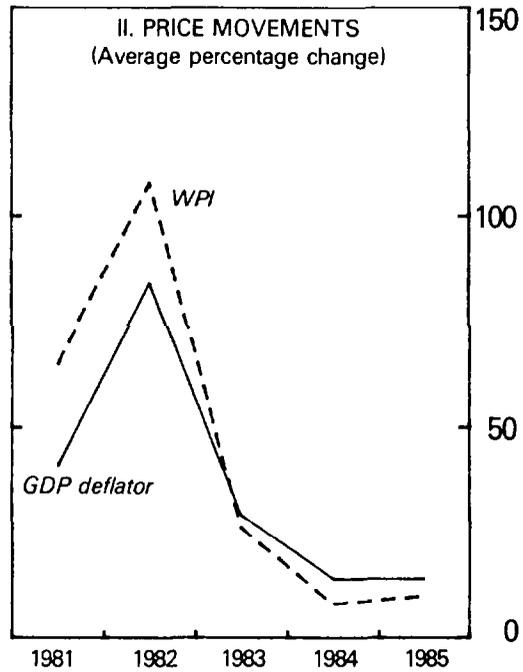
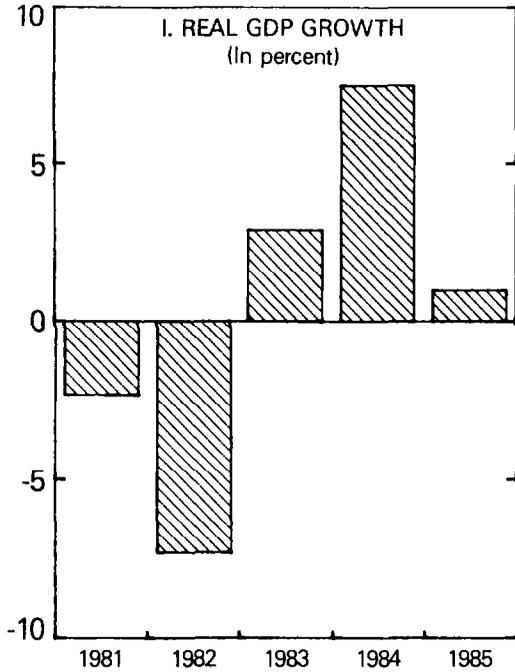
Sources: Statistical Appendix Tables 15 and 16.

1/ Current account balance of payments excluding official transfers.

CHART 1

COSTA RICA

SELECTED ECONOMIC INDICATORS



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



3. Production by sectors

The recent economic recovery has been broadly based and, by 1985 output in most sectors (except for construction and commerce) had recovered to, or exceeded, pre-recession levels (Table 2). Despite the weakening of trade within the Central American Common Market, which was a main source of growth for manufacturing during the past two decades, the economic downturn and subsequent recovery during the last five years did not change significantly the structure of the economy. The manufacturing and agricultural sectors have remained heavily protected, and the development of nontraditional export activities has continued to be slow.

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

	1981	1982	1983	1984	Prel. 1985
Real GDP	-2.3	-7.3	2.9	7.5	1.0
Agriculture	5.1	-4.7	4.0	7.3	-1.3
Manufacturing	-0.5	-11.4	1.8	11.6	3.0
Utilities	7.8	4.5	20.2	3.0	-7.3
Construction	-21.7	-32.0	5.0	22.6	-2.7
Commerce	-10.6	-11.7	3.2	11.5	2.4
Other	--	-1.2	1.2	2.2	1.7

Source: Statistical Appendix Table 17.

a. Agriculture

The agricultural sector plays an important role in the Costa Rican economy, accounting for one fourth of total output, 30 percent of employment, and 60 percent of total exports. In 1983-84 agricultural production rose markedly with a pronounced expansion in basic grains and a good performance of traditional export crops (in particular, coffee and sugar). Agricultural growth, however, faltered in 1985 as coffee and banana production turned down. Although agricultural output has surpassed its pre-recession levels, the sector still is heavily dependent upon government subsidies. These subsidies have contributed to the concentration of resources in activities with doubtful comparative advantage, such as basic grains, and have hindered the development of nontraditional agricultural activities with a strong export potential such as African palm, macadamia nuts, pineapple, and flowers. Output of these products grew sluggishly in recent years, and accounted for less than 8 percent of agricultural production in 1985.

Coffee, the most important agricultural crop, accounted for about one fourth of total exports and a similar share of real value added in the agricultural sector during the period under review. Coffee production increased steadily from 1981 to 1984 reflecting largely the effects of a modernization program undertaken by the Coffee Growers Association which provided for the introduction of new plant varieties, improvements in cultivation practices, and disease control. As a result, coffee yields and output in Costa Rica increased very rapidly and exports began to exceed substantially the quota allocated under the International Coffee Agreement. As a consequence, Costa Rica started to export a growing share of its production to nonquota markets at substantially lower prices which, in turn, led to a decline in output in 1985.

Production of bananas, the second most important export crop, stagnated in 1983-84 and declined by 14 percent in 1985. The banana industry has been faced with deteriorating profitability mainly on account of rising labor costs and high export taxes relative to other producer countries, as well as the spread of disease which has led to some substitution of African palm for banana cultivation. The reduction in output in 1985 resulted from strong wind damage to plantations on the Atlantic coast and the cessation of operations on the Pacific coast by one of the three transnational companies that dominate banana production in Costa Rica. In order to maintain production levels, the Government purchased these lands and took over management of the plantations. Also, in 1984 the Government began to reduce the banana export tax in accordance with a plan to bring it down in steps by 80 percent over a three-year period.

Sugarcane production has risen steadily since 1983 largely in response to its growing use as a raw material in the production of hydrocarbon fuel substitutes. There has been a deterioration in profitability, however, arising from low domestic consumer prices; the introduction of restrictions on exports of sugar aimed at avoiding shortages in the domestic market; and the imposition of quotas in the profitable U.S. market since 1982.

The profitability of beef production has been adversely affected in recent years by export restrictions, domestic price controls, and a heavy debt service burden with the domestic banking system. These factors spurred a reduction in the size of the cattle herd, and slaughter activity grew at an annual average rate of 15 percent in 1984-85.

One of the most heavily subsidized activities in Costa Rica is the production of basic grains. In an effort to achieve self-sufficiency, early in the decade the Government intensified the protection extended to basic grains production. Domestic costs were kept low through preferential interest rate schemes and subsidized crop insurance programs, while producer support prices were set well above world market levels. As a result, basic grains production boomed in 1983 and remained relatively high thereafter, except for a decline in rice production in

1984-85 (Statistical Appendix Tables 18 and 19). In spite of this decline, rice production exceeded domestic consumption requirements by a wide margin during 1983-85 and the surplus was exported at a loss. By 1985, Costa Rica had achieved self-sufficiency in the production of beans and sorghum and was very close to attaining this objective in the case of corn.

b. Manufacturing

The manufacturing sector, which accounts for about one fourth of total production, one sixth of total employment, and a third of total exports, consists largely of import substitution industries at both the domestic and regional level. Since 1983, manufacturing production has been recovering from a three-year slump largely on the strength of an expansion in domestic demand. By contrast, external demand declined steadily during the period under review owing to the weakening of regional trade and the inability of Costa Rican manufacturers to penetrate new markets, as a result of a lack of competitiveness originating in high levels of protection. In an effort to reverse this situation, a customs tariff reform was introduced at the beginning of 1986 aimed at gradually reducing effective rates of protection.

The recent recovery in industrial production was particularly strong in the traditional foodstuff sector, which accounts for about 40 percent of total industrial production. The production of nontraditional manufactured goods with favorable export potential, such as tobacco, leather, and clothing, surged in the early 1980s, but has been growing at a slower pace since then. This trend appears to reflect the adverse effect of increases in labor and financial costs measured in terms of foreign exchange, which has offset the gains afforded by fiscal incentives; after declining sharply in 1980-82, the average wage in manufacturing increased by close to 64 percent from 1983 to 1985 in U.S. dollar terms, while real interest rates (at home and abroad) became highly positive during the latter part of the period under review.

c. Utilities

Costa Rica has a relatively well developed utilities sector. Output in the sector increased steadily in 1981-84, but in 1985 it declined by more than 7 percent owing to a temporary reduction in electricity generation related to a malfunction in the El Arenal hydroelectric plant (Statistical Appendix Table 23). However, domestic supply problems were avoided as exports--which accounted for 16 percent of total generation in 1983-84--were discontinued in response to an accumulation of payments arrears by Nicaragua and a decline in Honduras' demand. Costa Rica's installed electric generating capacity is expected to increase by about 10 percent in 1987 with the coming on stream of the Ventana Garita hydroelectric project which has a total capacity of 90 MV.

d. Construction

Construction activity, which is dominated by public sector projects, was severely affected by the deterioration in the public finances at the beginning of the decade. Value added in construction, which began to recover in real terms in 1983, expanded sharply in 1984, but then declined by 2 percent in 1985. Notwithstanding some improvement in residential construction, the sluggishness of construction activity last year reflected lower public investment for road construction and maintenance, and the completion of existing infrastructure projects for energy and water supply.

4. Prices

After peaking at 90 percent in 1982, the average rate of inflation (as measured by changes in the Consumer Price Index) fell to 33 percent in 1983 as a result of the adoption of more restrained financial policies (Table 3). Although there was some relaxation of these policies in 1984, the inflation rate continued to decline as a result of a tightening of price controls, particularly for goods included in the Basic Basket Index (which in recent years has been used in the determination of wages, as explained below). There was a rebound of inflation in the first part of 1985, reflecting a relatively rapid depreciation of the colon during the last months of 1984, large wage adjustments granted at a time when excess capacity had almost been exhausted, and adjustments in controlled prices. Although the speed of price increases slowed down in the second half of the year, a relaxation in fiscal policies since late 1985 and further adjustments in controlled prices led to an acceleration in the rate of inflation by mid-1986.

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

	1981	1982	1983	1984	1985	July 1986 <u>1/</u>
<u>Consumer price index</u>						
Average	37.1	90.1	32.6	12.0	15.0	11.1
End of period	65.1	81.8	10.7	17.4	10.9	13.4
<u>Wholesale price index</u>						
Average	65.3	108.1	26.2	7.7	10.4	8.3
End of period	117.2	79.1	5.9	12.2	7.6	9.2
<u>GDP deflator</u>	<u>41.1</u>	<u>84.2</u>	<u>28.9</u>	<u>14.2</u>	<u>14.5</u>	<u>...</u>

Sources: Statistical Appendix Tables 15 and 24; and Fund staff estimates.

1/ For the 12-month period ending July 1986.

5. Wages

Private sector minimum and public sector wages are subject to government regulation. Minimum wages for each economic activity are fixed by the National Wage Council, composed of representatives from the Ministry of Labor, labor organizations, and business management, and serve as a guideline for the adjustment of other private sector wages. General guidelines for public sector wages are set by the budgetary authority; however, wages in some state enterprises are determined by collective bargaining.

Following a sharp decline in 1981-82, average real wages grew by 31 percent in 1983-85, well in excess of the recovery in labor productivity during this period (Table 4). Since 1982, private sector minimum and public sector wages have been adjusted on a semiannual basis, in principle according to absolute changes in the value of the Basic Basket Index mentioned above; in practice, however, the adjustments have tended to exceed the increases indicated by the Basic Basket. Moreover, public sector wages increased as a result of the introduction in 1983 of a new salary scale that raised wages of professional workers and expanded the supplementary increases granted to the civil service on the anniversary date of employment. In 1985 additional wage increases were granted in several public enterprises under collective bargaining agreements.

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

	1981	1982	1983	1984	Prel. 1985
<u>Average minimum wage</u>	<u>24.0</u>	<u>76.6</u>	<u>52.3</u>	<u>17.7</u>	<u>19.4</u>
<u>Average wage</u>	<u>24.6</u>	<u>52.4</u>	<u>47.8</u>	<u>20.7</u>	<u>25.5</u>
Private sector	25.3	59.7	49.5	21.6	23.9
Public sector	31.1	41.9	45.7	17.6	29.7
<u>Average minimum real wage 1/</u>	<u>-9.5</u>	<u>-7.1</u>	<u>14.9</u>	<u>5.1</u>	<u>3.8</u>
<u>Average real wage 1/</u>	<u>-9.1</u>	<u>-19.8</u>	<u>11.4</u>	<u>7.8</u>	<u>9.1</u>
Private sector	-8.6	-16.0	12.7	8.6	7.7
Public sector	-4.3	-25.4	9.9	5.1	12.7

Source: Statistical Appendix Table 27.

1/ Nominal wages deflated by the consumer price index.

The policy of granting wage adjustments of the same absolute amount for different salary levels produced a significant narrowing in wage differentials and, to the extent that these adjustments were linked to increases in the prices of goods and services contained in the Basic Basket Index, it encouraged delays in adjusting these prices. In an effort to improve the process of wage determination, early in 1986 the Government announced that, beginning in January 1987, wage adjustments would be based on percentage price changes rather than on absolute amounts, and would be linked to productivity gains. Such adjustments would be triggered whenever the cumulative inflation rate, as measured by changes in the consumer price index, exceeded 7 percent from the time of the last adjustment.

6. Employment

Employment has been increasing at a brisk pace since 1983, in line with the recovery in economic activity; as a result, the open unemployment rate declined from 8 percent in 1982 to 6 percent in 1985 (Statistical Appendix Table 29). Recent employment gains have been unevenly distributed among sectors. Employment in the agricultural sector declined from 1982 to 1985, perhaps reflecting a reduction of disguised unemployment; during the recession years agricultural employment had risen rapidly. By contrast, employment in manufacturing and commerce rose appreciably in the period 1983-85. Public sector employment, which accounts for close to 20 percent of total employment, increased markedly in 1983 and 1984, but virtually stagnated in 1985. In line with its program to reduce the size of the public sector, the Government announced early in 1986 its intention to cut 3,000 positions over the next three years.

III. Public Sector Finances 1/

1. Overall trends

The overall deficit of the nonfinancial public sector was reduced from a peak of 14 percent of GDP in 1981 to an average of 2 percent of GDP in 1984-85, reflecting major improvements in the financial position of both the Central Administration and the public enterprises (Table 5). Although part of this improvement originated in a decline of capital expenditures, the bulk of the adjustment resulted from a strengthening of the current account balance, which shifted from an average deficit of more than 3 percent of GDP in 1981-82 to an average surplus of 4 1/2 percent of GDP in 1983-85. It should be noted, however, that the above data overstate the magnitude of the fiscal adjustment during this period because they do not include the net operating losses of the Central Bank. Most of these losses arise from the servicing of external debt contracted in the past by the Central Bank to finance public sector operations. 2/

The reduction in the overall public sector deficit from 1982 to 1985 stemmed largely from an improvement in revenue performance. Several tax measures and adjustments in the prices of public services were introduced during the period 1982-84 and, as a result, public sector revenue increased by 10 percentage points to 28 1/4 percent of GDP in 1984 (Chart 2). In 1985, however, public sector revenue weakened somewhat due to a reduction in the operating surplus of the public enterprises. The ratio of public sector expenditure to GDP declined from 1981 to 1982, recovered somewhat in 1983, and then remained roughly unchanged during the following two years, as a reduction in capital outlays was offset by a rapid expansion of the wage bill.

The improvement in the overall fiscal position and a growing availability of external financing in the form of debt relief contributed to a sharp reduction in the domestic financing requirements of the public sector. During the period 1983-85, the public sector rescheduled most of its obligations with official bilateral creditors and foreign commercial banks, including arrears. Direct foreign financing also has been growing in recent years due to an increase in the financial support extended by multilateral lending agencies, including the disbursement in 1985 of the first tranche of a World Bank Structural Adjustment Loan.

1/ The nonfinancial public sector in Costa Rica consists of: the Central Administration; 370 decentralized agencies; 85 municipalities distributed among seven provinces; and 15 state enterprises, including a state holding company. Since 1981 the Budgetary Authority, which is composed of the Ministers of Finance and Planning and the Executive President of the Central Bank, has been responsible for the formulation of budgetary guidelines for the entire nonfinancial public sector.

2/ These losses are discussed in more detail in Section IV and Appendix II of this report.

Table 5. Costa Rica: Summary of Nonfinancial Public Sector Operations

(In percent of GDP)

	1981	1982	1983	1984	Prel. 1985
<u>Total revenue</u>	<u>18.3</u>	<u>18.4</u>	<u>26.8</u>	<u>28.3</u>	<u>28.1</u>
Current revenue	17.9	18.1	27.3	28.2	28.0
Tax revenue	18.8	19.1	22.3	22.5	23.3
Public enterprises current account <u>1/</u>	-2.8	-2.2	2.4	3.5	1.7
Other	1.9	1.3	2.1	2.2	3.0
Capital revenue	0.4	0.2	0.1	0.1	0.1
<u>Total expenditure and net lending</u>	<u>32.5</u>	<u>27.2</u>	<u>29.9</u>	<u>30.2</u>	<u>30.1</u>
General government current expenditures <u>1/</u>	21.7	20.6	22.8	23.2	23.6
Capital expenditure, net lending, and other <u>2/</u>	10.8	6.6	7.1	7.1	6.5
Of which: fixed capital formation	9.1	5.4	6.1	5.7	5.4
<u>Overall deficit</u>	<u>-14.2</u>	<u>-8.9</u>	<u>-3.1</u>	<u>-1.9</u>	<u>-2.0</u>
<u>Financing</u>	<u>14.2</u>	<u>8.9</u>	<u>3.1</u>	<u>1.9</u>	<u>2.0</u>
Domestic	3.0	2.7	11.5 <u>3/</u>	-0.3	-0.6
External (net)	11.2	6.2	-8.4	1.6	2.6
Net disbursements	2.6	-1.5	-0.3	0.9	0.4
Changes in arrears	8.6	7.7	-10.6	1.3	-1.7
Rescheduling	--	--	2.5	--	3.9
<u>Memorandum item:</u>					
Current account surplus or deficit (-)	-3.8	-2.5	3.9	5.1	4.5

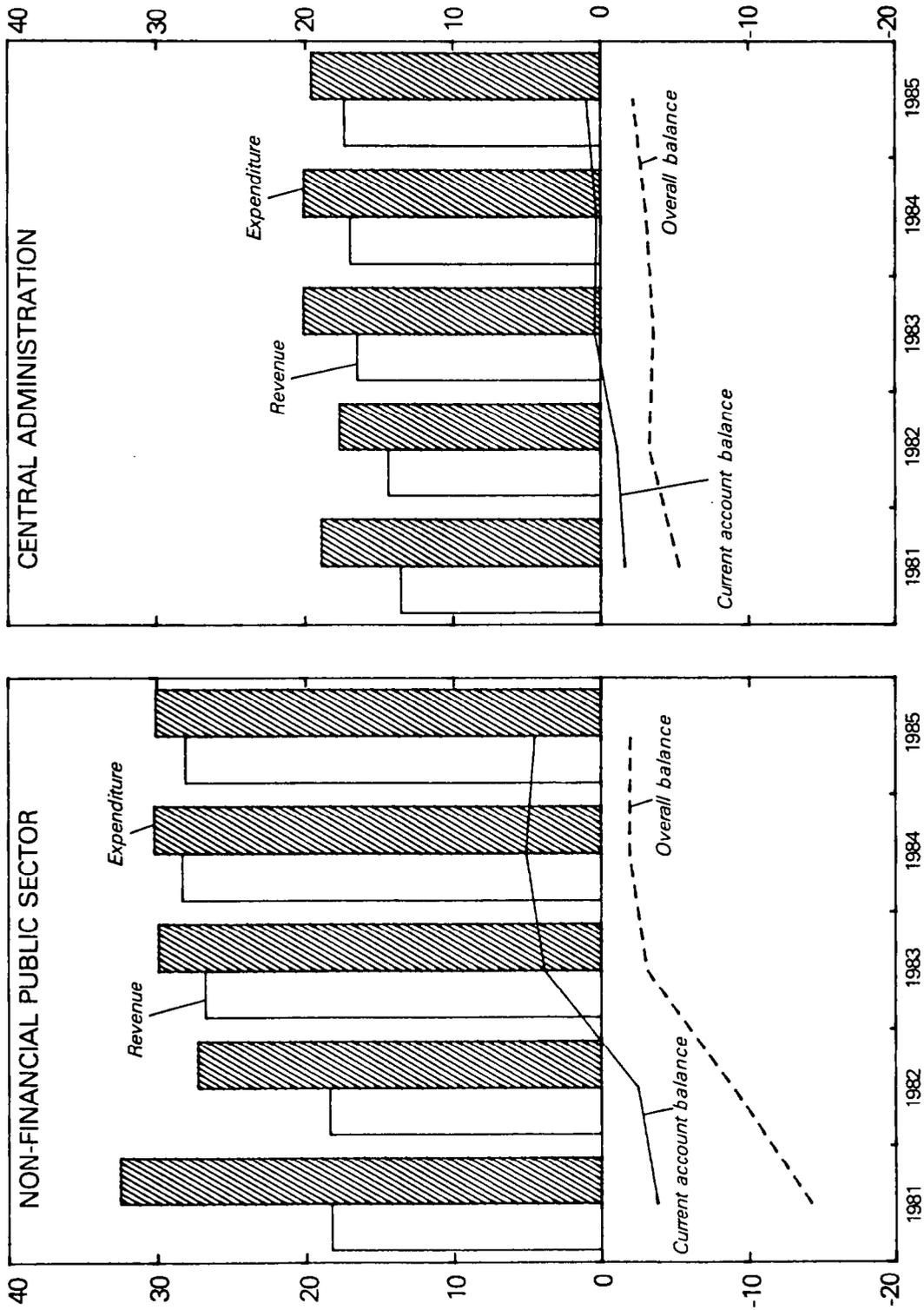
Source: Statistical Appendix Tables 15 and 30.

1/ Includes unpaid interest.

2/ Includes statistical discrepancies arising from reporting on an accrual and cash basis, from reporting periods that differ from the calendar year, and from public sector operations not included in this consolidation.

3/ 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 30.



2. Central Administration

The overall deficit of the Central Administration declined from a peak of 5 1/4 percent of GDP in 1981 to 3 1/2 percent of GDP in 1983 and to just over 2 percent of GDP in 1985 (Table 6). An increase in transfers from the rest of the public sector and smaller interest payments and capital expenditures accounted for most of the improvement in the last two years. As in the case of the overall public sector, the Central Administration relied mainly on foreign capital and debt relief to meet its financing needs, gradually diminishing its domestic borrowing requirement. In 1985, the net domestic indebtedness of the Central Administration was reduced for the first time in several years.

a. Revenue

Total revenue rose steadily from an average of 14 percent of GDP in 1981-82 to 17 1/2 percent of GDP in 1985, as a result of discretionary tax measures implemented in 1983-84 and contributions from the rest of the public sector mandated by the 1984 Emergency Law for fiscal equilibrium. ^{1/} Most of the tax measures introduced since 1983 have involved increases in indirect taxation on domestic transactions.

In late 1982 the rate of selective consumption duties was raised by 7 percentage points, excise tax rates were shifted from a specific to an ad valorem basis, and the rate of the sale tax was raised from 8 to 10 percent while the base of the tax was broadened. Consumption taxes were raised further by three percentage points in July 1984, and the taxable base of the sales tax was expanded again to cover transactions of the rest of the public sector. Although the excise tax rate for several durable consumption goods was reduced in 1985, tax collections continued to rise due to the granting of an amnesty on the payment of penalty interest on delinquent accounts.

As regards foreign trade taxes, revenue from import taxes increased steadily after 1982, reflecting both a recovery in imports and several tax changes. In 1984 a new 3 percent ad valorem tax on imports was introduced, a number of tax exemptions were reduced, and the domestic value of imports for tax purposes started to be calculated using the banking exchange rate instead of the official rate. In the case of export taxes, the deterioration in revenues that started in 1983 reflected the phasing out of a temporary exchange tax on export earnings and, later on, the combined effect of a decline in the volume of banana exports and reductions in taxation; the banana tax rate was lowered from US\$1 to US\$0.75 per box in 1984 and to US\$0.55 per box in the last quarter of 1985. Additional reductions are contemplated that would lower the tax to US\$0.18 per box by 1988.

^{1/} The provisions of this law were described in Appendix I of SM/85/247.

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

(As percent of GDP)

	1981	1982	1983	1984	Prel. 1985
<u>Total revenue</u>	<u>13.6</u>	<u>14.4</u>	<u>16.5</u>	<u>17.1</u>	<u>17.5</u>
Tax revenue	13.2	14.1	15.9	15.7	16.2
Direct taxes	3.0	3.3	3.9	3.4	3.1
Income and profits taxes	2.6	3.0	3.6	3.0	2.7
Other	0.4	0.3	0.3	0.4	0.4
Domestic indirect taxes	4.7	4.9	5.9	7.0	7.2
General sales tax	2.0	2.8	3.3	3.6	3.7
Selective taxes on goods and services	2.7	2.1	2.6	3.4	3.5
Taxes on international trade	5.5	5.9	6.1	5.3	5.9
Taxes on imports	1.6	1.1	1.9	2.6	3.5
Taxes on exports	3.9	4.8	3.9	2.4	2.3
Other	—	—	0.3	0.2	0.1
Nontax revenue	0.4	0.3	0.6	1.4	1.3
<u>Total expenditure</u>	<u>18.9</u>	<u>17.7</u>	<u>20.1</u>	<u>20.2</u>	<u>19.6</u>
Current expenditure	15.2	15.5	16.2	16.8	16.4
Wages and salaries	6.2	5.2	6.0	6.3	6.0
Purchases of goods and services	0.7	0.7	0.9	0.9	1.0
Interest payments ^{1/}	2.5	2.7	2.9	2.6	2.5
Current transfers	5.2	6.8	6.4	7.0	6.9
Exchange subsidies ^{2/}	0.6	0.1	—	—	—
Capital expenditure	3.7	2.3	3.9	3.4	3.2
Fixed capital formation	2.0	1.2	2.3	2.3	1.8
Capital transfers	1.5	0.9	1.5	0.9	1.3
Other capital expenditures	0.2	0.2	0.1	0.2	0.1
<u>Current account deficit (-)</u>	<u>-1.6</u>	<u>-1.1</u>	<u>0.3</u>	<u>0.3</u>	<u>1.0</u>
<u>Overall deficit (-)</u>	<u>-5.3</u>	<u>-3.3</u>	<u>-3.6</u>	<u>-3.1</u>	<u>-2.1</u>
<u>Financing (net)</u>	<u>5.3</u>	<u>3.3</u>	<u>3.6</u>	<u>3.1</u>	<u>2.1</u>
Domestic	2.8	1.0	1.9	1.2	-0.4
External	2.5	2.3	1.7	1.9	2.5
Net disbursements	1.6	1.3	1.5	1.6	2.2
Interest in arrears	0.9	1.0	0.2	0.3	0.3

Source: Statistical Appendix Tables 15, 31 and 32.

^{1/} Includes unpaid interest.

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

Proceeds from direct taxes began to decline in relation to GDP after 1983, largely due to the reduction of the temporary surcharge on corporate income taxes in 1984 and its elimination in 1985, as well as modifications in asset valuation allowances introduced in 1983. The recent deterioration in income tax collections occurred in spite of administrative efforts to collect taxes in arrears through the granting of benefits similar to those extended in the case of arrears on sales taxes.

b. Expenditure

Central administration expenditure rose from less than 19 percent of GDP in 1981-82 to a little more than 20 percent of GDP in 1983-84, but fell to 19 1/2 percent of GDP in 1985. Two thirds of this increase was brought about by higher current expenditures which, in turn, reflected the introduction of a new public sector salary scale in 1983 and a marked expansion in employment, especially in 1984. During this period the Government also granted wage adjustments in excess of the increase in domestic prices. In addition, despite a temporary reduction in revenue earmarking, the ratio of current transfers to GDP increased as the Government was required to finance a substantial part of the wage adjustments in the decentralized entities which have no independent sources of revenue.

In 1985 current expenditure declined slightly with respect to GDP. The growth of the wage bill slowed down as the Government began to enforce a freeze in new hirings called for in the 1984 Emergency Law for fiscal equilibrium. Current transfers remained roughly constant in relation to GDP; an increase in transfers to nontraditional exporters stemming from a revision in the tax credit certificate scheme was offset by a delay in transfers of earmarked revenue.

After 1983 there also was some reduction in capital expenditure in relation to GDP which resulted from cutbacks in outlays for road construction and maintenance and in transfers to the Agricultural Development Institute (IDA) for the acquisition of land.

3. Rest of the general government

Aside from the Central Administration, the general government in Costa Rica consists largely of social welfare institutions which provide health services and retirement benefits, the most important of which is the Social Security Institute. It also includes state universities, local governments, and regulatory agencies such as the Coffee Institute and IDA, the state agency in charge of implementing the agrarian reform program. With the exception of the Social Security Institute, most of these entities derive their income from earmarked taxes and direct transfers from the Central Administration. The overall position of the general government other than the Central Administration shifted from a small deficit in 1981 to a surplus of about 1 1/2 percent of GDP in 1983-85, owing entirely to a strong improvement in the performance of the Social Security Institute.

The improvement in the financial position of the Social Security Institute in recent years was brought about by an increase of 4 percentage points in the rate of social security contributions introduced in late 1982 and by the recovery in real wages and employment thereafter. Current expenditure increased by only one half percent of GDP from 1983 to 1985, largely reflecting restraint on the purchase of goods and services and delays in granting cost of living adjustments for pension payments. After declining somewhat in 1983-84, capital spending in real terms recovered in 1985 as a result of a modernization in hospital equipment and the reactivation of the Institute's mortgage loan program.

Despite the recent improvement in the operations of the Social Security Institute, there are signs that its financial position may deteriorate in the future. The ratio of active workers to pensioners has been declining rapidly, while there have been pressures to generalize certain special pension benefits now reserved for a small number of participants.

4. Public enterprises

The public enterprises play an important role in the Costa Rican economy: they have a monopoly in the field of utilities and in the supply of oil products; regulate the production and marketing of basic grains and other agricultural products; control a major share of public transportation; and participate actively in a number of other activities. The largest enterprises are the National Petroleum Refinery (RECOPE), the State Electricity Company (ICE), the National Development Corporation (CODESA), and the National Production Council (CNP), which account for roughly 80 percent of public enterprise expenditure.

The overall performance of the state enterprises improved sharply in 1983-84, largely on account of significant tariff and price adjustments. Their combined overall balance declined from a deficit of almost 7 3/4 percent of GDP in 1981 to equilibrium in 1984 (Table 7). In 1985, however, the financial position of the public enterprises deteriorated by about 1 1/3 percent of GDP. Several factors accounted for this development: price adjustments were delayed, particularly for oil products and basic grains; a number of enterprises were required to make substantial transfers to the Government in the context of the 1984 Emergency Law for fiscal equilibrium; some fiscal subsidies, the cost of which is born by the public enterprises, were increased; and the enterprises' wage bill continued to rise.

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

(In percent of GDP)

	1981	1982	1983	1984	Prel. 1985
<u>Total revenue</u>	<u>19.3</u>	<u>18.8</u>	<u>22.8</u>	<u>22.3</u>	<u>21.1</u>
Of which:					
RECOPE	7.7	8.2	8.4	7.3	7.1
ICE	3.4	3.6	4.5	5.5	5.2
CODESA	3.1	2.5	2.8	2.5	1.8
CNP	3.1	3.4	3.1	3.2	2.8
<u>Current expenditure 1/</u>	<u>21.2</u>	<u>21.2</u>	<u>20.7</u>	<u>19.6</u>	<u>20.0</u>
Of which:					
RECOPE	8.8	9.7	7.4	6.4	7.1
ICE	4.0	4.0	3.6	3.4	3.5
CODESA	3.2	3.5	2.9	2.5	2.1
CNP	3.4	3.1	3.5	3.9	3.5
<u>Capital expenditure 2/</u>	<u>5.8</u>	<u>3.5</u>	<u>3.4</u>	<u>2.7</u>	<u>2.4</u>
Of which:					
RECOPE	1.3	0.9	0.6	0.5	0.3
ICE	3.3	1.7	1.8	1.6	1.6
CODESA	0.6	0.5	0.5	0.1	0.1
CNP	--	--	--	--	--
<u>Current account deficit (-)</u>	<u>-3.2</u>	<u>-2.5</u>	<u>1.6</u>	<u>2.5</u>	<u>0.9</u>
Of which:					
RECOPE	-1.1	-0.9	1.0	0.9	0.1
ICE	-0.7	-0.3	0.8	2.1	1.7
CODESA	-0.6	-0.9	-0.3	--	-0.3
CNP	-0.7	0.2	-0.4	-0.7	0.7
<u>Overall deficit (-)</u>	<u>-7.7</u>	<u>-5.8</u>	<u>-1.3</u>	<u>--</u>	<u>-1.3</u>
Of which:					
RECOPE	-2.4	-2.4	0.4	0.5	-0.2
ICE	-4.0	-2.1	-0.9	0.5	0.1
CODESA	-0.6	-1.5	-0.6	-0.2	-0.4
CNP	-0.4	0.2	-0.4	-0.7	-0.7

Sources: Statistical Appendix Tables 15 and 34.

1/ Includes all unpaid interest.

2/ Includes net lending.

The financial position of RECOPE improved significantly in 1983-84, reflecting a two thirds increase in the domestic price of oil products introduced in late 1982, as well as a reduction in international petroleum prices. As a result, RECOPE's overall financial position shifted from a deficit of about 2 1/2 percent of GDP in 1981-82 to a surplus of close to 1/2 percent of GDP in 1983-84. Part of this improvement, however, was reversed in 1985 due to: (a) a freeze on domestic fuel prices in the face of increases in the domestic cost of imported oil in 1984 and 1985; (b) an increase in transfers to TRANSMESA (a public transportation company); and (c) a sharp rise in the wage bill following a collective bargaining agreement concluded at the end of 1984. As a partial offset, RECOPE slowed down the construction of the Moin port project in 1985 and suspended oil exploration on the Pacific Coast.

ICE is engaged in the generation, transmission, distribution, and sale of electricity, and is the sole provider of telephone and radio communication services in the country. ICE's financial situation improved in recent years, shifting from a deficit of about 2 1/2 percent of GDP in 1981 to a small surplus in 1984-85, in reflection of the implementation of a more cost-related pricing policy and some cutback in its investment program. During the period 1983-85, electricity rates rose by 55 percent in real terms, while telephone rates increased by 16 percent. At the same time, a decline in interest payments offset a growing wage bill, keeping current spending about unchanged in real terms. The slowdown in ICE's investment program was due to problems with a major hydroelectric project (Ventana Garita) and difficulties in securing foreign financing for a projected expansion of the telephone system.

CODESA is a holding company for a number of subsidiaries operating in various sectors of the economy, including cement plants, an airline, textile factories, mines, food processing plants, and chemical factories. As a result of poorly designed investments, weak management, and large debt service obligations, CODESA's financial situation deteriorated in the early 1980s, which led the Government to suspend CODESA's investment plans in 1983 and to design a divestiture program that was approved by the Legislative Assembly. Under this program, a private Trust funded with U.S. AID assistance was established to purchase CODESA's subsidiaries. The proceeds of these sales are to be used to reduce CODESA's indebtedness with the Central Bank. In late 1985, one subsidiary (ALUNASA), a loss-making aluminum company, was acquired by the Trust. It is expected that the sale of 14 other subsidiaries will be completed by the end of 1987.

CNP is an autonomous public entity in charge of regulating the production and marketing of basic grains and other agricultural products. CNP's financial situation deteriorated markedly in the period 1983-85 largely because of subsidies granted to both producers and consumers of basic grains; CNP's overall financial position moved from virtual equilibrium in 1981-82 to a deficit of about 3/4 of 1 percent of GDP in 1984-85. These deficits, which include losses arising from

subsidized exports of production surpluses (basically rice), as well as the costs of transporting, storing, and marketing basic grains, were largely financed with Central Bank credit. Within the framework of a structural adjustment loan from the World Bank, the Government has embarked on a program to phase out subsidies for basic grains and to limit CNP's involvement in the marketing of rice (to a volume necessary to cover supplies for its retail stores) and sorghum. In this connection, wholesale and consumer prices for basic grains were raised in June 1986 and a new agency, which is supposed to operate without public support, was created to handle the marketing of rice.

IV. Financial Intermediation

1. Overall trends

Total bank credit expanded at rates well in excess of the growth of money and quasi-money in the period 1981-82. However, following the implementation of stabilization measures in the second half of 1982, these trends began to be reversed. Since then, there has been a deceleration in the rate of overall bank credit expansion, while the flow of loanable resources to the banking system has maintained a pace similar to that of nominal GDP (Table 8).

The recent declining trend in credit expansion was facilitated by the improvement in the financial position of the nonfinancial public sector, which actually reduced its net indebtedness with the banking system in 1984 and 1985. Following a sharp drop in 1982, credit to the private sector expanded in real terms during the following three years, although in 1985 its ratio to GDP was still below the level recorded in 1981.

Developments in total bank credit have been dominated by changes in the counterpart of external payments arrears and by the net operating losses of the Central Bank. In the absence of accounting procedures to register the actual accumulation of external debt arrears by the public sector, the staff has imputed the buildup of such arrears in the Central Bank accounts. Accordingly, annual changes in the net domestic assets of the Central Bank and of the banking system in recent years have been influenced significantly by the extent to which external payments arrears have been either accumulated or reduced. In 1981-82 most of the central bank losses originated in exchange rate guarantees and subsidies granted to both the public and private sectors. Since 1983, the main component of these losses has been the interest paid on foreign debt contracted in the past by the Central Bank to finance the nonfinancial public sector.

2. Private sector financial savings

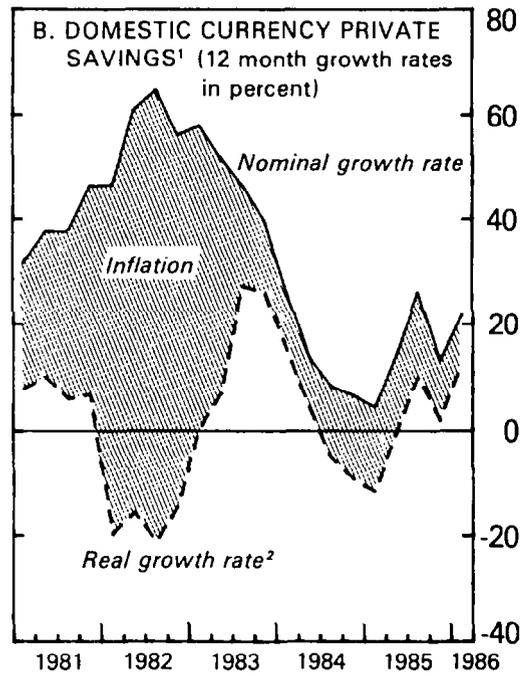
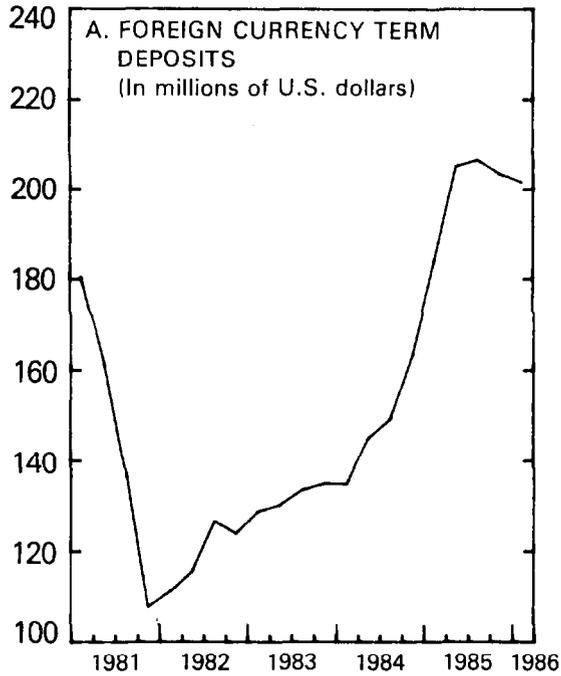
The stock of private financial savings (including government bond holdings of the nonbank private sector) fell sharply in real terms during 1982, but recovered in 1983 and remained approximately unchanged--at about 36 1/2 percent of GDP--in the following two years (Table 9). The drop in this ratio in 1982 may have reflected the sharp decline in real interest rates which became negative by wide margins, whereas the subsequent recovery was associated with a return of real interest rates to positive levels. Variations in real interest rates during that period were due to fluctuations in inflation, as nominal interest rates remained relatively unchanged. By mid-1982, the basic rate for six-months deposits, to which most other interest rates in the banking system were linked, had been raised to 21 1/2 percent in nominal terms, but this compared unfavorably with the 12-month increase in the consumer price index. This relationship was reversed in the following year as the rate of inflation came down (Chart 3).

CHART 3

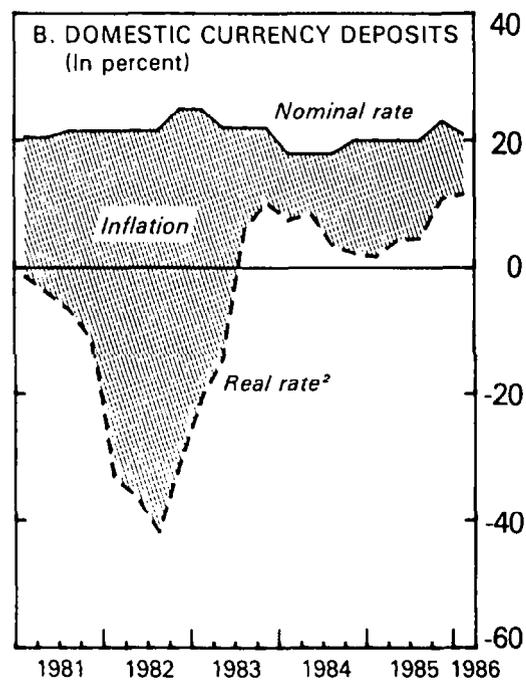
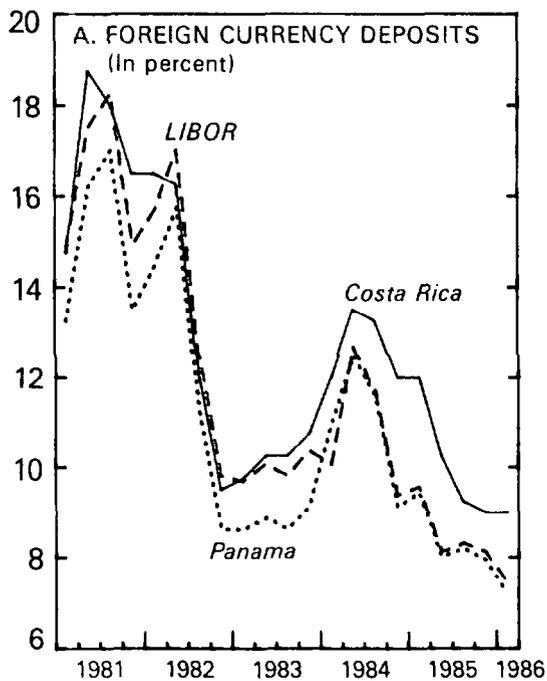
COSTA RICA

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.



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

	December 31					Prel. May 31
	1981	1982	1983	1984	1985	1986
<u>(Annual percentage change) ^{2/}</u>						
<u>I. Central Bank</u>						
<u>Net international reserves</u>	<u>-34.1</u>	<u>-46.1</u>	<u>5.9</u>	<u>-10.5</u>	<u>16.7</u>	<u>-4.0</u>
<u>Net domestic assets</u>	<u>42.5</u>	<u>55.4</u>	<u>-1.0</u>	<u>12.2</u>	<u>-11.2</u>	<u>8.6</u>
Public sector (net)	12.7	8.3	5.7	1.8	1.0	7.8
Banks	-7.5	-8.9	-3.9	-4.2	-1.8	-5.0
Trust funds	--	--	--	-6.1	-10.5	-4.1
Stabilization bonds	-6.9	-11.9	-0.8	0.4	-1.1	2.5
Long-term liabilities	-2.5	-7.4	-12.5	-3.7	-10.5	-11.2
Counterpart arrears	29.5	64.4	-11.7	12.2	-12.7	2.2
Operating losses	...	...	...	6.8	26.6	...
Other	17.2	10.9	22.2	5.0	-2.2	16.4
<u>Currency issue</u>	<u>8.4</u>	<u>9.3</u>	<u>4.9</u>	<u>1.7</u>	<u>5.4</u>	<u>4.6</u>
<u>II. Banking system</u>						
<u>Net international reserves</u>	<u>-33.2</u>	<u>-46.0</u>	<u>4.5</u>	<u>-11.0</u>	<u>17.2</u>	<u>-0.2</u>
<u>Net domestic assets</u>	<u>62.9</u>	<u>105.3</u>	<u>38.2</u>	<u>26.6</u>	<u>11.8</u>	<u>31.2</u>
Public sector (net)	9.1	8.7	0.9	-2.9	-0.8	7.7
Private sector	6.4	17.9	22.8	9.0	8.5	6.7
Trust funds	--	--	--	-6.1	-10.5	-4.1
Counterpart arrears	29.5	64.4	-11.7	12.2	-12.7	2.2
Other	17.9	14.3	26.2	14.4	27.3	18.7
<u>Medium- and long-term foreign liabilities</u>	<u>2.4</u>	<u>8.8</u>	<u>12.4</u>	<u>5.2</u>	<u>11.6</u>	<u>10.9</u>
<u>Liabilities to the private sector</u>	<u>27.3</u>	<u>50.5</u>	<u>30.3</u>	<u>10.4</u>	<u>17.4</u>	<u>20.1</u>
Money	18.5	23.5	13.4	5.9	5.3	12.1
Quasi-money	8.8	27.0	16.9	4.5	12.1	8.0
Domestic currency	17.1	24.2	16.6	3.3	6.9	5.9
Foreign currency	-8.3	2.8	0.3	1.2	5.2	2.1
<u>(Stocks, in percent of GDP) ^{3/}</u>						
Net credit to public sector	15.2	10.7	9.1	7.4 ^{4/}	5.9 ^{4/}	5.3 ^{4/}
Credit to private sector	21.8	16.1	17.6	18.9	19.1	17.7
Liabilities to private sector	36.3	34.8	36.7	36.5	36.6	36.5

Sources: Statistical Appendix Tables 15 and 35.

^{1/} Accounts in foreign exchange valued at the average exchange rate for the relevant 12-month period; except for May 1986 where the 1985 average was used.

^{2/} In relation to the stock of liabilities to the private sector at the beginning of the period.

^{3/} Ratio of the average stocks at the beginning and end of year in relation to GDP in the year.

^{4/} Excludes external debt of the nonfinancial public sector assumed by the Central Bank.

Table 9. Costa Rica: Private Sector Financial Assets

(As percent of GDP) ^{1/}

	1981	1982	1983	1984	1985
<u>Total</u>	<u>39.6</u>	<u>35.7</u>	<u>37.4</u>	<u>36.7</u>	<u>37.2</u>
<u>Money</u>	<u>15.6</u>	<u>14.1</u>	<u>15.3</u>	<u>15.2</u>	<u>14.9</u>
Currency	5.0	4.6	4.8	4.9	5.0
Demand deposits	10.6	9.6	10.5	10.3	9.8
<u>Quasi-money</u>	<u>22.7</u>	<u>20.1</u>	<u>20.9</u>	<u>20.1</u>	<u>20.1</u>
In domestic currency	15.6	13.3	15.0	14.2	13.1
Savings deposits	2.4	1.8	1.7	1.7	1.6
Time deposits	9.3	6.7	7.8	8.0	7.2
Bonds ^{2/}	4.0	4.8	5.5	4.6	4.3
In foreign currency	7.1	6.8	6.0	5.8	7.0
<u>Private capital and other obligations</u>	<u>1.3</u>	<u>1.5</u>	<u>1.2</u>	<u>1.4</u>	<u>2.2</u>

Source: Statistical Appendix Table 36.

^{1/} Ratio of the average stocks 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.

Following a sharp decline in 1981, the stock of foreign currency deposits recovered somewhat in the following years, although their share in relation to GDP continued to decline through 1984. The largest gain in these deposits took place during the first half of 1985 when the Central Bank allowed the spread over LIBOR offered on foreign currency deposits to widen to 3 points. ^{1/} By the end of December 1985, total foreign currency deposits amounted to US\$283 million, accounting for about 20 percent of private financial savings, and increased somewhat during the first half of 1986.

^{1/} Although these deposits accrue to commercial banks, they are subject to a 100 percent legal reserve requirement.

3. Credit operations

The decline in the rate of overall bank credit expansion was accompanied by a marked shift in the destination of credit between the public and private sectors after 1981. The growth in credit to the nonfinancial public sector declined sharply in 1983 and became negative in 1984 and 1985, mainly as a result of an improvement in the public finances. The rate of expansion in bank credit to the public sector (in relation to the initial stock of liabilities to the private sector) declined from about 9 percent a year during 1981-82 to less than 1 percent during 1983, and was negative, on average, by about 2 percent in each of the following two years (excluding the assumption of nonfinancial public sector debt by the Central Bank). However, due to a weakening in the fiscal position during late 1985 and the early months of 1986, credit to the nonfinancial public sector expanded by nearly 8 percent in the 12-month period ended May 1986.

The lower credit needs of the nonfinancial public sector made room for a recovery in bank credit to the private sector, which has increased steadily in real terms since end-1982. The stock of claims to the private sector in relation to nominal GDP grew from 16 percent at the end of 1982 to 19 percent at the end of 1985. While the growth in credit appears to have reflected the economic recovery of recent years, it also may have represented a shift from foreign sources of financing to domestic borrowing because of the reluctance of foreign creditors to increase their exposure in Costa Rica and that of local residents to increase their foreign indebtedness after the exchange losses experienced in 1981-82.

The net operating losses of the Central Bank, which were equivalent to about 5 percent of GDP per year in the period 1983-85, represented by far the largest source of expansion of the banking system's domestic assets. ^{1/} Exchange guarantees and subsidies granted to the private and public sectors were the main determinant of these losses in 1981-82. As the guarantees and subsidies were virtually terminated in 1983, interest payments on foreign debt contracted in the past mainly to finance deficits of the nonfinancial public sector became the main component of the operating losses of the Central Bank (Table 10). Although on an accrual basis these losses have been fairly constant from year to year, it should be noted that on a cash basis they have fluctuated sharply depending on whether interest arrears were accumulated or reduced. In 1984, cash losses expanded relatively slowly as payments arrears increased, but they rose by more than one fourth in 1985 when most arrears accumulated in 1984 were eliminated.

^{1/} The net operating losses of the Central Bank are described in more detail in Appendix II.

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

	Preliminary		
	1983	1984	1985
I. <u>Revenue</u>	2.4	4.1	3.3
Interest on domestic claims	1.4	2.1	2.1
Interest on foreign claims	0.7	1.6	0.7
Other	0.3	0.4	0.5
II. <u>Expenditure</u>	7.4	8.8	9.1
Interest on domestic liabilities	1.2	1.3	1.8
Stabilization bonds	0.7	0.7	0.6
Trust funds	--	0.1	0.7
Commercial banks' foreign exchange deposits	0.5	0.5	0.5
Interest on external liabilities	5.2	6.4	5.1
Other	1.0	1.1	2.2
III. <u>Net losses (I-II)</u>	<u>-5.0</u>	<u>-4.7</u>	<u>-5.8</u>
<u>Memorandum item:</u>			
Net losses (cash basis) 1/	...	-1.7	-9.0

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. The instruments of monetary policy

During 1981-82 monetary policy relied extensively on the use of stabilization bonds to offset the expansionary impact of the large exchange losses incurred by the Central Bank. Although these operations were successful in reducing domestic liquidity, the interest cost involved added to the losses of the Central Bank. With the recovery in private financial savings in 1983, the Central Bank shifted to legal reserve requirements as a means to control bank liquidity and to encourage longer term private savings. To this effect, reserve requirements for deposits with longer maturities were increased by less than for short-term deposits. In addition, to limit the potential for credit expansion arising from banks' excess reserves, the Central Bank required that after June 1983 such reserves be kept for a minimum of three months to qualify for the payment of interest.

Credit policy was broadly passive during the first half of 1984 as banks were allowed to gradually draw down their excess reserves with the Central Bank. To slow the rate of bank credit expansion, in June 1984 the Central Bank established a 50 percent marginal reserve requirement on the growth of demand deposits and extended the minimum-term requirement on banks' excess reserve deposits from three to six months. In addition, the Central Bank froze its rediscount operations after August, and in October raised the basic interest rate from 18 percent to 20 percent. At this level, domestic interest rates were substantially positive in real terms and competitive with returns offered in foreign markets.

The policy of credit restraint implemented in the second semester of 1984 was continued in the first half of 1985. In addition, as a result of the increase in the interest rate paid on stabilization bonds in the latter part of 1984, net placements of € 2.8 billion of such bonds took place in the first eight months of 1985, while foreign currency deposits (subject to a 100 percent reserve requirement) rose sharply because of the increase in the interest rate spread offered on such deposits mentioned earlier. Due to the impact of these developments on its losses, in July 1985 the Central Bank reduced the spread on foreign currency deposits to 1 1/2 points above LIBOR. In addition, in September the Central Bank reduced the interest rate on stabilization bonds by 5 points (from 22 percent to 17 percent) and compensated the expected expansionary impact of this measure with a gradual increase in banks' legal reserve requirements; at the same time, the 50 percent marginal requirement introduced in 1984 was eliminated. From September to December 1985, the reserve requirement on demand and 30-day deposits was increased from 28 percent to 32 percent; that on 30-day and 6-month deposits was maintained at 20 percent; and that on longer term deposits

was raised from zero to 10 percent. 1/ In December, the interest rate on stabilization bonds was raised again, to 23 percent.

During 1985 the Central Bank also introduced a number of measures designed to increase the autonomy of the state banks which dominate the commercial banking system. While in the past the Central Bank set annual limits on the expansion of each credit line of the state banks, this system of control was replaced by a single global limit per bank which allowed them to make a more efficient allocation of credit. In addition, state banks were permitted to use interbank deposits to cover temporary reserve shortfalls, thereby increasing their operating efficiency and reducing their dependence on the Central Bank. To ensure the effectiveness of these measures, in November 1985 the Central Bank raised its discount rate from a range of 13-20 percent to 28 percent, that is, above the banks' cost of funds. In addition, the banks were given more flexibility in setting interest rates which traditionally had been fixed by the Central Bank. In February 1985, the flexibility that banks had in paying deposit rates up to 3 points above the basic rate set by the Central Bank was extended to lending rates; in July 1985 this range was broadened to 3 points on either side of the basic rate set by the Central Bank.

1/ Previously, banks were required to hold 10 percent of the value of these longer term deposits in government bonds. To make the new requirement effective, banks were not allowed to reduce their holdings of government bonds from the level held as of September 15, 1985.

V. External Sector

1. Balance of payments

a. Overall trends

Reflecting the combined effect of adverse external factors and expansionary domestic policies, Costa Rica experienced a balance of payments crisis in the early years of the decade. Large overall balance of payments deficits were accompanied by a rapid accumulation of external payments arrears, which reached a level equivalent to almost 40 percent of GDP at the end of 1982. Subsequently, external arrears fluctuated in accordance with the availability of exceptional financing (Table 11). In 1983 Costa Rica negotiated special bank credit facilities and rescheduling arrangements with its main foreign creditors, with the result that arrears were substantially reduced. Notwithstanding a narrowing of the current account deficit, there was a new build up of unpaid obligations in 1984. Further rescheduling arrangements with creditors in 1985 facilitated the regularization of payments, despite a reversal of the previous year's current account improvement; by the end of 1985 arrears had been reduced to about 1 percent of GDP.

The gross international reserves of the Central Bank rose from US\$147 million at the end of 1981 to US\$513 million (equivalent to 5 1/2 months of imports) at the end of 1985 (Statistical Appendix Table 42). However, more than two thirds of the reserves at end-1985 were nonliquid claims on the rest of Central America that had been accumulated since the beginning of the 1980s.

b. Current account

The current account deficit (excluding official transfers) remained relatively stable during the last three years, following a substantial decline in 1982 on account of a pronounced drop in imports. Despite an improvement in the terms of trade of around 11 percent, the trade account deteriorated in the period after 1982 as a modest recovery of imports more than offset a sluggish export growth; the value of exports in 1985 was still lower than in 1981.

Exports are dominated by four traditional products (coffee, bananas, meat, and sugar) which accounted for roughly 60 percent of total exports during the period 1981-85 (Table 12). Nontraditional exports, which mainly consist of light manufactured goods sold to other Central American countries, declined significantly over that period, with the share of regional exports declining from 24 percent of total exports in 1981-83 to 14 percent in 1985. At the same time, the share of exports to the United States increased from about one third to almost one half, while the share of other industrial countries remained at about one fourth (Statistical Appendix Tables 44 and 45).

Table 11. Costa Rica: Balance of Payments

	1981	1982	1983	1984	Prel. 1985
(In millions of U.S. dollars)					
<u>Current account (including official transfers)</u>	<u>-420.3</u>	<u>-239.7</u>	<u>-234.1</u>	<u>-154.9</u>	<u>-162.8</u>
<u>Current account (excluding official transfers)</u>	<u>-420.2</u>	<u>-246.0</u>	<u>-300.1</u>	<u>-263.9</u>	<u>-338.4</u>
Trade balance	-204.7	-24.4	-131.1	-104.7	-175.5
Exports	1,008.6	869.8	862.1	997.5	933.5
Imports	-1,213.3	-894.2	-993.2	-1,102.2	-1,109.0
Services (net)	-242.7	-251.2	-191.9	-191.1	-195.1
Nonfactor (net)	76.6	96.0	121.8	122.5	117.7
Factor (net)	-319.3	-347.2	-313.7	-313.6	-312.8
Of which: official interest	-307.9	-341.9	-327.7	-314.0	-307.7
Private transfers	27.2	29.6	22.9	31.9	32.2
<u>Official transfers</u>	<u>-0.1</u>	<u>6.3</u>	<u>46.0</u>	<u>109.0</u>	<u>175.6</u>
<u>Capital account</u>	<u>-49.9</u>	<u>-74.1</u>	<u>304.5</u>	<u>27.4</u>	<u>261.3</u>
Public (net inflow)	231.3	128.0	219.0	91.2	145.7
Disbursements	330.3	191.0	311.8	200.8	248.1
Amortization	-99.0	-63.0	-92.8	-109.6	-102.4
Public (net refinancing of current obligations)	-211.2	-217.3	17.7	-75.7	9.8
Rescheduling of principal and current interest	--	--	191.6	153.7	301.8
Amortization (unpaid)	-211.2	-217.3	-173.9	-229.4	-292.0
Private and net errors and omissions <u>1/</u>	<u>-70.0</u>	<u>15.2</u>	<u>67.8</u>	<u>11.9</u>	<u>105.8</u>
<u>Overall balance</u>	<u>-470.2</u>	<u>-313.8</u>	<u>50.4</u>	<u>-127.5</u>	<u>98.5</u>
Accumulation (+) of arrears	358.8	453.2	-1,070.0	175.0	-182.8
Rescheduling of arrears	--	--	749.3	--	109.1
Special bank credit facilities	--	--	204.1	49.9	75.0
Net official reserves (increase -)	106.4	-128.8	58.1	-97.4	-99.8
Net use of Fund resources	45.7	-9.7	99.0	-34.0	30.0
Other net official reserves	65.7	-12.7	-49.0	-63.4	-129.8
(As percent of GDP)					
<u>Current account (including official transfers)</u>	<u>-16.0</u>	<u>-9.2</u>	<u>-7.4</u>	<u>-4.3</u>	<u>-4.5</u>
<u>Current account (excluding official transfers)</u>	<u>-16.0</u>	<u>-9.4</u>	<u>-9.5</u>	<u>-7.4</u>	<u>-9.3</u>
Trade balance	-7.8	-0.9	-4.2	-2.9	-4.8
Net factor services	-12.2	-13.3	-10.0	-8.8	-8.6
Other services and transfers	4.0	6.1	4.7	7.4	9.0
<u>Capital account</u>	<u>-1.9</u>	<u>-2.8</u>	<u>9.7</u>	<u>0.8</u>	<u>7.2</u>
Private	-2.7	0.6	2.2	0.3	2.9
Public (net inflow)	8.8	4.9	7.0	2.6	4.0
Public (net refinancing)	-8.1	-8.3	0.5	-2.1	0

Source: Statistical Appendix Table 41.

1/ Includes SDR allocation, revaluation, and transactions with nonmonetary agencies.

Table 12. Costa Rica: Exports by Principal Groups

	1981	1982	1983	1984	1985
(Value in millions of U.S. dollars; volume in thousands of units indicated; and unit value in U.S. dollars)					
<u>Exports, f.o.b. 1/</u>	<u>1,008.6</u>	<u>869.8</u>	<u>862.1</u>	<u>997.5</u>	<u>933.5</u>
<u>Traditional exports</u>	<u>581.6</u>	<u>534.8</u>	<u>526.1</u>	<u>597.3</u>	<u>588.5</u>
Coffee	240.8	236.8	230.0	267.3	310.0
Volume (quintal)	2,094.0	2,040.0	2,357.0	2,457.0	2,632.0
Unit value (per quintal)	115.0	116.1	97.6	108.8	117.8
Bananas	224.4	228.1	240.4	251.0	212.2
Volume (metric ton)	1,002.0	1,013.0	1,012.0	1,020.0	856.0
Unit value (per ton)	224.0	225.2	237.5	246.1	247.9
Meat	74.0	53.1	31.9	43.5	55.8
Volume (metric ton)	33.2	24.3	13.9	21.2	19.8
Unit value (per ton)	2,228.9	2,185.5	2,295.0	2,051.0	2,820.0
Sugar	42.3	16.7	23.8	35.5	10.5
Volume (quintal)	1,567.0	1,191.0	1,173.0	2,231.0	697.0
Unit value (per quintal)	27.0	14.0	20.3	15.9	15.0
<u>Nontraditional exports</u>	<u>427.0</u>	<u>335.0</u>	<u>336.0</u>	<u>400.2</u>	<u>345.0</u>
Agricultural products	23.9	27.0	24.0	30.5	27.4
Industrial products	370.3	276.1	276.3	299.9	250.4
Unclassified	32.8	31.9	35.7	69.8	67.2
(In percent of total value)					
Traditional exports	57.7	61.5	61.0	59.9	63.0
Nontraditional exports	42.3	38.5	39.0	40.1	37.0
(Annual percentage change of total value)					
<u>Total exports</u>		<u>-13.8</u>	<u>-0.9</u>	<u>15.7</u>	<u>-6.4</u>
<u>Traditional exports</u>		<u>-8.0</u>	<u>-1.6</u>	<u>13.5</u>	<u>-1.5</u>
<u>Nontraditional exports</u>		<u>-21.5</u>	<u>0.3</u>	<u>19.1</u>	<u>-13.8</u>

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

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

Coffee exports, which account for more than one fourth of total exports, tended to increase during the first half of the 1980s, mainly on the strength of steady increases in volume (in 1985 coffee export volume was 26 percent higher than in 1981). Coffee export prices dropped sharply in 1983, but recovered over the next two years to a level similar to that in 1981. Prices in markets regulated by the International Coffee Agreement (ICA) increased, while export quotas were kept unchanged. In the presence of a global excess supply of coffee, price levels prevailing in markets not subject to quotas declined. The volume of Costa Rica's exports to nonquota markets grew from about one fifth of total coffee exports in 1981 to one third in 1985.

Banana exports increased by about 12 percent from 1981 to 1984, but dropped by 15 percent in 1985. The increase in the period 1982-84 can be attributed about equally to higher prices and an expansion in volume, while last year's drop reflected adverse weather, as well as the withdrawal of one of the large transnational companies operating in Costa Rica.

The value of nontraditional exports declined by 20 percent from 1981 to 1985, owing to the depressed level of economic activity and payments difficulties in the rest of Central America (particularly in Nicaragua). Exports to these countries declined by about one half, falling from over one half of total nontraditional exports in 1981 to about one third in 1985. In part reflecting economic developments abroad, nontraditional exports to markets outside Central America declined in 1982-83, but recovered strongly in 1984-85, perhaps reflecting the lagged effect of the real depreciation of the colon that took place in 1981-82. In addition, there was an intensified promotion effort initiated in 1984 and a broadening of export incentives, which were consolidated in 1985 in the so-called export contract scheme (Contrato de Exportación). These incentives include tax credits (CATs) based on the f.o.b. value of exports; tax credits (CIEEX) based on year-to-year increases in export volumes; income tax exemptions; accelerated depreciation allowances; duty-free import of inputs; indirect tax exemptions for local purchases; and investment financing for export production.

In addition to the incentives provided under the export contract scheme, there are two other special export arrangements. Under the maquila arrangement, exports to the United States are assessed import duties only on the value added in Costa Rica. The other facility for exports is the zona franca system, which is similar to a free trade zone concept, but which also encompasses more general developmental objectives. The contribution to total exports of these arrangements has not been significant to date, in part because foreign investors have found more attractive arrangements in other countries in the region.

Following a sharp contraction in 1981-82, the U.S. dollar value of imports recovered somewhat in the following years. Nevertheless, in 1985 imports were still one fourth below their level in 1980. Most of

the recovery reflected an expansion in volume, as import prices in U.S. dollar terms have been declining since 1981 (Statistical Appendix Table 47). The growth in import volume was associated with a higher level of domestic economic activity and, to some extent, was facilitated by the real appreciation of the colon during 1984. In 1985, as the pace of economic activity slowed, a modest increase in volume was offset by a decline in import prices, and the value of imports remained unchanged. The value of imports of petroleum products fell by more than 20 percent from 1981 to 1985 on account of a decline in prices and some substitution of hydroelectric for thermal power.

The net deficit on the services account, which averaged US\$246 million in 1981-82, dropped to US\$192 million per year in 1983-85 largely due to an increase in travel receipts. The effect of declining international interest rates on interest payments was broadly offset by an increase in the stock of debt. In 1981-85, interest payments on official debt averaged US\$320 million a year, or roughly the equivalent of 10 percent of GDP.

Official transfers have become an important element of the external assistance provided to Costa Rica. From negligible amounts in 1981-82, these transfers increased very rapidly in the following years reaching the equivalent of almost 5 percent of GDP in 1985, representing mainly grants from U.S. AID.

c. Capital account

The period 1981-82 was characterized by net capital outflows arising from a decline in private sector confidence and the curtailment of foreign commercial bank lending. A significant turnaround in the capital account occurred in 1983 mainly on account of larger disbursements under the U.S. Caribbean Basin Initiative and the rescheduling of debt service obligations to bilateral creditors and commercial banks. Net capital inflows declined sharply again in 1984, even though Costa Rica continued to benefit from significant commercial bank debt relief provided by the rescheduling agreement of the previous year. This decline resulted from a combination of factors including a slowdown in official disbursements, Costa Rica's inability to secure a rescheduling agreement under the Paris Club, and an increase in repayment obligations. In 1985 capital inflows rose again owing to a substantial inflow of private capital (in part linked to high domestic interest rates on foreign currency deposits), higher disbursements from multilateral agencies, and additional debt relief from both commercial banks and bilateral creditors. There also was a disbursement of US\$40 million under a structural adjustment loan (SAL) from the World Bank.

An agreed minute with the Paris Club in April 1985 (soon after the approval of a stand-by arrangement with the Fund) provided for the rescheduling of arrears incurred in the previous year and obligations

falling due in 1985 and the first quarter of 1986. ^{1/} In late May 1985, an agreement was reached with commercial banks for the rescheduling of all maturities due in 1985-86 (including a special credit facility approved in 1983), which also established a new credit facility for US\$75 million.

In addition to the restructuring agreements just described, three public bond issues, syndicated internationally and maturing in 1985, were partially rescheduled through a voluntary exchange offer. Of the total maturities (amounting to US\$102 million), US\$16 million was paid in cash, US\$23 million held by commercial banks was included in the May 1985 rescheduling, US\$39 million was converted into new bonds under the terms of the exchange offer, and US\$24 million remained unsettled. ^{2/}

In November 1985 a special bilateral rescheduling agreement (outside the Paris Club) was reached with the Government of Mexico in the amount of US\$100 million, which included US\$28 million of short-term liabilities (incurred in 1984); US\$22 million of obligations in arrears (US\$16 million of principal and US\$6 million of interest); US\$33 million of 1985 maturities (US\$20 million of principal and US\$13 million of interest); and US\$18 million of 1986 maturities. The terms of this agreement varied depending on the nature of the liabilities. Short-term liabilities (including interest and balances due under a bilateral clearing arrangement) amounting to US\$58 million were rescheduled into 27 monthly payments of declining amounts due from October 1985 to December 1987. Long-term maturities (amounting to US\$42 million) were rescheduled over 9 1/2 years with 4 1/2 years grace, payable in 20 quarterly equal installments. The interest rate was set at 1 percent above the New York prime rate.

Including the restructuring of interest and principal in arrears or falling due in 1985, total exceptional financing obtained by Costa Rica amounted to US\$486 million in 1985 and US\$147 million in 1986.

d. External debt

During the period 1981-85, outstanding external public debt increased by 8 percent a year and in 1985 was equivalent to 102 percent of GDP, about the same as in 1981 (Table 13). During this period debt service obligations rose at an annual rate of 4 percent, reflecting both the decline in international interest rates and the substitution of concessional official borrowing (mainly from the United States) for

^{1/} The agreed minute provided rescheduling of 96 percent of eligible obligations in arrears and 100 percent of current obligations in the remainder of 1985 and the first quarter of 1986.

^{2/} The exchange offer provided rescheduling over seven years (including a grace period of three years), at an interest rate of 1 1/4 percent over LIBOR.

Table 13. Costa Rica: External Public Debt Operations

	1981	1982	1983	1984	1985
(In millions of U.S. dollars)					
<u>Outstanding debt (end of year)</u>	<u>2,760</u>	<u>2,962</u>	<u>3,407</u>	<u>3,455</u>	<u>3,694</u>
Short-term <u>1/</u>	341	309	247 <u>2/</u>	284 <u>2/</u>	256 <u>2/</u>
Medium- and long-term <u>3/</u>	2,419	2,653	3,160	3,171	3,438
Nonfinancial public sector	1,350	1,674	1,723	1,716	1,893
Financial public intermediaries	1,069	979	1,438	1,455	1,545
<u>Net drawings (medium- and long-term)</u>	<u>231</u>	<u>128</u>	<u>371</u>	<u>139</u>	<u>221</u>
Disbursements	330	191	464 <u>4/</u>	251 <u>4/</u>	323 <u>4/</u>
Amortization <u>5/</u>	-99	-63	-93	-112	-102
<u>Contractual debt service</u>	<u>628</u>	<u>632</u>	<u>607</u>	<u>678</u>	<u>725</u>
IMF	15	18	25	38	37
Repurchases	10	10	12	23	22
Charges	5	8	13	15	15
Other	613	614	582	641	688
Amortization <u>6/</u>	310	280	267	339	394
Interest <u>6/</u>	303	334	315	302	294
<u>New loans contracted <u>7/</u></u>	<u>288</u>	<u>281</u>	<u>433</u>	<u>141</u>	<u>...</u>
(In percent)					
Outstanding debt/GDP	102.5	121.5	108.3	96.9	101.6
Net drawings/GDP	8.6	5.3	11.8	3.9	6.1
Debt service ratio before rescheduling <u>8/</u>	51.6	54.4	52.9	52.9	59.1
Debt service ratio after rescheduling <u>8/</u>	51.6	54.4	36.2	40.9	34.5
Contractual interest/exports of goods and nonfactor services	25.4	29.4	28.6	24.5	25.1

Sources: Central Bank of Costa Rica; IBRD/DRS; Statistical Appendix Table 49; and Fund staff estimates.

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

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

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

4/ Includes US\$152 million, US\$50, and US\$75 million disbursement 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.

5/ Excludes unpaid or rescheduled amortization.

6/ Includes unpaid or refinanced current amortization and interest.

7/ Excludes short-term and IMF loans and includes revolving trade-credit facility.

8/ As a percent of exports of goods and nonfactor services.

commercial bank debt. The debt service ratio ^{1/} remained roughly constant during the period 1981-84, but rose sharply in 1985 as merchandise exports declined. In 1985 the burden of external debt service was eased considerably by debt rescheduling agreements; the debt service ratio was 35 percent after rescheduling, compared with 59 percent before rescheduling.

2. The exchange and trade system ^{2/}

a. Exchange system and exchange rate developments

After several shifts between a fixed and a flexible rate system during 1980-81, a major exchange reform was introduced in August 1982 aimed at gradually narrowing the spread between the banking and free exchange rates. *De facto unification of the exchange markets* was achieved in November 1983 and most exchange restrictions were eliminated by the end of that year, with the exception of certain arrears on external debt. New arrears on external debt and import payments were incurred in 1984, which amounted to US\$215 million at year end. ^{3/} During 1985 most of these arrears were eliminated, partly through rescheduling agreements with bilateral creditors and partly through cash payments; by the end of the year only US\$32 million of arrears remained outstanding. Arrears were accumulated again during 1986, and the outstanding amount reached US\$95 million by end-July.

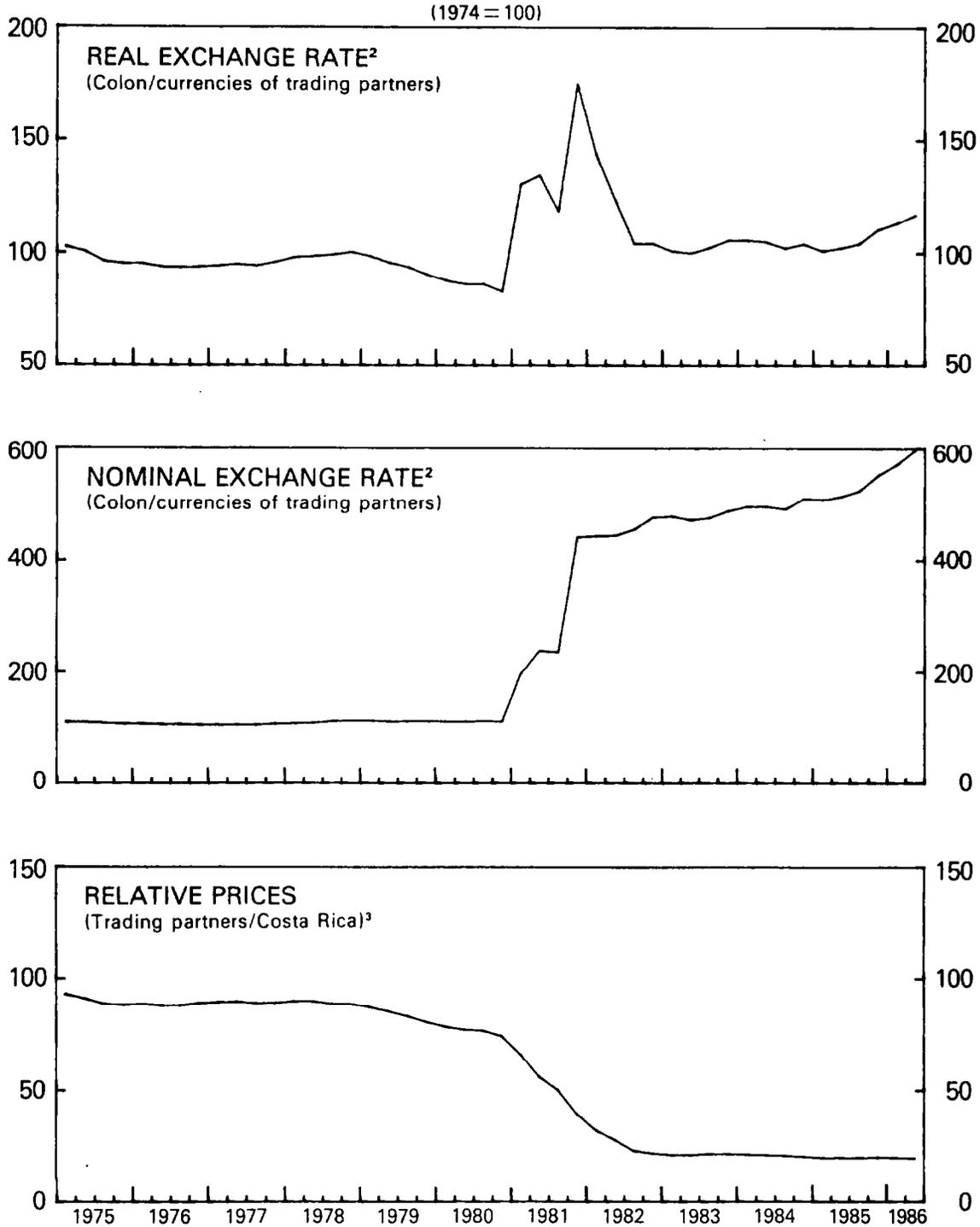
Under the unified exchange system, the only transactions settled at the official rate of ₡ 20 per U.S. dollar are remittances to students who had registered with the Central Bank prior to 1981 and, until recently, a small fraction of export proceeds. The proportion of exports settled at the official rate was reduced from 1 percent to 0.2 percent in October 1984 and to zero in September 1985. All other transactions are channeled through the interbank exchange market in which the colon was quoted at ₡ 55.70 = US\$1 (buying) and ₡ 56.45 = US\$1 (selling) at the end of June 1986. Reportedly, some transactions are taking place in unofficial markets, although the differences with respect to the official rate have not exceeded 5 percent in recent months.

^{1/} Debt service in relation to exports of goods and nonfactor services.

^{2/} A detailed description of the exchange and trade system in effect at end-December 1985, as well as changes in the system during 1985, is contained in the Annual Report on Exchange Arrangements and Exchange Restrictions, 1986.

^{3/} In addition to these arrears, Costa Rica maintained an exchange restriction which arose from a dispute over the settlement of a bank loan involved in the 1983 bank rescheduling agreement. This dispute was resolved in mid-1985. For more details, see EBS/85/31, Supplement 1.

CHART 4
COSTA RICA
EFFECTIVE EXCHANGE RATES AND RELATIVE PRICES¹



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

¹1980 trade weights excluding oil and Nicaragua.

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

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



Since the beginning of 1985, the value of the colon has been adjusted frequently to take account of relative rates of inflation between Costa Rica and its trading partners and developments in the balance of payments. There were no significant movements in the real effective value of the colon from mid-1982 to mid-1985 (Chart 4). Since then, however, the colon has depreciated in real effective terms largely because of the depreciation of the U.S. dollar against other major currencies. The colon depreciated in real effective terms by 9 1/2 percent during 1985, and by a further 2 percent during the first half of 1986.

b. Changes in the trade system

Negotiations on a revision of the Common External Tariff of the Central American Common Market were completed in September 1985. The tariff reform, which entered into effect on January 1, 1986, included the adoption of the Brussels nomenclature, the conversion of specific to ad valorem tariff rates, and a revision of the schedule of regional rates including a reduction of the highest tariff rates (from 220 to 100 percent) and the elimination of tariff exemptions on imported inputs. In addition, in the first half of 1986 import surcharges were reduced from a range of 12.5 to 100 percent to a maximum rate of 7.5 for regionally produced goods and of 30 percent for goods not produced in the region. The new regional treaty also provided mechanisms for the phased reduction of tariffs in cases where immediate application of the new rates would cause serious injury to the industries involved, and permitted importation at lower rates from outside the region in cases where regional production fails to meet regional demand. It is expected that the provisions just mentioned would apply only in a few cases.

Costa Rica: Summary of Tax System, 1986
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates														
I. Taxes on income and profits																	
1. Taxes on companies																	
<p>a. Income tax (Impuesto sobre la renta) Law 837 of 1946 and amendments, in particular Law 4961 of 1972, tax reform 1976, Law 5909 of 1976, Law 6450 of 1980, Laws 6952, 6955, 6962, 6966 and 6975 of 1984 and 6960, 6999 and 7017 of 1985.</p>	<p>Annual tax on net profits received by Costa Rican and foreign companies from Costa Rican sources, after deduction of all expenses related to the production of income.</p> <p>30 percent of income tax collections are earmarked for transfer to the Special Fund for the Higher Education Financing which distributes it among four universities.</p>	<p><u>Exempt</u> from the tax: government agencies and some of the state enterprises; diplomatic representations, the catholic church; nonprofit organizations, and professional associations. Income tax holidays of two to eight years are also provided for industrial enterprises, under certain circumstances, according to the law for Industrial Protection and Development (Law 2426 of 1959) and the Central American Agreement on Fiscal Incentives for Industrial Development of 1962. Tax exemptions for the income derived from exports (Law 6955 of 1984). Full exemption for existing and new tourism related activities on reinvested earnings (Law 6990 of 1985).</p> <p><u>Deductible expenses</u> include all normal business expenses; depreciation (straight line and in certain cases accelerated depreciation by the sum of digit and other methods; investment in machinery and equipment by industrial and agricultural; up to 50 percent of net profits and ₡ 100,000 per annum. There are also provisions for percentage depletion and loss carryovers; 20 percent annual depreciation on houses and 15 percent on buildings on buildings for employee housing; 100 percent of investment in new hotel enterprises and related housing for employees.</p>	<table border="1"> <thead> <tr> <th data-bbox="1481 581 1634 597"><u>Taxable Income</u></th> <th data-bbox="1800 561 1896 602"><u>Rate (Percent)</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="1481 602 1634 618">Up to 100,000</td> <td data-bbox="1842 602 1864 618">10</td> </tr> <tr> <td data-bbox="1481 618 1757 667">Excess over 100,000 up to 250,000</td> <td data-bbox="1842 643 1864 659">20</td> </tr> <tr> <td data-bbox="1481 667 1757 716">Excess over 250,000 up to 500,000</td> <td data-bbox="1842 691 1864 708">25</td> </tr> <tr> <td data-bbox="1481 716 1757 764">Excess over 500,000 up to 750,000</td> <td data-bbox="1842 732 1864 748">35</td> </tr> <tr> <td data-bbox="1481 764 1757 813">Excess over 750,000 up to 1,000,000</td> <td data-bbox="1842 781 1864 797">40</td> </tr> <tr> <td data-bbox="1481 813 1715 829">Excess over 1,000,000</td> <td data-bbox="1842 805 1864 821">50</td> </tr> </tbody> </table>	<u>Taxable Income</u>	<u>Rate (Percent)</u>	Up to 100,000	10	Excess over 100,000 up to 250,000	20	Excess over 250,000 up to 500,000	25	Excess over 500,000 up to 750,000	35	Excess over 750,000 up to 1,000,000	40	Excess over 1,000,000	50
<u>Taxable Income</u>	<u>Rate (Percent)</u>																
Up to 100,000	10																
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Excess over 750,000 up to 1,000,000	40																
Excess over 1,000,000	50																
<p>b. Capital gains tax (Law 6952 of 1984)</p>	<p>Tax on net gain obtained in the disposition of property.</p>	<p><u>Exempt</u>: gains below ₡ 100,000.</p>	15														

Costa Rica: Summary of Tax System, 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates								
I. Taxes on income and profits (continued)											
c. Tax on companies enjoying benefits of Law for Industrial Protection and Development (<u>Impuesto del 1 por ciento Ley de Fomento Industrial</u>) Law 2426 of 1959 (Art. 39) and amendments.	Annual tax on net profits of companies protected by the Law for Industrial Protection and Development. These companies are granted a number of tax concessions, involving primarily import duty exemptions. The scope and nature of the exemptions vary with the industry's classification under the Law.	The base of tax is net profits, calculated as under the income tax, less income tax paid.	1 percent								
d. Withholding tax on dividends (<u>Impuesto sobre la renta</u>), Law 4961 of 1972 and Law 6450 of 1980, (Art. 63), amended by Law 6962 of 1984 and Law 6999 of 1985.	Applies to dividend payments, distributed partnership profits, and interest payments on bonds not specifically exempted by law, when these payments are made to natural persons residing in Costa Rica.		<table border="0"> <tr> <td style="text-align: right;"><u>Taxable Income</u></td> <td style="text-align: center;"><u>Rate</u> (Percent)</td> </tr> <tr> <td></td> <td style="text-align: center;">15</td> </tr> </table>	<u>Taxable Income</u>	<u>Rate</u> (Percent)		15				
<u>Taxable Income</u>	<u>Rate</u> (Percent)										
	15										
e. Withholding tax on remittances abroad (<u>Impuesto sobre la renta</u>) Law 4961 of 1972 (Art. 64) and Law 590 of 1976.	Applies to dividends and other remittances to nonresident individuals or companies domiciled abroad.		<table border="0"> <tr> <td style="text-align: right;">On interest and commissions</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: right;">On dividends</td> <td style="text-align: center;">15</td> </tr> <tr> <td style="text-align: right;">On royalties, payments to foreign new agencies, and payments for use of foreign content of records and magazines</td> <td style="text-align: center;">20</td> </tr> <tr> <td style="text-align: right;">On payments for foreign technical assistance</td> <td style="text-align: center;">30</td> </tr> </table>	On interest and commissions	10	On dividends	15	On royalties, payments to foreign new agencies, and payments for use of foreign content of records and magazines	20	On payments for foreign technical assistance	30
On interest and commissions	10										
On dividends	15										
On royalties, payments to foreign new agencies, and payments for use of foreign content of records and magazines	20										
On payments for foreign technical assistance	30										
f. Tax on publicity prizes (<u>Impuesto sobre premios, obsequios y recompensas</u>) Law 34 of 1940 and amendments.	Tax on prizes or bonuses granted by business enterprises to consumers in publicity campaigns. The tax is collected from business enterprises.	Free distribution of medicines; gifts to charitable organizations; premiums that do not exceed 15 percent of sales value of article being promoted.	Ten times the value of the prize or premium.								
g. National Insurance Institute	After income tax profits minus 10 percent reserve constitution.		75 percent.								
h. Central Bank	Net profits.		50 percent.								

Costa Rica: Summary of Tax System 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Taxable income	Rates
2. Taxes on individuals				
<p>a. Income tax (Impuesto sobre la renta) Law 83 of 1946 and amendments, in particular Law 4961 of 1972, Law 6950 of 1980, Laws 6952, 6955, 6966, 6975 of 1984 and 6990 of 1985.</p>	<p>The tax is payable by all persons domiciled in Costa Rica on income derived within the country. Non-resident persons are liable to tax on income obtained from property or enterprises located in Costa Rica. The tax is imposed on net income which is defined as the difference between gross income and deductions permitted by law. Income is imputed for owner-occupied dwellings valued at more than ₡ 300,000 on a progressive scale ranging from 3 to 12 percent of the value of the house. Income is imputed for independent professionals within a range of ₡ 160,000 to ₡ 250,000.</p>	<p>Excluded from gross income: foreign source income, capital gains other than from land subdivisions, dividends, and distributed partnership profits (subject to 5 percent withholding tax).</p> <p><u>Personal tax credits:</u> 14,000 for taxpayer 8,000 for spouse 5,000 for each child 1,500 for other dependents</p>	<p>Up to 115,000 Excess over 115,000 up to 145,000 Excess over 145,000 up to 190,000 Excess over 190,000 up to 250,000 Excess over 250,000 up to 330,000 Excess over 330,000 up to 400,000 Excess over 400,000 up to 500,000 Excess over 500,000 up to 600,000 Excess over 600,000 up to 1,000,000 Excess over 1,000,000 up to 1,500,000 Excess over 1,500,000 up to 2,000,000 Excess over 2,000,000 up to 3,000,000 Excess over 3,000,000</p>	<p>Rate (Percent) 5 10 14 17 19 21 26 29 34 39 46 49 50</p>
<p>b. Capital gains tax (Law 6952 of 1984)</p>	<p>Tax on net gain obtained in the disposition of property.</p>	<p><u>Exempt:</u> gain on sale of taxpayer's home when shown that is reinvested in another house. Gains below ₡ 100,000.</p>	<p>(Decree 16558-H of 1985)</p>	<p>15</p>

Costa Rica: Summary of Tax System, 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates														
II. Payroll taxes and social security contributions																	
1. Payroll taxes																	
a. National Apprenticeship Institute Tax (Cuota patronal - INA) Law 3505 of 1965 and Law 4903 of 1971 and amendments.	Tax on payrolls paid by employers, earmarked for the National Apprenticeship Institute.	Firms with less than five employees are exempt.	2 percent of salaries.														
b. Social Assistance Institute Tax (Cuota patronal - IMAS) Law 4760 of 1971.	Tax on payrolls paid by employers, earmarked for the National Assistance Institute.		<u>Taxable income</u> 0.5 percent of salaries paid by employers.														
c. Community Development Bank Tax (Cuota patronal, Banco Popular), Law 4351 of 1969.	Tax on payrolls paid by employers and employees, earmarked for the Community Development Bank.		Employer: 0.5 percent of salary. Employee: 1.0 percent of salary.														
d. Family Assistance Scheme Tax (Cuota patronal - Asignación Familiar).	Tax on payrolls of private and certain public sector employers, earmarked for Family Assistance Scheme.		5 percent of payroll.														
2. <u>Social security contributions</u> (Contribuciones; seguro social) Law 17 of 1943 and amendments.	Contributions to the Social Security and National Health Insurance System, paid by employees, employers, and the Government.		<table border="1"> <thead> <tr> <th rowspan="2">Contri- bution by:</th> <th colspan="2">Percent of Salary for</th> </tr> <tr> <th>Sickness and Mater- nity Fund</th> <th>Disability, Retirement, and Death Fund</th> </tr> </thead> <tbody> <tr> <td>Employee</td> <td>5.50</td> <td>2.50</td> </tr> <tr> <td>Employer</td> <td>9.25</td> <td>4.75</td> </tr> <tr> <td>Government</td> <td>1.25</td> <td>0.25</td> </tr> </tbody> </table>	Contri- bution by:	Percent of Salary for		Sickness and Mater- nity Fund	Disability, Retirement, and Death Fund	Employee	5.50	2.50	Employer	9.25	4.75	Government	1.25	0.25
Contri- bution by:	Percent of Salary for																
	Sickness and Mater- nity Fund	Disability, Retirement, and Death Fund															
Employee	5.50	2.50															
Employer	9.25	4.75															
Government	1.25	0.25															
3. <u>Government Pension Fund Contributions</u>	Payroll contributions made by certain categories of government employees, and in particular school teachers, for special government pension plans.		5 percent of salary.														

Costa Rica: Summary of Tax System, 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates										
III. Taxes on property													
1. Real estate taxes													
a. Real property tax	The tax is payable on the fair market value of real estate (including land, fixtures, permanent structures, and plantings). The valuation is determined by the tax administration or, in its absence, by the owner's declaration. Proceeds of tax are earmarked: 10 percent for IFAM; ₡ 2,45 million for Dirección General de Catastro and Dirección General de la Tributación Directa; and of the remainder, 8.6 percent for the Central Government, 29.4 percent for the Municipality of San José, and 62 percent for other municipalities.	<u>Exemptions:</u> state and municipal properties and those of the Boards of Education, the Central Bank, the religious institutions; housing constructed by an employer for the benefit of his employees; property used for instruction or welfare purposes; persons whose total fixed assets do not exceed ₡ 25,000. Tourist and export industries.	<table> <thead> <tr> <th>Valuation</th> <th>Rate (percent)</th> </tr> </thead> <tbody> <tr> <td>Up to 250,000</td> <td>0.36</td> </tr> <tr> <td>Excess over 250,000 up to 500,000</td> <td>0.63</td> </tr> <tr> <td>Excess over 500,000 up to 3,000,000</td> <td>0.90</td> </tr> <tr> <td>Excess over 3,000,000</td> <td>1.17</td> </tr> </tbody> </table>	Valuation	Rate (percent)	Up to 250,000	0.36	Excess over 250,000 up to 500,000	0.63	Excess over 500,000 up to 3,000,000	0.90	Excess over 3,000,000	1.17
Valuation	Rate (percent)												
Up to 250,000	0.36												
Excess over 250,000 up to 500,000	0.63												
Excess over 500,000 up to 3,000,000	0.90												
Excess over 3,000,000	1.17												
b. Tax on uncultivated land (<u>Impuesto sobre tierras sin cultivar</u>) Law 2825 of 1961 and amendments.	A tax at progressive rates is applied to all lands not cultivated by the owner or his tenants. Earmarked for the Instituto de Desarrollo Agrario (IDA).	<u>Exemptions:</u> parcels of land not exceeding 100 hectares; lands used for timber extraction; legitimate reserves of timber companies' and lands forming a watershed. Due to administrative difficulties, this law is not applied in practice.	<u>Valuation</u> Rates progress from 0.25 percent to 2.5 percent on units between 100 and 5,000 hectares.										
2. Gift taxes													
a. National Lottery (<u>Lotería Nacional</u>).	Tax on all prizes paid by the National Lottery.		6 percent.										
3. Property transfer tax													
a. Property transfer tax (<u>Tributo hospitalario</u>) Law 2854 of 1961 and amendments.	A tax is imposed on the transfer of real estate and motor vehicles, and on mortgage contracts. It is charged on the value stated in the contract. Where no value is declared, the tax administration is empowered to determine it. The tax is collected through the sale of stamps and earmarked for the Medical Assistance Institute.		0.2 percent of value of property.										

Costa Rica: Summary of Tax System, 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates										
III. <u>Taxes on property (concluded)</u>													
3. <u>Property transfer tax (concluded)</u>													
b. Transfer of real estate (Impuesto sobre los traspasos de bienes in- muebles) Law 6999 of 1985.	On transfer of property of real estate.	<ul style="list-style-type: none"> - Transfer to persons with real estate wealth, including the property to be acquired, below ₡ 350,000. - Family transfers when the recipient's wealth, including the property to be transferred, is below ₡ 350,000. - Transfers of property to solve popular housing programs under certain circumstances. - Family housing or subsistence farming transfers up to ₡ 600,000. - The state, or its share. - Comunal and educational associations if exempt by other laws. - Donations to the state and certain decentralized institutions. 	<table border="0"> <thead> <tr> <th data-bbox="1485 594 1587 610">Valuation</th> <th data-bbox="1804 574 1902 610">Rate (percent)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1485 613 1630 630">Up to 400,000</td> <td data-bbox="1832 613 1868 630">1.5</td> </tr> <tr> <td data-bbox="1485 633 1630 649">Up to 700,000</td> <td data-bbox="1832 633 1868 649">2.5</td> </tr> <tr> <td data-bbox="1485 652 1651 669">Up to 1,000,000</td> <td data-bbox="1832 652 1868 669">3.5</td> </tr> <tr> <td data-bbox="1485 672 1640 688">Over 1,000,000</td> <td data-bbox="1832 672 1868 688">4.5</td> </tr> </tbody> </table>	Valuation	Rate (percent)	Up to 400,000	1.5	Up to 700,000	2.5	Up to 1,000,000	3.5	Over 1,000,000	4.5
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Up to 400,000	1.5												
Up to 700,000	2.5												
Up to 1,000,000	3.5												
Over 1,000,000	4.5												
IV. <u>Taxes on domestic goods and services</u>													
1. <u>Sales taxes</u>													
a. General sales tax (Impuesto sobre las ventas) Law 3914 of 1967 and Law 6826 of 1982.	Simple stage tax levied on the sale of goods and services of enterprises with annual turnover of more than ₡ 300,000 or those affected by the selective consumption tax.	An extensive list of articles is exempt from taxation; including exports, items of the prime necessity such as basic foodstuffs and fuel used in the preparation of food; drugs; educational materials; farm supplies, such as, seeds, fertilizers, and veterinary products; agricultural machinery and implements; intermediate goods for the production of fertilizers; selected goods of the basic consumer basket.	10 percent of sale price or c.i.f. import price. Discretion of the executive branch to change rates.										

Costa Rica: Summary of Tax System, 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates						
IV. Taxes on domestic goods and services (continued)									
b. Selective consumption tax (Impuesto de consumo) Law 3282 of 1964 and amendments, in particular Law 4961 of 1972, December 1974, Law 6820 of 1982, and Law 6955 of 1985.	Tax levied at factory and, in case of imports, at c.i.f., value plus import taxes of an extensive list of manufactured products.	<u>Exemptions:</u> Small artisans and exports; imports of diplomatic representations and staff of international organizations; exports, purchases by Central Government, municipalities, and universities; selected goods of the basic consumer basket.	6 percent to 100 percent, depending on degree of essentiality or luxury nature of product. Specific rates for certain types of flour, cement, tires, motorcycles, and certain building materials. Discretion of the Executive Branch to change rates.						
c. Tax on sales of beer, alcoholic beverages, and cigarettes (Impuesto hospitalario) Law 3914 of 1967 and amendments.	Levied on the retail sale price of beer, liquor, and cigarettes earmarked for the Medical Assistance Institute.		10 percent.						
2. Excise taxes									
a. Cigarettes (Impuesto sobre el consumo de cigarrillos) Law 434 of 1940 and Law 6820 of 1982.	Ad valorem tax on cigarette consumption with proceeds mainly destined for the Instituto de Desarrollo Agrario, IDA.		<table border="0"> <tr> <td></td> <td style="text-align: right;">Rates (Percent)</td> </tr> <tr> <td>Domestic blend</td> <td style="text-align: right;">2.5</td> </tr> <tr> <td>Imports on foreign and mixed blends</td> <td style="text-align: right;">2.5</td> </tr> </table>		Rates (Percent)	Domestic blend	2.5	Imports on foreign and mixed blends	2.5
	Rates (Percent)								
Domestic blend	2.5								
Imports on foreign and mixed blends	2.5								
b. Alcoholic and alcoholic beverages (Impuesto sobre licores) various taxes. (continued)	Additional tax with proceeds mainly destined to the Instituto de Desarrollo Agrario.		8 percent on sales price before liquidation of earmarked tax for IFAM (Law 6282 of 1979).						
c. Beer (Impuesto sobre consumo de cerveza) Law 1250 of 1970 and amendments.	Ad valorem tax with proceeds mainly destined to the Instituto de Desarrollo Agrario.		<p>IDA: 5 percent on sale price before liquidation of sales tax on both national and foreign beer.</p> <p>IFAM: 3 percent on sale price of national beer.</p>						
d. Soft drinks (Impuesto sobre el consumo de refrescos gaseosos) Law 17 of 1941 and amendments.	Ad valorem tax with proceeds mainly destined to the Instituto de Desarrollo Agrario.		<p>National brands - 5 percent on sales price</p> <p>Foreign brands - 10 percent on sales price</p> <p>Used to mix with liquors - 14 percent on sales price.</p>						

Costa Rica: Summary of Tax System, 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates
e. Gasoline and petroleum derivatives Law 5386 of 1973, Law 5508 of 1974, and amendments.	A specific tax is levied on petroleum products produced by the state-owned refinery, RECOPE.	Export sales, sales to government and autonomous institutions, and sales to the diplomatic corps are exempt.	Gasoline: ₡ 0.455561 per liter Kerosene: ₡ 0.096327 per liter Diesel: Free Gas (propane): ₡ 0.021611 per liter Bunker: ₡ 0.036354 per liter
	Additional tax on gasoline.	No exemptions.	₡ 0.50 per liter.
	Tax on sales by distributors earmarked for the University of Costa Rica.	No exemptions.	₡ 0.01321 per liter.
f. Cement tax (<u>Impuesto sobre consumo de cemento</u>) Law 3282 of 1964 and Law 6849 of 1983.	Ad valorem tax on output of cement in provinces of Cartago, San José, and Guanacaste, except cement to be exported.	Exemptions by special agreement or by law are granted to some institutions and construction companies.	5 percent of sales price.
g. Railroad tickets tax.	Tax proceeds destined to the Sickness and Maternity Fund of the Social Security System.		₡ 0.10 per ticket.
h. Public shows tax Law 4961 of 1972	Ad valorem tax on gross income of public shows.	Sports events when organized by sport organizations registered at the General Directorate of Physical Education and Sports. Cultural shows when recommended by the Ministry of Cuuculture, Youth, and Sports, or the University of Costa Rica.	10 percent of gross income.
Law 6890 of 1983	Ad valorem tax on admittance price to public spectacles in favor of municipalities.	Educational, cultural, religious events approved by the municipality.	5 percent of ticket price.
3. Motor vehicle taxes			
a. Consolidations law of motor vehicle tax (<u>Impuesto de rueda</u>) Law 6810 of September 1982, amended by Law 6901 of 1983 and Law 6942 of 1984.	Ad valorem and specific taxes on motor vehicle ownership.	Vehicles owned by members of the diplomatic corps, the Red Cross, and the Fire Department and similar caterpillar tractors.	1. Private cars (a) According to weight (in kgs.) Less than 920 ₡ 0.25 per kg. Over 920 up to 1,140 0.35 " " Over 1,140 up to 1,380 0.45 " " Over 1,380 up to 1,610 0.55 " " Over 1,610 0.65 " " (b) According to value (in colones) 0.5 percent.

Costa Rica: Summary of Tax System, 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates
IV. <u>Taxes on domestic goods and services (continued)</u>			
3. <u>Motor vehicle taxes</u>			
			2. Cars for public service: ₡ 400 per year.
			3. Buses for public service (according to capacity): Up to 21 passengers ₡ 500 a year " " 22-31 " 550 " " " " 32-36 600 " " " " 37-41 650 " " " " 42-46 700 " " Over 46 10 per additional passenger capacity.
			4. Trucks (a) Light weight vehicles (up to 3,500 kgs.) ₡ 0,35 per kg. plus ad valorem tax indicated on 1(b) above. (b) Heavy weight vehicles: From 3,501 up to 5,300 kgs. ₡ 600 per year From 5,301 up to 7,500 kgs. ₡ 650 per year From 7,501 up to 12,000 kgs. ₡ 700 per year Over 12,000 kgs. ₡ 790 per year plus ₡ 80 per additional 1,000 kgs. or fraction thereof.
			5. Motorcycles Up to 90 cc. ₡ 300 per year Over 90 cc. 360 per year
			6. Foreign tag Temporary use of roads, US\$10 per month or fraction.
b. Municipalities Tax Law 6909 of 1983.	Specific tax on all vehicles for the municipalities. Earmarked for road and rural ways maintenance and repairs. Allocated to municipalities following the distribution of the real estate tax.	None.	₡ 200 per car per year.

Costa Rica: Summary of Tax System, 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates
IV. <u>Taxes on domestic goods and services (concluded)</u>			
3. <u>Motor vehicle taxes (concluded)</u>			
c. Scouts and rehabilitation	Specific tax on all vehicles.	None.	¢ 20 per car per year.
d. Toll fees (<u>Derechos de Peaje</u>) various laws.	Tolls are charged on certain highways.	Public vehicles.	Various.
4. <u>Stamp taxes</u>			
a. Stamped paper and agricultural and other stamps (<u>papel sellado y timbres</u>) Fiscal Code of 1885 and amendments.	Most documents used in the preparation of contracts and related to court proceedings must be prepared on stamped paper. Checks, certifications, patents, etc., must carry stamps. Transfers of property of vehicles and real estate and registration of leases and of constitution or enlargements of corporations must bear agricultural stamps.		Various.
b. Notary fees (<u>Registro Público</u>) various laws.	Property transfers and mortgage contracts must be registered with a notary public and a fee paid based on the value of the transaction or contract.	Donations to the State; foreign governments; and certain public institutions (INVU, IDA).	Various.
V. <u>Taxes on international trade</u>			
1. <u>Taxes on imports</u>			
a. Customs duties (<u>Arancel de aduana</u>). The tariff is subject to the Central American Agreement on Equalization of Import Charges, 1963; the General treaty on Central American Economic Integration, 1963; and the protocols to these documents. The Costa Rican law adopting the new customs duties agreed by Resolution 2 of the Central American Customs Council is Law 7017 of 1985 to be in effect Jan 1, 1986. Classified by BTN (NAUCAII)	With few exceptions, import duties are levied in accordance with the NAUCA classification and at the rates specified in the uniform Central American tariff system. Ad valorem rates are applied on the c.i.f. value of goods. Specific rates are levied on the basis of unit, weight, or volume.	(a) Goods imported by the Central Government; (b) all goods imported in accordance with the export contract Law 6655 of 1985, the small industry and artisan shops Law 3142 of 1963, experimental and training samples D. 6381 MEIC of 1976, Industrial parks and processing export zones, Law 6695 of 1985, agricultural activities Law 7017 of 1985; and (c) goods under the contract with banana companies.	Various.

Costa Rica: Summary of Tax System, 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates												
V. Taxes on international trade															
(continued)															
1. Taxes on imports (continued)															
b. Other import duty surcharges (<u>Sobretasas a las importaciones</u>) Law 5909 of 1976 and Executive Board decisions of the Central Bank.	Ad valorem duty imposed as a percentage of regular customs duties on imports outside the Central American Common Market and Panama. Half of the tax collections accrue to the Central Bank.	Central administration; retirees living on rents; diplomatic corps; international organizations; raw material imports under the Industrial Protection and Development Law.	Various.												
c. CINAIS Law 6996 of 1984.	Ad valorem on imports.		3 percent on value of any import.												
d. Stamp tax (<u>Timbre hospitalario</u>).	On imports not included in the Duties Equalization Agreement.		3 percent over import duties.												
e. Gasoline import tax.	On gasoline imports.		¢ 0.007926 per liter.												
f. Consular fees (<u>Timbres consulares</u>) Law 46 of 1925, Law 27 of 1967, and Law 6955 of 1984.	These are levied on administrative, notarial, and commercial contracts processed by the consular corps.		Various.												
g. Levy on imports by special tax-exempt enterprises (<u>Impuesto de protección industrial</u>) Law 2426 of 1959. Levy on exempt imports Law 6955 of 1985.	A variable levy on imports by enterprises covered by the Industrial Incentives Law, gasoline, and postal packages. Reduced ad valorem tax on values exempted of major customs taxes (duties, surcharges, etc.).		Imports of tax-exempt enterprises are applied at various rates on nonexempt custom duties according to individual industrial contracts.												
2. Taxes on exports															
a. Coffee (<u>Impuesto sobre el café que reciben los beneficiarios y otros impuestos menores</u>) Law 209 of 1953, Law 2802 of 1961, Law 3380 of 1964, Law 5996 of 1976, Law 6095 of 1977, and Decrees up to September 1980.	An ad valorem tax based on the net value of coffee sales to processing plants is imposed. Net value is determined by deducting from the total value the amount of any fees and taxes and processing costs.		<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Export Price Per Quintal of 46 kg.</th> <th style="text-align: right;">Rate (percent)</th> </tr> </thead> <tbody> <tr> <td>Up to US\$35</td> <td style="text-align: right;">--</td> </tr> <tr> <td>US\$35-US\$37.49</td> <td style="text-align: right;">2.5</td> </tr> <tr> <td>US\$37.50-US\$39.99</td> <td style="text-align: right;">5.0</td> </tr> <tr> <td>US\$40.00-US\$42.99</td> <td style="text-align: right;">7.5</td> </tr> <tr> <td>US\$42.50 and above</td> <td style="text-align: right;">10.0</td> </tr> </tbody> </table>	Export Price Per Quintal of 46 kg.	Rate (percent)	Up to US\$35	--	US\$35-US\$37.49	2.5	US\$37.50-US\$39.99	5.0	US\$40.00-US\$42.99	7.5	US\$42.50 and above	10.0
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US\$37.50-US\$39.99	5.0														
US\$40.00-US\$42.99	7.5														
US\$42.50 and above	10.0														
	Specific taxes for the Coffee Institute.		US\$0.45 per quintal and ¢ 0.20 per fanega.												

Costa Rica: Summary of Tax System, 1986 (Continued)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates
V. <u>Taxes on international trade</u> (continued)			
2. <u>Taxes on exports (continued)</u>			
b. <u>Export tax (Impuesto ad valorem sobre exportaciones)</u> Law 5519 of 1974 and amendments and Executive decrees.	Ad valorem tax on exports.		
(i) Meat			4 percent of f.o.b. value
(ii) Banana			1 percent of f.o.b. value
(iii) Cacao			1 percent of f.o.b. value
(iv) Other exports (except coffee and sugar)			4 percent of f.o.b. value
(v) Coffee (a progressive marginal rate according to the quintal f.o.b. export price; for a price of:			
US\$95 or less			4 percent
Excess of US\$95 and up to US\$115			4 percent + 0.3x(f.o.b.-95) percent
Excess of US\$115 and up to US\$175			10 percent + 0.1x(f.o.b.-115) percent
Excess of US\$175 and up to US\$191			16 percent + 0.12x(f.o.b.-175) percent
Excess of US\$191			18 percent.
(vi) Soluble coffee			1 percent.
c. <u>Bananas (Impuesto a la exportación de bananas)</u> Law 1738 of 1954 and Law 5515 of 1974. Rates fixed by decree.	A specified tax is levied on the export of bananas.		US\$0.70 per 40-lb. box, net Jan. 1-Sep. 30, 1985, D.15524-H-P US\$0.55 per 40-lb. box, net Oct. 1-Dec. 31, 1985, D.16564-P-H-MEC US\$0.27 per 40-lb. box, net 1986, D.16564-P-H-MEC US\$0.22 per 40-lb. box, net 1987, D.16564-P-H-MEC US\$0.18 per 40-lb. box, net 1988, D.16564-P-H-MEC

Costa Rica: Summary of Tax System, 1986 (Concluded)
(General Government)

(All amounts in Costa Rican colones unless otherwise noted)

Tax	Nature of Tax	Exemptions and Deductions	Rates
V. <u>Taxes on international trade</u> (concluded)			
2. <u>Taxes on exports (concluded)</u>			
d. Seafood			
(i) Tuna fish Law 3043 of 1962	A specific tax is levied on the export of tuna fish caught in Costa Rican waters.		The rate varies from US\$0.25 to US\$1 per ton, depending on the nationality of the ship and its crew.
(ii) Shrimp and lobster Law 3034 of 1962	A specific tax is levied on the export of shrimp and lobster.		¢ 0.03 per kg.
(iii) Fish Law 1778 of 1954	A specific tax is levied on the export of refrigerated or frozen fish.		US\$2 per thousand gross kg. if the fish have been processed in Costa Rica. US\$5.50 per thousand gross kg. if the fish have not been processed.

Source: National Bureau of Taxation, Ministry of Finance.

Costa Rica: Net Operating Losses of the Central Bank

The purpose of this appendix is to explain the nature of the net operating losses of the Central Bank and to describe the main factors which have given rise to them.

Since 1983, the Central Bank has incurred net operating losses on the order of 5 percent of GDP each year. The marked imbalance between the interest-earning assets of the Central Bank and its interest-paying liabilities gives rise to significant losses to the Central Bank both in terms of net interest payments (operating losses), as well as losses associated with the revaluation of foreign currency denominated accounts insofar as external liabilities far exceed assets (accounting losses). Until recently, the accounting procedures of the Central Bank did not allow for an accurate quantification of these losses on the basis of balance sheet data, and the staff has had to rely on indirect indicators from external debt data and the Bank's profit and loss statements, where only the results on domestic currency operation are recorded. Beginning in 1986, however, changes have been introduced in the central bank accounts which will permit a better estimate of these losses in the future to be obtained. A summarized quantification of these losses is set out in Table 14.

The source of the operating losses of the Central Bank has changed over the last few years. Early in the decade, the Central Bank began to incur losses mainly from exchange guarantees and subsidies extended to both the public and private sectors; however, such losses were difficult to quantify as they were not clearly registered in the Central Bank's balance sheet. With the gradual process of exchange reform leading to exchange rate unification in November 1983, the losses arising from exchange subsidies were phased out. In the period 1981-83, in an effort to offset the expansionary impact of the exchange guarantees and subsidies, the Central Bank increased sharply its placement of stabilization bonds. ^{1/} While this policy offset, at least in part, the expansionary impact of the net losses on exchange operations, it also had the effect of increasing these losses in the future because of the interest burden involved.

The imbalance between the Central Bank's foreign currency denominated assets and liabilities mentioned earlier arose from heavy foreign commercial borrowing abroad by the Central Bank beginning in the late 1970s largely for the purpose of financing deficits of the nonfinancial public sector, for which the Central Bank assumed all the exchange risk. In the face of a rapid depreciation of the colon in relation to

^{1/} The stock of stabilization bonds held by the private sector increased from ₡ 0.3 billion at the end of 1980 to ₡ 5.2 billion at the end of 1983.

Table 14. Costa Rica: Central Bank Net Operating Losses
on an Accrual and Cash Basis 1/

(In percent of GDP)

	1984	1985
I - <u>Accrued revenue</u>	<u>4.1</u>	<u>3.3</u>
Revenue not received (-)	-1.1	-1.8
II - <u>Cash revenue</u>	<u>3.0</u>	<u>1.5</u>
III - <u>Accrued expenditure</u>	<u>-8.8</u>	<u>-9.1</u>
Expenditure not incurred (+)	4.1	-1.4
IV - <u>Cash expenditure</u>	<u>-4.7</u>	<u>-10.5</u>
I-III - <u>Net losses (-) accrual basis</u>	<u>-4.7</u>	<u>-5.8</u>
II-IV - <u>Net losses (-) cash basis</u>	<u>-1.7</u>	<u>-9.0</u>
<u>Memorandum item:</u>		
Increase in net unclassified assets of the Central Bank	2.3	8.8

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

1/ Flows calculated on the basis of stocks with foreign exchange accounts valued at end-of-year exchange rates.

the U.S. dollar (from ¢ 8.60 at the end of 1980 to ¢ 53.50 at the end of 1985), the domestic currency value of the central bank liabilities and corresponding interest payments rose sharply; the value of central bank assets and interest earnings did not rise by a corresponding amount as most of the Central Bank's loans to the public sector funded with foreign borrowing were lent in domestic currency at subsidized, fixed interest rates. As a result, by the end of 1985 the Central Bank's interest-bearing liabilities were more than twice as large as its interest earning assets, whereas at the end of 1980 these liabilities were smaller than the corresponding assets (Statistical Appendix Table 40). Similarly, accrued interest payments on domestic and foreign currency liabilities are estimated to have been more than twice the amount of accrued interest earnings in 1985. Last year, net interest payments abroad by the Central Bank accounted for about three fourths of the Central Bank's net operating losses on an accrual basis.

As distinct from the case of exchange guarantees, the operating losses which the Central Bank is presently incurring on account of net interest payments abroad are of a more permanent nature, as these payments are associated with a given structure of the central bank balance sheet. In these conditions, the losses of the Central Bank could be reduced by means of a transfer of its external indebtedness to the nonfinancial public sector, by collecting interest on a revalued stock of central bank claims on the public sector, or by the Government's assumption of the Central Bank's debt service through the issue of special bonds that could be sold in the domestic market in place of central bank stabilization bonds. It is not expected that the Central Bank will be in a position to amortize a substantial portion of its external debt in the foreseeable future, nor does the Central Bank have the potential revenue sources to cover its interest obligations. In this connection, it should be noted that the Central Bank's assumption of public debt in the context of reschedulings with foreign commercial banks after 1983 has not given rise to new losses. To avoid this outcome, arrangements were made to ensure that the foreign interest burden would be covered by the original borrower and that payments would include a commission in favor of the Central Bank.

In economic terms, the net losses of the Central Bank are implicit subsidies to the domestic economy. These subsidies have benefited, at different times and in varying amounts, the nonbank private sector, the financial sector, and the nonfinancial public sector. For the analysis of the domestic savings-investment gap and fiscal policy, the staff has combined the net losses of the Central Bank with the overall deficit of the nonfinancial public sector. In this consolidation, the staff considered it appropriate to distinguish, on the one hand, between operating and accounting losses and, on the other hand, between cash and accrued losses. Only the net operating losses of the Central Bank have been combined with the more conventional notion of the fiscal deficit, as the accounting losses are associated with valuation adjustments of external assets and liabilities which do not have an impact on Central

Bank credit expansion or reserve money growth; nonetheless, these accounting losses affect the net indebtedness of the public sector, including the Central Bank.

The distinction between accrued and cash losses is also important. Cash losses are more appropriate as a measure of flows in the monetary accounts, whereas accrued losses are more closely related to the concept of the domestic savings-investment gap which is relevant for the analysis of fiscal and balance of payments developments. The accumulation or reduction of external arrears has given rise to substantial differences between accrued and cash losses from year to year. In recent years, the losses of the Central Bank on a cash basis have varied between 2 percent and 9 percent of GDP each year, while accrued losses have been fluctuating at around 5 percent of GDP each year.

Table 15. Costa Rica: National Accounts

	1981	1982	1983	1984	Prel. 1985
(In millions of colones)					
<u>Consumption</u>	47,115	78,625	100,626	118,582	142,348
Private sector	38,535	65,761	81,433	94,726	114,148
Public sector	8,580	12,864	19,193	23,856	28,200
<u>Gross domestic investment</u>	12,781	16,202	29,070	39,300	44,126
Fixed capital formation	13,738	19,809	23,270	33,596	39,402
Private sector	8,516	14,535	15,389	24,575	29,410
Public sector	5,222	5,274	7,881	9,081	9,992
Inventory changes	-957	-3,607	5,800	5,704	4,724
<u>Gross domestic expenditure</u>	59,896	94,827	129,696	157,882	186,474
<u>Resource gap</u>	-2,793	2,678	-382	792	-2,918
Exports of goods and nonfactor services	26,306	42,075	47,113	57,000	61,863
Imports of goods and nonfactor services	-29,099	-39,397	-47,495	-56,208	-64,781
<u>GDP at market prices</u>	57,103	97,505	129,314	158,674	183,556
<u>Net factor payments abroad</u>	-6,961	-12,985	-12,893	-13,955	-15,796
<u>GNP at market prices</u>	50,142	84,520	116,421	144,719	167,760
(In millions of 1966 colones)					
<u>Consumption</u>	6,889	6,678	6,472	6,874	7,290
Private sector	5,739	5,614	5,368	5,746	6,151
Public sector	1,150	1,064	1,104	1,128	1,139
<u>Gross domestic investment</u>	1,662	984	1,773	2,019	2,059
Fixed capital formation	1,821	1,314	1,423	1,791	1,880
Private sector	1,146	983	1,049	1,401	1,496
Public sector	675	331	374	390	384
Inventory changes	-159	-330	350	228	179
<u>Gross domestic expenditure</u>	8,551	7,662	8,245	8,893	9,349
<u>Resource gap</u>	879	1,081	748	772	415
Exports of goods and nonfactor services	3,986	3,386	3,529	3,946	3,664
Imports of goods and nonfactor services	-3,107	-2,305	-2,781	-3,174	-3,249
<u>GDP at market prices</u>	9,430	8,743	8,993	9,665	9,764
<u>Net factor payments abroad</u>	-709	-712	-549	-539	-538
<u>GNP at market prices</u>	8,721	8,031	8,444	9,126	9,226

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

Table 16. Costa Rica: Savings, Investment, and Composition of Fixed Capital Formation

(In millions of colones)

	1981	1982	1983	1984	Prel. 1985
<u>Gross national savings</u>	<u>3,621</u>	<u>7,002</u>	<u>16,736</u>	<u>27,556</u>	<u>27,037</u>
Private sector	5,798	9,433	11,716	19,515	18,860
Public sector	-2,177	-2,431	5,020	8,041	8,177
<u>External savings 1/</u>	<u>9,160</u>	<u>9,200</u>	<u>12,334</u>	<u>11,744</u>	<u>17,089</u>
<u>Gross domestic investment</u>	<u>12,781</u>	<u>16,202</u>	<u>29,070</u>	<u>39,300</u>	<u>44,126</u>
<u>Fixed capital formation</u>	<u>13,738</u>	<u>19,809</u>	<u>23,270</u>	<u>33,596</u>	<u>39,402</u>
Private sector	8,516	14,535	15,389	24,515	29,410
Public sector	5,222	5,274	7,881	9,081	9,992
Inventory changes	-957	-3,607	5,800	5,704	4,724
<u>Fixed capital formation</u>	<u>13,738</u>	<u>19,809</u>	<u>23,270</u>	<u>33,596</u>	<u>39,402</u>
By type					
Construction	7,112	10,656	12,063	17,061	18,492
Machinery and equipment	6,626	9,153	11,207	16,535	20,910
By economic sector					
Agriculture and related sectors	1,074	1,680	2,270	2,807	...
Industry and mining	2,649	4,351	4,765	6,761	...
Construction	468	605	967	1,720	...
Utilities	1,494	2,586	2,497	3,116	...
Transport and communications	2,354	3,441	4,245	6,166	...
Commercial services	644	1,107	1,088	1,774	...
Financial services	393	286	187	291	...
Housing	1,883	2,640	3,168	4,374	...
Public administration	2,436	2,426	3,398	5,887	...
Other services	343	687	685	700	...

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

1/ Equal to current account of the balance of payments excluding official transfers.

Table 17. Costa Rica: Gross Domestic Product by Sector of Activity

	1981	1982	1983	1984	Prel. 1985
(In millions of current colones)					
<u>Gross domestic product</u>	<u>57,103</u>	<u>97,505</u>	<u>129,314</u>	<u>158,674</u>	<u>183,556</u>
Agriculture and related areas	13,145	23,884	28,446	33,014	36,909
Manufacturing and mining	10,818	19,828	28,263	35,808	41,505
Utilities	1,424	2,264	4,950	5,533	5,909
Construction	2,960	3,005	3,789	6,546	7,113
Commerce	10,500	21,125	25,498	31,108	35,665
Transport and communications	2,555	4,487	6,283	7,220	8,171
Financial services	2,907	4,825	7,140	8,055	9,338
Housing	2,883	3,258	3,744	4,665	6,554
Government	7,625	11,324	15,800	19,939	24,233
Other services	2,286	3,505	5,401	6,786	8,259
(In millions of 1966 colones)					
<u>Gross domestic product</u>	<u>9,430</u>	<u>8,743</u>	<u>8,993</u>	<u>9,665</u>	<u>9,764</u>
Agriculture and related areas	1,825	1,739	1,808	1,940	1,915
Manufacturing and mining	2,109	1,869	1,902	2,123	2,187
Utilities	242	253	304	313	290
Construction	472	321	337	413	402
Commerce	1,556	1,374	1,418	1,581	1,619
Transport and communications	672	666	676	690	703
Financial services	491	494	522	551	565
Housing	676	682	689	701	714
Government	984	956	941	945	955
Other services	403	389	396	408	414

Source: Central Bank of Costa Rica.

Table 18. Costa Rica: Value Added in Agriculture and Related Sectors

In millions of colones

	1981	1982	1983	1984	Prel. 1985
<u>I. At Current Prices</u>					
<u>Total</u>	<u>13,145</u>	<u>23,884</u>	<u>28,446</u>	<u>33,014</u>	<u>36,909</u>
Agriculture	9,430	17,333	20,349	23,769	...
Coffee	3,073	5,747	5,033	7,270	8,092
Bananas	3,723	6,627	7,575	7,890	7,661
Sugarcane	572	879	1,655	1,773	1,894
Cocoa	156	143	133	354	...
Rice	461	790	1,753	1,304	1,738
Corn	191	550	774	753	940
Beans	88	277	378	592	676
Sorghum	58	118	289	297	388
Plantains	212	465	450	417	...
Other	896	1,737	2,309	3,119	...
Livestock	3,069	4,829	6,310	7,161	8,506
Lumber	496	688	894	1,076	...
Fish	132	327	328	653	...
Other	18	707	565	355	...
<u>II. At Constant 1966 Prices</u>					
<u>Total</u>	<u>1,825</u>	<u>1,739</u>	<u>1,808</u>	<u>1,940</u>	<u>1,915</u>
Agriculture	1,226	1,225	1,338	1,397	1,304
Coffee	430	451	485	536	485
Bananas	393	401	401	402	347
Sugarcane	84	87	90	104	105
Cocoa	10	7	5	8	10
Rice	126	84	141	132	124
Corn	26	26	29	33	34
Beans	11	14	12	18	20
Sorghum	9	8	10	12	13
Plantains	44	48	46	44	45
Other	93	99	119	108	121
Livestock	467	413	390	456	518
Lumber	81	64	47	50	...
Fish	25	22	21	27	33
Other	26	15	12	10	...

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

Table 19. Costa Rica: Volume of Agricultural Production

(In thousands of metric tons)

	1981	1982	1983	1984	Prel. 1985
Coffee	113.1	115.1	124.0	136.9	123.9
Bananas	1,141.3	1,153.3	1,155.4	1,160.6	1,001.6
Sugarcane	2,521.0	2,446.2	2,543.5	2,935.8	2,950.5
Cocoa	5.0	3.5	2.2	4.1	4.8
Rice	222.5	146.2	246.8	231.8	218.1
Corn	82.8	83.3	94.1	103.9	107.1
Beans	12.3	16.3	14.4	20.8	22.9
Plantains	89.9	97.9	92.8	97.5	91.5
Beef	147.6	111.2	97.8	124.6	156.4

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

Table 20. Costa Rica: Output and Prices of Major Agricultural Products

(Annual percentage change)

	1981	1982	1983	1984	1985
<u>Major exports</u>					
Coffee					
Output	6.3	1.8	7.7	10.4	-9.5
Export price <u>1/</u>	80.3	81.8	-8.8	24.7	6.4
Bananas					
Output	2.7	1.1	0.2	0.5	-13.7
Export price <u>1/</u>	163.1	80.5	9.3	5.5	2.2
Sugar					
Output (sugarcane)	0.2	-3.0	3.9	15.5	0.5
Export price <u>1/</u>	158.8	-6.9	56.3	33.5	-1.8
<u>Basic grains</u>					
Rice					
Output	-3.5	-34.3	68.8	-6.1	-5.9
Support price	67.5	117.0	46.9	-1.9	8.8
Sorghum					
Output	-25.9	-12.4	11.3	23.0	13.7
Support price	63.4	123.7	58.3	--	--
Corn					
Output	9.9	0.6	13.0	10.4	3.1
Support price	70.4	116.3	46.5	--	14.4
Beans					
Output	6.9	32.5	-11.7	44.4	10.1
Support price	61.2	109.8	59.2	--	12.9

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 1984-85.

Table 21. Costa Rica: Average Prices of Basic Grains

(In colones per kilogram)

	1981	1982	1983	1984	1985
<u>Rice</u>					
Support price	3.82	8.29	12.18	11.95	13.00
Wholesalers	4.36	14.86	21.98	21.98	21.98
Retailers	4.51	15.60	22.86	22.86	22.86
Consumers	5.05	17.47	25.15	25.15	25.15
<u>Corn</u>					
Support price	3.63	7.85	11.50	11.50	13.16
Wholesalers	2.29	6.69	10.43	10.43	11.51
Retailers	2.39	7.01	10.96	10.96	12.08
Consumers	2.65	7.85	12.25	12.25	13.90
<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
<u>Beans</u>					
Support price	0.01	21.00	33.44	33.46	37.77
Wholesalers	6.33	18.23	24.70	27.95	31.76
Retailers	6.60	19.13	25.93	29.34	33.35
Consumers	7.30	21.40	29.00	32.83	37.35

Sources: National Production Council; and Fund staff estimates.

Table 22. Costa Rica: Value Added in Manufacturing

(In millions of colones)

	1981	1982	1983	1984
<u>Total</u>	<u>10,818</u>	<u>19,828</u>	<u>28,263</u>	<u>35,808</u>
Foodstuffs, beverages, and tobacco	4,450	7,152	10,967	14,572
Food	3,218	5,092	7,266	9,836
Beverages	889	1,536	2,971	3,734
Tobacco	343	524	730	1,002
Textiles, clothing, and leather	1,041	1,749	2,657	3,062
Textiles	424	685	1,008	1,129
Clothing	404	820	1,174	1,418
Leather and shoes	213	244	475	515
Wood and wood products	597	767	1,221	1,656
Paper and paper products	431	1,011	1,349	1,562
Chemical and petroleum products	1,797	3,610	5,060	6,295
Chemical products	941	2,249	2,715	3,097
Petroleum products	441	262	1,118	1,626
Other	415	1,099	1,227	1,572
Nonmetallic mineral products	331	523	704	1,112
Metal products	1,207	2,427	2,040	2,848
Basic metals	81	227	117	180
Machinery and equipment	1,125	2,200	1,923	2,668
Other	965	2,589	4,265	4,701

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

Table 23. Costa Rica: Electricity Statistics

	1981	1982	1983	1984	Prel. 1985
<u>Installed capacity (kvar)</u>	<u>729.0</u>	<u>747.9</u>	<u>773.8</u>	<u>776.9</u>	<u>789.9</u>
Hydroelectric	543.2	560.2	618.6	621.5	627.5
Thermal	185.8	187.7	155.2	155.4	162.4
<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>
Hydroelectric	2,262	2,366	2,822	3,000	2,761
Thermal	29	34	38	8	7
<u>Consumption (GWh)</u>	<u>2,047</u>	<u>2,065</u>	<u>2,194</u>	<u>2,336</u>	<u>2,470</u>
Residential	901	946	1,010	1,046	1,122
Industrial	640	538	362	680	674
Other	506	581	822	610	674
<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>
Residential	0.65	1.03	1.67	1.58	1.77
Industrial	0.56	0.88	1.85	2.33	2.66
Other	0.77	1.23	2.70	3.32	4.00
<u>Memorandum item</u>					
Exports (GWh)	--	108	478	443	--

Source: Costa Rican Electricity Institute.

^{1/} Includes generation for export.

Table 24. Costa Rica: Price Indicators

	Weights	Indices				
		1981	1982	1983	1984	1985
<u>Wholesale prices (average) (1978=100)</u>	<u>100.0</u>	<u>237.3</u>	<u>494.3</u>	<u>623.7</u>	<u>671.5</u>	<u>741.3</u>
Food and beverages	41.5	193.1	417.5	544.2	584.1	654.8
Textiles and hides	4.8	228.0	531.4	624.9	649.7	698.1
Clothing	7.2	198.3	392.4	521.0	568.6	637.3
Construction materials	12.3	257.7	520.6	542.4	582.4	647.5
Fuel, electricity, and water	12.3	370.8	694.7	1,010.1	1,035.5	1,070.9
Chemicals and manufactures	21.8	248.2	533.9	631.3	716.0	848.4
<u>Wholesale prices (end of period)</u>		<u>333.4</u>	<u>597.1</u>	<u>632.3</u>	<u>709.6</u>	<u>763.8</u>
Food and beverages		265.7	525.4	554.2	621.5	677.6
Textiles and hides		358.0	645.9	605.5	670.5	713.1
Clothing		289.9	476.8	527.4	608.7	657.2
Construction materials		387.8	536.9	545.1	611.0	659.7
Fuel, electricity, and water		423.1	894.1	1,007.0	1,051.1	1,077.8
Chemicals and manufactures		388.4	623.7	652.7	774.3	889.1
<u>Implicit GDP deflator (1966=100)</u>		<u>605.5</u>	<u>1,115.2</u>	<u>1,411.9</u>	<u>1,590.5</u>	<u>1,879.9</u>
<u>Consumer prices (average) (1975=100)</u>	<u>100.0</u>	<u>202.0</u>	<u>384.1</u>	<u>509.4</u>	<u>570.3</u>	<u>656.1</u>
Food	40.8	216.5	462.4	611.4	665.2	746.7
Clothing	10.0	129.4	246.7	301.0	316.7	342.0
Housing	27.1	195.5	296.6	383.2	410.3	485.7
Other	22.1	216.4	409.7	571.2	707.1	840.8
<u>Consumer prices (end of period)</u>		<u>261.3</u>	<u>474.9</u>	<u>525.7</u>	<u>616.9</u>	<u>684.3</u>
Food		288.4	579.9	627.5	726.3	762.5
Clothing		174.4	294.1	304.3	328.2	353.6
Housing		231.9	357.7	376.0	436.6	517.1
Other		286.9	507.3	622.9	767.8	895.7
<u>Basic basket (in colones)</u> <u>(end of period)</u>		<u>2,550.5</u>	<u>4,736.3</u>	<u>5,239.7</u>	<u>5,696.3</u>	<u>8,758.3</u>

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

Table 25. Costa Rica: Wholesale Price Index Components

(In percent)

	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

Source: Central Bank of Costa Rica.

Table 26. Costa Rica: Average Energy Prices

	1981	1982	1983	1984	1985
<u>(In colones per litre)</u>					
<u>Petroleum prices</u>					
Gasoline	10.35	17.52	24.06	24.00	24.00
Diesel	6.37	13.51	18.73	19.00	19.00
Kerosene	7.10	13.50	17.98	17.00	17.00
<u>(In colones per kwh)</u>					
<u>Electricity rates</u>	0.66	1.05	2.07	2.41	2.81
Residential	0.65	1.03	1.67	1.58	1.77
Industrial	0.56	0.88	1.85	2.33	2.66
Commercial	0.77	1.23	2.70	3.32	4.00
<u>(Annual percentage change)</u>					
<u>Petroleum prices</u>					
Gasoline	66.9	69.3	37.3	-0.2	--
Diesel	143.1	112.1	38.6	1.4	--
Kerosene	177.3	90.1	33.2	-5.5	--
<u>Electricity rates</u>	20.0	58.6	98.1	16.2	16.6
Residential	27.5	58.5	62.1	-5.4	12.0
Industrial	14.3	57.1	110.2	25.9	14.2
Commercial	35.1	59.7	119.5	23.0	20.5

Source: Central Bank of Costa Rica.

Table 27. Costa Rica: Average Wages 1/

	1981	1982	1983	1984	1985
(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>
By sector					
Agriculture	1,918	3,283	4,779	5,837	7,027
Manufacturing, mining and utilities	2,757	4,434	6,604	8,047	9,823
Construction	2,256	3,432	5,452	6,466	9,824
Commerce	3,158	4,831	5,779	7,296	8,210
Transport, communication and storage	2,862	4,463	6,681	9,098	10,390
Personal services	3,961	5,762	8,319	9,614	12,962
By employer					
Public sector	4,560	6,469	9,423	11,081	14,372
Central Administration	4,543	6,247	8,600	10,403	12,273
Autonomous entities	4,642	6,628	10,003	11,496	15,820
Private sector	2,368	3,783	5,655	6,875	8,518
(In 1975 colones) <u>2/</u>					
<u>Total</u>	<u>1,516</u>	<u>1,215</u>	<u>1,354</u>	<u>1,460</u>	<u>1,593</u>
By sector					
Agriculture	949	855	938	1,024	1,071
Manufacturing, mining and utilities	1,365	1,154	1,296	1,411	1,161
Construction	1,117	894	1,070	1,134	1,497
Commerce	1,563	1,258	1,134	1,279	1,251
Transport, communication, and storage	1,417	1,162	1,312	1,597	1,584
Personal services	1,961	1,500	1,633	1,686	1,976
By employer					
Public sector	2,257	1,684	1,850	1,944	2,191
Central Administration	2,249	1,626	1,688	1,762	1,871
Autonomous entities	2,298	1,726	1,964	2,017	2,411
Private sector	1,172	985	1,110	1,206	1,298

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 28. Costa Rica: Minimum Wage Index

(1975 = 100)

	1981	1982	1983	1984	1985
<u>Average nominal minimum wage index</u>	<u>229.1</u>	<u>404.6</u>	<u>616.2</u>	<u>725.2</u>	<u>866.0</u>
By sector					
Agriculture	238.0	422.0	626.2	735.4	887.3
Mining	230.8	401.3	594.5	699.7	840.1
Manufacturing	229.1	403.5	608.5	716.3	862.8
Construction	214.1	370.8	548.6	645.7	761.8
Utilities	233.1	410.5	615.9	725.0	872.0
Commerce	246.9	445.1	683.9	805.0	975.1
Transport, storage, and communication	222.4	385.8	578.1	681.2	815.0
Services	225.3	398.1	605.7	715.5	848.3
Other	225.1	399.3	636.6	749.4	887.1
<u>Average real minimum wage index 1/</u>	<u>113.4</u>	<u>105.3</u>	<u>121.0</u>	<u>127.2</u>	<u>132.0</u>
By sector					
Agriculture	117.8	109.9	122.9	128.9	135.2
Mining	114.3	104.5	116.7	122.7	128.0
Manufacturing	113.4	105.1	119.5	125.6	131.5
Construction	106.0	96.5	107.7	113.2	116.1
Utilities	115.4	106.9	120.9	127.1	132.9
Commerce	122.2	115.9	134.3	141.2	148.6
Transport, storage, and communication	110.1	100.4	113.5	119.4	124.2
Services	111.5	103.6	118.9	125.5	129.3
Other	111.4	104.0	125.0	131.4	135.2

Sources: Ministry of Labor; and Fund staff estimates.

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

Table 29. Costa Rica: Employment

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

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 30. Costa Rica: Operations of the Nonfinancial Public Sector

(In millions of colones)

	1981	1982	1983	1984	Prel. 1985
<u>I. Central Administration</u>					
<u>Current revenue</u>	7,770	14,026	21,417	27,012	32,005
Tax revenues	7,517	13,717	20,622	24,864	29,666
Direct taxes	1,701	3,215	5,164	5,412	5,628
Indirect taxes	5,816	10,502	15,458	19,452	24,038
Sales of goods and services	36	48	58	55	126
Property income	52	48	288	353	311
Transfers	52	86	249	1,531	1,668
Other current revenue	113	127	200	209	234
<u>Current expenditure</u>	8,663	15,072	20,953	26,586	30,143
Wages and salaries	3,501	5,044	7,730	9,822	10,981
Goods and services	426	669	1,158	1,460	1,803
Interest	1,427	2,615	3,739	4,201	4,633
Transfers to	2,949	6,651	8,326	11,103	12,726
Rest of general government <u>1/</u>	1,839	3,980	4,895	5,889	6,784
Public enterprises	59	14	14	135	154
Other	1,051	2,657	3,417	5,079	5,788
Exchange subsidies <u>2/</u>	360	93	--	--	--
<u>Current surplus or deficit (-)</u>	-893	-1,046	464	426	1,862
<u>Capital expenditure</u>	2,106	2,212	5,091	5,392	5,802
Fixed capital formation	1,169	1,181	2,931	3,662	3,390
Transfers to	844	816	2,033	1,477	2,328
Rest of general government	75	398	1,261	1,085	1,627
Public enterprises	623	80	456	215	323
Other	146	338	316	177	378
Other capital expenditure	93	215	127	253	84
<u>Overall surplus or deficit (-)</u>	-2,999	-3,258	-4,627	-4,966	-3,940

Table 30. Costa Rica: Operations of the Nonfinancial Public Sector (Continued)

(In millions of colones)

	1981	1982	1983	1984	Prel. 1985
II. <u>Rest of the General Government</u> 3/					
<u>Current revenue</u>	6,323	10,114	16,239	20,508	25,471
Direct taxes	3,045	4,697	8,481	10,908	13,153
Of which: social security payments from					
Central Administration	2,915	3,846	6,966	9,067	12,569
Public enterprises	153	469	582	708	710
Other	191	226	601	759	1,165
Indirect taxes	2,571	3,151	5,783	7,600	10,694
Sales of goods and services	514	885	951	1,415	1,554
Property income	414	633	866	1,186	1,405
Transfers from	245	293	727	1,173	1,728
Central Administration	2,019	3,357	4,993	5,479	7,246
Public enterprises	1,836	3,116	4,324	4,621	5,977
Other	20	23	320	608	506
Other current revenue	163	218	349	250	766
Adjustment 4/	201	289	317	374	428
	-115	-39	-33	-27	-43
<u>Capital revenue</u>	226	668	1,316	1,247	1,883
Transfers from	177	664	1,173	1,148	1,821
Central Administration	131	637	1,168	1,135	1,663
Public enterprises	33	--	3	3	1
Other	13	27	2	10	157
Other capital revenue	27	8	14	33	16
Adjustment 4/	22	-4	129	66	46
<u>Current expenditure</u>	5,768	9,085	13,806	16,856	20,879
Wages and salaries	3,152	4,460	6,285	8,237	10,078
Goods and services	1,501	2,691	4,021	4,337	5,340
Interest	34	148	59	84	135
Transfers to	906	1,481	3,342	4,064	5,326
Central Administration	30	36	310	656	760
Public enterprises	11	5	2	--	37
Other	865	1,440	3,030	3,408	4,529
Other current expenditure	--	--	--	46	--
Exchange subsidies 2/	175	305	99	88	--
<u>Capital expenditure</u>	1,182	1,218	1,988	2,538	3,990
Fixed capital formation	959	907	1,397	1,541	2,158
Transfers to	85	83	85	262	556
Central Administration	36	11	--	1	41
Public enterprises	42	49	78	161	84
Other	7	23	7	100	431
Net lending	57	140	291	278	673
Other capital expenditure	81	88	215	457	603
<u>Overall surplus or deficit (-)</u>	-401	479	1,761	2,361	2,485

Table 30. Costa Rica: Operations of the Nonfinancial Public Sector (Continued)

(In millions of colones)

	1981	1982	1983	1984	Prel. 1985
III. General Government					
<u>Current revenue</u>	<u>12,149</u>	<u>20,124</u>	<u>32,451</u>	<u>40,975</u>	<u>49,932</u>
Tax revenue	10,923	18,829	29,410	36,479	43,664
Direct taxes	4,593	7,443	13,001	15,612	18,072
Indirect taxes	6,330	11,386	16,409	20,867	25,592
Sales of goods and services	450	681	924	1,241	1,531
Property income	297	341	1,015	1,526	2,273
Transfers from	192	265	696	1,867	2,129
Public enterprises	21	26	322	1,107	847
Other	171	239	374	760	1,282
Other current revenue	314	416	517	583	428
Adjustment <u>4/</u>	-27	-408	-111	-721	-93
<u>Capital revenue</u>	<u>115</u>	<u>259</u>	<u>55</u>	<u>161</u>	<u>214</u>
Transfers from	46	27	5	13	159
Public enterprises	33	--	3	3	1
Other	13	27	2	10	158
Other capital revenue	27	8	14	33	16
Adjustment <u>4/</u>	42	224	36	115	39
<u>Current expenditure</u>	<u>12,487</u>	<u>20,141</u>	<u>29,554</u>	<u>36,897</u>	<u>43,478</u>
Wages and salaries	6,653	9,504	14,014	18,059	21,058
Goods and services	1,927	3,360	5,179	5,797	7,142
Interest	1,386	2,763	3,799	4,285	4,769
Transfers to	1,986	4,116	6,463	8,622	10,509
Public enterprises	75	19	16	135	191
Other	1,911	4,097	6,447	8,487	10,318
Other current expenditure	--	--	--	46	--
Exchange subsidies <u>2/</u>	535	398	99	88	--
<u>Capital expenditure</u>	<u>3,177</u>	<u>3,021</u>	<u>5,818</u>	<u>6,844</u>	<u>8,123</u>
Fixed capital formation	2,128	2,088	4,328	5,203	5,548
Transfers to	818	490	858	653	1,215
Public enterprises	665	129	535	376	406
Other	153	361	323	277	809
Net lending	57	140	291	278	705
Other capital expenditure	174	303	341	710	655
<u>Overall surplus or deficit (-)</u>	<u>-3,400</u>	<u>-2,779</u>	<u>-2,866</u>	<u>-2,605</u>	<u>-1,455</u>

Table 30. Costa Rica: Operations of the Nonfinancial Public Sector (Continued)

(In millions of colones)

	1981	1982	1983	1984	Prel. 1985
<u>IV. Nonfinancial Public Enterprises 5/</u>					
<u>Current revenue</u>	10,280	18,239	28,949	35,027	38,395
Sales of goods and services	9,846	17,737	27,401	33,558	36,203
Property income	66	145	565	890	1,280
Transfers from	52	97	55	174	506
General government	52	28	19	174	506
Other	--	69	36	--	--
Other current revenue	274	663	930	378	365
Adjustment 4/	42	-403	-2	27	41
<u>Capital revenue</u>	759	135	596	297	300
Transfers from	683	129	518	222	261
General government	670	102	514	177	244
Other	13	27	4	45	17
Other capital revenue	14	6	78	72	39
Adjustment 4/	62	--	--	3	--
<u>Current expenditure</u>	12,119	20,653	26,826	31,065	36,671
Wages and salaries	1,358	2,061	2,859	3,537	4,233
Social security payments	191	228	601	759	812
Goods and services	7,213	11,680	15,408	17,810	20,335
Interest	1,966	4,709	5,528	5,466	6,582
Transfers to	1,040	937	2,430	3,493	4,709
General government	115	52	366	1,059	1,103
Other	925	885	2,064	2,434	3,606
Exchange subsidies 2/	351	1,038	--	--	--
<u>Capital expenditure</u>	3,327	3,417	4,456	4,291	4,404
Fixed capital formation	3,094	3,186	3,552	3,878	4,444
Transfers to	108	53	285	295	35
General government	1	52	3	1	2
Other	107	1	282	294	33
Net lending	76	160	577	84	-98
Other capital expenditure	49	18	42	34	23
<u>Operational surplus</u>	-1,585	-2,162	3,070	5,606	3,133
<u>Current account surplus or deficit (-) 6/</u>	-1,839	-2,414	2,123	3,962	1,724
<u>Overall surplus or deficit (-)</u>	-4,407	-5,696	-1,737	-32	-2,380

Table 30. Costa Rica: Operations of the Nonfinancial Public Sector (Concluded)

(In millions of colones)

	1981	1982	1983	1984	Pre1. 1985
V. Consolidated Nonfinancial Public Sector					
<u>Current revenue</u>	10,235	17,691	34,558	44,803	51,464
<u>Tax revenue</u>	10,732	18,603	28,809	35,720	42,852
Direct taxes	4,402	7,217	12,400	14,853	17,260
Indirect taxes	6,330	11,386	16,409	20,867	25,592
<u>General government nontax revenue</u>	1,061	1,438	2,456	3,350	4,231
Central Administration	201	223	546	617	671
Rest of general government	860	1,215	1,910	2,733	3,560
<u>Public enterprises operational surplus</u>	-1,585	-2,162	3,070	5,606	3,133
<u>Current transfers</u>	171	308	374	760	1,282
<u>Adjustment 4/</u>	-144	-496	-151	-633	-34
<u>Capital revenue</u>	208	213	114	80	106
Transfers	13	27	6	55	175
Other capital revenue	54	41	92	105	55
<u>Adjustment 4/</u>	141	145	16	-80	-124
<u>Total expenditure and net lending</u>	18,250	26,379	39,275	47,519	55,405
<u>General government current expenditures</u>	12,412	20,122	29,538	36,762	43,287
<u>Capital expenditures and net lending</u>	5,838	6,257	9,737	10,757	12,118
Fixed capital formation	5,222	5,274	7,881	9,081	9,992
Transfers	260	362	605	571	842
Net lending	133	300	868	361	606
Other	223	321	383	744	678
<u>Overall surplus or deficit before adjustment (-)</u>	-7,807	-8,475	-4,603	-2,636	-3,835
<u>Net residual 6/</u>	-310	-159	586	-453	120
<u>Financing = overall deficit</u>	8,117	8,634	4,017	3,089	3,715
<u>External (net)</u>	1,493	-1,459	-341	1,460	699
<u>Domestic</u>	1,738	2,623	14,848	-471	-1,054
Banking system	1,664	1,872	13,889	-959	-1,633
Public bond placement	-57	607	519	-348	1,156
Change in floating debt	131	144	440	836	-577
<u>External arrears change</u>	4,886	7,470	-13,767	2,100	-3,096
<u>Rescheduling</u>	--	--	3,277	--	7,166

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 the Central Bank.

3/ Includes: Local governments, CCSS, IDA, CTAMS, DESAF, ICT, INA, OCIS, OFICAFE, IMAS, CONICYT, CTAC, ITCR, MPNPE, PNL, SNASRA, SNE, UCR, UED, UN, and other public institutions. National lottery JPSSJ is included through 1980 when, by executive decree, it was transformed into a public nonfinancial institution.

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, ESPH, JPSSJ since 1981, 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.

Table 31. Costa Rica: Central Administration Revenue

(In millions of colones)

	1981	1982	1983	1984	Prel. 1985
<u>Total revenue</u>	<u>7,770</u>	<u>14,026</u>	<u>21,417</u>	<u>27,012</u>	<u>32,006</u>
<u>Tax revenue</u>	<u>7,517</u>	<u>13,717</u>	<u>20,622</u>	<u>24,864</u>	<u>29,701</u>
Direct taxes	1,701	3,215	5,166	5,413	5,628
Income and profits tax	1,487	2,910	4,714	4,738	5,023
Payroll tax	146	201	305	517	476
Property tax	68	104	147	158	129
Indirect taxes	5,816	10,502	15,456	19,451	24,073
Domestic goods and services	2,688	4,715	7,615	11,065	13,324
General sales tax	1,123	2,695	4,271	5,673	6,881
Selective taxes on goods and services	1,565	2,020	3,344	5,392	6,443
Taxes on international trade	3,128	5,787	7,841	8,386	10,749
Taxes on imports	899	1,087	2,427	4,200	6,347
Import duties	474	647	1,208	2,019	2,917
Import surcharges	385	405	1,166	2,008	3,096
Other	40	35	53	173	334
Taxes on exports	2,223	4,689	4,994	3,851	4,180
Ad-valorem export tax	706	1,542	1,483	1,518	1,595
Bananas export tax	1,080	1,659	1,757	1,364	1,325
Coffee tax	339	699	749	907	1,205
Exchange differential	5	766	933	--	--
Other	93	23	72	62	55
Other	6	11	420	335	222
<u>Nontax revenue</u>	<u>253</u>	<u>309</u>	<u>795</u>	<u>2,148</u>	<u>2,305</u>
Sales of goods and services	36	48	58	55	126
Property income	52	48	288	353	311
Public enterprises	1	1	1	1	1
Financial institutions	40	45	287	352	310
Other	11	2	--	--	--
Transfers	52	86	249	1,531	1,619
Rest of general government	43	62	222	521	632
Public enterprises	1	3	2	499	301
Financial institutions	8	21	25	511	686
Other current revenue	113	127	200	209	249

Source: Ministry of Finance.

Table 32. Costa Rica: Central Administration Expenditure

(In millions of colones)

	1981	1982	1983	1984	Prel. 1985
<u>Total expenditure</u>	<u>10,769</u>	<u>17,284</u>	<u>26,044</u>	<u>31,978</u>	<u>35,946</u>
<u>Current expenditure</u>	<u>8,663</u>	<u>15,072</u>	<u>20,953</u>	<u>26,586</u>	<u>30,144</u>
Wages and salaries	3,501	5,044	7,730	9,822	10,981
Purchases of goods and services	426	669	1,158	1,460	1,803
Interest	1,427	2,615	3,739	4,201	4,633
Domestic debt	459	400	1,351	1,772	1,833
External debt <u>1/</u>	968	2,215	2,388	2,429	2,800
Transfers to	2,949	6,651	8,326	11,103	12,727
Rest of general government <u>2/</u>	1,839	3,980	4,895	5,889	6,784
Public enterprises	59	14	14	135	154
Financial intermediaries	30	110	--	--	--
Private sector <u>3/</u>	1,001	2,484	3,344	4,937	5,686
Abroad	20	63	73	142	103
Exchange subsidies <u>4/</u>	360	93	--	--	--
<u>Capital expenditure</u>	<u>2,106</u>	<u>2,212</u>	<u>5,091</u>	<u>5,392</u>	<u>5,802</u>
Fixed capital formation	1,169	1,181	2,931	3,662	3,380
Transfers to	844	816	2,033	1,477	2,328
Rest of general government	75	398	1,261	1,085	1,627
Public enterprises	623	80	456	215	323
Financial intermediaries	--	198	--	--	--
Private sector	146	140	316	177	378
Other capital expenditure	93	215	127	253	84

Source: Ministry of Finance.

1/ Includes unpaid interest.2/ Includes social security contributions.3/ Includes transfers to the nonconsolidated public sector.4/ Exchange losses of the Central Bank on account of the Central Administration's payments abroad at a subsidized exchange rate.

Table 33. Costa Rica: Summary Operations
of the Social Security Institute (CCSS)

(In millions of colones)

	1981	1982	1983	1984	1985
<u>Total revenue</u>	<u>3,321</u>	<u>5,225</u>	<u>8,638</u>	<u>11,088</u>	<u>14,051</u>
Current revenue	3,261	5,223	8,638	11,088	14,051
Tax revenue <u>1/</u>	2,725	4,012	7,067	8,879	11,378
Nontax revenue	298	381	703	1,282	1,703
Transfers	238	830	868	927	970
Capital revenue	60	2	--	--	--
<u>Current expenditure</u>	<u>3,150</u>	<u>5,093</u>	<u>7,002</u>	<u>8,701</u>	<u>10,702</u>
Wages and salaries	1,735	2,388	3,324	4,567	5,790
Goods and services	678	1,427	1,817	1,921	2,145
Interest	11	4	6	38	89
Transfers	551	969	1,756	2,041	2,678
Exchange subsidies <u>2/</u>	175	305	99	134	--
<u>Capital expenditure</u>	<u>215</u>	<u>231</u>	<u>360</u>	<u>211</u>	<u>505</u>
Direct investment	167	97	91	47	141
Net lending	44	133	257	164	364
Other	4	1	12	--	--
<u>Current account surplus or deficit (-)</u>	<u>111</u>	<u>130</u>	<u>1,636</u>	<u>2,387</u>	<u>3,349</u>
<u>Overall surplus or deficit (-)</u>	<u>-44</u>	<u>-99</u>	<u>1,276</u>	<u>2,176</u>	<u>2,844</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 34. Costa Rica: Summary Operations of Major Nonfinancial Public Enterprises

	1981	1982	1983	1984	1985
(In millions of colones)					
<u>Total revenue</u>	<u>11,039</u>	<u>18,374</u>	<u>29,545</u>	<u>35,324</u>	<u>38,695</u>
Of which:					
RECOPE	4,404	8,040	10,858	11,638	13,117
ICE	1,920	3,532	5,843	8,654	9,536
CODESA	1,795	2,438	3,641	3,930	3,362
CNP	1,749	3,310	4,022	5,053	5,208
<u>Current expenditure 1/</u>	<u>12,119</u>	<u>20,653</u>	<u>26,826</u>	<u>31,065</u>	<u>36,671</u>
Of which:					
RECOPE	5,043	9,477	9,577	10,147	12,967
ICE	2,308	3,920	4,678	5,329	6,389
CODESA	1,809	3,365	3,735	4,000	3,933
CNP	1,952	3,060	4,532	6,114	6,497
<u>Capital expenditure 2/</u>	<u>3,327</u>	<u>3,417</u>	<u>4,456</u>	<u>4,291</u>	<u>4,404</u>
Of which:					
RECOPE	730	860	804	740	575
ICE	1,906	1,648	2,313	2,594	3,001
CODESA	324	521	621	224	144
CNP	18	18	55	30	22
<u>Current account deficit (-)</u>	<u>-1,839</u>	<u>-2,414</u>	<u>2,123</u>	<u>3,962</u>	<u>1,724</u>
Of which:					
RECOPE	-639	-913	1,281	1,491	150
ICE	-388	-289	1,089	3,272	3,111
CODESA	-349	-885	-428	-78	-571
CNP	-402	206	-510	-1,067	-1,292
<u>Overall deficit (-)</u>	<u>-4,407</u>	<u>-5,696</u>	<u>-1,737</u>	<u>-32</u>	<u>-2,380</u>
Of which:					
RECOPE	-1,369	-2,297	477	751	-425
ICE	-2,294	-2,036	-1,148	731	146
CODESA	-338	1,448	-715	-294	-715
CNP	-221	232	-565	-1,091	-1,311

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 35. Costa Rica: Detailed Accounts of the Banking System

(In millions of colones)

	December 31						May 31			
	£ 38.50-US\$1		£ 41.40-US\$1		£ 45.00-US\$1		£ 52.80-US\$1			
	1981	1982	1982	1983	Rec1. 1983 1/	1984	£ 50.00-US\$1 1984	1985	Pre1. 1986	
I. Central Bank										
<u>Net international reserves</u>	-7,457	-2,494	-2,682	-11,398	-4,180	-1,413	-1,571	-1,022	-586	-913
<u>Assets</u>	5,656	9,406	10,115	12,697	18,522	19,472	21,635	25,643	23,088	26,328
<u>Short-term liabilities</u>	-13,113	-11,900	-12,797	-24,095	-22,702	-20,885	-23,206	-26,665	-23,674	-27,246
<u>Net domestic assets</u>	44,126	49,688	52,178	71,300	103,574	107,980	116,926	136,787	129,216	147,287
<u>Credit to public sector (net) 2/</u>	8,765	9,643	9,624	9,944	26,615	27,540	29,074	29,656	29,698	34,904
<u>Credit to Central Government (net) 3/</u>	5,278	3,488	3,480	2,880 4/	6,286	6,148	6,544	6,734	5,769	7,283
Of which: rescheduling	--	--	--	--	3,433	3,626	4,030	4,227	4,566	5,846
<u>Credit to rest of public sector (net)</u>	3,487	6,155 5/	6,144 5/	7,064 5/	20,329	21,392	22,530	22,922	23,929	27,621
Of which: rescheduling	--	--	--	--	11,637	10,245	11,383	12,146	11,713	15,349
<u>Official capital and reserves</u>	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15
<u>Credit to commercial banks 6/</u>	1,710	1,801	1,801	2,866	6,953	5,935	6,071	8,379	7,603	10,157
Of which: rescheduling	--	--	--	--	4,087	1,220	1,354	1,463	1,611	2,871
<u>Credit to rest of banking system</u>	355	437	437	447	447	476	476	448	326	448
<u>Credit to nonbank intermediaries</u>	318	383	383	726	726	969	969	1,272	1,223	1,318
<u>Subscriptions to international agencies (net)</u>	-1,764	-1,726	-1,865	-891	-1,057	-454	-704	-191	-730	162
<u>Unclassified assets (net)</u>	5,938	10,346	10,346	26,756	49,149	52,773	52,773	68,956	62,829	72,031
<u>Valuation adjustment</u>	28,819	28,819	31,467	31,467	20,756	20,756	28,282	28,282	28,282	28,282
<u>Counterpart unrequited foreign exchange</u>	1,097	1,097	1,180	1,179	1,282	1,057	1,174	1,303	1,242	1,253
<u>Government trust funds</u>	---	---	---	---	1,098	4,478	4,478	10,957	7,414	10,185
<u>Medium- and long-term foreign liabilities</u>	20,401	22,401	24,091	29,249	66,845	69,126	76,806	83,171	83,252	90,759
<u>Regular</u>	20,401	22,401	24,091	29,249	43,939	48,318	53,686	60,095	58,884	59,237
<u>Rescheduled</u>	--	--	--	--	22,906	20,808	23,120	23,076	24,368	31,522
<u>Liabilities to banks</u>	9,942	13,087	13,611	16,803	17,497	17,992	18,983	24,095	22,103	28,097
<u>Liabilities to nonbank intermediaries</u>	--	255 5/	255 5/	357 5/	357	284	284	584	256	559
<u>Liabilities to private sector</u>	5,229	10,354	10,359	12,314	12,315	13,630	13,630	15,655	14,363	15,521
<u>Currency in circulation</u>	3,500	5,436	5,436	6,940	6,940	8,588	8,588	9,938	8,058	10,648
<u>Demand deposits</u>	145	118	118	277	277	145	145	130	132	408
<u>Foreign currency deposits</u>	42	41	46	3	4	--	--	--	--	--
<u>Stabilization bonds</u>	1,542	4,755	4,755	5,090	5,090	4,895	4,895	5,586	6,172	4,465
<u>Import duties</u>	--	4	4	4	4	2	2	2	1	--
II. Commercial Banks										
<u>Net international reserves</u>	462	482	517	-47	2,579	1,472	1,636	1,985	480	3,020
<u>Assets</u>	2,526	2,476	2,662	2,491	2,707	1,741	1,934	2,488	957	3,627
<u>Short-term liabilities 7/</u>	-2,064	-1,994	-2,145	-2,538	-128	-269	-298	-503	-477	-607
<u>Claims on Central Bank</u>	9,865	12,945	13,471	16,358	17,052	18,256	19,247	24,837	20,987	26,248
<u>Net domestic assets</u>	15,888	21,666	21,890	30,894	31,197	35,542	35,914	42,222	41,248	46,916
<u>Credit to public sector (net)</u>	-342	-252	-259	-2,225	-2,239	-4,817	-4,836	-5,902	-5,593	-5,610
<u>Credit to Central Government (net) 6/</u>	1,732	2,643	2,643	3,354	3,352	3,601	3,601	3,993	4,654	6,110
<u>Credit to rest of public sector (net)</u>	-2,074	-2,895 5/	-2,902 5/	-5,579 5/	-5,592	-8,418	-8,437	-9,895	-10,247	-11,720
<u>Official capital and reserves</u>	-315	-359	-359	-678	-678	-941	-941	-2,427	-1,761	-2,350
<u>Credit to private sector</u>	11,393	16,051	16,082	24,813	24,819	29,229	29,249	34,092	31,391	35,873
<u>Credit to rest of banking system</u>	379	404	404	647	647	934	934	934	936	951
<u>Credit to nonbank intermediaries</u>	165	170	170	170	170	170	170	170	170	170
<u>Unclassified assets (net)</u>	2,831	3,875	3,911	6,226	6,296	8,785	8,935	12,952	13,701	15,480
<u>Valuation adjustment</u>	1,777	1,777	1,941	1,941	2,182	2,182	2,403	2,403	2,403	2,403
<u>Medium- and long-term foreign liabilities</u>	2,995	3,400	3,656	3,634	1,628	2,507	2,785	3,510	3,571	3,386
<u>Liabilities to Central Bank 6/</u>	1,649	1,804	1,804	2,814	6,932	5,906	6,056	9,133	6,774	8,611
<u>Liabilities to rest of banking system</u>	21	42	42	29	29	258	258	276	340	183
<u>Liabilities to nonbank intermediaries</u>	23	452 5/	452 5/	1,223 5/	1,223	1,308	1,311	1,045	1,250	1,524
<u>Liabilities to private sector</u>	21,52	729,395	29,924	39,505	41,016	45,291	46,387	55,080	50,779	62,481
<u>Demand deposits</u>	6,963	11,408	11,408	15,264	15,264	16,978	16,978	18,902	16,422	21,662
<u>Savings deposits</u>	1,444	2,097	2,097	2,394	2,394	2,879	2,879	3,079	3,047	3,786
<u>Time deposits</u>	6,032	6,978	6,978	13,074	13,074	12,360	12,360	14,070	13,813	16,496
<u>Foreign currency deposits 7/</u>	6,245	6,995	7,524	7,700	9,210	9,860	10,956	14,161	14,473	15,851
<u>Other obligations</u>	749	1,700	1,700	648	648	2,260	2,260	3,485	2,023	3,282
<u>Private capital</u>	94	217	217	425	425	954	954	1,383	1,001	1,404

Table 35. Costa Rica: Detailed Accounts of the Banking System (Concluded)
(In millions of colones)

	December 31								May 31	
	₡ 38.50=US\$1		₡ 41.40=US\$1		₡ 45.00=US\$1		₡ 50.00=US\$1		₡ 52.80=US\$1	
	1981	1982	1982	1983	Recl. 1983 1/	1984	1984	1985	1985	Prel. 1986
III. Rest of Banking System										
Claims on Central Bank	10	53	53	124	124	219	219	84	244	--
Net domestic assets	1,256	1,283	1,298	1,548	1,567	1,650	1,672	1,805	1,833	1,728
Credit to public sector (net)	-15	-2	-2	-8	-8	-54	-54	-60	-20	-46
Credit to Central Government (net)	--	16	16	2	2	4	4	1	6	22
Credit to rest of public sector (net)	-15	-18	-18	-10	-10	-58	-58	-61	-26	-68
Official capital and reserves	-137	-139	-139	-139	-139	-139	-139	-139	-139	-164
Credit to commercial banks	22	42	42	29	29	106	106	224	128	262
Credit to private sector	1,352	1,474	1,474	1,826	1,826	2,102	2,102	2,199	2,103	2,140
Unclassified assets (net)	-150	-277	-277	-360	-360	-584	-584	-660	-480	705
Valuation adjustment	184	184	200	200	219	219	241	241	241	241
Medium- and long-term foreign liabilities	239	214	229	224	243	193	215	200	224	216
Liabilities to Central Bank	354	437	437	445	445	475	475	476	476	477
Liabilities to commercial banks	377	402	402	641	641	934	934	931	1,065	725
Liabilities to nonbank intermediaries	230	209	209	235	235	204	204	224	223	218
Liabilities to private sector	66	74	74	127	127	63	63	58	89	92
Demand deposits	--	--	--	--	--	--	--	--	--	--
Bonds	37	30	30	59	59	14	14	--	--	--
Other obligations	29	44	44	68	68	49	49	58	89	92
IV. Consolidated Banking System										
Net international reserves	-6,995	-2,012	-2,165	-11,445	-1,601	59	65	964	-106	2,107
Assets	8,182	11,882	12,777	15,188	21,229	21,213	23,579	28,131	24,045	29,955
Short-term liabilities	-15,177	-13,894	-14,942	-26,633	-22,830	-21,154	-23,504	-27,168	-24,151	-27,848
Net domestic assets	58,802	69,862	72,594	99,492	127,969	138,082	147,272	170,823	162,768	184,088
Credit to public sector (net) 2/	8,408	9,389	9,363	7,711	24,367	22,669	24,184	23,694	24,085	29,247
Credit to Central Government (net) 3/	7,010	6,147	6,139	6,236	9,640	9,753	10,149	10,728	10,429	13,414
Credit to rest of public sector (net)	1,398	3,242 5/	3,224 5/	1,475 5/	14,727	12,916	14,035	12,966	13,656	15,833
Official capital and reserves	-467	-513	-513	-832	-832	-1,095	-1,095	-2,581	-1,915	-2,529
Credit to nonbank intermediaries	483	553	553	896	896	1,139	1,139	1,442	1,393	1,488
Credit to private sector	12,745	17,525	17,556	26,639	26,645	31,331	31,351	36,291	33,494	38,013
Subscriptions to international agencies (net)	-1,764	-1,726	-1,865	-891	-1,057	-454	-704	-191	-730	162
Unclassified assets (net)	8,619	13,943	13,980	32,622	55,085	60,974	61,124	81,247	75,233	86,147
Interbank float	-2	-89	-88	-261	-292	361	347	-5	282	634
Valuation adjustment	30,780	30,780	32,608	33,608	23,157	23,157	30,926	30,926	30,926	30,926
Counterpart unrequited foreign exchange	1,097	1,097	1,180	1,179	1,282	1,057	1,174	1,303	1,242	1,253
Government trust funds	...	...	...	...	1,098	4,478	4,478	10,957	7,414	10,185
Medium- and long-term foreign liabilities	23,635	26,014	27,976	33,107	68,716	71,826	79,806	86,881	87,047	94,362
Liabilities to nonbank intermediaries	253	916 5/	916 5/	1,815 5/	1,815	1,796	1,799	1,853	1,729	2,301
Liabilities to private sector	26,882	39,823	40,357	51,946	53,457	58,984	60,080	70,793	65,231	78,094
Currency	3,500	5,436	5,436	6,940	6,940	8,587	8,587	9,938	8,058	10,648
Demand deposits	7,108	11,525	11,526	15,541	15,541	17,123	17,123	19,032	16,554	22,070
Savings deposits	1,444	2,097	2,097	2,394	2,394	2,879	2,879	3,079	3,047	3,786
Time deposits	6,032	6,978	6,978	13,074	13,074	12,360	12,360	14,070	13,813	16,496
Foreign currency deposits	6,287	7,037	7,570	7,703	9,214	9,860	10,956	14,161	14,473	15,851
Bonds	1,579	4,785	4,785	5,090	5,090	4,895	4,895	5,586	6,172	4,465
Other	778	1,748	1,748	780	779	2,325	2,325	3,544	2,113	3,374
Private capital	94	217	217	425	425	954	954	1,383	1,001	1,404

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

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

2/ Does not include exchange subsidies.

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

4/ Includes a reduction of ₡ 545 million in deposits on account of payments made in 1983 but only registered in January 1984.

5/ Adjusted for the reclassification of financial public sector deposits from rest of nonfinancial public sector to nonbank intermediaries. In 1983 also adjusted for CIDA credits to FERTICA and CODESA, through the Central Bank, which were only registered in May 1984 (₡ 257 million).

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

7/ Includes the counterpart of special assistance from the U.S. AID to the Central Government and Central Bank.

Table 36. Costa Rica: Private Sector Financial Assets

	December 31				
	1981	1982	1983	1984	1985
(In millions of colones)					
<u>Total</u>	<u>27,596</u>	<u>41,962</u>	<u>54,778</u>	<u>61,652</u>	<u>74,978</u>
By instrument					
Money	10,608	16,961	22,481	25,710	28,970
Currency	3,500	5,436	6,940	8,587	9,938
Demand deposits	7,108	11,525	15,541	17,123	19,032
Quasi-money	16,116	23,036	31,092	32,663	41,081
In domestic currency	10,292	15,679	23,017	22,200	25,943
Savings deposits	1,444	2,097	2,394	2,879	3,079
Time deposits	6,032	6,978	13,074	12,360	14,070
Bonds <u>1/</u>	2,816	6,604	7,549	6,961	8,794
In foreign currency <u>2/</u>	5,824	7,357	8,075	10,463	15,138
Private capital and other	872	1,965	1,205	3,279	4,927
By entity					
Banking system	26,359	40,143	52,378	59,600	71,770
Central Bank	5,227	10,356	12,314	13,630	15,655
Commercial banks	21,132	29,787	40,064	45,970	56,115
Nonfinancial public sector	1,237	1,819	2,400	2,052	3,208
(Changes in percent)					
<u>Total</u>	<u>56.4</u>	<u>52.1</u>	<u>30.5</u>	<u>12.5</u>	<u>21.6</u>
Money	46.7	59.9	32.5	14.4	12.7
Currency	55.2	55.3	27.7	23.7	15.7
Demand deposits	42.8	62.1	34.8	10.2	11.1
Quasi-money	63.9	42.9	35.0	5.1	25.8
In domestic currency	35.8	52.3	46.8	-3.5	16.9
Savings deposits	14.0	45.2	14.2	20.3	6.9
Time deposits	32.5	15.7	87.4	-5.5	13.8
Bonds	60.1	134.5	14.3	-7.8	26.3
In foreign currency	158.2	26.3	9.8	29.6	44.7
Private capital and other	50.3	125.3	-38.7	172.1	50.3

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

(In millions of colones)

	1981	1982	1983	1984	1985
<u>Origin</u>	<u>11,481</u>	<u>28,507</u>	<u>15,171</u>	<u>18,042</u>	<u>13,808</u>
Central Bank	10,249	23,008	7,395	12,336	10,117
Commercial banks	1,377	5,667	7,952	5,286	3,882
Other banks	-114	-81	-3	-233	161
Interbank float (net)	-31	-87	-173	653	-352
<u>Destination</u>	<u>11,481</u>	<u>28,507</u>	<u>15,171</u>	<u>18,042</u>	<u>13,808</u>
Public sector (net)	1,664	2,352	389	-1,610	-484
Private sector	1,022	4,780	9,083	4,686	4,940
Other financial inter- mediaries	140	70	343	243	303
Counterpart arrears	5,389	17,448	-5,026	6,709	-7,839
Other	3,297	3,944	10,555	7,361	17,240
Interbank float (net)	-31	-87	-173	653	-352
<u>Financing</u>	<u>11,481</u>	<u>28,507</u>	<u>15,171</u>	<u>18,042</u>	<u>13,808</u>
Net international reserves <u>1/</u>	6,060	12,464	-2,447	6,038	-10,670
Long-term foreign liabilities <u>2/</u>	439	2,379	5,130	6,264	13,711
Private sector liabilities	4,982	13,664	12,488	5,740	10,767
Money	3,375	6,353	5,519	3,229	3,259
Other	1,607	7,311	6,969	2,511	7,508

Source: Statistical Appendix Table 35.

1/ Includes payments arrears.

2/ Includes counterpart of U.S. AID grants.

Table 38. Costa Rica: Banking System Credit to the Private Sector

	December 31				
	1981	1982	1983	1984	1985
(In millions of colones)					
<u>Total</u>	<u>12,543</u>	<u>17,541</u>	<u>26,627</u>	<u>31,352</u>	<u>36,343</u>
Agriculture	3,292	5,092	8,831	8,560	8,735
Livestock	2,693	4,194	6,574	7,650	8,597
Manufacturing	2,978	4,566	7,430	9,155	12,419
Commerce and personal credit	995	1,258	1,603	1,788	3,086
Services	795	715	548	1,066	816
Housing	1,113	1,238	1,518	2,884	2,370
Other	677	478	123	249	320
(In percent of total)					
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Agriculture	26.2	29.0	33.2	27.3	24.0
Livestock	21.5	23.9	24.7	24.4	23.7
Manufacturing	23.7	26.0	27.9	29.2	34.2
Commerce and personal credit	7.9	7.2	6.0	5.7	8.5
Services	6.3	4.1	2.0	3.4	2.2
Housing	8.9	7.1	5.7	9.2	6.5
Other	5.5	2.7	0.5	0.8	0.9

Source: Central Bank of Costa Rica.

Table 39. Costa Rica: Legal Reserve Position of the Commercial Banks 1/

	December 31				
	1981	1982	1983	1984	1985
(In millions of colones)					
<u>Liabilities subject to requirements</u>	19,273	28,001	39,773	45,169	51,505
Local currency	15,655	24,121	35,653	40,336	45,957
Foreign currency	3,618	3,880	4,120	4,833	5,548
<u>Required reserves</u>	5,340	7,716	11,434	13,778	15,386
Local currency					
Currency and deposits	1,810	3,460	5,785	7,311	11,026
Government bonds	1,136	1,656	2,747	3,003	--
Foreign currency	2,394	2,600	2,902	3,464	4,360
<u>Actual reserves</u>	7,010	9,496	12,642	14,831	17,803
Local currency					
Currency and deposits	2,370	4,001	5,900	7,339	12,387
Government bonds	1,099	1,597	2,654	3,004	--
Foreign currency	3,541	3,898	4,088	4,488	5,116
<u>Net excess or deficiency (-)</u>	1,670	1,780	1,208	1,053	2,117
Local currency					
Currency and deposits	560	541	115	28	1,361
Government bonds	-37	-59	-93	1	--
Foreign currency	1,147	1,298	1,186	1,024	756
(As percent of liabilities subject to requirements)					
<u>Required reserves</u>	27.7	27.6	28.7	30.5	29.9
Local currency	18.8	21.2	23.9	25.6	24.0
Foreign currency	66.2	67.0	70.4	71.7	78.6
<u>Actual reserves</u>	36.4	33.9	31.8	32.8	34.6
Local currency	22.2	23.2	24.0	25.6	27.0
Foreign currency	97.9	100.5	99.2	92.9	92.2
<u>Net excess or deficiency (-)</u>	8.7	6.4	3.3	2.3	4.1
Local currency	3.3	2.0	0.3	0.1	3.0
Foreign currency	31.7	33.5	28.8	21.2	13.6

Source: Comptroller General of Banks.

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

Table 40. Costa Rica: Central Bank Interest Earning
Assets and Interest Bearing Liabilities

(In millions of colones)

	1980	1981	1982	1983	1984	1985
<u>Foreign assets</u>	<u>12,660</u>	<u>15,194</u>	<u>25,424</u>	<u>56,590</u>	<u>60,406</u>	<u>72,637</u>
Foreign assets	1,949	2,939	9,773	17,905	20,554	27,438
Credit to public sector	7,919	9,872	13,030	30,695	32,404	34,998
Of which:						
Rescheduling	--	--	--	14,568	14,642	17,519
Credit to banks	2,579	2,065	2,238	7,264	6,479	8,929
Of which:						
Rescheduling	--	--	--	3,951	1,287	1,565
Other	213	318	383	726	969	1,272
<u>Liabilities ^{1/}</u>	<u>11,571</u>	<u>26,849</u>	<u>57,212</u>	<u>115,107</u>	<u>127,310</u>	<u>161,984</u>
Reserve related liabilities	3,122	6,812	12,364	21,945	22,046	28,532
Public sector	553	1,107	3,402	4,582	4,097	4,196
Banks	2,877	6,058	11,857	15,894	17,191	21,610
Trust funds	--	--	--	1,098	4,478	10,957
Other foreign liabilities	4,514	11,168	24,414	65,856	74,082	90,387
Stabilization bonds	286	1,542	4,755	5,090	4,985	5,586
Other	219	162	420	642	431	716
<u>Net</u>	<u>1,089</u>	<u>-11,655</u>	<u>-31,788</u>	<u>-58,517</u>	<u>-66,904</u>	<u>-89,347</u>
In domestic currency	9,055	6,584	2,389	1,246	2,170	-44,224
In foreign currency	-7,966	-18,239	-34,177	-59,763	-69,074	-85,123
<u>Memorandum item:</u>						
<u>Liabilities/assets</u>						
(in percent)	0.9	1.8	2.2	2.0	2.1	2.2
<u>Exchange rate</u>						
(in colones per U.S. dollar)	8.60	20.00	40.00	43.50	47.50	53.50

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

^{1/} Does not include currency nor external payments arrears.

Table 41. Costa Rica: Detailed Balance of Payments

(In millions of U.S. dollars)

	1981			1982		
	Credit	Debit	Net	Credit	Debit	Net
<u>Goods and services</u>	<u>1,230.2</u>	<u>1,677.6</u>	<u>-447.4</u>	<u>1,151.7</u>	<u>1,427.3</u>	<u>-275.6</u>
Merchandise trade	1,008.6	1,213.3	-204.7	869.8	894.2	-24.4
Freight and insurance	30.3	--	30.3	13.0	--	13.0
Other transportation	22.6	27.1	-4.5	49.7	50.2	-0.5
Travel	95.6	48.5	47.1	132.9	43.9	89.0
Factor services	23.5	342.8	-319.3	26.7	373.9	-347.2
Direct investment	23.5	34.9	-11.4	26.7	32.0	-5.3
Interest (official)	--	307.9	-307.9	--	341.9	-341.9
Paid	--	160.3	-160.3	--	106.0	-106.0
Unpaid	--	147.6	-147.6	--	235.9	-235.9
Other services	49.6	45.9	3.7	59.6	65.1	-5.5
<u>Transfers</u>	<u>36.9</u>	<u>9.8</u>	<u>27.1</u>	<u>43.9</u>	<u>8.0</u>	<u>35.9</u>
Private	34.4	7.2	27.2	36.5	6.9	29.6
Public	2.5	2.6	-0.1	7.4	1.1	6.3
<u>Current account balance</u>	<u>1,267.1</u>	<u>1,687.4</u>	<u>-420.3</u>	<u>1,195.6</u>	<u>1,435.3</u>	<u>-239.7</u>
<u>Private capital</u>	<u>...</u>	<u>...</u>	<u>-75.4</u>	<u>...</u>	<u>...</u>	<u>15.2</u>
Direct investment	...	...	66.2	...	...	26.3
Medium- and long-term loans	...	...	-40.4	...	...	9.7
Short-term (including net errors and omissions)	...	...	-101.2	...	...	-20.8
<u>Official capital</u>	<u>266.4</u>	<u>197.9</u>	<u>68.5</u>	<u>91.0</u>	<u>130.0</u>	<u>-39.0</u>
Central Government	56.9	13.8	43.1	47.0	14.0	33.0
Public enterprises	131.2	25.2	106.0	39.4	24.0	15.4
Rest of nonfinancial public sector	14.1	10.7	3.4	4.6	1.0	3.6
Short-term loans	64.2	--	64.2	--	--	--
Unpaid principal	--	148.2	-148.2	--	91.0	-91.0
<u>Financial intermediaries</u>	<u>63.9</u>	<u>112.3</u>	<u>-48.4</u>	<u>100.0</u>	<u>150.3</u>	<u>-50.3</u>
Central Bank	50.2	23.0	27.2	66.6	14.6	52.0
Commercial banks	13.4	25.5	-12.1	33.4	7.8	25.6
Long term	13.4	14.0	-0.6	5.0	7.8	-2.8
Short term	--	11.5	-11.5	28.4	--	28.4
Other public intermediaries	0.3	0.8	-0.5	--	1.6	-1.6
Unpaid principal	--	63.0	-63.0	--	126.3	-126.3
<u>Refinancing of current interest</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>SDR allocation and gold revaluation</u>	<u>5.4</u>	<u>--</u>	<u>5.4</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Overall balance of payments (net international reserves)</u>			<u>-470.2</u>			<u>-313.8</u>
Change in arrears (decrease -)			358.8			453.2
Rescheduling of arrears			--			--
Conversion of CDs			--			--
Special bank credit facilities			--			--
Valuation adjustment			5.0			-10.6
Net official reserves (increase -)			106.4			-128.8
Net use of Fund resources			45.7			-9.7
Other net official reserves			60.7			-119.1

Table 41. Costa Rica: Detailed Balance of Payments (Continued)

(In millions of U.S. dollars)

	1983			1984		
	Credit	Debit	Net	Credit	Debit	Net
<u>Goods and services</u>	<u>1,185.9</u>	<u>1,508.9</u>	<u>-323.0</u>	<u>1,318.1</u>	<u>1,613.9</u>	<u>-295.8</u>
Merchandise trade	862.1	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	353.3	-313.7	37.2	350.8	-313.6
Direct investment	39.6	25.6	14.0	37.2	36.8	0.4
Interest (official)	--	327.7	-327.7	--	314.0	-314.0
Paid	--	275.4	-275.4	--	208.7	-208.7
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>1,264.0</u>	<u>1,518.1</u>	<u>-254.1</u>	<u>1,469.4</u>	<u>1,624.3</u>	<u>-154.9</u>
<u>Private capital</u>	<u>...</u>	<u>...</u>	<u>67.8</u>	<u>...</u>	<u>...</u>	<u>24.3</u>
Direct investment	...	...	55.1	...	...	51.9
Medium- and long-term loans	...	...	-33.0	...	...	-31.6
Short term (including net errors and omissions)	...	...	45.7	...	...	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	-164.0	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
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	...	4.0	3.0	...	...	--
Short-term	...	--	--	...	...	--
Other public intermediaries	4.8	0.6	4.2	--	1.3	-1.3
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>Overall balance of payments (net international reserves)</u>			<u>50.4</u>			<u>-127.5</u>
Change in arrears (decrease -)			-1,070.0			175.0
Rescheduling of arrears			749.3			--
Conversion of CDs			51.8			--
Special bank credit facilities			152.3			49.9
Valuation adjustment			8.1			--
Net official reserves (increase -)			58.1			-97.4
Net use of Fund resources			99.0			-34.0
Other net official reserves			-40.9			-63.4

Table 41. Costa Rica: Detailed Balance of Payments (Concluded)

(In millions of U.S. dollars)

	1985		Net
	Credit	Debit	
<u>Goods and services</u>	<u>1,263.7</u>	<u>1,634.3</u>	<u>-370.6</u>
<u>Merchandise trade</u>	<u>933.5</u>	<u>1,109.0</u>	<u>-175.5</u>
Freight and insurance	10.7	--	10.7
Other transportation	55.1	37.5	17.6
Travel	122.3	58.5	63.8
Factor services	38.7	351.5	-312.8
Direct investment	38.7	43.8	-5.1
Interest (official)	--	307.7	-307.7
Paid	--	267.3	-267.3
Unpaid	--	40.4	-40.4
Other services	103.4	77.8	25.6
<u>Transfers</u>	<u>218.6</u>	<u>10.8</u>	<u>207.8</u>
Private	40.2	8.0	32.2
Public	178.4	2.8	175.6
<u>Current account balance</u>	<u>1,482.3</u>	<u>1,645.1</u>	<u>-162.8</u>
<u>Private capital</u>	<u>...</u>	<u>...</u>	<u>112.0</u>
Direct investment	...	...	55.0
Medium- and long-term loans	...	...	-20.0
Short-term (including net errors and omissions)	...	...	77.0
<u>Official capital</u>	<u>273.9</u>	<u>170.9</u>	<u>103.0</u>
Central Government	97.4	18.8	78.6
Public enterprises	46.9	18.9	28.0
Rest of nonfinancial public sector	--	--	--
Short-term loans	--	--	--
Unpaid principal	129.6	133.2	-3.6
<u>Financial intermediaries</u>	<u>240.1</u>	<u>223.5</u>	<u>16.6</u>
Central Bank	103.8	60.1	43.7
Commercial banks	--	4.6	-4.6
Long-term	--	--	--
Short-term	--	--	--
Other public intermediaries	--	--	--
Unpaid principal	136.3	158.8	-22.5
<u>Refinancing of current interest</u>	<u>35.9</u>	<u>--</u>	<u>35.9</u>
<u>SDR allocation and gold revaluation</u>	<u>11.9</u>	<u>18.1</u>	<u>-6.2</u>
<u>Overall balance of payments (net international reserves)</u>			<u>98.5</u>
Change in arrears (decrease -)			-182.8
Rescheduling of arrears			109.1
Conversion of CDs			--
Special bank credit facilities			75.0
Valuation adjustment			--
Net official reserves (increase -)			-99.8
Net use of Fund resources			30.0
Other net official reserves			-129.8

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

Table 42. Costa Rica: Net International Reserves

	December 31					
	1981	1982	1983	Reclassified 1983 <u>1/</u>	1984	1985
(In millions of U.S. dollars)						
<u>Net international reserves</u>	<u>-850.8</u>	<u>-1,175.2</u>	<u>-1,116.7</u>	<u>-133.2</u>	<u>-234.5</u>	<u>-52.9</u>
<u>Net official international reserves 2/</u>	<u>-193.7</u>	<u>-64.9</u>	<u>-123.0</u>	<u>59.4</u>	<u>156.8</u>	<u>256.6</u>
<u>Assets</u>	<u>146.9</u>	<u>244.3</u>	<u>306.7</u>	<u>306.7</u>	<u>440.8</u>	<u>513.0</u>
Gold	7.2	13.3	24.4	24.4	8.7	19.1
SDRs	--	--	0.6	0.6	--	--
IMF position	--	--	--	--	--	--
Contribution to the Central American Stabilization Fund	13.7	15.8	17.8	17.8	19.2	19.2
Assets with multilateral clearing arrangements	28.0	53.4	87.8	87.8	115.1	113.7
Deposits with foreign commercial banks		83.9	33.6	33.6	67.2	11.0
Time deposits with central banks in Central America	98.0	41.2	134.8	134.8	184.8	238.8
Other assets		36.7	7.7	7.7	46.0	111.2
<u>Liabilities</u>	<u>-340.6</u>	<u>-309.2</u>	<u>-429.7</u>	<u>-247.3</u>	<u>-284.0</u>	<u>-256.2</u>
Liabilities to IMF	-102.6	-92.9	-191.9	-191.9	-158.6	-188.6
Liabilities with multilateral clearing arrangements	-2.1	--	--	--	-21.6	-3.1
Other	-235.9	-216.3	-237.8	-55.4	-103.8	-64.7
<u>Outstanding arrears 3/</u>	<u>-657.1</u>	<u>-1,110.3</u>	<u>-40.3</u>	<u>-40.3</u>	<u>-189.4</u>	<u>-32.6</u>
<u>Special bank credit facilities</u>	<u>--</u>	<u>--</u>	<u>-953.4 4/</u>	<u>-152.3</u>	<u>-201.9</u>	<u>-276.9</u>
(In months of imports)						
Net official international reserves	...	...	...	0.7	1.7	2.8
Gross official international reserves	1.5	3.3	3.7	3.7	4.8	5.6

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

1/ Takes account of full effect of rescheduling of arrears and other short-term liabilities.

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

3/ Excludes imports arrears.

4/ Includes rescheduling of arrears.

Table 43. Costa Rica: Exports, f.o.b.

(In millions of U.S. dollars)

	1981	1982	1983	1984	Prel. 1985
<u>Exports, f.o.b.</u>	<u>1,008.6</u>	<u>869.8</u>	<u>862.1</u>	<u>997.5</u>	<u>933.5</u>
<u>Agricultural products</u>	<u>489.1</u>	<u>491.9</u>	<u>494.4</u>	<u>548.8</u>	<u>549.6</u>
Coffee	240.8	236.8	230.0	267.3	310.0
Bananas	224.4	228.1	240.4	251.0	212.2
Cocoa	2.7	2.4	1.0	1.5	2.4
Other	21.2	24.6	23.0	29.0	25.0
<u>Manufactures</u>	<u>486.7</u>	<u>346.0</u>	<u>332.0</u>	<u>378.9</u>	<u>316.7</u>
<u>Processed foodstuffs</u>	<u>173.1</u>	<u>104.9</u>	<u>79.2</u>	<u>134.4</u>	<u>120.1</u>
Meat	74.0	53.1	31.9	43.5	55.8
Sugar	42.3	16.7	23.8	35.5	10.5
Other	56.8	35.1	23.4	55.4	53.3
Textiles and leather	54.7	41.7	42.6	45.4	33.0
Wood products	12.8	10.6	9.9	10.0	8.6
Paper and printing	15.2	14.2	17.4	11.8	11.0
Chemicals	106.3	81.0	87.0	80.0	49.2
Fertilizers	15.6	7.9	5.5	5.9	7.0
Other	90.7	73.1	81.5	74.1	42.2
Nonmetallic minerals	23.4	11.6	14.3	12.8	4.4
Ferrous and nonferrous metals	3.6	3.5	6.8	8.9	5.7
Machinery and equipment	66.7	52.1	48.5	47.3	44.6
Other	30.9	27.4	26.4	28.3	40.1
<u>Other 1/</u>	<u>32.8</u>	<u>31.9</u>	<u>35.7</u>	<u>69.8</u>	<u>67.2</u>

Sources: Central Bank of Costa Rica; Directorate General of Statistics Census; and Fund staff estimates.

1/ Excludes "maquila" exports (goods assembled in Costa Rica) which are included in the services account of the balance of payments.

Table 44. Costa Rica: Direction of Trade

(In millions of U.S. dollars)

	Exports					Imports				
	1981	1982	1983	1984	1985	1981	1982	1983	1984	1985
Total	1,008.6	869.8	862.1	997.5	933.5	1,213.3	894.2	993.2	1,102.2	1,109.0
United States	327.3	291.8	273.8	372.2	441.7	402.7	318.2	374.3	395.8	420.5
United Kingdom	10.5	19.8	22.0	36.7	27.6	18.3	23.8	12.6	14.2	21.4
Canada	5.2	7.0	6.5	5.5	22.0	26.4	14.2	18.6	21.8	16.8
Japan	5.4	6.1	4.9	4.8	5.0	118.3	37.2	52.8	82.4	98.7
France	9.7	11.5	11.1	11.5	12.2	20.9	11.6	9.8	21.2	16.9
Germany	123.3	124.5	110.6	131.5	97.0	55.4	35.1	46.7	56.7	56.6
Italy	29.1	32.9	27.3	33.9	30.5	24.9	13.3	17.1	20.3	32.3
Netherlands	25.5	24.9	21.0	22.2	20.2	7.0	4.0	6.1	10.5	9.6
Spain	5.1	5.4	4.4	8.6	9.5	24.5	17.1	16.0	21.2	30.1
Central America	238.0	167.2	198.2	193.0	131.2	151.5	112.4	120.2	114.9	98.7
Guatemala	75.8	64.3	88.5	75.9	39.2	64.9	56.2	59.4	59.4	49.0
El Salvador	43.5	33.1	41.6	44.5	46.7	37.2	22.7	29.7	30.8	32.8
Honduras	34.8	23.2	27.2	44.8	28.4	16.4	11.9	11.0	8.3	7.4
Nicaragua	83.9	46.6	40.9	27.8	16.9	33.0	21.6	20.1	16.4	9.5
Mexico	19.1	13.5	0.1	13.5	...	110.6	80.3	81.6	76.4	...
Panama	46.3	41.4	37.1	37.2	...	21.2	13.8	20.7	25.6	21.3
Venezuela	3.1	5.6	3.0	1.8	...	92.1	107.3	72.4	93.5	...
Other ^{1/}	161.1	118.2	142.1	125.1	136.6 ^{2/}	139.5	105.9	144.3	147.7	286.1 ^{2/}
(In percent of total)										
United States	32.5	33.5	31.8	37.3	47.3	33.2	35.6	37.7	35.9	37.9
Other industrial	21.2	26.7	24.1	25.5	24.0	24.4	17.5	18.1	22.5	25.5
Central America	23.6	19.2	23.0	19.3	14.1	12.5	12.6	12.1	10.4	8.9
Other	22.8	20.5	21.1	17.8	14.6	29.9	34.4	32.1	31.1	27.7

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 Mexico, Panama and Venezuela for which data are not available for exports, and Mexico and Venezuela for which data are not available for imports.

Table 45. Costa Rica: Trade with the Central American Region

(In millions of U.S. dollars)

	1981	1982	1983	1984	1985
<u>Exports, f.o.b.</u>	<u>238.0</u>	<u>167.2</u>	<u>198.2</u>	<u>193.0</u>	<u>131.2</u>
By commodity					
Agricultural products	3.6	0.9	0.6	0.6	...
Manufacturers	226.7	159.6	186.2	158.3	...
Processed foodstuff	23.1	11.7	11.8	13.5	...
Textiles and leather	43.1	27.4	30.9	26.4	...
Wood products	5.9	4.4	4.6	3.9	...
Paper and printing	12.7	11.2	14.4	10.2	...
Chemicals	62.5	51.8	58.1	54.0	...
Machinery and equipment	46.5	30.5	33.9	31.5	...
Other	32.9	22.6	32.5	18.8	...
Other not specified	7.7	6.7	11.4	34.1	...
By destination					
Guatemala	75.8	64.3	88.5	75.9	39.2
El Salvador	43.5	33.1	41.6	44.5	46.7
Honduras	34.8	23.2	27.2	44.8	28.4
Nicaragua	83.9	46.6	40.9	27.8	16.9
<u>Imports, c.i.f.</u>	<u>152.3</u>	<u>112.4</u>	<u>120.2</u>	<u>114.9</u>	<u>98.7</u>
By commodity					
Consumer goods	68.4	48.8	57.3	59.9	...
Nondurables	57.8	42.9	49.8	51.1	...
Durables	10.6	5.9	7.5	8.8	...
Raw materials	73.2	55.4	53.2	51.0	...
Agriculture	10.5	9.9	8.2	6.7	...
Manufacturing and mining	57.7	42.7	45.0	42.1	...
Construction	3.0	2.8	--	2.2	...
Fuels and lubricants	2.3	1.7	0.3	0.2	...
Capital goods	2.4	5.3	6.5	3.1	...
Other	6.0	1.2	2.9	0.7	...
By origin					
Guatemala	64.9	56.2	59.4	59.4	49.0
El Salvador	37.2	22.7	29.7	30.8	32.8
Honduras	16.4	11.9	11.0	8.3	7.4
Nicaragua	33.8	21.6	20.1	16.4	9.5
<u>Trade balance</u>	<u>85.7</u>	<u>54.8</u>	<u>78.0</u>	<u>78.1</u>	<u>32.5</u>

Sources: Central Bank of Costa Rica; and General Directorate of Statistics and Census.

Table 46. Costa Rica: Imports, c.i.f.

	1981	1982	1983	1984	Prel. 1985
(In millions of U.S. dollars)					
<u>Imports, c.i.f.</u>	<u>1,213.3</u>	<u>894.2</u>	<u>993.2</u>	<u>1,102.2</u>	<u>1,109.0</u>
<u>Consumer goods</u>	<u>251.9</u>	<u>167.0</u>	<u>215.3</u>	<u>243.7</u>	<u>265.0</u>
Nondurables	165.0	134.4	167.7	171.1	188.5
Durables	86.9	32.6	47.6	72.6	76.5
<u>Raw materials</u>	<u>483.7</u>	<u>362.2</u>	<u>431.7</u>	<u>466.1</u>	<u>442.0</u>
Agriculture	44.1	43.9	50.3	47.3	39.2
Manufacturing and mining	393.4	293.0	344.2	384.7	361.1
Construction	46.2	25.3	37.2	34.1	41.9
<u>Petroleum and petroleum products</u>	<u>205.3</u>	<u>189.0</u>	<u>183.7</u>	<u>163.2</u>	<u>160.9</u>
<u>Capital goods</u>	<u>258.6</u>	<u>167.2</u>	<u>151.9</u>	<u>211.6</u>	<u>218.5</u>
Manufacturing and mining	79.1	42.4	53.3	68.7	72.2
Agriculture	13.5	9.5	15.7	19.4	19.1
Construction	17.6	8.8	18.1	26.3	18.9
Transport	65.9	61.3	30.9	50.3	58.4
Other	82.5	45.2	33.9	46.9	49.9
<u>Other</u>	<u>13.8</u>	<u>8.8</u>	<u>10.6</u>	<u>17.6</u>	<u>22.6</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	20.8	18.7	21.7	22.1	23.9
Raw materials	39.9	40.5	43.5	42.3	39.9
Petroleum products	16.9	21.1	18.5	14.8	14.5
Capital goods	21.3	18.7	15.3	19.2	19.7
Other	1.1	1.0	1.0	1.6	2.0
(Annual percentage change)					
<u>Total imports</u>	<u>-20.6</u>	<u>-26.3</u>	<u>11.1</u>	<u>11.0</u>	<u>0.6</u>
Consumer goods	-35.1	-33.7	28.9	13.2	8.7
Raw materials	-14.0	-25.1	19.2	8.0	-5.2
Petroleum products	-10.4	-7.9	-2.8	-11.1	-1.4
Capital goods	-20.3	-35.3	-9.2	39.3	3.3

Source: Central Bank of Costa Rica.

Table 47. Costa Rica: Indices of Terms of Trade 1/
(1974=100)

	1981	1982	1983	1984	Proj. 1985
<u>Total value</u>					
Exports	227.8	197.7	197.6	220.9	206.7
Imports	168.3	121.3	138.8	153.5	154.4
<u>Volume</u>					
Exports	137.4	121.9	123.0	135.3	122.8
Imports	104.4	77.5	92.3	103.6	105.3
<u>Unit value</u>					
Exports	165.8	162.7	160.6	163.3	168.3
Imports	161.2	156.7	150.4	148.2	146.7
<u>Terms of trade</u>	102.9	103.5	106.8	110.2	114.7

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

1/ Paasche index.

Table 48. Costa Rica: Petroleum Imports

	1981	1982	1983	1984	Prel. 1985
(In millions of U.S. dollars)					
<u>Total imports, c.i.f.</u>	<u>205.3</u>	<u>189.0</u>	<u>183.7</u>	<u>163.2</u>	<u>160.9</u>
Partially refined oil	127.2	97.3	80.1	79.6	91.1
Diesel	41.7	49.6	50.0	48.5	39.7
Gasoline	9.2	12.5	19.1	13.4	21.6
Aviation fuel	3.6	4.0	1.9	1.7	1.3
Asphalt	0.9	3.7	4.1	2.0	2.1
Bunker C	2.3	0.9	1.5	1.0	--
Other products	20.4	21.0	27.0	17.0	5.1
(In thousands of barrels)					
<u>Total imports</u>	<u>5,041</u>	<u>4,903</u>	<u>5,225</u>	<u>4,919</u>	<u>5,380</u>
Partially refined oil	3,486	2,769	2,579	2,716	3,197
Diesel	1,034	1,274	1,605	1,031	1,236
Gasoline	203	305	544	359	651
Aviation fuel	60	66	32	30	23
Asphalt	17	158	171	67	55
Bunker C	52	20	60	21	--
Other	189	311	234	195	218
(In U.S. dollars per barrel)					
<u>Average price</u>	<u>37.7</u>	<u>38.5</u>	<u>31.5</u>	<u>33.2</u>	<u>29.9</u>
Partially refined oil	36.5	35.1	31.1	29.3	28.5
Diesel	40.4	38.9	31.1	31.7	32.1
Gasoline	45.3	41.2	35.1	37.3	33.2
Bunker C	44.2	44.5	25.0	47.6	--

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

Table 49. Costa Rica: External Public Debt
by Creditor and Debtor 1/

(End of year, in millions of U.S. dollars)

	1982	1983	1984	1985
<u>Total</u>	<u>2,962</u>	<u>3,407</u>	<u>3,455</u>	<u>3,694</u>
<u>Creditor</u>				
Commercial banks	1,111	1,393	1,409	1,601
Of which: revolving credit facility	--	167	202	210
Multilaterals	858	968	976	1,036
Bilaterals	511	690	736	748
Bonds	131	114	113	74
Certificates of deposit	302	194	187	184
Suppliers	49	48	34	50
<u>Debtor</u>				
Nonfinancial public sector	1,674	1,723	1,716	1,893
Central Government	731	800	837	940
Other	943	923	879	953
Financial public sector	1,288	1,685	1,739	1,801
Central Bank <u>2/</u>	1,061	1,480	1,552	1,641
Other	227	205	187	160

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

(In millions of U.S. dollars)

	Dec. 31, 1981			Dec. 31, 1982			Dec. 31, 1983			Dec. 31, 1984			Dec. 31, 1985		
	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>528.0</u>	<u>129.1</u>	<u>657.1</u>	<u>745.3</u>	<u>365.0</u>	<u>1,110.3</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>26.1</u>	<u>6.5</u>	<u>32.6</u>
<u>Short term ^{2/}</u>	<u>94.9</u>	<u>23.9</u>	<u>119.8</u>	<u>73.3</u>	<u>35.1</u>	<u>108.4</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1.2</u>	<u>1.2</u>	<u>--</u>	<u>--</u>	<u>--</u>
Banks	94.9	20.8	115.7	73.3	27.6	100.9	--	--	--	--	--	--	--	--	--
Multilateral	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Bilateral	--	3.1	--	7.5	7.5	--	--	--	--	1.2	1.2	--	--	--	--
<u>Medium and long term</u>	<u>102.0</u>	<u>95.0</u>	<u>196.0</u>	<u>352.7</u>	<u>263.8</u>	<u>616.5</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>
Banks	75.0	70.4	145.4	278.2	214.8	493.0	--	--	--	1.8	44.5	46.3	--	1.2	1.2
Multilateral	5.6	7.7	12.3	23.2	4.8	28.0	--	--	--	15.4	6.7	22.1	--	1.0	1.0
Bilateral	19.2	8.7	27.9	29.6	17.4	47.0	4.3	2.8	7.1	48.3	36.8	85.1	1.3	3.6	4.9
Bonds	2.2	8.2	10.4	21.7	26.8	48.5	8.7	9.9	18.6	12.7	9.2	21.9	24.0	--	24.0
<u>Certificates of deposit (CDs)</u>	<u>293.0</u>	<u>27.3</u>	<u>320.3</u>	<u>301.8</u>	<u>63.0</u>	<u>364.8</u>	<u>--</u>	<u>3.3</u>	<u>3.3</u>	<u>--</u>	<u>4.4</u>	<u>4.4</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Suppliers</u>	<u>4.3</u>	<u>1.4</u>	<u>5.7</u>	<u>17.5</u>	<u>3.1</u>	<u>20.6</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>0.8</u>	<u>0.7</u>	<u>1.5</u>
<u>Imports</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>26.0</u>	<u>--</u>	<u>26.0</u>	<u>--</u>	<u>--</u>	<u>--</u>

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

^{1/} Includes imputed interest on arrears.^{2/} Excludes short-term liabilities of Central Bank of Costa Rica.

Table 51. Costa Rica: Exchange Rates
(Colones per U.S. dollar; period averages)

	Official		Banking (Unified)		Free	
	Buying	Selling	Buying	Selling	Buying	Selling
<u>1981</u>	<u>9.28</u>	<u>9.56</u>	<u>21.36</u>	<u>21.48</u>	<u>23.89</u>	<u>24.42</u>
December	17.40	19.92	35.85	36.01	37.70	38.27
<u>1982</u>	<u>20.00</u>	<u>20.25</u>	<u>38.34</u>	<u>38.58</u>	<u>49.41</u>	<u>49.99</u>
December	20.00	20.50	40.00	40.50	45.20	45.70
<u>1983</u>	<u>20.00</u>	<u>20.50</u>	<u>40.84</u>	<u>41.34</u>	<u>43.60</u>	<u>44.10</u> ^{1/}
December	20.00	20.50	43.15	43.65	...	...
<u>1984</u>	<u>20.00</u>	<u>20.50</u>	<u>44.29</u>	<u>44.79</u>		
January	20.00	20.50	43.15	43.65		
February	20.00	20.50	43.15	43.65		
March	20.00	20.50	43.15	43.65		
April	20.00	20.50	43.15	43.65		
May	20.00	20.50	43.17	43.67		
June	20.00	20.50	43.52	44.02		
July	20.00	20.50	43.75	44.25		
August	20.00	20.50	43.75	44.25		
September	20.00	20.50	45.00	44.95		
October	20.00	20.50	45.18	45.68		
November	20.00	20.50	47.50	48.00		
December	20.00	20.50	47.50	48.00		
<u>1985</u>	<u>20.00</u>	<u>20.50</u>	<u>50.21</u>	<u>50.71</u>		
January	20.00	20.50	47.51	48.01		
February	20.00	20.50	48.17	48.67		
March	20.00	20.50	48.48	48.98		
April	20.00	20.50	48.82	49.32		
May	20.00	20.50	49.10	49.60		
June	20.00	20.50	49.78	50.28		
July	20.00	20.50	50.46	50.94		
August	20.00	20.50	51.10	51.55		
September	20.00	20.50	51.62	52.17		
October	20.00	20.50	52.12	52.59		
November	20.00	20.50	52.64	53.15		
December	20.00	20.50	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		

Source: Central Bank of Costa Rica.

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