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August 28, 1985

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

This paper provides background information to the staff report on the 1985 Article IV consultation discussions with Costa Rica, which was circulated as SM/85/223 on August 7, 1985 and has been tentatively scheduled for Executive Board discussion on Wednesday, September 11, 1985.

Mr. Elson (ext. 8500) 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 Exchange and Trade Relations
and the Western Hemisphere Departments

August 26, 1985

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Costa Rica--Basic Data

Area and population

Area	50,900 sq. kilometers
Population (1984)	2.5 million
Annual rate of population increase (1979-84)	2.5 percent
Unemployment rate (1984)	6 percent

GDP (1984)

SDR 3,324 million
US\$3,407 million
₡ 151,304 million

GDP per capita (1984)

SDR 1,330

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

Ratios to GDP

Exports of goods and nonfactor services	44	47	37	36
Imports of goods and nonfactor services	50	44	38	37
Current account of the balance of payments (including official transfers)	-16	-10	-8	-6
Central government revenue	13	14	17	18
Central government expenditure	18	18	21	21
Central government savings	-2	-1	--	1
Central government overall surplus or deficit (-)	-5	-3	-4	-3
External public and government-guaranteed debt (end of year) ^{1/}	102	121	111	101
Gross national savings	7	6	12	14
Gross domestic investment	22	17	22	23
Money and quasi-money (end of year) ^{2/}	36	35	38	36

Annual changes in selected economic indicators

Real GDP per capita	-4.8	-9.8	-0.2	3.8
Real GDP	-2.3	-7.3	2.3	6.3
GDP at current prices	37.9	70.8	29.8	19.8
Domestic expenditures (at current prices)	30.1	61.5	33.0	19.8
Investment	(16.2)	(26.8)	(69.3)	(28.0)
Consumption	(34.5)	(70.9)	(25.7)	(17.6)
GDP deflator	41.1	84.2	26.7	12.7
Consumer prices (annual averages)	37.1	90.1	32.6	11.9
Central government revenue	47.2	81.6	52.7	26.1
Central government expenditure	24.8	60.4	50.7	21.1
Money and quasi-money ^{3/}	27.3	50.1	30.3	11.2
Money	(46.7)	(59.9)	(32.5)	(14.4)
Quasi-money	(14.6)	(43.9)	(28.7)	(9.0)
Net domestic assets ^{4/}	62.9	105.3	38.2	28.7
Credit to public sector (net) ^{4/}	(9.1)	(8.7)	(0.9)	5/(-2.4)
Credit to private sector ^{4/}	(6.4)	(17.9)	(22.8)	(9.0)
Merchandise exports (f.o.b., in U.S. dollars)	0.2	-13.4	-0.8	10.9
Merchandise imports (c.i.f., in U.S. dollars)	-20.6	-26.3	11.1	10.9

<u>Central government finances</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	(millions of colones)			
Exports	7,770	14,026	21,417	27,012
Imports	10,769	17,284	26,044	31,529
Current account surplus or deficit (-)	-893	-1,046	464	875
Overall surplus or deficit (-)	-2,999	-3,258	-4,627	-4,517
External financing (net) ^{6/}	1,441	1,002	2,341	1,691
Internal financing (net)	1,558	2,256	2,286	2,826

<u>Balance of payments</u>	(millions of U.S. dollars)			
Merchandise exports, f.o.b.	1,003	869	862	956
Merchandise imports, c.i.f.	-1,213	-894	-993	-1,101
Investment income (net)	-319	-347	-314	-323
Other services and transfers (net)	105	132	191	250
Balance on current and transfer accounts (including official transfers)	-424	-240	-254	-218
Official capital (net)	20	-89	237	13
Private capital and errors and omissions (net)	-71	16	68	95
SDR allocations	5	--	--	--
Overall balance (deficit -)	-470	-314	51	-110
Change in net official international reserves (increase -) ^{7/}	111	-139	218	-64
Arrears, net (accumulation +)	359	453	-269 ^{8/}	174

<u>International reserve position</u>	Dec. 31			
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	(millions of SDRs)			
Central Bank (gross)	126	221	293	429
Central Bank (net) ^{9/}	-731	-1,065	-127 ^{10/}	-176 ^{10/}
Rest of banking system (net)	10	12	-1	5

IMF data (as of July 31, 1985)

Article VIII status

Intervention currency and rate U.S. dollar at ¢ 51.35 per US\$

Quota SDR 84.1 million

Fund holdings of colones SDR 256.3 million

From Fund resources

Credit tranche purchases (including SBA) SDR 58.4 million

EFF purchases SDR 11.3 million

CFF purchases SDR 33.7 million

Buffer stock financing purchases None

Oil facility purchases None

From Supplementary and Enlarged Access Resources

Stand-by purchases SDR 11.0 million

EFF purchases SDR 57.9 million

Fund holdings under Enlarged Access Policy 264.7 percent of quota

Total Fund holdings 304.8 percent of quota

Special Drawing Rights Department

Cumulative SDR allocation SDR 23.7 million

Net acquisition or utilization (-) of SDRs -SDR 23.6 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/} Liabilities to private sector.

^{4/} Measured in terms of the liabilities to the private sector at the beginning of the period.

^{5/} Excludes credit growth arising from the 1983 debt rescheduling.

^{6/} Includes accumulation of arrears on interest and/or principal.

^{7/} Includes revolving trade credit facility.

^{8/} Reduction in arrears, net of rescheduling.

^{9/} Includes payments arrears of SDR 564 (1981), SDR 1,006 (1982), SDR 38 (1983), and SDR 147 (1984), respectively.

^{10/} Excludes rescheduled arrears.



I. An Overview

After experiencing an economic and financial crisis in the early 1980s, Costa Rica began a program of economic stabilization and recovery in mid-1982 which yielded positive results in 1983 and 1984. Real GDP declined sharply in 1981-82, but then increased by 2.3 percent in 1983 and by 6.3 percent in 1984, while the average annual rate of inflation declined from a peak of 90 percent in 1982 to 32 1/2 percent in 1983 and 12 percent in 1984. This performance was facilitated by a significant reduction of the overall fiscal deficit, the exercise of monetary restraint (including the establishment of positive real interest rates in the financial system) and an exchange reform which brought about a unified flexible exchange rate system.

In the fiscal area, the overall deficit of the nonfinancial public sector was reduced from an average of around 13 percent of GDP in 1980-81 to an average of 2 1/2 percent of GDP in 1983-84. This improvement was reflected initially in the operations of the main public enterprises as a result of significant adjustments to tariffs in 1982, which had lagged behind the rate of inflation and currency depreciation, and cuts in investment outlays. The Social Security Institute also improved its overall financial position in 1982-83 as a result of sharp rises in social security contribution rates, but also because of a significant growth in real wages in the public and private sectors. Improvements were made in central government operations in the period under review, largely by means of revenue increases (mainly from indirect taxes) with the result that the overall government deficit was reduced from 8 percent of GDP in 1980 to 3 percent of GDP in 1984.

During the period 1980-84, the rate of overall bank credit expansion was reduced sharply in nominal terms, in part as a result of the fiscal effort just described; but total credit growth remained high in real terms. In the last two years this reflected a surge in private sector credit demand associated with the economic recovery and inventory restocking, as well as high rates of credit expansion stemming from net losses of the Central Bank. These losses arise from the significant imbalance between the interest earning assets of the Central Bank and its interest paying liabilities, many of which are owed to foreign commercial banks. The Central Bank's losses rose sharply in 1982 (to around 5 1/2 percent of GDP) as a result of exchange subsidies and the impact of currency depreciation on the Central Bank's net interest payments abroad. In 1984 the net losses of the Central Bank were estimated at about 4 3/4 percent of GDP.

Costa Rica's adjustment effort was facilitated by the marked shift in real interest rates which occurred in 1982-83. During the crisis years of 1980-82, domestic interest rates were maintained relatively unchanged in nominal terms and became sharply negative in real terms with the acceleration in the domestic rate of inflation. As a result, domestic financial savings fell substantially in relation to GDP, in part reflecting capital flight. During late 1982 and 1983,

as confidence was restored and the value of the colon became more stable, the rate of inflation subsided quickly and domestic interest rates became significantly positive in real terms. This shift in real interest rates was accompanied by a recovery of financial savings in 1983-84 and some apparent capital repatriation.

The process of domestic stabilization described above was reflected in an improvement in the balance of payments during the period under review, although Costa Rica's external situation still remained weak in 1984. The current account deficit of the balance of payments was reduced from the equivalent of 14 1/2 percent of GDP in 1980-81 to 9 percent in 1982-83 and to 6 percent in 1984. At first, this adjustment was brought about by a substantial drop in imports resulting from the acute economic recession and rapid currency depreciation, but then imports recovered sharply (and by more than the growth in exports), and the current account reduction reflected to a large extent an increase in official transfers (mainly from U.S. AID). Excluding official transfers, the current account deficit only declined from 10 percent of GDP in 1982 to around 9 1/2 percent of GDP in 1984.

The improvement in the current account balance of payments was accompanied by a strengthening of the capital account, especially in 1983, reflecting the increase in private capital inflows mentioned earlier, as well as debt relief from rescheduling agreements with the Paris Club and foreign commercial banks. These arrangements also facilitated a substantial reduction in Costa Rica's external arrears of approximately US\$1.1 billion in 1983 and the achievement of an overall balance of payments surplus after three years of large deficits. In 1984, however, the capital account weakened again as a result of the lower utilization of official capital, a rise in debt repayments and the failure of Costa Rica to secure additional debt relief which had been expected in the context of an arrangement with the Fund. The balance of payments recorded an overall deficit of US\$110 million which was financed by an accumulation of external debt arrears.

After an exchange reform in mid-1982 which established a dual exchange market, the exchange system was gradually reunified by November 1983 at a rate of ₡ 43.65 per U.S. dollar (selling). During 1984 the value of the colon in the unified exchange market appreciated in real effective terms by around 1 1/2 percent, notwithstanding three small downward adjustments of the colon in relation to the U.S. dollar in the second and third quarter of the year and a depreciation of 6 1/2 percent at the end of October. The real appreciation of the colon last year reflected, on the one hand, the continued appreciation of the U.S. dollar against other major currencies and, on the other hand, a higher rate of inflation in Costa Rica than among its major trading partners.

II. The Domestic Economy

1. Overall trends

Following a period of substantial fiscal expansion, negative economic growth and a high rate of inflation and currency depreciation during the early 1980s, the Costa Rican economy recovered in 1983-84 and relative price stability was restored. Initially in 1983, the recovery was weak and limited to few sectors (mainly agriculture, utilities, and commerce), but the average inflation rate (as measured by the GDP deflator) fell sharply from 84 percent in 1982 to around 27 percent in 1983 (Table 1). In 1984 the inflation rate continued to fall to 13 percent, while the recovery broadened to most sectors. Real GDP grew by more than 6 percent and real per capita income, which had declined by 17 percent in the three-year period ending 1982 and was unchanged in 1983, increased by 4 percent.

The recessionary period of the early 1980s, which affected virtually all sectors of the economy, reached its lowest point in 1982. During this period, real aggregate demand declined considerably faster than real output with gross domestic investment dropping to a level in 1982 some 60 percent lower than that reached two years earlier. The recent recovery was assisted by a pickup in fixed capital formation and substantial inventory rebuilding, while private consumption showed virtually no change during the 1982-84 period.

Table 1. Costa Rica: Selected National Accounts Aggregates

(Annual percentage change)

	1980	1981	1982	1983	Prel. 1984
Gross domestic product					
At current prices	19.7	37.9	70.8	29.6	19.8
At 1966 prices	0.8	-2.3	-7.3	2.3	6.3
Gross domestic expenditure					
At current prices	19.7	30.1	61.5	33.0	19.8
At 1966 prices	0.8	-16.9	-11.0	2.7	9.8
Real GDP per capita	-1.7	-4.8	-9.8	-0.2	3.8
GDP deflator	18.8	41.1	84.2	26.7	12.7

Sources: Statistical Appendix Tables 24 and 25.

Both average real wages and real minimum wages declined during 1980-82, but as increases granted thereafter exceeded the rate of inflation, the purchasing power of the minimum wage in 1984 returned to its 1980 level. Average real wages also increased in 1983-84, but remained some 12 percent below their level at the beginning of the decade. The (open) unemployment rate, which increased from around 5 percent in 1980 to 8 percent in 1982, declined to 6 1/2 percent in 1984.

2. Expenditure and output

a. Domestic expenditure

In 1980 real domestic expenditure exceeded real GDP by about 11 percent largely because highly expansionary fiscal policy and an over-valued currency stimulated inventory accumulation in anticipation of future exchange rate adjustments and accelerating inflation. Over the next two years, the rapid depreciation of the colon, coupled with a significant contraction in trade within the Central American Common Market (CACM), led to a marked decline in imports (in real terms) of around 30 percent and 25 percent during 1981 and 1982, respectively. Real consumption fell by 10 percent and 5 percent in 1981 and 1982, respectively, while real domestic investment fell by about 37 percent in each of those two years. As a result, real domestic expenditure was well below real GDP in both 1981 and 1982 (Table 2).

Real domestic expenditure rose slightly faster than GDP in 1983 mainly as a result of a sizable rebuilding of business inventories, which was reflected in increases in imports of raw materials and intermediate inputs after two years of decline. The slack in the economy kept real private gross capital formation unchanged and private consumption declined. Public sector consumption and investment spending grew faster than the economy in general. In 1984, by contrast, both gross capital formation and aggregate consumption rose sharply in real terms by 16 percent and 8 percent, respectively. The rise in real gross capital formation last year was related to a marked increase in public sector construction (in particular for energy-related projects) and private sector imports of machinery and equipment. The rapid expansion of domestic expenditure last year led to an increase in imports of around 21 percent in real terms, which caused the external current account deficit (excluding official transfers) to widen.

b. Savings and investment

The sharp decrease of gross domestic investment in terms of GDP between 1980 and 1982 was reflected in a decline in both gross national savings (from 12 percent of GDP in 1980 to 6 1/2 percent of GDP in 1981-82) and in foreign savings (from 14 3/4 percent of GDP in 1980 to 10 percent of GDP in 1982) (Table 3). The decline in national savings resulted from the fall in real income, sizable dissaving of the public sector, and negative domestic interest rates in real terms.

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

	1980	1981	1982	1983	Prel 1984
(Annual percentage change)					
Consumption	-1.2	-9.7	-4.8	-4.3	8.2
Private	(-2.9)	(-10.7)	(-4.4)	(-5.8)	(7.1)
Public	(5.4)	(-4.1)	(-7.5)	(-3.8)	(14.0)
Investment	6.9	-37.7	-36.6	46.8	16.3
Private ^{1/}	(10.0)	(-45.2)	(-27.2)	(61.6)	(19.9)
Of which: gross fixed capi- tal formation	/-14.2/	/-27.0/	/-14.2/	/1.3/	/21.5/
Public	(0.7)	(-21.0)	(-51.0)	(13.0)	(4.3)
<u>Gross domestic expenditure</u>	<u>0.8</u>	<u>-16.9</u>	<u>-11.0</u>	<u>2.7</u>	<u>9.8</u>
Exports of goods and non- factor services	-0.3	6.4	-13.3	3.1	9.8
Imports of goods and non- factor services	--	-29.2	-24.2	4.6	21.9
<u>Gross domestic product</u>	<u>0.8</u>	<u>-2.3</u>	<u>-7.3</u>	<u>2.3</u>	<u>6.3</u>
(In percent of GDP)					
Consumption	82.2	75.9	77.9	72.8	74.2
Private	(69.7)	(63.7)	(65.7)	(60.5)	(60.9)
Public	(12.2)	(12.2)	(12.2)	(12.3)	(13.2)
Investment	28.5	18.2	12.4	17.8	19.5
Private ^{1/}	(19.6)	(11.1)	(8.6)	(13.6)	(15.4)
Public	(8.9)	(7.1)	(3.8)	(4.2)	(4.1)
<u>Gross domestic expenditure</u>	<u>110.7</u>	<u>94.1</u>	<u>90.3</u>	<u>90.7</u>	<u>93.7</u>
<u>Resource balance</u>	<u>-10.7</u>	<u>5.9</u>	<u>9.7</u>	<u>9.3</u>	<u>6.3</u>
Exports of goods and non- factor services	37.5	40.8	38.2	38.4	39.7
Imports of goods and non- factor services	-48.2	-34.9	-28.5	-29.1	-33.4
<u>Gross domestic product</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Statistical Appendix Table 25.

^{1/} Includes changes in inventory.

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

	1980	1981	1982	1983	Prel. 1984
(In percent of GDP at current prices)					
<u>Gross domestic investment</u>	<u>26.6</u>	<u>22.4</u>	<u>16.6</u>	<u>21.7</u>	<u>23.2</u>
Fixed capital formation	23.9	24.1	20.3	18.3	19.6
Private	(14.7)	(15.0)	(14.9)	(12.1)	(13.6)
Public	(9.2)	(9.1)	(5.4)	(6.2)	(6.0)
Inventory change	2.7	-1.7	-3.7	3.4	3.6
<u>Gross national savings</u>	<u>11.9</u>	<u>6.7</u>	<u>6.5</u>	<u>11.9</u>	<u>13.6</u>
Private	14.2	10.5	9.0	7.9	8.0
Public	-2.3	-3.8	-2.5	4.0	5.6
<u>External savings 1/</u>	<u>14.7</u>	<u>15.7</u>	<u>10.1</u>	<u>9.8</u>	<u>9.6</u>
(In percent of gross domestic investment)					
<u>Gross domestic investment</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Gross national savings	44.7	29.7	39.1	54.8	58.5
Private	(53.3)	(46.7)	(54.1)	(36.5)	(34.3)
Public	(-8.6)	(-17.0)	(-13.0)	(16.2)	(24.2)
<u>External savings 1/</u>	<u>55.3</u>	<u>70.3</u>	<u>60.9</u>	<u>45.2</u>	<u>41.5</u>

Source: Statistical Appendix Table 26.

1/ Current account balance of payments excluding official transfers.

The upswing in gross domestic investment in relation to GDP in 1983 and 1984 was made possible by a sharp increase in national savings, which more than doubled from 6 1/2 percent of GDP in 1982 to 13 1/2 percent in 1984. The increase in national savings resulted from a marked improvement in the current operations of the public sector,^{1/} as well as a significant increase in real interest rates. Thus, while external savings financed more than half of gross domestic investment in the period 1980-82 (in 1981 over two thirds), national savings financed more than one half of gross domestic investment in 1983 and 1984.

^{1/} The figures in Table 3 overstate the improvement in public sector finances since they do not take into account the net operational losses of the Central Bank. By the same token, these figures underestimate the improvement in the savings performance of the private sector.

c. Output by sector

The sectors which contracted most sharply during the recession of 1981-82 (agriculture, commerce, construction and manufacturing) also were the sectors that expanded most rapidly in the recovery of 1984. Most notably, real value added rose last year by 18 percent in the construction sector and by 10 percent in the case of manufacturing and mining (Table 4). Manufacturing is the most important sector in the Costa Rican economy, accounting for 22 percent of total GDP, followed by agriculture, which accounts for about 20 percent of real GDP.

Table 4. Costa Rica: Gross Domestic Product at 1966 Prices

	1980	1981	1982	1983	Prel. 1984
(Percentage distribution)					
<u>Gross domestic product</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Agriculture and related areas	17.9	19.3	19.9	20.2	20.3
Manufacturing and mining	21.9	22.4	21.4	21.1	21.9
Utilities	2.3	2.6	2.9	3.4	3.3
Construction	6.3	5.0	3.7	3.7	4.1
Commerce	18.0	16.5	15.7	15.9	16.2
Transport and communications	7.0	7.1	7.6	7.3	7.0
Financial services	5.2	5.2	5.6	5.7	5.5
Housing	6.9	7.2	7.8	7.7	7.4
Government	10.0	10.4	10.9	10.5	9.9
Other services	4.5	4.3	4.5	4.5	4.4
(Percentage change from previous year)					
<u>Gross domestic product</u>	<u>0.8</u>	<u>-2.3</u>	<u>-7.3</u>	<u>2.3</u>	<u>6.3</u>
Agriculture and related areas	-0.5	5.1	-4.7	3.9	6.8
Manufacturing and mining	0.8	-0.5	-11.5	1.2	10.0
Utilities	11.9	7.8	4.5	20.2	3.9
Construction	-1.0	-21.7	-32.0	2.7	18.3
Commerce	-3.0	-10.6	-11.7	3.6	8.5
Transport and communications	5.2	-0.7	-0.9	-1.5	1.8
Financial services	2.9	-2.0	0.8	2.9	2.5
Housing	2.5	1.7	0.9	0.9	1.6
Government	3.6	1.8	-2.8	-1.6	0.5
Other services	0.9	-3.0	-3.2	2.1	5.0

Source: Statistical Appendix Table 28.

(i) Agriculture

The agricultural sector provides 30 percent of total employment and some 60 percent of total exports. Coffee, bananas and livestock alone accounted for more than two thirds of real value added in agriculture in 1984 and for more than three fourths of agricultural exports.

Coffee is the most important agricultural export crop, accounting for about one fourth of total exports and a similar share of real value added in the agricultural sector. Despite lower international coffee prices in the 1980s than during the second half of the 1970s, Costa Rica's coffee production steadily increased from 1980 to 1984 owing to the introduction of better coffee varieties and cultivation practices. The crops in 1983 and 1984 yielded the two highest levels of production and exports in recent years. Despite low quota allocations under the International Coffee Agreement, stocking problems did not arise in Costa Rica, as production in excess of quota was sold to nonquota markets, albeit at prices much lower than in quota markets. Thus, although Costa Rica's share in the quota market last year was only 2 percent, its share in the nonquota market reached an estimated 10 percent.

Bananas are approaching coffee as the largest foreign exchange earner because of rising international prices. Banana production, however, has remained virtually stagnant in recent years because of the effects of plant disease, labor problems and adverse weather conditions. Sugarcane is the fourth most important agricultural product. Despite very low international prices (particularly in the second half of 1984), sugarcane production increased by about 15 percent last year due to both acreage and productivity increases in response to high world prices in the past. However, recent increases in production and the fall in international prices led to a large surplus, part of which has been eliminated by the production of hydrocarbon fuel substitutes. Rice production has exceeded domestic consumption requirements due in part to high support prices in excess of world market levels. In 1983 a surplus of 50,000 metric tons was produced that was exported at a loss. Rice production declined by 6 percent in 1984, but a domestic surplus was again purchased by the National Production Council (CNP) which administers the price support program. Beef output increased by 27 percent in 1984, following sharp declines in the previous two years when cattle growers reconstituted their herds after the high rate of slaughter in 1980-81 in response to favorable export prices for beef (Statistical Appendix Tables 29 and 30).

(ii) Manufacturing, utilities, and construction

The manufacturing sector accounts for around one sixth of total employment and about two fifths of total exports. In terms of value added in 1984, the most important manufacturing industries are: foodstuffs, beverages, and tobacco (36 percent); chemicals (20 percent);

metal products (9 percent); and textiles, clothing and leather (9 percent) (Statistical Appendix Table 33). Costa Rica's manufacturing output grew by 10 percent in 1984, after a decline of 11 percent in 1982 and virtual stagnation in 1983. Last year's increase in output can be attributed to increases in both domestic and external demand which was satisfied by the use of existing excess capacity and a sizable increase in imports of raw materials.

The utilities sector grew by more than 20 percent in 1983, reflecting the sharp recovery in manufacturing and a rising demand for electricity and other utilities. In 1984 the sector continued to expand at a 4 percent pace. Total electricity generation increased by 5 percent in 1984 (virtually all power is generated by electrical plants because of the substitution of hydroelectric power for thermal power in recent years), while total consumption rose by 6 1/2 percent, boosted by a 9 percent increase in demand by industrial and other nonindustrial users. Despite increased consumption, Costa Rica was able to export to neighboring countries around 15 percent of its total electricity generation in the last two years (Statistical Appendix Table 34).

Construction activity declined sharply by one half in 1981-82, then leveled off in 1983 and rebounded by 18 percent in 1984. Preliminary information suggests that most of last year's growth in construction was generated by the public sector, mainly in energy-related projects and road construction and maintenance.

3. Prices, wages and employment

a. Prices

Domestic price movements in the last five years exceeded by a significant margin foreign inflation, although this price differential narrowed in the last two years. In 1981 and 1982, excess demand pressures and large nominal exchange rate adjustments resulted in a substantial acceleration in the rate of inflation. Price pressures began to subside in late 1982 as adjustment measures were adopted, and they eased considerably during 1983 as the measures began to take hold. By the end of 1983, the inflation rate was down to 6 percent, as measured by the Wholesale Price Index (WPI), and to about 10 1/2 percent, as measured by both the Consumer Price Index (CPI) and by a subindex of the CPI called the Basic Basket Index (Table 5). This last index, which consists of 35 basic food items and essential services, such as electricity, water, housing rents, and transportation,^{1/} plays an important role in wage determination (see below). In the second half of 1984, inflation accelerated moderately, as the economy expanded and excess capacity began to be used up.

^{1/} The original basic basket, which comprised 21 items, was enlarged to 35 items in January 1984.

Table 5. Costa Rica: Price Changes

(Annual percentage change)

	1980	1981	1982	1983	1984
<u>End of period</u>					
Wholesale price index	19.3	117.2	79.1	5.9	12.2
Consumer price index	17.8	65.1	81.8	10.7	17.4
Basic basket <u>1/</u>	...	...	85.7	10.6	8.7
<u>Average in the year</u>					
Wholesale price index	23.7	65.3	108.1	26.2	7.7
Consumer price index	18.1	37.1	90.1	32.6	12.0

Source: Statistical Appendix Table 35.

1/ Corresponds to the enlarged basic basket ("canasta basica ampliada").

The annual rate of inflation measured by the wholesale price index for goods of domestic origin was higher in 1984 (13 percent) than it was in the case of goods of imported origin (9 percent) (Table 6). The relatively larger influence of domestic factors (compared with external factors) in the rate of inflation of 1984 may explain why, in contrast with the period 1981-83 when movements in wholesale prices tended to lead movements in consumer prices, consumer prices increased more sharply last year than wholesale prices.

Table 6. Costa Rica: Changes in the Components of the Wholesale Price Index

(12-month percentage change)

	General Index	By Origin		By Degree of Control	
		Domestic	Imported	Controlled	Noncontrolled
<u>1981</u>					
March	33.4	23.2	50.1	50.8	40.2
June	59.5	43.3	85.6	70.3	54.4
September	70.9	56.1	94.4	75.8	68.1
December	117.2	93.3	154.6	84.6	128.9
<u>1982</u>					
March	121.4	110.6	135.8	88.5	135.0
June	105.9	108.1	103.2	58.9	126.3
September	126.5	126.7	126.2	123.6	127.0
December	79.1	89.4	66.9	115.2	67.4
<u>1983</u>					
March	49.6	59.2	38.0	78.2	39.2
June	33.7	38.9	25.9	67.9	21.9
September	9.6	14.2	3.5	12.9	7.8
December	5.9	8.3	2.6	8.8	4.3
<u>1984</u>					
March	6.1	7.2	4.8	2.4	8.3
June	6.6	7.3	5.6	1.5	9.4
September	9.2	10.3	7.6	3.6	12.3
December	12.2	13.2	8.9	5.0	16.1

Source: Statistical Appendix Table 36.

There also may have been an element of more repressed inflation in 1984 than in earlier years as reflected in the comparison between the Consumer Price Index and the Basic Basket Index in which price-controlled goods have a substantial weight. Both indices moved quite similarly during 1982-83; however, in 1984 the rate of inflation measured by the Basic Basket (8.7 percent) was half the rate of inflation measured by the CPI (17.4 percent). In particular, the composite of food items, which in the case of the Basic Basket Index consists mainly of price-controlled goods, grew by 5.7 percent in 1984, compared with an increase nearly three times as large for the composite of all food items in the CPI (Table 7).

Table 7. Costa Rica: Changes in the Consumer Price Index and the Basic Basket Index

(End of period percentage change)

	1981	1982	1983	1984
<u>Overall index</u>				
Consumer Price Index	65.1	81.8	10.7	17.4
Basic Basket	...	85.7	10.6	8.7
<u>Food Components</u>				
Consumer Price Index	70.4	101.1	8.2	15.7
Basic Basket	...	113.3	6.8	5.7

Source: Statistical Appendix Table 35.

In recent years, the scope of price controls has been reduced; at present, in addition to subjecting all commercial activities to a maximum markup,^{1/} the Ministry of Economy fixes the prices of only 12 groups of basic consumer goods.^{2/} The Ministry usually adjusts these prices at semi-annual intervals along with adjustments in the minimum wage; across the board adjustments, however, are infrequent and in determining price changes, cost factors play an important role.

b. Wages

Private sector minimum wages, which serve as a guideline for other private sector wage adjustments, and public sector wages are both subject to government regulation. In the case of private sector wages, the minimum wage of each economic activity is fixed by a tripartite National Wage Council, composed of representatives from the Ministry of Labor, labor organizations and business management, whereas public sector wages are fixed by the Budget Authority in the Ministry of Finance. Since 1982, both types of wages have in principle been adjusted on a

^{1/} By law, a maximum markup of 30 percent is set for wholesalers and importers, and one of 30 percent for retailers; these markups are lower in the case of manufactured foodstuffs, beverages, raw materials, and industrial inputs. In practice, however, these guidelines are applied with great flexibility.

^{2/} These groups of products are: beans, corn, rice, milk, eggs, meat, flour and bread, sugar, margarine and butter, molasses and honey, soap, and notebooks and other school supplies.

semi-annual basis according to the Basic Basket Index,^{1/} but in practice these adjustments have tended to exceed increases in the Basic Basket Index.

From 1980 to 1982, average real wages dropped by about 30 percent, with real wages falling by around 35 percent in the public sector and by about 25 percent in the private sector (Table 8). In this period, adjustment of minimum wages also lagged behind the rate of inflation but not by nearly as much as average wages. In 1983, in part because wage adjustments were linked to past price movements, real wages experienced sizable increases. The average minimum wage rose by almost 15 percent in real terms, and real wages in general by almost 11 1/2 percent. In 1984 the strong economic recovery was reflected in real wage increases which were larger in the case of private sector wages (8 1/2 percent) than in the case of the minimum wage or public sector wages (5 percent in both cases).

As shown in Table 8 the basic semi-annual adjustment of private sector minimum wages in absolute terms was significantly less than the increase in the Basic Basket in 1982, but well in excess of this indicator in 1983 and 1984. Public sector wage adjustments were roughly similar to the increase in the Basic Basket in 1982 and 1983, but significantly higher than this indicator in 1984. It should be noted, however, that the basic adjustments in public sector wages do not reflect the extraordinary increases which were granted in 1983 and 1984 as a result of the introduction of a new public sector wage scale.

c. Employment

Despite the economic recession of 1980-82, total employment rose by an average of 2 1/2 percent a year over that period, as a result of large increases in the agricultural sector and in personal services, which more than offset job losses in construction and commerce. In 1983 total employment remained virtually stagnant, as an increase of 7 percent in public employment was offset by a fall of 1 1/2 percent in the private sector. However, with the strengthening of the economic recovery in 1984, total employment is estimated to have gone up by 3 percent. The open unemployment rate, which stood at 8 percent in 1981-82, declined to 6 1/2 percent in 1984, a rate still significantly higher than the pre-recession level of 5 percent in 1980 (Statistical Appendix Table 40).

^{1/} In addition to the basic increase, public sector workers are granted a supplementary increase (between 2.5 and 5.0 percent) on their anniversary date of employment.

Table 8. Costa Rica: Changes in Wages

	1980	1981	1982	1983	1984
<u>(Annual percentage increase)</u>					
<u>Average minimum wage</u>	<u>19.7</u>	<u>24.0</u>	<u>73.3</u>	<u>52.3</u>	<u>17.7</u>
<u>Average wage</u>	<u>14.7</u>	<u>24.6</u>	<u>52.4</u>	<u>47.8</u>	<u>20.7</u>
Private sector	16.2	25.3	59.7	49.5	21.6
Public sector	9.9	31.1	41.9	45.7	17.6
<u>Average minimum real wage 1/</u>	<u>1.4</u>	<u>-9.5</u>	<u>-8.9</u>	<u>14.9</u>	<u>5.1</u>
<u>Average real wage 1/</u>	<u>-2.9</u>	<u>-9.1</u>	<u>-19.0</u>	<u>11.4</u>	<u>7.8</u>
Private sector	-1.6	-8.6	-16.0	12.7	8.6
Public sector	-7.0	-4.3	-25.4	9.9	5.1
<u>(Annual increase in colones)</u>					
Average minimum wage 2/	...	...	1,460	767	1,071
Public sector wage 2/	...	...	2,300	450	900
Basic basket 3/	...	...	2,186	503	457

Sources: Statistical Appendix Tables 38 and 39.

1/ Nominal wages deflated by consumer price index.

2/ Corresponds to the increase granted for the first and second semester of the year combined.

3/ Corresponds to the enlarged basic basket.

III. Public Sector Finances

1. Institutional framework

The nonfinancial public sector in Costa Rica consists of: (1) the Central Administration; (2) 370 decentralized agencies, of which the Social Security Institute is the most important; (3) 85 municipalities distributed among seven provinces; and (4) 15 state enterprises, including the Costa Rican Petroleum Refinery (RECOPE), the State Electricity Corporation (ICE), the National Development Corporation (CODESA), and the National Production Council (CNP).^{1/} Since 1981 the Budgetary Authority, which comprises 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 and for their implementation and control once approved by the President of the Republic.

2. Overall trends

After deteriorating sharply in the period 1980-81, the performance of the nonfinancial public sector has been improving since 1982. Mainly as a result of a sharp reduction in capital expenditure, the overall deficit of the nonfinancial public sector which had averaged 13 percent of GDP in 1980-81 declined to 9 percent in 1982 (Table 9 and Chart 1). During 1983-84 the overall fiscal deficit was reduced to a range of 2 to 3 percent of GDP largely as a result of a sharp increase in revenues. The current account of the nonfinancial public sector shifted from a deficit of about 3 percent of GDP in 1980-81 to a surplus of about 5 percent in 1983-84.

After declining in 1980-82, public sector revenues recovered strongly in 1983-84 as a result of a significant recovery in tax revenues and a substantial improvement in the operating surplus of the public enterprises. Measures introduced in the second half of 1982 raised tax revenue by the equivalent of 3 1/2 percent of GDP during 1983, while adjustments in the prices of public enterprises resulted in an improvement of about 4 1/2 percent of GDP in the operational surplus of the public enterprises in that year. Additional tax measures introduced during 1984, together with a sustained rise in the receipts of the Social Security Institute raised public sector revenue further by about 2 percent of GDP. At the same time, the operational surplus of the public enterprises grew by additional 1 1/2 percent of GDP on the strength of a continued improvement in the financial position of ICE.

^{1/} Due to the lack of statistical information, the nonfinancial public sector as defined in this report does not cover all the institutions described above. However, those which have been included in this report (including the Statistical Appendix) account for more than 80 percent of total public sector operations.

Table 9. Costa Rica: Summary of Public Sector Operations

	1980	1981	1982	1983	1984
(In millions of colones)					
<u>Total revenues</u>	9,030	10,443	17,904	34,672	44,883
Current revenue	8,957	10,235	17,691	34,558	44,803
Tax revenue	(7,662)	(10,732)	(18,603)	(28,809)	(35,720)
Public enterprises' current account ^{1/}	(7)	(-1,585)	(-2,162)	(3,070)	(5,606)
Other	(1,288)	(1,088)	(1,250)	(2,679)	(3,477)
Capital revenue	73	208	213	114	80
<u>Total expenditure and net lending</u>	13,905	18,474	26,674	38,624	47,725
General government current expenditure ^{1/}	9,908	12,412	20,122	29,538	36,314
Capital expenditure and net lending	3,997	6,062	6,552	9,086	11,411
Fixed capital formation	(3,799)	(5,222)	(5,274)	(7,881)	(9,081)
Net lending and other ^{2/}	(198)	(840)	(1,278)	(1,205)	(2,330)
<u>Current account surplus or deficit (-)</u>	-951	-2,177	-2,431	5,020	8,489
<u>Overall deficit</u>	-4,875	-8,031	-8,770	-3,952	-2,842
<u>Financing</u>	-4,875	-8,031	8,770	3,952	2,842
External (net)	2,176	1,466	-1,505	-324	-384
Domestic	2,699	1,739	2,697	14,766	154
Banking system	(2,401)	(1,664)	(1,872)	(13,889)	(-1,122)
Other	(298)	(75)	(825)	(877)	(1,281)
External arrears	--	4,826	7,578	-13,767	3,067
Rescheduling	--	--	--	3,277	--
(Annual percentage change)					
<u>Total revenues</u>	13.2	15.6	71.4	93.7	29.5
Of which: tax revenue	14.6	40.0	73.3	54.9	24.0
<u>Total expenditure and net lending</u>	10.1	32.9	44.4	44.8	23.6
General government current expenditure ^{1/}	18.5	25.3	62.1	46.8	22.9
Capital expenditure and net lending	-6.1	51.7	8.1	38.7	25.6
Of which: fixed capital formation	(22.0)	(37.5)	(1.0)	(49.4)	(15.2)
<u>Memorandum item</u>					
Consumer prices (annual average)	18.1	37.1	90.1	32.6	12.0
(In percent of GDP)					
<u>Total revenue</u>	21.8	18.3	18.4	27.4	29.6
Current revenue	21.6	17.9	18.2	27.3	29.6
Tax revenue	(18.5)	(18.8)	(19.1)	(22.8)	(23.6)
Public enterprises' current account ^{1/}	--	(-2.8)	(-2.2)	(2.4)	(3.7)
Other	(3.1)	(1.9)	(1.3)	(2.1)	(2.3)
Capital revenue	0.2	0.4	0.2	0.1	--
<u>Total expenditure and net lending</u>	33.6	32.4	27.4	30.5	31.5
General government current expenditures ^{1/}	23.9	21.7	20.7	23.4	24.0
Capital expenditure and net lending	9.7	10.7	6.7	7.1	7.5
Of which: fixed capital formation	(9.2)	(9.1)	(5.4)	(6.2)	(6.0)
<u>Current account surplus or deficit (-)</u>	-2.3	-3.8	-2.5	4.0	5.6
<u>Overall deficit</u>	-11.8	-14.1	-9.0	-3.1	-1.9
<u>Financing</u>	11.8	14.1	9.0	3.1	1.9
External (net)	5.3	2.6	-1.5	-0.3	-0.2
Domestic	6.5	3.0	2.8	11.7	0.1
External arrears	--	8.5	7.7	-10.9	2.0
Rescheduling	--	--	--	2.6	--

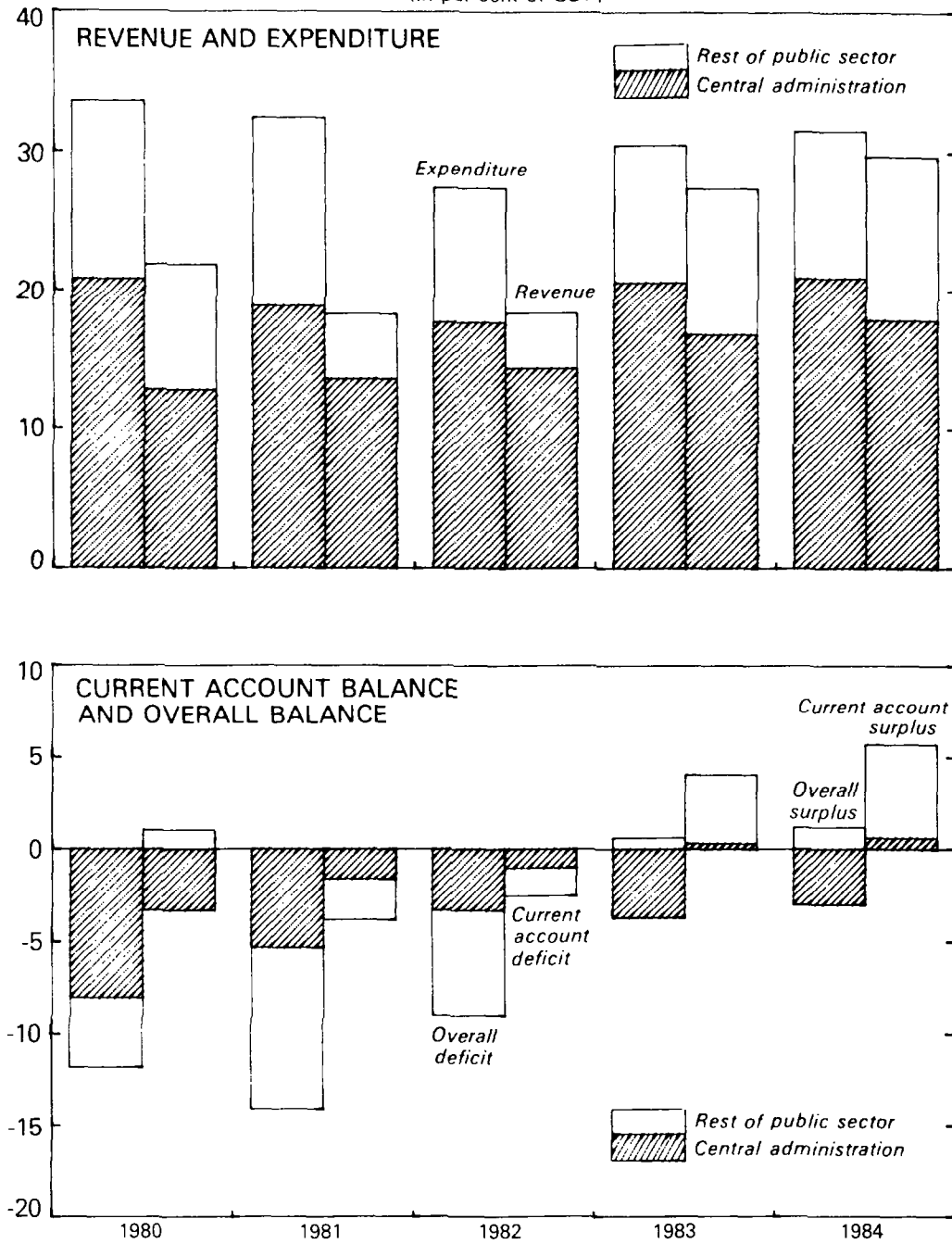
Source: Statistical Appendix Table 41.

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

^{2/} Includes statistical discrepancies arising from reporting on an accrual and cash basis, from reporting periods that differ from the calendar year, and from the operations of the nonconsolidated public sector.

CHART 1
COSTA RICA
PUBLIC SECTOR OPERATIONS

(In per cent of GDP)



Sources: Tables 9 and 10.

Total public sector expenditure fell from an average of 33 percent of GDP in 1980-81 to 27 1/2 percent of GDP in 1982 reflecting a sharp decline in capital expenditures in relation to GDP. In the next two years, however, this trend was reversed. The growth in expenditure in the last two years was largely on account of salary increases well above the prevailing rate of inflation, which raised current expenditures from 20 1/2 percent of GDP in 1982 to 23 1/2 percent of GDP in 1983-84. By contrast, capital expenditure remained relatively unchanged in relation to GDP during 1983-84.

In recent years the accumulation of payment arrears (both foreign and domestic) and the rescheduling of current obligations with foreign creditors became the most important sources of financing the public sector deficit. Thus, the overall deficit financed with domestic resources was reduced sharply in recent years, except in 1983 when the Central Bank assumed a share of the external debt of the public sector in connection with the foreign commercial bank rescheduling agreement.^{1/}

3. Central Administration

During 1980-82 the overall deficit of the Central Government declined from 8 percent of GDP to about 3 1/3 percent of GDP as a result of an increase in tax revenues of about 1 1/2 percent of GDP and a decline in total expenditure of around 3 percent of GDP (Table 10). In the following two years, the overall deficit remained relatively unchanged as increases in expenditure roughly paralleled increases in revenue.

During 1983-84 the overall deficit of the Central Administration was financed mainly with external resources, including an increase in external debt arrears. As in the case of the public sector, as a whole, the use of net domestic bank credit by the government during the last two years was limited to the partial assumption by the Central Bank of the Government's external debt. Most of the domestic component of the deficit financing in the last two years was covered by an increase in bond holdings outside the banking system and by an increase in floating debt.

a. Revenues

Central government revenues grew steadily as a proportion to GDP during the period under review. The increase was particularly marked in 1983 due to the introduction of several tax measures in the second half of 1982 which raised the tax ratio by 2 1/2 percent of GDP in that year to 17 percent. During 1984 revenues rose further to about 18 percent of GDP as a result of additional tax measures and an increase in transfers from the rest of the public sector to the Central Administration (Table 11).

^{1/} This agreement is described in Appendix II.

Table 10. Costa Rica: Summary Operations of Central Administration

	1980	1981	1982	1983	1984
(In millions of colones)					
Revenue	5,306	7,770	14,026	21,417	27,012
Tax revenue	5,124	7,517	13,717	20,622	24,864
Other	182	253	309	795	2,148
Total expenditure	8,606	10,769	17,284	26,044	31,529
Current expenditure ^{1/}	6,676	8,663	15,072	20,953	26,137
Capital expenditure	1,930	2,106	2,212	5,091	5,392
Current account deficit (-)	-1,370	-893	-1,046	464	875
Overall deficit (-)	-3,300	-2,999	-3,258	-4,627	-4,517
Financing (net)	3,300	2,999	3,258	4,627	4,517
External	762	922	1,274	1,969	2,393
Domestic ^{2/}	2,538	1,558	1,002	2,341	1,691
Interest in arrears ^{3/}	--	519	982	317	433
(Annual percentage change)					
Revenue	17.6	46.4	80.5	52.7	26.1
Of which: tax revenue	17.1	46.7	82.5	50.3	20.6
Total expenditure	24.9	25.1	60.5	50.7	21.1
Current expenditure ^{1/}	23.3	29.8	74.0	39.0	24.7
Capital expenditure	30.7	9.1	5.0	130.2	5.9
Memorandum item					
Consumer price index (average)	18.1	37.1	90.1	32.6	12.0
(In percent of GDP)					
Total revenue	12.8	13.6	14.4	16.9	17.9
Total expenditure	20.8	18.9	17.7	20.6	20.9
Current expenditure ^{1/}	16.1	15.2	15.4	16.6	17.3
Capital expenditure	4.7	3.7	2.3	4.0	3.6
Current account deficit (-)	-3.3	-1.6	-1.0	0.4	0.6
Overall deficit (-)	-8.0	-5.3	-3.3	-3.7	-3.0
Financing (net)	8.0	5.3	3.3	3.7	3.0
External	1.9	1.6	1.3	1.6	1.6
Domestic	6.1	2.8	1.0	1.9	1.1
Interest in arrears ^{3/}	--	0.9	1.0	0.2	0.3

Source: Statistical Appendix Tables 42 and 43.

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

^{2/} Includes statistical discrepancies.

^{3/} Excludes interest payments in arrears on external public debt assumed by the Central Bank.

Table 11. Costa Rica: Central Administration Revenue

	1980	1981	1982	1983	1984
(As percent of GDP)					
<u>Total revenue</u>	<u>12.8</u>	<u>13.6</u>	<u>14.4</u>	<u>16.9</u>	<u>17.9</u>
<u>Tax revenue</u>	<u>12.4</u>	<u>13.2</u>	<u>14.1</u>	<u>16.3</u>	<u>16.5</u>
Direct taxes	(2.9)	(3.0)	(3.3)	(4.1)	(3.6)
Income and profits taxes	[2.4]	[2.6]	[3.0]	[3.7]	[3.1]
Other	[0.5]	[0.4]	[0.3]	[0.4]	[0.5]
Domestic indirect taxes	(5.7)	(4.7)	(4.9)	(6.0)	(7.4)
General sales tax	[2.2]	[2.0]	[2.8]	[3.4]	[3.8]
Selective taxes on goods and services	[3.5]	[2.7]	[2.1]	[2.6]	[3.6]
Taxes on international trade	(3.8)	(5.5)	(5.9)	(6.2)	(5.5)
Taxes on imports	[2.0]	[1.6]	[1.1]	[1.9]	[2.8]
Taxes on exports	[1.8]	[3.9]	[4.7]	[4.0]	[2.5]
Other	[--]	[--]	[0.1]	[0.3]	[0.2]
Nontax revenue	0.4	0.4	0.3	0.6	1.4
(In percent)					
<u>Memorandum items</u>					
Import taxes/total imports, c.i.f.	6.2	3.4	3.2	5.9	8.6
Export taxes/total exports f.o.b.	8.6	10.1	14.0	14.0	9.3

Source: Statistical Appendix Table 42.

Collections from indirect taxes on domestic transactions, which account for nearly one half of total tax revenue, fell from about 6 percent of GDP in 1980 to 5 percent in 1982, but then increased sharply in the next two years. The decline in 1980-82 was largely attributable to the lack of adjustment of many specific tax rates to compensate for the rising rate of inflation and the depreciation of the colon during this period. At the end of 1982, the rates of selective consumption duties were raised by 7 percentage points and several excise taxes were shifted from a specific to an ad valorem basis; in addition, the scope of the general sales tax was broadened and its rate was raised from 8 to 10 percent. As a result, the yield from domestic indirect taxes rose to 6 percent of GDP in 1983. In 1984 receipts from these taxes increased further to 7 1/2 percent of GDP as additional revenue measures were enacted during the year to replace several taxes on foreign trade which had lapsed at the end of 1983. These measures included an additional

increase of 3 percentage points in the rates of selective consumption duties and an extension of the base of the general sales tax to cover transactions of the rest of the public sector.^{1/}

Receipts from foreign trade taxes, which account for about one third of total tax revenues, rose from about 4 percent of GDP in 1980 to close to 6 percent in 1982, largely as a result of an increase in export tax revenues, but then leveled off in 1983-84. A temporary increase in export tax rates and the introduction of an exchange tax on exports in 1981 led to an increase in export tax receipts of about 3 percent of GDP during 1980-82. In 1983 export taxes declined by nearly 1 percent of GDP as certain temporary export duties were reduced. However, import taxes rose by roughly the same amount in relation to GDP as a result of a recovery in imports, especially of those items assessed at high rates of duty. During 1984 revenues from import taxes continued to rise, but total foreign trade taxes fell to about 5 1/2 percent of GDP due to a significant decline in export taxes. The strong performance of import taxes reflected the introduction in 1984 of a new 3 percent ad valorem tax on imports, a 10 percent reduction in import tax exemptions and the substitution of the more depreciated banking rate for the official exchange rate in the calculation of certain import duties. Export taxes fell during the year, largely reflecting the lapsing at the end of 1983 of the exchange tax on exports established in 1981.

After increasing slightly in 1980-81, income tax proceeds rose by 1 percentage point of GDP in 1982-83 mainly because of the introduction of a corporate income tax surcharge in 1982. In 1984, however, income tax receipts fell as a percent of GDP as an increase in the withholding tax rate on dividends and reductions in the provisions for the revaluation of assets were more than offset by a reduction in the rate of the income tax surcharge and an apparent deterioration in tax administration.

b. Expenditure

Total government expenditure declined in relation to GDP from 1980 to 1982 mainly as a result of a fall in capital outlays, but recovered in the next two years mainly on account of a rise in current expenditure (Table 12).

Current expenditure declined from 16 percent of GDP in 1980 to 15 1/2 percent in 1982, largely as a result of moderation in the growth of outlays for wages and salaries. Thereafter, however, current expenditure rose significantly in relation to GDP as a result of large wage adjustments and rising current transfers. During 1983 expenditure for wages and salaries rose by about 1 percent of GDP reflecting semi-annual public sector wage adjustments, as well as the introduction of a new salary scale for public sector employees in the second half of

^{1/} Details of the revenue measures enacted in 1984 are given in Appendix I.

Table 12. Costa Rica: Central Administration Expenditure

(In percent of GDP)

	1980	1981	1982	1983	1984
<u>Total expenditure</u>	<u>20.8</u>	<u>18.9</u>	<u>17.7</u>	<u>20.6</u>	<u>20.9</u>
<u>Current expenditure</u>	<u>16.1</u>	<u>15.2</u>	<u>15.4</u>	<u>16.6</u>	<u>17.3</u>
Wages and salaries	7.1	6.1	5.1	6.1	6.5
Purchases of goods and services	0.7	0.8	0.7	0.9	1.0
Interest payments <u>1/</u>	2.2	2.5	2.7	3.0	2.5
Current transfers	6.1	5.2	6.8	6.6	7.3
To rest of general government <u>2/</u>	(4.5)	(3.2)	(4.1)	(3.9)	(3.9)
To public enterprises	(0.1)	(0.1)	(--)	(--)	(0.1)
To other <u>3/</u>	(1.5)	(1.9)	(2.7)	(2.7)	(3.3)
Exchange subsidies <u>4/</u>	--	0.6	0.1	--	--
<u>Capital expenditure</u>	<u>4.7</u>	<u>3.7</u>	<u>2.3</u>	<u>4.0</u>	<u>3.6</u>
Fixed capital formation	2.8	2.1	1.2	2.3	2.4
Capital transfers	1.7	1.5	0.9	1.6	1.0
To rest of general government	(1.6)	(0.1)	(0.4)	(1.0)	(0.7)
To public enterprises	(--)	(1.1)	(0.1)	(0.4)	(0.2)
To other <u>3/</u>	(0.1)	(0.3)	(0.4)	(0.2)	(0.1)
Other capital expenditures	0.2	0.1	0.2	0.1	0.2

Source: Statistical Appendix Table 43.

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.

the year. In 1984, only one general wage increase was granted, but this increase, in combination with the full year's impact of the salary scale established the previous year, raised the wage bill by about 1/2 percent of GDP to 6 1/2 percent of GDP in 1984. Current transfers also increased in relation to GDP during 1983-84, mainly as a result of a growth in tax revenues earmarked for the rest of the general government, and large transfers to the rest of the public sector to finance salary adjustments.

The investment budget of the Central Administration involves mainly projects financed by international development agencies and capital transfers to the rest of the nonfinancial public sector. After declining in the period 1980-82, investment spending rose to 4 percent of GDP in 1983 in line with an improvement in government savings. During 1984, however, capital expenditure declined to about 3 1/2 percent of GDP, largely as a result of lower transfers to the Agricultural Development Institute (IDA) for the acquisition of land due to delays in the implementation of the land reform program.

4. Rest of the general government

One half of the operations of the rest of the general government is accounted for by the Social Security Institute (CCSS), while the other half is explained by a large number of decentralized institutions and local governments. The latter institutions derive most of their income from earmarked revenues and direct transfers from the Central Administration. The rest of the general government generated an overall surplus of about 1 1/2 percent of GDP during 1983-84, after being close to equilibrium during 1980-82, mainly because of a strong improvement in the performance of the Social Security Institute.

The Social Security Institute administers health and maternity insurance, and disability and pension programs. During 1980-82 the overall balance of the Institute shifted from a small surplus to a small deficit, as the recession slowed increases in social security contributions in relation to the rise in benefits paid. During 1983-84, however, the institutes's revenues rose by about 2 percent of GDP reflecting an increase of 4 percentage points in the rates of social security contributions in the latter part of 1982 and a sharp increase in wages to which the social security contributions are linked. Current expenditure increased by only about 1/2 percent of GDP in 1983-84, as a temporary slowdown in the growth of purchases of goods and services, associated with the introduction of new budget procedures, was more than offset by an acceleration in the growth of wage expenditure. The introduction of new budgetary procedures in 1984 also led to a temporary decline in capital spending and the net lending operations of the mortgage program administered by the Institute. As a result, the overall position of the Social Security Institute shifted from a small deficit in 1980-82 to a surplus of about 1 1/2 percent of GDP in 1983-84 (Statistical Appendix Table 44).

5. Nonfinancial public enterprises

The consolidated financial position of the public enterprises deteriorated sharply in 1980-82, but then improved substantially in the next two years. The overall deficit of the public enterprise sector rose from 5 percent of GDP in 1980 to an average of about 7 percent in 1981-82, largely as a result of rising expenditures and sluggish revenue growth (Statistical Appendix Table 45). Reflecting an adjustment in public tariffs and prices beginning in the latter part of 1982, total revenues of the state enterprises rose by about 4 1/2 percent of GDP in 1983 and the overall deficit of the public enterprises declined to about 1 1/2 percent of GDP in that year, while the current account balance shifted from a deficit of about 2 1/2 percent of GDP in 1981-82 to a surplus of a similar magnitude in 1983. During 1984 the financial position of the public enterprises continued to improve largely as a result of a decline in expenditure relative to GDP, and approximate overall equilibrium was achieved for the first time in recent years (Statistical Appendix Table 45).

The most important public enterprise in Costa Rica is the National Petroleum Refinery (RECOPE). The overall balance of RECOPE shifted from a deficit of about 2 1/2 percent of GDP in 1981-82 to a surplus of about 1/2 percent in 1983-84, following an increase of 66 percent in the domestic price of oil derivatives and a slowdown in expenditure growth. No additional adjustment of domestic prices was introduced in 1983-84, notwithstanding an increase of 11 percent in the domestic cost of imported fuel in those two years. Current expenditure of RECOPE fell in relation to GDP in the last two years, despite higher wage outlays, due mainly to the drop in international oil prices and lower interest payments; in addition, RECOPE delayed the transfer of import duties and extraordinary contributions to the Central Administration. Capital expenditure also declined in relation to GDP in 1983-84, largely reflecting a reduction in outlays associated with oil exploration on the Pacific coast.

The second largest public enterprise is the State Electricity Corporation (ICE). Mainly because of a sharp increase in revenues and delays in the implementation of investment projects, the overall deficit of ICE declined from about 2 1/2 percent of GDP in 1981-82 to 1 percent in 1983 and shifted to a surplus of about 1/2 percent of GDP in 1984. Total revenues increased by about 3 1/2 percent of GDP in 1983-84 as a result of an increase in the sale of surplus electricity to Nicaragua and Honduras, as well as significant adjustments in electricity and telephone rates. Electricity rates were increased by about 90 percent in 1982, 30 percent in 1983, and 10 percent in 1984, while telephone rates were raised by 55 percent in 1982 and by 70 percent in 1984. Despite a sharp increase in wage expenditure, current outlays remained relatively unchanged in relation to GDP during 1983-84 largely because of lower interest payments. Capital expenditure also declined in

relation to GDP in the last two years due to difficulties in securing foreign financing for the expansion of the telephone system and delays in the implementation of the Ventanas Garitas hydroelectric project.

The financial position of the National Development Corporation (CODESA), a state holding company for a large number of subsidiaries operating in various sectors of the economy, continued to deteriorate in 1983-84 because of poor management and large debt servicing obligations. To reduce its deficit, several of CODESA's subsidiaries have been closed in recent years, while most of the rest are operating well below capacity. In 1983 the Legislative Assembly authorized the sale of a number of CODESA's loss-making subsidiaries, but no significant divestment has taken place yet. The divestment process, however, is likely to accelerate in 1985, due to an agreement signed between the Government and U.S. AID to use part of the local currency counterpart of U.S. AID grants to cover the losses and past indebtedness of its subsidiaries in order to facilitate their sale.

The position of the National Production Council (CNP), which regulates the production and marketing of basic grains in Costa Rica, deteriorated sharply in 1983-84. Its overall position moved from virtual equilibrium in 1980-82 to a deficit of about 1/2 percent of GDP in 1983-84, as a result of heavy losses arising from domestic support prices for rice well in excess of prevailing international levels. Part of CNP's losses can also be attributed to the fact that the controlled consumer prices of wheat, corn, and beans have been set below domestic farm support prices for these products.

IV. Financial Intermediation ^{1/}

1. Overall trends

During the period 1980-84, total bank credit expanded very sharply in real terms and at rates in excess of the accrual of private financial savings. To a large extent this rapid growth reflected the domestic counterpart of the accumulation of external payments arrears, the extension of exchange subsidies in 1980-82, and the operational losses incurred by the Central Bank in 1983-84. The losses of the Central Bank arose from the imbalance between its interest earning assets and interest bearing liabilities, which was exacerbated by the impact of exchange rate depreciation on the Central Bank's foreign interest payments. The rate of growth in bank credit to the public sector decreased over the period as a result of improvements in the fiscal situation, while credit to the private sector expanded strongly in 1983 and 1984, after contracting in real terms in the period 1980-82.

With the rapid growth in total bank credit in the period 1980-82, the net international reserves of the banking system declined, but they increased in 1983 with the recovery in private savings and inflows of long-term foreign resources. In 1984, however, the growth in loanable resources tapered off and the banking system's net international reserves again declined reflecting an accumulation of external arrears.

2. Private sector financial savings

As a result of a decline in real interest rates in 1980-82 and a contraction in economic activity, private sector financial assets declined from 40 percent of GDP at the end of 1980 to less than 36 percent of GDP at the end of 1982 (Table 13). This trend was reversed in the next two years, as the rate of inflation decelerated and the domestic economy started to recover in 1983, with the result that private savings rebounded and reached 38 1/2 percent of GDP at the end of 1984.

Real interest rates varied quite sharply over the period under review.^{2/} In 1981-82, interest rates became significantly negative in real terms, as the rate of domestic inflation accelerated sharply and

^{1/} The banking system of Costa Rica includes the Central Bank, four state banks, which account for over 90 percent of the system's commercial banking operations and also perform certain specialized banking functions, and 13 private banks. The private banks are not allowed to accept demand deposits and, until mid-1984, were prohibited from having direct access to central bank resources.

^{2/} The interest rate structure in Costa Rica is determined by the Central Bank which establishes a basic interest rate for six-month deposits to which most other lending and deposit rates are fixed. The principal lending rate, for example, is set at 3 1/2 points above the basic rate. The structure of interest rates is described in Statistical Appendix Table 51.

the basic rate remained relatively unchanged. At the end of 1982, the basic rate stood at 25 percent in nominal terms, which was equivalent to a negative 60 percent in real terms measured in terms of the 12-month rate of inflation. As the rate of inflation decelerated sharply during 1983, the basic interest rate in real terms shifted to a positive 11 percent by the end of the year (Chart 2). During 1984, domestic interest rates declined moderately in nominal terms, as the basic rate was reduced from 22 percent at the end of 1983 to 20 percent at the end of 1984; in real terms, the basic rate was equivalent to 3 percent at the end of last year.

Table 13. Costa Rica: Private Sector Financial Assets

(As percent of GDP)^{1/}

	1980	1981	1982	1983	1984
<u>Total</u>	<u>39.7</u>	<u>39.6</u>	<u>35.7</u>	<u>38.2</u>	<u>38.5</u>
<u>Money</u>	<u>16.2</u>	<u>15.6</u>	<u>14.1</u>	<u>15.6</u>	<u>15.9</u>
Currency	5.1	5.0	4.6	4.9	5.1
Demand deposits	11.1	10.6	9.6	10.7	10.8
<u>Quasi-money</u>	<u>22.3</u>	<u>22.7</u>	<u>20.1</u>	<u>21.4</u>	<u>21.1</u>
In domestic currency	16.8	15.6	13.3	15.3	15.1
Savings deposits	(3.1)	(2.4)	(1.8)	(1.8)	(1.7)
Time deposits	(9.6)	(9.3)	(6.7)	(7.9)	(8.4)
Bonds	(4.1)	(4.0)	(4.8)	(5.6)	(5.0)
In foreign currency	5.5	7.1	6.8	6.1	6.0
<u>Private capital and other obligations</u>	<u>1.2</u>	<u>1.3</u>	<u>1.5</u>	<u>1.2</u>	<u>1.5</u>

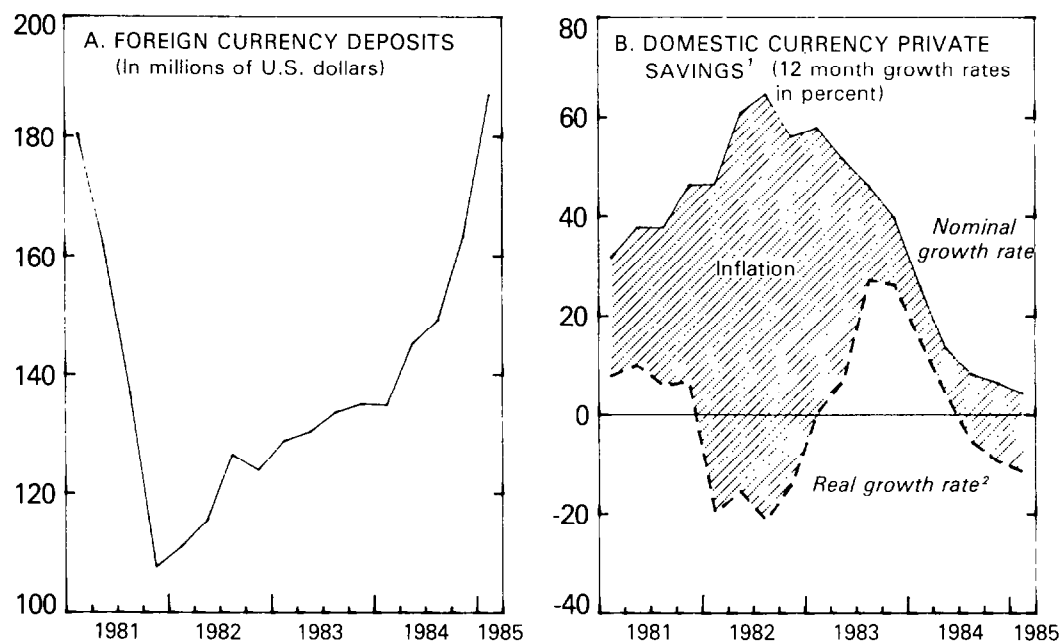
Source: Statistical Appendix Table 47.

^{1/} Ratio of two-year average of financial assets in relation to GDP. Foreign currency deposits are valued at the actual end-of-year exchange rate.

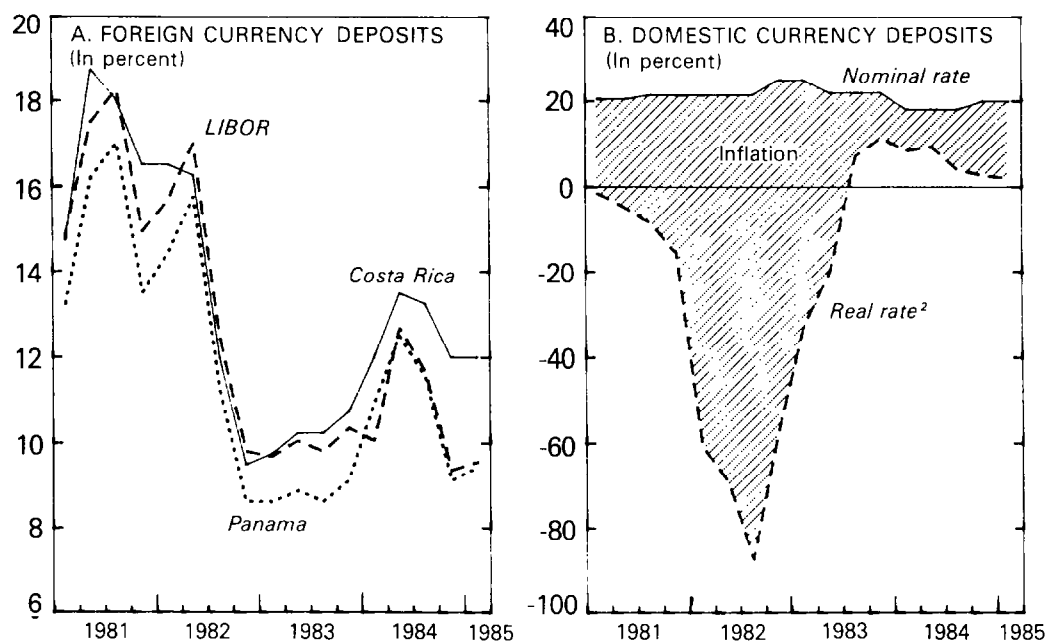
Private deposits denominated in foreign currency in the banking system declined from US\$270 million at the end of 1980 to US\$180 million at the end of 1982, reflecting increasing uncertainties about exchange rate policies. However, given the sharp depreciation of the colon during this period, the domestic currency equivalent of these deposits grew from 5 1/2 percent of GDP to 7 percent of GDP during the same

CHART 2 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.



period. As the exchange rate became more stable in 1983, there was some modest reflow of resources into dollar-denominated deposits (but the colon value of these deposits declined to 6 percent of GDP at the end of that year). As private confidence strengthened and foreign exchange deposits were made more attractive by the interest rate paid in Costa Rica, they began to increase more rapidly during 1984.^{1/} By the end of March 1985, these deposits amounted to US\$240 million and accounted for about 15 percent of total private financial savings.

3. Domestic credit ^{2/}

The annual growth rate of the net domestic assets of the banking system (measured in relation to the stock of liabilities to the private sector at the beginning of each year) declined from a peak of 105 percent in 1982 to 29 percent in 1984, while the growth of bank liabilities to the private sector declined from 51 percent to 11 percent over the same period (Table 14). The growth in credit to the public sector was cut sharply during this period and became negative in 1984 reflecting the rapid decline in the overall fiscal deficit. While in 1980 the net credit needs of the public sector absorbed over 30 percent of the expansion in total domestic credit, in 1984 the public sector became a net contributor of resources to the system in an amount equivalent to 8 percent of total credit growth. The moderation in the credit needs of the public sector, however, was more than compensated by a sharp increase in credit to the private sector as economic recovery took effect in the last two years. The share of total credit expansion directed to the private sector increased from 10 percent in 1981 to an average of 45 percent in 1983 and 1984 (Chart 3 and Table 15). The rapid growth of credit to the private sector in the last two years also may have reflected a shift from foreign sources of financing to domestic borrowing because of the reluctance of foreign creditors to increase their exposure to Costa Rica and of local residents to increase their foreign indebtedness after the significant exchange losses experienced in 1981-82.

In the absence of an accounting mechanism in the Central Bank to register the local currency counterpart of external debt arrears accumulated by the public financial and nonfinancial sector, the buildup of such arrears has been imputed in the accounts of the Central Bank in this report for analytical purposes. The growth in the domestic

^{1/} The interest rates on foreign exchange deposits (set in terms of a spread over LIBOR) are determined by the Central Bank. Although these deposits are held by the state banks, they are subject to a 100 percent legal reserve requirement.

^{2/} The monetary data for 1983 in Table 14 are shown both in a pre-rescheduling format, which is comparable with data for earlier years, and also in a new (Reclassified) format, which reflects the full effect of rescheduling agreements reached in that year, consistent with data for later dates. The main adjustments involved in this new format are described in SM/84/146, p. 25.

Table 14. Costa Rica: Summary Operations of the Banking System

	December 31							
	¢ 38.50=US\$1		¢ 41.40=US\$1		¢ 45.00=US\$1		March 31	
	1981	1982	1982	1983	Recl. 1983 1/	1984	¢ 50.00=US\$1 1984	1985
(In millions of colones)								
I. Banking System								
Net international reserves 2/	-32,294	-44,759	-48,131	-46,279	-4,290	-7,539	-5,585	-2,504
Net domestic assets	84,101	112,609	118,560	134,326	129,818	145,435	141,789	157,405
Net credit to public sector	9,294	11,646	11,620	12,009	26,697	25,399	29,924	27,086
Central Government 3/	(7,370)	(6,600)	(6,592)	(8,278) 4/	(10,067)	(10,191)	(11,448)	(11,093)
Rest of public sector 3/	(1,924)	(5,046)	(5,028)	(3,731)	(16,630)	(15,208)	(18,480)	(15,993)
Credit to private sector 5/	13,228	18,078	18,109	27,535	27,549	32,470	29,215	33,069
Valuation adjustment	30,780	30,780	33,608	33,608	23,224	23,224	31,669	31,669
Other	5,501	9,358	9,257	20,035	50,534	59,014	49,861	61,906
Counterpart arrears	25,298	42,747	45,966	41,139	1,814	5,328	1,116	3,615
Government trust funds	...	...	...	...	1,098	4,476	754	7,676 6/
Long-term foreign liabilities 7/	24,732	27,111	29,156	34,286	69,998	72,889	78,630	84,187
Liabilities to private sector 5/	27,075	40,739	41,273	53,761	54,432	60,529	56,820	63,036
II. Central Bank								
Net international reserves	-32,755	-45,241	-48,648	-46,232	-5,994	-7,777	-6,965	-2,810
Official reserves	-7,457	-2,494	-2,682	-5,093	-4,180	-1,279	-5,869	1,193
Payments arrears/rescheduling	-25,298	-42,747	-45,966	-41,139	-1,814	-6,498	-1,116	-4,023
Net domestic assets	37,181	52,178	55,585	55,180	14,942	17,662	15,327	13,041
Net credit to public sector 3/	9,651	11,885	11,881	14,242 4/	28,985	30,270	32,166	33,527
of which: rescheduling	(--)	(--)	(--)	(--)	(14,717)	(13,820)	(16,352)	(16,165)
Net credit to banks	-6,951	-9,348	-9,872	-11,482	-8,057	-10,195	-9,203	-11,530
of which: rescheduling	(--)	(--)	(--)	(--)	(4,119)	(1,307)	(4,578)	(2,516)
Government trust funds	...	...	...	...	-1,098	-4,478	-754	-7,676 6/
Stabilization bonds	-1,542	-4,755	-4,755	-5,090	-5,090	-4,895	-5,553	-4,201
Long-term foreign liabilities 7/	-21,498	-23,498	-25,271	-30,428	-68,127	-70,183	-76,210	-82,250
Valuation adjustment	28,819	28,819	31,467	31,467	20,756	20,756	28,883	28,883
Other	3,404	6,328	6,169	15,332	45,759	51,059	44,882	52,673
Counterpart arrears	25,298	42,747	45,966	41,139	1,814	5,328	1,116	3,615
Currency issue	4,426	6,937	6,937	8,948	8,948	9,885	8,342	10,211
(In percentage change)								
Banking system								
Net domestic assets 8/	62.9 9/	105.3		38.2		28.7		27.5
Net credit to public sector	21.2 9/	25.3		3.3		-4.9		-9.5
of which: excl. rescheduling	(21.2) 9/	(25.3)		(3.3)		(-3.3)		(-26.9)
Credit to private sector	9.8 9/	36.7		52.1		17.9		13.2
Liabilities to private sector	27.3 9/	50.5		30.3		11.2		10.9
CPI (end of year)	68.1	81.8		10.7		17.4		18.0
(As percent of GDP)								
Net credit to public sector	16.3	11.9		9.5		16.8		17.9 10/
Credit to private sector	23.2	18.5		21.8		21.5		21.9 10/
Liabilities to private sector 11/	36.3	35.0		37.6		38.0		39.1 10/

Sources: Statistical Appendix Table 4b; and Fund staff estimates.

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

2/ Includes payments arrears.

3/ Includes exchange subsidies.

4/ Includes an implicit credit for the equivalent of US\$38.3 million on account of external interest payments for which no colones counterpart was deposited.

5/ Includes nonbank financial intermediaries.

6/ Includes counterpart of grants to the Central Government, in 1985 also of grants to the Central Bank.

7/ Includes counterpart of SDR allocation.

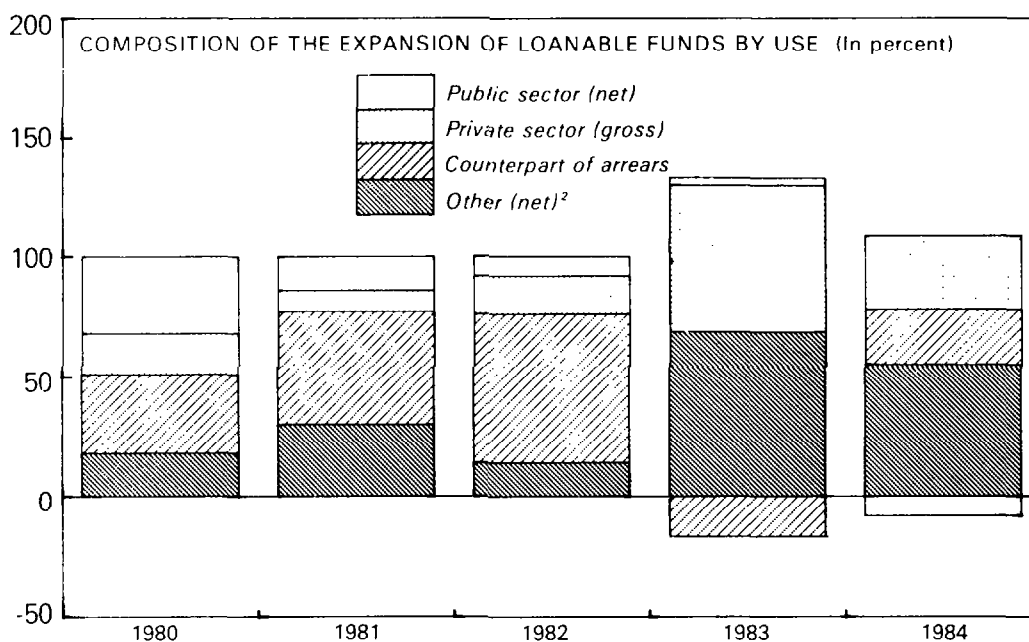
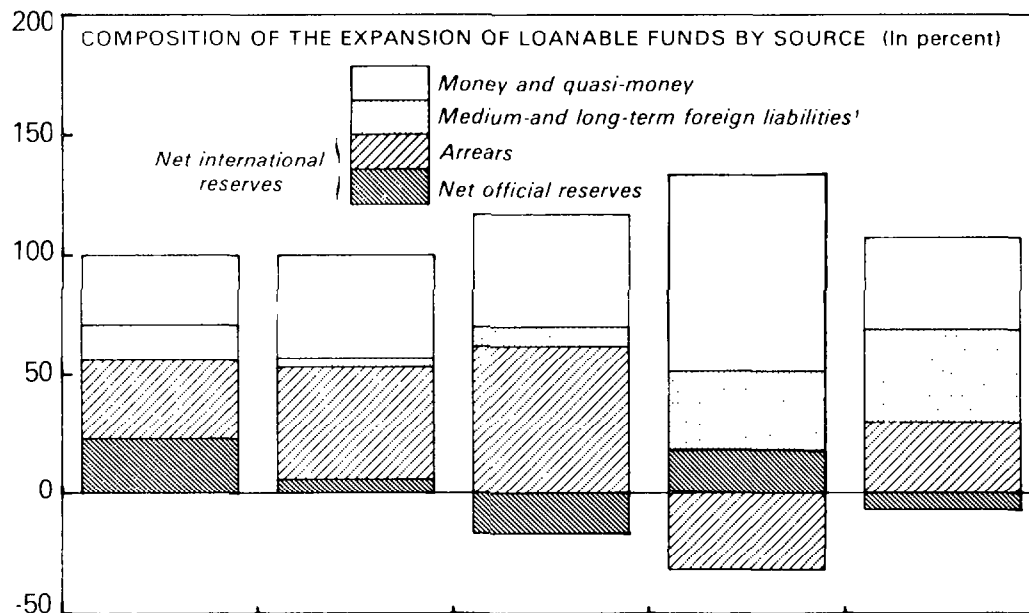
8/ In relation to liabilities to the private sector, at the beginning of the period.

9/ Changes based on foreign currency accounts valued at ¢ 15.00 per U.S. dollar.

10/ In relation to 1984 GDP.

11/ Ratio of two-year average of liabilities to the private sector, including liabilities to nonbank financial intermediaries, to GDP. Foreign currency deposits are valued at the actual end-of-year exchange rates.

CHART 3
COSTA RICA
SOURCES AND USES OF LOANABLE FUNDS
OF THE BANKING SYSTEM



Source: Table 15.

¹Including counterpart of foreign grants.

²Includes net losses of the Central Bank.

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counterpart of these payments arrears accounted, on average, for over half the expansion in net domestic assets of the banking system between 1980-82. In 1983, as a result of the payment or refinancing of arrears, their domestic counterpart declined, but in 1984 new arrears were accumulated which accounted for almost one fourth of the expansion in domestic credit.

Table 15. Costa Rica: Changes in Banking System Domestic Credit by Origin, Destination and Financing

(In millions of colones)

	1980	1981	1982	1983	1984
<u>Origin</u>	<u>7,399</u>	<u>11,481</u>	<u>28,507</u>	<u>15,171</u>	<u>15,937</u>
Central Bank	5,774	10,249	23,008	7,395	9,273
Commercial banks	1,575	1,377	5,667	7,952	6,188
Other banks	12	-114	-81	-3	-233
Interbank float (net)	38	-31	-87	-173	709
<u>Destination</u>	<u>7,399</u>	<u>11,481</u>	<u>28,507</u>	<u>15,171</u>	<u>15,937</u>
Public sector (net)	2,401	1,664	2,352	389	-1,298
Private sector	1,283	1,022	4,780	9,083	4,678
Other financial intermediaries	149	140	70	343	243
Counterpart arrears	2,421	5,389	17,448	-5,026	3,613
Other	1,107	3,297	3,944	10,555	7,992
Interbank float (net)	38	-31	-87	-173	709
<u>Financing</u>	<u>7,399</u>	<u>11,481</u>	<u>28,507</u>	<u>15,171</u>	<u>15,937</u>
Net international reserves <u>1/</u>	4,119	6,060	12,464	-2,447	3,569
Long-term foreign liabilities <u>2/</u>	1,106	439	2,379	5,130	6,271
Private sector liabilities	2,174	4,982	13,664	12,488	6,097
Money	(1,041)	(3,375)	(6,353)	(5,519)	(3,229)
Other	(1,133)	(1,607)	(7,311)	(6,969)	(2,868)

Source: Table 14 and Statistical Appendix Table 46.

1/ Includes payments arrears.

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

Although the cash payment of external arrears in 1983 diminished the domestic counterpart of such arrears, at the same time it contributed to a large increase in other unclassified assets of the banking system in that year as the Central Bank made large interest payments on external debt on its own account and on behalf of the public sector. Since

1982, these net interest payments have become the main component of the increase in the Central Bank's other unclassified assets, which accounted for more than half the increase in its net domestic assets in 1983-84.

During 1981-82 the Central Bank relied extensively on the issue of stabilization bonds to offset the expansionary impact of increasing operational losses occasioned by domestic currency depreciation. In addition, domestic banks were encouraged to maintain their excess liquidity in the Central Bank by payment of interest on excess legal reserve deposits equivalent to the basic rate. Although these operations were successful in sterilizing some domestic liquidity, the interest cost involved added significantly to the net losses of the Central Bank which were the equivalent of 5 1/2 percent of GDP in 1982 (Table 16).

Table 16. Costa Rica: Net Losses of the Central Bank

(In percent of GDP)

	1982	1983	1984
I. <u>Interest earnings</u>	<u>2.7</u>	<u>2.1</u>	<u>3.7</u>
On colon-denominated assets	...	...	2.1
On foreign currency denominated assets	...	...	1.6
II. <u>Accrued interest payments</u>	<u>-8.0</u>	<u>-6.6</u>	<u>-7.9</u>
In colones	(-0.7)	(-0.9)	(-1.0)
Of which:			
On stabilization bonds	/.../	/.../	/-0.7/
In foreign exchange	(-7.3)	(-5.7)	(-6.9)
To domestic banks	/-0.8/	/-0.5/	/-0.5/
To abroad	/-6.5/	/-5.2/	/-6.4/
III. <u>Net administrative deficit</u>	<u>-0.3</u>	<u>-0.5</u>	<u>-0.5</u>
IV. <u>Net losses (-) (I-II-III)</u>	<u>-5.6</u>	<u>-5.0</u>	<u>-4.7</u>

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

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. This was accomplished by a gradual increase in reserve requirements with lower rates corresponding to longer maturities. In addition, to achieve a greater measure of control over a potential source of credit expansion

represented by the banks' excess reserves, the Central Bank required that such reserves deposited in the Central Bank after June 1983 be held for a minimum period of three months to qualify for the payment of interest.

Credit policy was broadly passive during the first half of 1984. In response to strong private sector credit demand, overall bank credit expanded rapidly and was financed in large measure by a drawdown in excess reserves of the banks in the Central Bank. The growth in bank credit was curtailed in the second half of the year as a result of a tightening of credit policy. 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 of the banks' excess reserve deposits with the Central Bank from three to six months. In addition, the Central Bank froze its rediscount operations after August and in October 1984 the basic indicator interest rate was raised from 18 percent to 20 percent. As a result of these measures, the annual growth in bank credit to the private sector was reduced from 40 percent in the year ending June 1984 to 17 1/2 percent in December 1984.

V. External Sector

1. Balance of payments

a. Overall trends

Costa Rica experienced serious external problems in the period 1980-82, when the overall balance of payments registered deficits of about US\$400 million a year, including a large accumulation of external debt arrears which at end-1982 amounted to US\$1.1 billion (Table 17). In the following two years, however, the balance of payments position improved as a result of a reduction in the current account deficit and an increase in net capital inflows, including debt relief.

The payments crisis of 1980-82 resulted from a deterioration in both the current and capital accounts. Reflecting a number of adverse external developments, including a deterioration in the terms of trade and rising international interest rates, as well as expansionary demand management policies, the current account deficit increased from less than 10 percent of GDP in the period 1975-79 to an average of 15 percent in 1980-81. Although the current account deficit narrowed to 10 percent of GDP in 1982, mainly as a result of a sharp fall in imports associated with a substantial contraction in economic activity and a rapid depreciation of the colon, payments pressures did not ease as net capital inflows, which had declined sharply in 1980, were negative in both 1981 and 1982.

The current account deficit declined as a percent of GDP in both 1983 and 1984, but this was due mainly to a substantial increase in official transfers; if these transfers are excluded, the current account deficit increased in absolute terms and remained roughly unchanged relative to GDP in both years. The increase in official transfers in 1983 (mainly in the form of U.S. AID grants), combined with a sharp reversal of capital flows due to debt rescheduling and a reflow of private financial savings from abroad, resulted in an overall balance of payments surplus of US\$51 million. In contrast to the previous three years, foreign debt service payments were kept current in 1983 and most arrears were eliminated through a combination of debt rescheduling and some cash payments.

In 1984 net capital inflows were significantly less than in 1983 and insufficient to cover the current payments deficit. This reflected both lower utilization of foreign loans by the public sector, as well as the failure of Costa Rica to obtain debt relief from bilateral creditors in the context of a financial arrangement with the Fund as had been planned. The overall balance of payments deficit estimated at US\$110 million was more than financed by an accumulation of external arrears and the use of a trade credit facility provided by foreign commercial banks to the Central Bank in 1983. Net international reserves of the Central Bank increased last year by US\$114 million (including net repayments to the Fund).

Table 17. Costa Rica: Balance of Payments

	1980	1981	1982	1983	Prel. 1984
(in millions of U.S. dollars)					
<u>Current account</u>	-663.9	-426.4	-240.5	-253.7	-218.2
Merchandise trade	-526.6	-210.7	-25.2	-130.8	-145.4
Exports, f.o.b.	(1,000.9)	(1,002.6)	(869.0)	(862.4)	(955.5)
Imports, c.i.f.	(-1,527.5)	(-1,213.3)	(-894.2)	(-993.2)	(-1,100.9)
Services	-151.8	-242.7	-251.2	-191.8	-205.8
Nonfactor	(64.4)	(76.6)	(96.0)	(121.9)	(117.6)
Factor	(-216.2)	(-319.3)	(-347.2)	(-313.7)	(-323.4)
Direct investment and private interest	/-37.9/	/-11.4/	/-5.3/	/14.0/	/-9.4/
Official interest	/-178.3/	/-307.9/	/-341.9/	/-327.7/	/-314.0/
Paid	[-178.3]	[-160.3]	[-106.0]	[-275.4/	[-209.9]
Unpaid	[--]	[-147.6]	[-235.9]	[-52.3]	[-104.1]
Transfers	14.5	27.0	35.9	68.9	133.1
<u>Capital account</u>	185.8	-49.2	-73.3	304.2	108.5
Private and net errors and omissions	-180.8	-69.3	16.0	67.5	95.3
Public (net inflow)	366.6	231.3	128.0	219.0	88.9
Disbursements	(597.1)	(330.3)	(191.0)	(311.8)	(200.9)
Nonfinancial sector	/294.4/	/266.4/	/91.0/	/121.2/	/97.3/
Financial sector	/302.7/	/63.9/	/100.0/	/190.6/	/103.5/
Amortization (paid)	(-230.5)	(-99.0)	(-63.0)	(-92.8)	(-112.0)
Nonfinancial sector	/-67.7/	/-49.7/	/-39.0/	/-63.0/	/-62.7/
Financial sector	/-162.8/	/-49.3/	/-24.0/	/-29.8/	/-49.3/
Public (net refinancing of current obligations)	--	-211.2	-217.3	17.7	-75.7
Rescheduling of principal	(--)	(--)	(--)	(157.2)	(153.7)
Refinancing of current interest	(--)	(--)	(--)	(34.4)	(--)
Amortization (unpaid)	(--)	(-211.2)	(-217.3)	(-173.9)	(-229.4)
<u>Other (SDRs/revaluation and transactions with nonmonetary monetary agencies)</u>	22.3	5.4	--	--	--
<u>Net international reserves</u>					
(overall balance)	-455.8	-470.2	-313.8	50.5	-109.7
Accumulation (+) or reduction (-) of arrears	283.0	358.8	453.2	-1,070.0	174.2
Principal	(283.0)	(211.2)	(217.3)	(-722.9)	(62.0)
Interest	(--)	(147.6)	(235.9)	(-347.1)	(86.2)
Imports	(--)	(--)	(--)	(--)	(26.0)
Rescheduling of arrears	--	--	--	749.3	--
Principal	(--)	(--)	(--)	(671.9)	(--)
Interest	(--)	(--)	(--)	(77.4)	(--)
Imports	(--)	(--)	(--)	(--)	(--)
Conversion of CDs (P+1)	--	--	--	51.8	--
Contingent financing (rescheduling/ refinancing/new loans)	--	--	--	152.3 ^{1/}	49.6 ^{1/}
Net official reserves (increase -)	171.5	106.4	-128.8	58.1	-114.1
Net use of Fund resources	(-0.8)	(45.7)	(-9.7)	(99.0)	(-36.1)
Other net official reserves	(172.3)	(60.7)	(-119.1)	(-40.9)	(-78.0)
Valuation adjustment	1.3	5.0	-10.6	8	--
(As percent of GDP)					
<u>Current account</u>	-14.8	-15.8	-9.9	-8.3	-6.4
Trade balance	-11.7	-7.8	-1.0	-4.3	-4.3
Net factor services	-4.8	-11.9	-14.2	-10.2	-9.5
Other services and transfers	1.7	3.8	5.4	6.3	7.4
<u>Capital account</u>	4.1	-1.9	-3.0	10.0	3.2
Private	-4.0	-2.6	0.7	2.2	2.7
Public (net inflow)	8.1	8.6	5.3	7.2	2.6
Public (net refinancing)	--	-7.8	-8.9	0.5	-2.2

Source: Statistical Appendix Table 53.

^{1/} Revolving trade credit facility.

At end-1984, the gross international reserves of the Central Bank amounted to US\$420 million (equivalent to 4.6 months of imports) compared to US\$307 million (3.7 months of imports) at end-1983 (Statistical Appendix Table 52). These figures, however, overstate Costa Rica's liquid foreign reserve position, as most of these reserves (US\$300 million at end-1984) represented nonliquid claims on the rest of Central America.

b. Current account

The current account increased relative to GDP in 1980-81, but declined sharply both in absolute terms and as a percent of GDP over the period 1982-84. Excluding official transfers, the reduction in the current account was less dramatic and amounted to 6 percent of GDP, as against 9 percent if such transfers are included. The turnaround in the current account was achieved despite a deterioration in the terms of trade of over 10 percent during the period, and was due almost entirely to a sharp reduction in import volume (Statistical Appendix Table 54). Exports in U.S. dollar terms in 1984 were 4 1/2 percent below the level of 1980 as a small increase in export volumes was insufficient to offset the large decline in prices. The deterioration in the terms of trade after 1980 is estimated to have added some US\$140 million (or 4 percent of GDP) to the current account deficit in 1984. Interest obligations on foreign borrowing increased sharply in 1981 and remained at a high level throughout the period.

(i) Exports

Exports are dominated by four traditional products (coffee, bananas, meat, and sugar) which over the period under review accounted for roughly 60 percent of total exports (Table 18 and Statistical Appendix Table 55). Other exports consist of nontraditional exports, mainly light manufactured goods, which are sold principally in the Central American Common Market (CACM). In terms of total exports, the United States continues to be the main market (37 percent), followed by the CACM (19 percent) and the Federal Republic of Germany (13 percent).

During the period 1980-84, total exports declined in value terms by about 5 percent. Traditional exports stagnated in dollar terms, but increased in real terms on average by 6 percent per year. Nontraditional exports declined in value terms by 11 percent in the period 1980-84 reflecting an increase in volume of around 1 percent per year on average and a price decline of around 3-4 percent per year.

The two most important export products are coffee and bananas, each accounting for about one quarter of total exports and 40 to 45 percent of traditional exports. While the volume of coffee exports increased by 14 percent per year on average over the period 1980-84, the U.S. dollar value of these exports increased only marginally. Prices of coffee sold to members of the International Coffee Agreement (ICA) declined over the period due to excess supply on world markets. At the

Table 18. Costa Rica: Exports by Principal Groups

	1980	1981	1982	1983	1984
<u>(Value in millions of U.S. dollars; volume in thousands of units indicated; and unit value in U.S. dollars)</u>					
<u>Exports, f.o.b. 1/</u>	<u>1,000.9</u>	<u>2/ 1,002.6</u>	<u>2/ 869.0</u>	<u>862.4</u>	<u>955.5</u>
<u>Traditional exports</u>	<u>566.8</u>	<u>580.8</u>	<u>534.7</u>	<u>526.2</u>	<u>570.2</u>
Coffee	247.9	240.1	236.9	230.1	264.6
Volume (quintal)	(1,559)	(2,094)	(2,040)	(2,357)	(2,418)
Unit value (per quintal)	(159.0)	(114.6)	(116.1)	(97.6)	(109.4)
Bananas	207.5	224.8	228.1	240.3	229.5
Volume (metric ton)	(973)	(1,002)	(1,013)	(1,012)	(1,007)
Unit value (per ton)	(213.3)	(224.4)	(225.6)	(237.4)	(227.9)
Meat	70.7	73.9	53.1	31.9	46.9
Volume (metric ton)	(26.0)	(33.2)	(24.3)	(13.9)	(21.2)
Unit value (per ton)	(2,715.2)	(2,228.9)	(2,185.5)	(2,295.0)	(2,212.0)
Sugar	40.7	42.0	16.6	23.9	29.2
Volume (quintal)	(1,574)	(1,567)	(1,191)	(1,173)	(1,917)
Unit value (per quintal)	(25.9)	(26.8)	(13.9)	(20.4)	(15.3)
<u>Nontraditional exports</u>	<u>434.9</u>	<u>427.3</u>	<u>334.3</u>	<u>336.2</u>	<u>385.3</u>
<u>Agricultural products</u>	<u>90.9</u>	<u>66.5</u>	<u>60.8</u>	<u>63.7</u>	<u>67.3</u>
<u>Industrial products 1/</u>	<u>344.0</u>	<u>360.8</u>	<u>273.5</u>	<u>272.5</u>	<u>318.0</u>
<u>(In percent of total value)</u>					
<u>Total exports</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<u>Traditional exports</u>	<u>56.6</u>	<u>57.9</u>	<u>61.5</u>	<u>61.0</u>	<u>59.7</u>
<u>Nontraditional exports</u>	<u>43.5</u>	<u>42.6</u>	<u>38.5</u>	<u>39.0</u>	<u>40.3</u>
<u>(Annual percentage change of total value)</u>					
<u>Total exports</u>	<u>6.2</u>	<u>0.2</u>	<u>-13.3</u>	<u>-1.0</u>	<u>10.9</u>
<u>Traditional exports</u>	<u>-6.3</u>	<u>2.5</u>	<u>-7.9</u>	<u>-1.6</u>	<u>8.4</u>
<u>Nontraditional exports</u>	<u>32.1</u>	<u>-1.8</u>	<u>-21.8</u>	<u>0.6</u>	<u>14.6</u>

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

1/ Excludes goods assembled in Costa Rica for export which are included in services in Table 17.

2/ Includes a statistical discrepancy between the central bank data and customs records of -US\$0.8 million in 1980 and US\$5.5 million in 1981.

same time, because of excess supply, quota allocations from the ICA were reduced; thus Costa Rica was forced to sell an increasing portion of its exportable coffee to nonquota markets where prices are about half those in quota markets. Banana exports increased by close to 12 percent over the period 1980-84 due to an increase of about 5 percent in volume and an increase in prices of around 7 percent. Production and exports of bananas are adversely affected by high export taxes, the spread of plant diseases and labor unrest.

After a substantial increase in 1980, nontraditional exports declined in dollar terms by almost 25 percent in the following two years, stagnated in 1983 and increased by almost 15 percent in 1984. The disappointing performance of these exports since 1980 reflected a small increase in volume that was more than offset by a decline in prices. Although the sharp depreciation of the colon in 1981-82 restored the competitiveness of Costa Rica's nontraditional exports in the CACM, the continuing depressed level of economic activity and payments difficulties in the rest of Central America has limited exports to this market. Exports of nontraditional exports to markets outside the CACM increased by almost 15 percent in 1981, declined by 30 percent in the following two years, and increased by 54 percent in 1984. These developments reflect, in part, changes in the competitiveness of Costa Rica's exports in these markets, as well as increased export promotion efforts in 1984.

(ii) Imports

Following two years of significant decline, total imports increased in U.S. dollar terms by around 10 percent in both 1983 and 1984. The decline in 1981-82 mainly reflected a fall in import volume and was associated with a sharp contraction in output and investment and the rapid depreciation of the colon in 1981-82. The subsequent increase in imports was entirely due to a growth in volume (around 13 percent on average) as import prices declined in both years. This growth was associated with a recovery of output and investment (including a build-up of private inventories) and was facilitated by a sharp increase in bank credit to the private sector in 1983 and, to some extent, by the real effective appreciation of the colon during 1984. Despite the growth of imports during 1983 and 1984, in the latter year they were around 25 percent below their 1980 level both in value and volume terms.

Oil imports declined in value terms throughout the period and decreased slightly as a percent of total imports (Table 19 and Statistical Appendix Table 57). In 1983, the decline reflected a fall in prices sufficient to offset an increase in oil import volume of some 7 percent, while in 1984 it reflected a decline in import volume of 11 percent; the decline in volume in 1984 resulted from a run down of inventories accumulated in 1983, as well as the coming on stream of additional hydropower plants. Imports of consumer goods and capital goods also declined as a proportion of total imports, while raw materials increased their share of total imports from 37 percent in 1980 to 43 percent in 1984.

Table 19. Costa Rica: Value of Imports by Principal Groups

	1980	1981	1982	1983	1984
(In millions of U.S. dollars)					
<u>Total imports, c.i.f.</u>	<u>1,527.5</u>	<u>1,213.3</u>	<u>894.2</u>	<u>993.2</u>	<u>1,100.9</u>
Consumer goods	388.0	251.9	167.0	215.3	244.0
Raw materials	562.5	483.7	362.2	431.7	475.3
Petroleum products	229.1	205.3	189.0	183.7	151.9
Capital goods	324.6	258.6	167.2	151.9	211.7
Other	23.3	13.8	8.8	10.6	18.1
(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	25.4	20.8	18.7	21.7	22.2
Raw materials	36.8	39.9	40.5	43.5	43.2
Petroleum products	15.0	16.9	21.1	18.5	13.8
Capital goods	21.3	21.3	18.7	15.3	19.2
Other	1.5	1.1	1.0	1.0	1.6
(Annual percentage change)					
<u>Total imports</u>	<u>9.4</u>	<u>-20.6</u>	<u>-26.3</u>	<u>11.1</u>	<u>10.9</u>
Consumer goods	10.9	-35.1	-33.7	28.9	13.3
Raw materials	18.8	-14.0	-25.1	19.2	10.1
Petroleum products	20.9	-10.4	-7.9	-2.8	-17.3
Capital goods	-14.8	-20.3	-35.3	-9.2	39.4

Source: Statistical Appendix Table 56.

(iii) Trade with CACM

Imports from CACM declined by 48 percent between 1980 and 1984 (or from 14 percent to 10 percent of total imports) due to the declining production and the maintenance of overvalued exchange rates in other Central American countries (Statistical Appendix Table 58). Reduced incomes in these countries contributed to a decline of 36 percent in Costa Rica's exports to CACM (or from 27 percent to 18 percent of total exports). Whereas Costa Rica traditionally has had a deficit with CACM, it had a net trade surplus throughout the period under review. As a result of payments difficulties, however, the other countries of the Central American region have been unable to settle these trade balances and Costa Rica accumulated credit balances with CACM members, in particular Nicaragua, amounting to US\$300 million at end-1984. The Costa

Rican Government has been negotiating settlement of these debts; at the same time, to avoid a further build up in such claims, it has been attempting to diversify its exports to markets outside CACM and to limit its exports to CACM to the value of imports from these countries.

(iv) Services

The net deficit on the services account increased by 36 percent over the period 1980-84 as a result of increasing interest obligations on external debt. Such obligations expanded by 76 percent over the period and rose from 14 percent of exports of goods and services in 1980 to 25 percent in 1984. Most of the increase in interest obligations took place in 1981, reflecting a sharp rise in outstanding external public debt and higher interest rates in international markets. Interest obligations continued to grow, albeit at a slower pace, in 1982 as outstanding external debt continued to rise, but as interest rates began to fall in world markets, interest obligations declined in 1983-84.

More than half of the interest payments due were not paid in 1981 and 1982. Most of these arrears were eliminated in 1983, either through cash payments or through debt rescheduling agreements and the use of a special credit facility (US\$202 million) provided by commercial banks in connection with their rescheduling agreement. In 1984, again, about half of the interest obligations (mainly to foreign commercial banks and bilateral creditors) was not paid as Costa Rica was unable to obtain debt relief from bilateral creditors.

c. Capital account

After deteriorating sharply in the period 1980-82, the capital account registered a significant net inflow in 1983, but deteriorated again in 1984. The deterioration through 1982 resulted from large private capital outflows, a reduction in commercial bank lending to Costa Rica and increasing repayment obligations on commercial debt. The turnaround in the capital account in 1983 mainly reflected larger disbursements under the U.S. Caribbean Basin Initiative and the rescheduling of debt service obligations mainly to bilateral creditors and commercial banks. Although principal repayments to commercial banks due in 1984 had been included in the rescheduling agreement of the previous year, net capital inflows fell last year due to a decline in official disbursements and an increase in repayment obligations.

Net official cash inflows (i.e., excluding unpaid and rescheduled principal) declined sharply in 1981 and 1982 as commercial banks virtually ceased new lending to Costa Rica. Including substantial unpaid principal obligations which accumulated during this period, the decline was much sharper, and in 1982 net official inflows were minus US\$89 million. With larger disbursements of concessional aid under the Caribbean Basin Initiative in 1983, net official cash inflows increased almost to their 1981 level. Net inflows including unpaid principal

also increased in 1983 as a result of rescheduling agreements with the Paris Club and foreign commercial banks.^{1/} Net official cash inflows declined substantially again in 1984 due to lower utilization of foreign aid by the public sector. Most of Costa Rica's principal obligations to commercial banks were rescheduled in 1984. However, the debt relief expected from bilateral creditors was not forthcoming due to delays in reaching agreement on a stand-by arrangement from the Fund. As a result, arrears (mainly to bilateral creditors) of some US\$88 million were accumulated.^{2/} Including these unpaid obligations, net official capital inflows declined almost to zero in 1984.

Large net private capital outflows in 1980 and 1981 reflected capital flight due to doubts regarding the viability of the official exchange rate and the effects of negative real domestic interest rates. With the reorganization of the exchange markets in mid-1982 and the subsequent stabilization of the exchange rate, capital began to return in late 1982. The reflow of capital strengthened in 1983 and 1984 in response to the rise in domestic interest rates both in real terms and in relation to comparable interest rates abroad.

d. External debt

Outstanding public sector debt increased substantially both in absolute terms and in relation to GDP during the period 1980-84 (Table 20). (The particularly sharp rise in the ratio of outstanding debt to GDP in 1981 reflected the effect of the major depreciation of the colon.) Debt service obligations also increased significantly over the same period, rising from 34 percent of exports of goods and services in 1980 to 53 percent in 1984. The large increase in the debt service ratio in 1981 also reflected a sharp rise in international interest rates, as well as an increase in the share of debt at floating interest rates. The subsequent decline in international interest rates and the substitution of official borrowing (mainly from the United States) for commercial borrowing has helped to contain the debt service ratio despite the rising level of public debt. The burden of the external debt service also was eased by debt rescheduling which lowered debt service payments to 35 percent of exports of goods and services in 1983 and to 41 percent in 1984, compared with 51 percent and 53 percent before rescheduling, respectively.^{3/}

^{1/} The terms of these agreements were described in Appendix II of SM/83/150.

^{2/} Principal and interest in arrears to bilateral creditors at end-1984, as well as obligations due in 1985, were rescheduled in 1985. See Appendix II for details.

^{3/} Including cash payments of arrears (other than those paid through use of the revolving credit facility), debt service payments amounted to 45 percent of exports of goods and services in 1983, compared to an estimated 145 percent had all arrears been settled in cash.

Table 20. Costa Rica: External Public Debt Operations

	1980	1981	1982	1983	1984
(In millions of U.S. dollars)					
<u>Outstanding debt (end of year)</u>	<u>2,186</u>	<u>2,760</u>	<u>2,962</u>	<u>3,393</u>	<u>3,455</u>
Short-term <u>1/</u>	366	341	309	247 <u>3/</u>	247 <u>3/</u>
Medium- and long-term <u>2/</u>	1,820	2,419	2,653	3,146	3,208
Nonfinancial public sector	(1,193)	(1,350)	(...)	(...)	(...)
Financial public intermediaries	(627)	(1,069)	(...)	(...)	(...)
<u>Net drawings (medium- and long-term)</u>	<u>366</u>	<u>231</u>	<u>128</u>	<u>371</u>	<u>139</u>
Disbursements	597	330	191	464 <u>4/</u>	251 <u>4/</u>
Amortization <u>5/</u>	-231	-99	-63	-93	-112
<u>Total debt service</u>	<u>422</u>	<u>628</u>	<u>632</u>	<u>607</u>	<u>678</u>
IMF	16	15	18	25	38
Repurchases	(12)	(10)	(10)	(12)	(23)
Charges	(4)	(5)	(8)	(13)	(15)
Other	406	613	614	582	640
Amortization <u>6/</u>	(231)	(310)	(280)	(267)	(341)
Interest <u>6/</u>	(175)	(303)	(334)	(315)	(299)
<u>New loans contracted <u>7/</u></u>	<u>694</u>	<u>288</u>	<u>281</u>	<u>433</u>	<u>141</u>
(In percent)					
Outstanding debt/GDP	66.1	102.5	121.5	111.2	101.4
Net drawings/GDP	8.1	8.6	5.3	12.2	4.1
Debt service/exports of goods and services	33.8	51.6	54.4	51.2 <u>8/</u>	53.2 <u>8/</u>
Interest/exports of goods and services	14.3	25.4	29.4	27.7	24.6

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

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

2/ Includes principal in arrears in 1980-84 and rescheduled debt in 1983 and 1984. Also includes US\$111.8 million capitalization of interest in 1983.

3/ Excludes revolving trade-credit facility and all rescheduled debt which are included in medium-term debt.

4/ Includes US\$152 million and US\$50 million disbursement under revolving trade-credit facility in 1983 and 1984 respectively.

5/ Excludes unpaid or rescheduled amortization.

6/ Includes unpaid or refinanced amortization and current interest.

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

8/ After rescheduling, the debt service ratio (including Fund repurchases and charges but excluding cash settlement of arrears) was reduced to 35 percent in 1983 and 41 percent in 1984.

2. Developments in the exchange and trade system ^{1/}

a. Exchange system and exchange rate developments

After several attempts to modify the exchange regime during 1980-81 through repeated shifts between a fixed and a flexible rate system, a major exchange reform was introduced in August 1982. This reform was 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 all other exchange restrictions were eliminated by the end of the year, with the exception of certain arrears on external debt. At the end of 1983, such arrears amounted to US\$40 million (Table 21). New arrears on external debt (including arrears on imports) were accumulated in 1984 in an amount of US\$174 million. In addition to these arrears there was also an exchange restriction at end-1984 arising from a dispute over settlement of a bank loan which arose in the context of the 1983 rescheduling arrangement.^{2/}

The unified exchange system was maintained throughout 1984. Under this system all transactions, other than the surrender of a small proportion of export proceeds, were negotiated at the unified market rate which at end-December 1984 was $\text{C} 47.50 = \text{US}\1 (buying) and $\text{C} 48.00 = \text{US}\1 (selling).^{3/} In October 1984, the proportion of export proceeds to be surrendered at the unified rate was increased from 99 percent to 99.8 percent, and the remaining 0.2 percent is surrendered at the official rate of $\text{C} 20 = \text{US}\$1$ (buying). The mixing rate does not constitute a multiple currency practice as the spread it creates between buying and selling rates does not exceed 2 percent.

Since the end of 1983, a flexible exchange rate policy has been followed whereby the value of the colon is adjusted from time to time taking into account relative rates of inflation between Costa Rica and its trading partners and developments in the balance of payments. In real effective terms, the value of the colon depreciated by 4.3 percent in 1983 and appreciated by 1 1/2 percent in 1984 (Chart 4). A real effective depreciation of an estimated 2 percent occurred during the first half of 1985.

^{1/} A detailed description of the exchange and trade system in effect at end-December 1984, as well as changes in the system during 1984, is contained in the Annual Report on Exchange Arrangements and Exchange Restrictions, 1985. There have been no major changes in the exchange and trade system during the first half of 1985.

^{2/} Costa Rican authorities offered this creditor bank the same terms as were accepted by other members of the bank syndicate, but that bank did not accept these terms. This matter was subject to litigation and an agreement was reached between the concerned parties in mid-1985.

^{3/} At end-June 1985 these rates were $\text{C} 50.10 = \text{US}\1 (buying) and $\text{C} 50.60 = \text{US}\1 (selling).

Table 21. Costa Rica: External Debt Payments Arrears ^{1/}

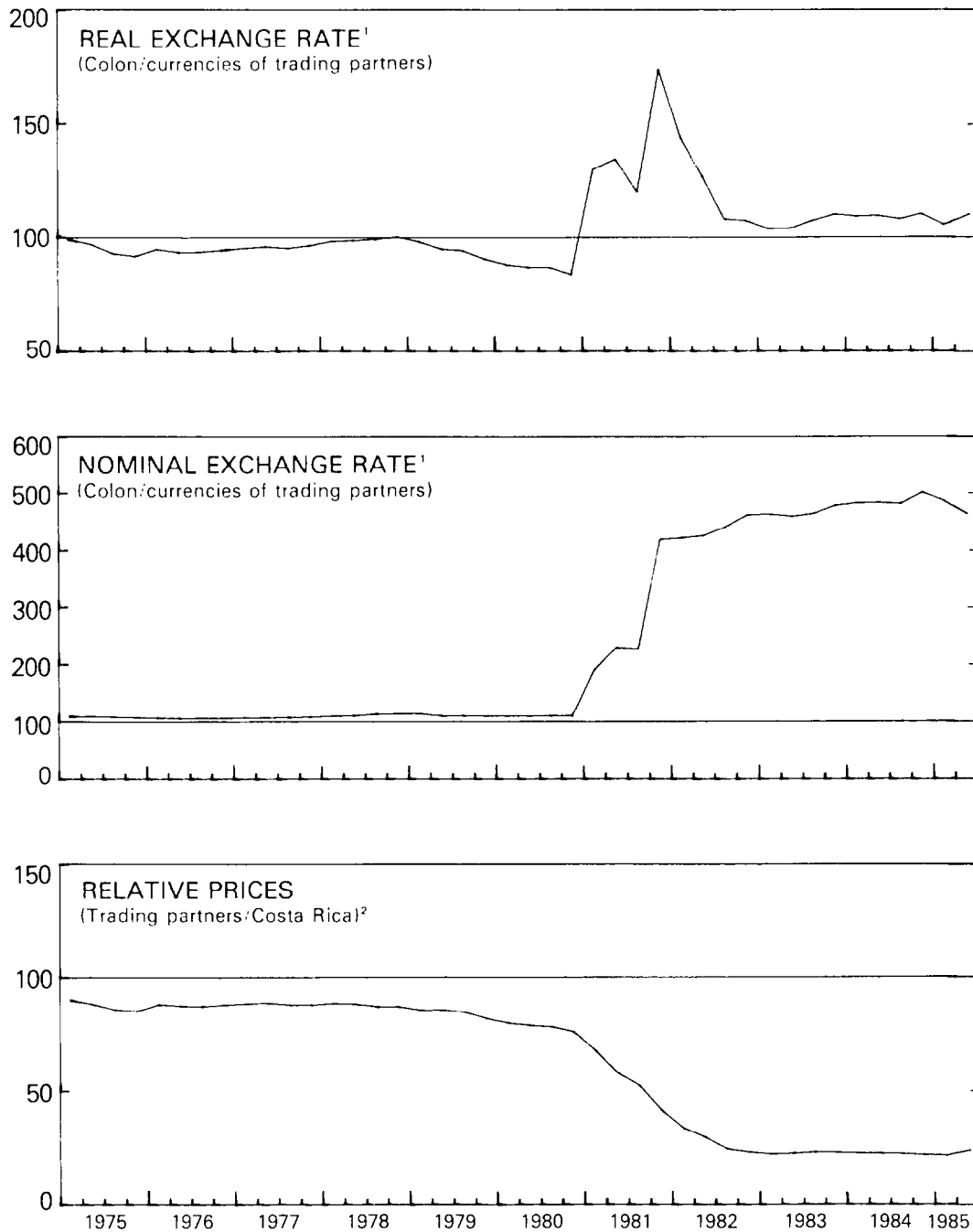
(In millions of U.S. dollars)

	Arrears Outstanding												
	Dec. 31, 1980 Total	Dec. 31, 1981			Dec. 31, 1982			Dec. 31, 1983			Dec. 31, 1984		
		Prin- cipal	Inter- est	Total	Prin- cipal	Inter- est	Total	Prin- cipal	Inter- est	Total	Prin- cipal	Inter- est	Total
<u>Total</u>	<u>298.6</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>Short term</u> ^{2/}	--	<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>1.2</u>	<u>1.2</u>
<u>Banks</u>	--	<u>94.9</u>	<u>20.8</u>	<u>115.7</u>	<u>73.3</u>	<u>27.6</u>	<u>100.9</u>	--	--	--	--	--	--
<u>Multilateral</u>	--	--	--	<u>1.0</u>	--	--	--	--	--	--	--	--	--
<u>Bilateral</u>	--	--	<u>3.1</u>	<u>3.0</u>	--	<u>7.5</u>	<u>7.5</u>	--	--	--	--	<u>1.2</u>	<u>1.2</u>
<u>Medium and</u>													
<u>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>Banks</u>	--	<u>75.0</u>	<u>70.4</u>	<u>145.4</u>	<u>278.2</u>	<u>214.8</u>	<u>493.0</u>	--	--	--	<u>1.8</u>	<u>44.5</u>	<u>46.3</u>
<u>Multilateral</u>	--	<u>5.6</u>	<u>7.7</u>	<u>12.3</u>	<u>23.2</u>	<u>4.8</u>	<u>28.0</u>	--	--	--	<u>15.4</u>	<u>6.7</u>	<u>22.1</u>
<u>Bilateral</u>	--	<u>19.2</u>	<u>8.7</u>	<u>27.9</u>	<u>29.6</u>	<u>17.4</u>	<u>47.0</u>	<u>4.3</u>	<u>2.8</u>	<u>7.1</u>	<u>48.3</u>	<u>36.8</u>	<u>85.1</u>
<u>Bonds</u>	--	<u>2.2</u>	<u>8.2</u>	<u>10.4</u>	<u>21.7</u>	<u>26.8</u>	<u>48.5</u>	<u>8.7</u>	<u>9.9</u>	<u>18.6</u>	<u>12.7</u>	<u>9.2</u>	<u>21.9</u>
<u>Certificates of</u>													
<u>deposit (CDs)</u>	<u>283.0</u> ^{3/}	<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>3.3</u>	<u>3.3</u>	--	<u>4.4</u>	<u>4.4</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>Imports</u>	--	--	--	--	--	--	--	--	--	--	<u>26.0</u>	--	<u>26.0</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.^{3/} Consists of principal.

CHART 4
COSTA RICA
EFFECTIVE EXCHANGE RATE
(1974 = 100)



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

¹An increase (decrease) in the index indicates a depreciation (appreciation) of the colon.

²Wholesale price index for Costa Rica and consumer price index for trading partners.



b. Imports and exports

Imports are not subject to licensing and all import payments are made freely. Apart from applicable customs duties, all imports (unless exempted) are subject to sales taxes and selective consumption duties, as well as to certain specific levies. In January 1984 a 1 percent stamp tax, which had been introduced in August 1983, was replaced by a 1 percent import duty; this duty was increased to 3 percent in September 1984. In June 1984 the local currency deposit requirement for requests for most foreign exchange payments (including import payments) was increased from 50 percent to 100 percent. In 1985 temporary surcharges on plastic packing materials and cement mixing trucks were reduced from 100 percent to 12.5 percent and 10 percent, respectively.

All exports are subject to license issued by the Central Bank to ensure that proceeds are surrendered. Additional licenses are required for exports of strategic materials, coffee, sugar, meat, and a number of other items. Exporters of nontraditional commodities to markets outside Central America are entitled to receive negotiable tax credit certificates for up to 15 percent of f.o.b. export value and for increases in exports (between 1 and 10 percent of the increase in exports over the previous calendar year). Traditional exports are subject to export taxes. Exports to Nicaragua are subject to advance payment in U.S. dollars, barter arrangement, or letters of credit confirmed by a major international bank.

c. Invisibles

Proceeds from invisibles are free from controls and restrictions, but must be sold to the Central Bank or to an authorized exchange dealer. Payments for invisibles are subject to certain procedures. Central Bank approval is required for foreign exchange payments for the servicing of private foreign debt, and the payment of dividends, royalties, patents rights and professional services. Withholding taxes are levied on remittances of dividends and interest. Central Bank approval is also required for the sale of foreign exchange above specified limits for foreign travel and for the expenses of students studying abroad. An exit tax is levied on most Costa Rican nationals and residents. During 1984 this tax was reduced from US\$30 to US\$10 for passengers subject to the tax and abolished for nonresident foreigners leaving the country. In addition, Costa Ricans who reside abroad must pay a consular fee for the renewal of their passports abroad. The consular fee for renewal of passports was increased from US\$5 to US\$20 in 1984.

d. Capital

All capital transfers between residents and nonresidents are subject to prior authorization by the Central Bank. The National Budget Authority authorizes the negotiation of new external credits by the public sector. Loans received by the private sector may be registered by the Central Bank provided it meets specified requirements; such

registration guarantees that the Central Bank will provide foreign exchange to service the debt. Dollar denominated deposits can be held with domestic banks; the interest rate paid on such deposits at end-December 1984 ranged from 10 3/4 percent to 14 1/4 percent, depending on the maturity of the deposit.

Costa Rica: Revenue Measures Introduced in 1984

The Legislative Assembly enacted several important laws in the tax field during 1984. These measures were aimed primarily at strengthening the financial position of the Central Administration, which had been weakened by rising expenditure levels and the lapsing of several temporary revenue measures at the end of 1983. The most important of these measures are summarized below.

1. The Emergency Law of February 1984

In February 1984, the Legislative Assembly approved the Financial Equilibrium Law (the so-called Emergency Law), which, among other things, introduced tax increases yielding an estimated ¢ 1.2 billion in the remainder of 1984 (0.8 percent of GDP), the temporary suspension of revenue earmarking (¢ 460 million), and extraordinary transfers from the rest of the public sector to the Central Administration in an amount of ¢ 1.2 billion. The main features of these changes were as follows:

a. The withholding tax on dividends was increased from 5 percent to 15 percent, and was made applicable to 25 percent of net income, regardless of whether dividends are declared or not. According to preliminary estimates this measure yielded close to ¢ 100 million in 1984.

b. A uniform surcharge of 15 percent was applied to the corporate income tax liability during 1984. In addition, taxpayers exempt from corporate income tax payments were made subject to a special contribution equivalent to 3 percent of net profits exempt from income tax. This temporary measure was established to replace a similar surcharge, which expired at the end of 1983, and produced revenues of about ¢ 490 million in 1984.

c. The rates and brackets of the corporate income tax were modified as follows:

<u>Tax Base</u>	<u>Rate</u>	
(<u>In thousands of colones</u>)	<u>(In percent)</u>	
	<u>Former</u>	<u>New</u>
Up to 50	15	10
Excess over 50 up to 100	20	10
Excess over 100 up to 200	30	20
Excess over 200 up to 250	40	20
Excess over 250 up to 500	40	25
Excess over 500 up to 750	40	35
Excess over 750 up to 1,000	40	40
Excess over 1,000	50	50

According to preliminary estimates, no significant change in tax revenues occurred during 1984 as a result of this measure.

d. The rates applicable to products included in the first and second categories of selective consumption duties were increased by 5 percentage points. This measure is estimated to have yielded about ¢ 200 million during 1984.

e. The specific tax rates on stamped paper, which had not been revised since 1981, were raised substantially; in particular, the rate on first sheets of private and public contracts were raised from a range of ¢ 0.5-40 to one of ¢ 100-500; the tax on professional degrees was raised from a range of ¢ 10-40 to one of ¢ 50-500; and the fees for ship registration and boat licenses were raised from a range of ¢ 15-40 to one of ¢ 10-500. The rates of the fiscal stamp tax also were modified. The most important modifications were an increase in the rate on certificates from ¢ 2 to ¢ 100; an increase in the rate on university and professional degrees from ¢ 4 to ¢ 100; and an increase in the rate on licenses for business establishments from ¢ 0.5 to ¢ 100. According to preliminary estimates, the measures described above yielded about ¢ 300 million during 1984.

f. Other taxes: consular fees were raised by 300 percent, while the annual residence tax on foreigners was increased from ¢ 200 to the equivalent of US\$25 in local currency. In addition, the travel exit tax for Costa Rican nationals and residents was raised from US\$1 to the equivalent of US\$30 in local currency. (In July 1984, however, this tax was reduced to US\$10.) The travel exit tax for nonresidents was increased to the equivalent of US\$10 in local currency. These measures are estimated to have produced about ¢ 125 million of additional revenue during 1984.

g. Estimated revenues of ¢ 460 million, which were earmarked for social welfare agencies, were reassigned to the Central Administration budget for the 1984 fiscal year,^{1/} as follows:

<u>Revenue Item</u>	<u>Reallocation of Revenues to Central Administration</u>
	(As percent of revenue yield)
Stamp tax	50
Sales tax	3
Coffee export tax	20
Tax on domestic liquor	25
Tax on international flight tickets	50
Property income from public financial institutions	50
	(In millions of colones)
Payroll tax	125
National Development Plan Funds	30

^{1/} The Legislative Assembly approved an extension of these arrangements for the 1985 fiscal year.

h. Extraordinary contributions to the Central Administration from the rest of the financial and nonfinancial public sector were established for the fiscal year 1984.^{1/} Although the contributions approved by the Legislative Assembly amounted to ¢ 1,175 million, the Government received only ¢ 920 million during 1984.

2. Other revenue measures enacted in the period through July 1984

In addition to the Emergency Law, several other measures were introduced in the first seven months of 1984, which yielded on a net basis an estimated ¢ 420 million (0.2 percent of GDP) in the remainder of the year. The most important of these measures were as follows:

a. A 1 percent ad valorem tax on imports was introduced in January 1984 to replace a 1 percent withholding tax on remittances abroad which expired in 1983. This measure yielded about ¢ 250 million during 1984.

b. In April 1984 the property tax was replaced by a capital gains tax. The brackets and rates of the new tax were the same as those of the tax on property transfers; collection procedures, however, were substantially different. The capital gains tax was expected to raise ¢ 60 million in 1984, but difficulties in its implementation resulted in revenues of less than ¢ 1 million.

c. The 7 1/2 percent tax on sugar exports, which yielded revenues of about ¢ 30 million on an annual basis, was eliminated in March 1984.

d. The rates applicable to products included in the first and second categories of selective consumption duties were raised by 2 percentage points in July 1984. In addition, the rates applicable to products in the third category were increased by a range of 2 to 5 percentage points. According to preliminary estimates, these measures produced ¢ 200 million of additional revenues during 1984.

3. Revenue measures enacted in September 1984

The following revenue measures were introduced in September 1984 which yielded an estimated ¢ 490 million (0.3 percent of GDP) in the remainder of the year.

a. The base of the general sales tax was expanded to include purchases of goods and services by the rest of the public sector. This measure is estimated to have yielded about ¢ 75 million during 1984.

b. The exchange rate used to calculate certain import duties was changed from the official rate (US\$1 = ¢ 20) to the unified exchange rate (US\$1 = ¢ 44.6, on average, in 1984). According to preliminary estimates, this measure produced an increase in revenues of about ¢ 130 million during 1984.

^{1/} The Legislative Assembly approved an extension of these extraordinary contributions for the 1985 fiscal year.

c. The rate of the ad valorem tax on imports, introduced in January 1984, was raised from 1 to 3 percent. This measure yielded about ¢ 230 million during the last four months of 1984.

d. A 5 percent withholding tax on the yield of domestic financial assets was introduced to offset, in part, the distorting effects of the 15 percent tax on dividends. This tax was expected to raise revenues by about ¢ 80 million in the last quarter of 1984; however, only ¢ 20 million was collected due to a loophole in the tax law which exempted certain financial assets from the tax.

e. The provisions for the annual revaluation of assets for income tax purposes were modified in 1984. The 20 percent revaluation of assets pending from 1983, which was to be applied in 1984, was eliminated. According to preliminary estimates, this measure yielded about ¢ 30 million during 1984.

f. A 0.05 percent service fee on the collection of earmarked revenue by the Central Government was introduced in September. This measure produced a revenue increase of about ¢ 5 million during 1984.

Costa Rica: External Debt Restructuring

1. Background developments through 1982

Between the late 1970s and 1982 Costa Rica's external debt increased substantially both in absolute terms and relative to GDP.^{1/} At end-1982, total outstanding (short-, medium-, and long-term) public external debt was equivalent to 122 percent of GDP, compared to an average of 32.5 percent in 1978-79. The ratio of debt service obligations to exports of goods and services rose from an average of 30.7 percent in 1978-79 to 54 percent in 1982. The sharp increase in the debt-service ratio caused some difficulties and service payments were suspended in August 1981, leading to a rapid accumulation of arrears which at end-1983 amounted to about US\$1.1 billion. After lengthy negotiations, Costa Rica concluded debt restructuring arrangements with its official and commercial bank creditors in 1983, in the context of a stand-by arrangement from the Fund. Arrangements also were made to settle or restructure all outstanding U.S. dollar-denominated certificates of deposit of the Central Bank which had been issued in 1981 mainly to settle payments arrears.

2. Debt restructuring agreements--1983 ^{2/}

a. Official bilateral creditors

In January 1983 Costa Rica signed a debt restructuring agreement with the Paris Club under which 85 percent of principal and interest in arrears at end-June 1982 and 85 percent of principal and interest falling due between July 1, 1982 and December 31, 1983 was rescheduled. A "goodwill" clause was incorporated in the agreed minute in respect of debt service payments falling due in 1984 provided that Costa Rica continued to have an upper credit tranche arrangement from the Fund and reached effective arrangements with banks and other creditors for the resettlement of its debt. The total debt relief provided under this agreement is estimated at US\$136 million, including US\$57 million for interest (US\$25 million for arrears and US\$32 million for current maturities) and US\$79 million for principal (US\$30 million for arrears and US\$49 million for current maturities).

b. Commercial banks

In the agreement signed with commercial banks in 1983, the banks agreed to reschedule 95 percent of all principal in arrears and falling due up to December 31, 1983 (Tranche I) and 95 percent of principal falling due in 1984 (Tranche II). The banks also agreed to provide a

^{1/} To a large extent the sharp increase in the debt ratio in 1981 reflected the effect of the major depreciation of the colon in that year on outstanding debt in local currency terms.

^{2/} A more detailed description of the terms of these arrangements is provided in Appendix II of SM/83/150.

revolving trade credit facility equivalent to 50 percent of all interest in arrears and falling due in 1983. Tranche II was conditional upon Costa Rica continuing to have an upper credit tranche arrangement with the Fund. The amount of debt relief provided under Tranche I of the agreement amounted to US\$458 million in 1983 (US\$352 million for arrears and US\$106 million for current maturities). In addition, a total of US\$202 million was drawn under the revolving credit facility in 1983 and January 1984.

c. Total debt relief

Including the restructuring of interest and principal in arrears or falling due in 1983 on U.S. dollar-denominated certificates of deposit (CDs) and the refinancing of suppliers' credits, total debt relief obtained by Costa Rica in 1983 (excluding the revolving credit facility provided by commercial banks) amounted to US\$941 million (US\$749 million for arrears and US\$192 for debt service falling due in 1983). As a result of these restructuring arrangements and cash payments in respect of arrears and 1983 obligations, most arrears were eliminated by the end of 1983.

3. Developments in 1984

Negotiations between the Fund and Costa Rica on a program to be supported by a Fund arrangement in 1984 were delayed and a new standby arrangement with the Fund was not approved until early 1985. Consequently, anticipated debt relief from bilateral creditors was not obtained and Tranche II of the 1983 agreement with commercial banks did not become effective until early 1985. Thus, total debt relief (including Tranche II of the commercial bank agreement) in 1984 was considerably less than had been expected. New arrears, principally to bilateral creditors for principal and interest and to commercial banks for interest, were accumulated in 1984.

4. Debt restructuring agreements--1985

a. Official bilateral creditors

On April 22, 1985, Costa Rica signed a debt restructuring agreement, under the aegis of the Paris Club, with ten creditor countries (Austria, Brazil, Canada, France, the Federal Republic of Germany, Italy, Japan, Spain, the United Kingdom and the United States). In the Agreed Minute the creditors agreed to provide debt relief through rescheduling or restructuring of principal and interest on their guaranteed or insured commercial credits and on official loans to Costa Rica contracted before July 1, 1982 (the cutoff date) and falling due from January 1, 1983 to March 31, 1986 (the consolidation period) or in arrears as of December 31, 1984. Debt service resulting from Costa Rica's 1983 debt restructuring agreement with the Paris Club is not eligible for reorganization under the 1985 agreement.

Under the terms of the proposed reorganization, 90 percent of the eligible principal and interest falling due during the consolidation period will be rescheduled or refinanced over ten years and be repaid after a grace period of five years in ten equal and successive semiannual installments beginning on February 15, 1991 and ending on August 15, 1995. The remaining 10 percent of eligible debt service obligations is to be paid in three installments, one of 2 percent on June 1, 1986 and two of 4 percent each on June 1, 1987 and June 1, 1988. In the case of amounts in arrears as of December 31, 1984, 90 percent will be rescheduled or refinanced over eight years and be repaid after a grace period of three years in ten equal and successive semiannual installments beginning February 15, 1989 and ending on February 15, 1993. The remaining 10 percent will be repaid in three installments, one of 3 percent each on September 30, 1985 and December 31, 1985, and one of 4 percent on July 31, 1986. The interest rate conditions in respect of these financial arrangements will be determined bilaterally between the Government of Costa Rica and the government or appropriate institutions of each participating creditor country on the basis of the appropriate market rate.

The agreement with bilateral creditors requires Costa Rica to continue to have an upper credit tranche arrangement with the Fund and to seek debt relief from banks and other creditors on terms comparable to those set forth in the Agreed Minute for credits of comparable maturity. It further stipulates that bilateral negotiations be concluded before November 30, 1985. A "goodwill" clause is included in the Agreed Minute whereby official creditors will consider a reorganization of debt service payments falling due after March 31, 1986 on loans contracted prior to the cutoff date provided Costa Rica continues to have an upper credit tranche arrangement from the Fund and has complied with all conditions in the Agreed Minute.

The amount of debt relief (before allowance for interest payments on the rescheduled amounts) provided under this agreement is estimated to amount to US\$145 million in 1985 and US\$20 million (US\$6 million interest and US\$14 million in principal) in 1986. Of the estimated debt relief for 1985, US\$52 million is in respect of interest (US\$29 million for arrears and US\$23 million for current obligations) and US\$93 million is in respect of principal (US\$42 million for arrears and US\$52 million for current obligations).

b. Commercial banks

In January 1985 the Bank Steering Committee for Costa Rica and the Costa Rican authorities agreed in principle to reschedule all maturities falling due in 1985 and 1986. The agreement was finalized in May 1985 and provides for a 100 percent rescheduling of principal falling due in 1985 and 1986. It also includes a new credit facility amounting to US\$75 million. The agreement is conditional upon Costa Rica being in compliance with the terms of the 1985 stand-by arrangement from the Fund, on approval both by the World Bank and the Legislative Assembly

of Costa Rica of a structural adjustment loan (SAL), and on Costa Rica seeking comparable debt relief from other creditors on debt of similar maturities.

Principal due in 1985 and 1986 was rescheduled over a ten-year period (including a three-year grace period), including CD advances under the 1983/84 refinancing agreement, but excluding Tranche II repayments under the 1983/84 Refinancing Agreement.^{1/}

In addition to rescheduling principal falling due in 1985, the banks agreed to amend the terms of the Revolving Trade Agreement of September 9, 1983. As indicated in Table 22, this amendment shifted the date by which commitments under this agreement must be reduced by specified amounts forward by approximately one year, and thus rescheduled repayments of US\$40 million and US\$162 million originally due in 1985 and 1986, respectively, into 1986 and 1987.

Table 22. Costa Rica: Reduction of Commitments Under 1983 Revolving Trade Credit Agreement

Commitments to be reduced by	Original date	Amended date
20 percent	September 9, 1985	December 9, 1986
Additional 20 percent	March 9, 1986	March 9, 1987
Additional 20 percent	June 9, 1986	June 9, 1987
Remaining 40 percent	September 9, 1986	September 9, 1987

The new credit facility for 1985 would be available in two drawings. The first drawing of 25 percent was conditional on approval of a stand-by arrangement for Costa Rica from the Fund and was disbursed on June 29, 1985. Disbursement of the remaining 75 percent is conditional on the structural adjustment loan for Costa Rica, which was approved by the World Bank in April 1985, being made effective through approval by the Legislative Assembly of Costa Rica. The proceeds of this loan which has a maturity of 6 years are to be used to help reduce Costa Rica's external arrears and/or to increase gross liquid foreign reserves of the Central Bank.^{2/}

^{1/} Principal due on Tranche I advances on July 31, 1984 and principal repayments due on Tranche II in 1985 were refinanced through an amendment to the 1983 refinancing arrangement that defers the date for making Tranche II advances until July 31, 1985.

^{2/} In particular, no arrears to commercial banks shall exist, except those not in excess of 90 days, at the time of the second disbursement. Proceeds of the first and second drawings must be applied to the extent needed to bring interest payments to a current basis.

The total amount of debt relief provided under the 1985 refinancing agreement with commercial banks (excluding US\$75 million available under the new credit facility) is estimated at US\$167 million in 1985 and US\$109 million in 1986.^{1/}

c. Refinancing of bonds

In addition to the above restructuring agreements, the authorities are attempting to restructure three public bond issues (denominated in foreign currencies) which mature in 1985 through a voluntary exchange offer. Under this proposal, bonds maturing in 1985 which amount to some US\$90 million would be converted into new bonds with seven years maturity (including a grace period of three years) and an interest rate of 1 1/4 percent over LIBOR. It is estimated that approximately 30 percent of bonds maturing in 1985 (including those held by banks) would be refinanced under this scheme in 1985.

d. Effect of debt restructuring on contractual debt service over the medium term

Estimates of the effects of debt rescheduling in 1985 over the medium term are provided in Table 23. These estimates are based on the provisions of the Paris Club Agreement, the debt restructuring agreement with commercial banks and Costa Rica's proposal to restructure bonds through the voluntary exchange offer. The debt service data here differ from those contained in the medium-term projections in Table 6 of the Staff Report on the 1985 Article IV Consultation with Costa Rica (SM/85/223) in that they do not take into account debt service from loans to be contracted from 1985 onwards (other than US\$80 million under the World Bank structural adjustment loan and US\$75 million under the new money facility from commercial banks). Also, these data exclude Fund repurchases and repayments of short-term liabilities of the Central Bank.

Scheduled debt service obligations in 1985 (including arrears at end-December 1984) amount to US\$870 million. After allowing for rescheduling of arrears and current debt service, total debt service payments (including interest on the rescheduling estimated at US\$50.8 million) are estimated at US\$572.3 million in 1985, implying aggregate debt

^{1/} These amounts exclude refinancing (estimated at US\$24 million) of bonds held by commercial banks which fall due in 1985. These amounts also do not take into account the interest to be paid on rescheduled amounts.

Table 23. Costa Rica: Contractual Debt Service Payments 1/

(In millions of U.S. dollars)

	1985	1986	1987	1988	1989	1990
<u>Before rescheduling</u>						
1. Contractual debt service	681.5	637	632	577	490	420
Principal	(406.3)	(361)	(402)	(392)	(345)	(311)
Interest	(275.2) <u>2/</u>	(276)	(230)	(185)	(145)	(109)
2. Total arrears	188.5 <u>3/</u>					
Principal	(84.4)					
Interest	(104.1)					
3. Total contractual debt service	870.0	637	632	577	490	420
Principal	(490.7)	(361)	(402)	(392)	(345)	(311)
Interest	(379.3)	(276)	(230)	(185)	(145)	(109)
<u>After rescheduling</u>						
Total	572.3	547	864	639	570	502
Principal	(193.8)	(232)	(585)	(415)	(390)	(364)
Interest	(378.5) <u>4/</u>	(315) <u>5/</u>	(279) <u>5/</u>	(224) <u>5/</u>	(180) <u>5/</u>	(138) <u>5/</u>

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

1/ Includes debt service on loans contracted up until end-1984. Excludes debt service on new loans contracted after December 1984 except an IBRD structural adjustment loan (SAL) of US\$80 million and the new credit facility of US\$75 million from the commercial banks.

2/ Differs from data in Tables 3 and 6 in SM/85/223 which include interest on rescheduling.

3/ Arrears as at end-1984, excluding short-term liabilities of the Central Bank and import arrears.

4/ Includes payments of interest in arrears (US\$45 million) to commercial banks and other creditors at end-1984.

5/ Differs from data in Table 6 of SM/85/223 which includes interest on all new loans including those required to fill the projected balance of payments gap.

relief of US\$297.7 million.^{1/} Including the disbursement of the new commercial bank loan of US\$75 million, total debt relief would amount to US\$372.7 million. In 1986, total debt relief resulting from the 1985 agreements (including interest to be paid on rescheduled amounts) is estimated at US\$90 million.^{2/}

Despite the rescheduling of arrears and of certain current debt service obligations in 1985-86, the debt service burden is expected to remain heavy over the medium term. Without taking into account debt service on new loans (other than interest on the SAL and the commercial banks' new credit facility) debt service obligations would rise to 59 percent of projected exports of goods and services in 1987 before declining to 26 percent in 1990. The sharp peak in debt service payments in 1987 results, to a large extent, from payments of the remaining US\$162 million due on the revolving trade credit facility.

^{1/} Aggregate debt relief in 1985 as indicated in Table 3 of SM/85/223 amounts to US\$354.5 million (US\$274.6 million for current interest and maturities and US\$79.9 million for arrears of principal, interest, and import payments). The estimate of debt relief in Table 23 is US\$56.8 million lower than this amount, since US\$6 million of import arrears expected to be rescheduled in 1985 are excluded in Table 23 and interest on the rescheduling estimated at US\$50.8 million is deducted from gross debt relief in Table 23 to obtain net debt relief.

^{2/} Differs from estimate in Table 6 of SM/85/223 of US\$135 million due to exclusion of interest to be paid on rescheduled amounts of US\$45 million.

Table 24. Costa Rica: National Accounts at Current Prices

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
<u>Consumption</u>	<u>34,773</u>	<u>46,786</u>	<u>79,979</u>	<u>100,500</u>	<u>118,171</u>
Private sector	27,687	38,206	67,115	81,307	94,315
Public sector	7,086	8,580	12,864	19,193	23,856
<u>Gross domestic investment</u>	<u>11,003</u>	<u>12,780</u>	<u>16,201</u>	<u>27,430</u>	<u>35,102</u>
Fixed capital formation	9,894	13,737	19,808	23,057	29,568
Private sector	(6,095)	(8,515)	(14,534)	(15,176)	(20,485)
Public sector	(3,799)	(5,222)	(5,274)	(7,881)	(9,081)
Inventory changes	1,109	-957	-3,607	4,373	5,536
<u>Gross domestic expenditure</u>	<u>45,776</u>	<u>59,566</u>	<u>96,180</u>	<u>127,930</u>	<u>153,273</u>
<u>Resource gap</u>	<u>-4,371</u>	<u>-2,463</u>	<u>1,325</u>	<u>-1,593</u>	<u>-1,969</u>
Exports of goods and nonfactor services	11,278	25,395	43,967	46,827	54,545
Imports of goods and nonfactor services	-15,649	-27,858	-42,642	-48,420	-56,514
<u>GDP at market prices</u>	<u>41,405</u>	<u>57,103</u>	<u>97,505</u>	<u>126,337</u>	<u>151,304</u>
<u>Net factor payments abroad</u>	<u>-1,998</u>	<u>-6,763</u>	<u>-13,607</u>	<u>-13,000</u>	<u>-14,362</u>
<u>GNP at market prices</u>	<u>39,407</u>	<u>50,340</u>	<u>83,898</u>	<u>113,337</u>	<u>136,942</u>

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

Table 25. Costa Rica: National Accounts at Constant Prices

(In millions of 1966 colones)

	1980	1981	1982	1983	Prel. 1984
<u>Consumption</u>	<u>7,927</u>	<u>7,158</u>	<u>6,811</u>	<u>6,518</u>	<u>7,055</u>
Private sector	6,728	6,008	5,746	5,414	5,796
Public sector	1,199	1,150	1,064	1,104	1,259
<u>Gross domestic investment</u>	<u>2,752</u>	<u>1,715</u>	<u>1,088</u>	<u>1,597</u>	<u>1,857</u>
Fixed capital formation	2,424	1,821	1,314	1,370	1,600
Private sector	(1,569)	(1,146)	(983)	(996)	(1,210)
Public sector	(855)	(675)	(331)	(374)	(390)
Inventory changes	328	-106	-226	227	257
<u>Gross domestic expenditure</u>	<u>10,679</u>	<u>8,873</u>	<u>7,899</u>	<u>8,115</u>	<u>8,912</u>
<u>Resource gap</u>	<u>-1,031</u>	<u>557</u>	<u>844</u>	<u>833</u>	<u>601</u>
Exports of goods and nonfactor services	3,618	3,848	3,337	3,440	3,778
Imports of goods and nonfactor services	-4,649	-3,291	-2,493	-2,607	-3,177
<u>GDP at market prices</u>	<u>9,648</u>	<u>9,430</u>	<u>8,743</u>	<u>8,948</u>	<u>9,513</u>
<u>Net factor payments abroad</u>	<u>-393</u>	<u>-689</u>	<u>-746</u>	<u>-554</u>	<u>-555</u>
<u>GNP at market prices</u>	<u>9,255</u>	<u>8,741</u>	<u>7,997</u>	<u>8,394</u>	<u>8,958</u>

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

Table 26. Costa Rica: Savings and Investment

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
<u>Gross domestic investment</u>	<u>11,003</u>	<u>12,780</u>	<u>16,201</u>	<u>27,430</u>	<u>35,102</u>
Fixed capital formation	9,894	13,737	19,808	23,057	29,566
Private sector	(6,095)	(8,515)	(14,534)	(15,176)	(20,485)
Public sector	(3,799)	(5,222)	(5,274)	(7,881)	(9,081)
Inventory changes	1,109	-957	-3,607	4,373	5,536
<u>Gross national savings</u>	<u>4,918</u>	<u>3,793</u>	<u>6,341</u>	<u>15,018</u>	<u>20,529</u>
Private sector	5,869	5,970	8,772	9,998	12,040
Public sector	-951	-2,177	-2,341	5,020	8,489
<u>External savings ^{1/}</u>	<u>6,085</u>	<u>8,987</u>	<u>9,860</u>	<u>12,412</u>	<u>14,573</u>

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

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

Table 27. Costa Rica: Composition of Gross Fixed Capital Formation

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
<u>Fixed capital formation</u>	<u>9,894</u>	<u>13,738</u>	<u>19,808</u>	<u>23,057</u>	<u>29,560</u>
By type					
Construction	5,675	7,112	9,869	11,747	14,637
Machinery and equipment	4,219	6,626	7,953	11,310	14,929
By economic sector					
Agriculture and related sectors	721	1,074	774	1,409	...
Industry and mining	1,548	2,649	3,261	5,196	...
Construction	477	468	483	1,287	...
Utilities	907	1,494	2,604	2,510	...
Transport and communications	1,578	2,354	3,981	4,077	...
Commercial services	429	644	1,040	975	...
Financial services	257	393	344	194	...
Housing	1,783	1,883	2,402	3,349	...
Public administration	1,986	2,436	2,435	3,366	...
Other services	205	343	498	694	...

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

Table 28. Costa Rica: Gross Domestic Product by Sectors

	1980	1981	1982	1983	Prel. 1984
(In millions of current colones)					
Gross domestic product	41,405	57,103	97,505	126,337	151,304
Agriculture and related areas	7,372	13,144	23,884	26,286	31,904
Manufacturing and mining	7,701	10,818	19,828	27,477	32,217
Utilities	881	1,424	2,264	4,856	5,905
Construction	2,583	2,960	3,005	4,075	4,518
Commerce	8,315	10,500	21,125	25,562	29,856
Transport and communications	1,744	2,555	4,487	5,190	6,332
Financial services	2,191	2,907	4,825	8,165	9,411
Housing	2,494	2,883	3,258	3,773	4,697
Government	6,289	7,625	11,324	15,802	19,152
Other services	1,835	2,287	3,505	5,151	7,314
(In millions of 1966 colones)					
Gross domestic product	9,648	9,430	8,743	8,948	9,513
Agriculture and related areas	1,736	1,825	1,739	1,807	1,930
Manufacturing and mining	2,120	2,109	1,869	1,891	2,080
Utilities	225	242	253	304	315
Construction	603	472	321	330	391
Commerce	1,741	1,556	1,374	1,424	1,545
Transport and communications	676	672	666	656	668
Financial services	500	491	494	509	521
Housing	665	676	682	688	699
Government	967	984	956	940	945
Other services	415	403	389	399	419

Source: Central Bank of Costa Rica.

Table 29. Costa Rica: Value Added in Agriculture and Related Sectors

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
<u>I. At Current Prices</u>					
Total	7,372	13,145	23,884	26,286	31,904
Agriculture	4,952	9,430	17,333	19,440	23,575
Coffee	(1,860)	(3,073)	(5,747)	(4,176)	(6,318)
Bananas	(1,365)	(3,723)	(6,627)	(7,193)	(7,703)
Sugarcane	(354)	(572)	(879)	(1,713)	(1,867)
Cocoa	(88)	(156)	(143)	(131)	(360)
Rice	(293)	(461)	(790)	(1,858)	(1,529)
Corn	(108)	(191)	(550)	(776)	(767)
Beans	(60)	(88)	(277)	(374)	(914)
Sorghum	(54)	(58)	(118)	(269)	(278)
Plantains	(140)	(212)	(465)	(617)	(585)
Other	(630)	(896)	(1,737)	(2,333)	(3,254)
Livestock	1,893	3,069	4,829	5,346	6,420
Lumber	294	496	688	906	1,096
Fish	86	132	327	321	646
Other	147	18	707	273	167
<u>II. At Constant 1966 Prices</u>					
Total	1,736	1,825	1,739	1,807	1,929
Agriculture	1,198	1,226	1,225	1,348	1,400
Coffee	(405)	(430)	(451)	(481)	(528)
Bananas	(381)	(393)	(401)	(400)	(399)
Sugarcane	(83)	(84)	(87)	(90)	(104)
Cocoa	(10)	(10)	(7)	(5)	(8)
Rice	(130)	(126)	(84)	(149)	(139)
Corn	(23)	(26)	(26)	(30)	(33)
Beans	(10)	(11)	(14)	(12)	(18)
Sorghum	(13)	(9)	(8)	(9)	(11)
Plantains	(43)	(44)	(48)	(50)	(48)
Other	(100)	(93)	(99)	(122)	(112)
Livestock	418	467	413	382	445
Lumber	64	81	64	47	48
Fish	31	25	22	20	25
Other	25	26	15	10	11

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

Table 30. Costa Rica: Volume of Agricultural Production

(In thousands of metric tons)

	1980	1981	1982	1983	Prel. 1984
Coffee	106.4	113.1	115.1	124.0	136.9
Bananas	1,110.8	1,141.3	1,153.3	1,155.4	1,160.6
Sugarcane	2,516.5	2,521.0	2,446.2	2,543.5	2,935.8
Cocoa	5.3	5.0	3.5	2.2	4.1
Rice	230.6	222.5	146.2	246.8	231.8
Corn	75.3	82.8	83.3	94.1	103.9
Beans	11.5	12.3	16.3	14.4	20.8
Plantains	90.0	89.9	97.9	92.8	97.5
Beef	118.5	147.6	111.2	97.8	124.6

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

Table 31. Costa Rica: Output and Prices of Major Agricultural Products

(Annual percentage change)

	1980	1981	1982	1983	1984
<u>Major exports</u>					
Coffee					
Output	7.9	6.3	1.9	6.7	10.4
Export price <u>1/</u>	6.7	80.3	81.8	-8.8	24.7
Bananas					
Output	-3.8	2.7	-0.4	-0.2	0.5
Export price <u>1/</u>	14.7	163.1	80.5	9.3	5.5
Sugar					
Output (sugarcane)	-3.7	0.2	-3.0	3.9	15.5
Export price <u>1/</u>	121.4	158.8	-6.9	56.3	33.5
<u>Basic grains</u>					
Rice					
Output	5.0	-3.5	-33.2	78.7	-6.1
Support price	17.5	67.5	117.0	46.9	-1.9
Sorghum					
Output	23.7	-25.9	-12.4	11.3	23.0
Support price	20.9	63.4	123.7	58.3	--
Corn					
Output	3.3	9.9	-0.6	15.9	10.4
Support price	15.8	70.4	116.3	46.5	--
Beans					
Output	1.8	6.9	32.5	-12.0	44.7
Support price	27.0	61.2	109.8	59.2	--

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.

Table 32. Costa Rica: Average Prices of Basic Grains

(In colones per kilogram)

	1980	1981	1982	1983	1984
<u>Rice</u>					
Support price	2.28	3.82	8.29	12.18	11.95
Wholesalers	3.95	4.36	14.86	21.98	21.98
Retailers	4.09	4.51	15.60	22.86	22.86
Consumers	4.59	5.05	17.47	25.15	25.15
<u>Corn</u>					
Support price	2.13	3.63	7.85	11.50	11.50
Wholesalers	2.29	2.29	6.69	10.43	10.43
Retailers	2.39	2.39	7.01	10.96	10.96
Consumers	2.65	2.65	7.85	12.25	12.25
<u>Sorghum</u>					
Support price	1.91	3.12	6.98	11.05	11.05
Wholesalers	1.96	3.27	7.33	11.02	11.02
<u>Beans</u>					
Support price	6.21	10.01	21.00	33.44	33.46
Wholesalers	6.33	6.33	18.23	24.70	27.95
Retailers	6.60	6.60	19.13	25.93	29.34
Consumers	7.30	7.30	21.40	29.00	32.83

Sources: National Production Council; and Fund staff estimates.

Table 33. Costa Rica: Industrial Production

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
I. Gross Value at Current Prices					
Total	24,260	40,019	65,741	84,533	100,674
Foodstuffs, beverages, and tobacco	11,610	18,855	30,832	38,124	46,010
Food	(9,963)	(16,645)	(26,691)	(32,461)	(39,164)
Beverages	(1,317)	(1,674)	(3,156)	(4,311)	(5,235)
Tobacco	(330)	(535)	(986)	(1,353)	(1,611)
Textiles, clothing, and leather	1,850	2,908	5,588	7,016	7,652
Textiles	(701)	(1,066)	(1,972)	(2,367)	(2,517)
Clothing	(766)	(1,207)	(2,367)	(3,043)	(3,322)
Leather and shoes	(383)	(635)	(1,249)	(1,606)	(1,812)
Wood and wood products	1,180	1,715	2,301	2,788	3,222
Paper and paper products	1,134	1,882	3,156	5,241	6,846
Chemical and petroleum products	4,405	8,482	14,397	20,119	22,753
Chemical products	(1,880)	(3,519)	(6,640)	(10,485)	(11,880)
Petroleum products	(1,605)	(3,485)	(4,931)	(6,678)	(7,551)
Other	(920)	(1,478)	(2,827)	(2,956)	(3,322)
Nonmetallic mineral products	617	928	1,512	2,029	3,020
Metal products	2,603	3,991	6,048	5,833	7,148
Basic metals	(226)	(340)	(657)	(930)	(1,208)
Machinery and equipment	(2,377)	(3,651)	(5,391)	(4,987)	(6,040)
Other	860	1,258	1,907	3,382	4,027
II. Value Added at Current Prices					
Total	7,701	10,818	19,828	27,477	32,217
Foodstuffs, beverages, and tobacco	3,099	4,450	7,787	11,125	11,663
Food	(2,066)	(3,218)	(5,546)	(7,649)	(8,022)
Beverages	(824)	(889)	(1,678)	(2,592)	(2,706)
Tobacco	(209)	(343)	(563)	(884)	(934)
Textiles, clothing, and leather	688	1,041	1,946	2,694	2,835
Textiles	(283)	(424)	(777)	(985)	(1,031)
Clothing	(263)	(404)	(898)	(1,303)	(1,385)
Leather and shoes	(143)	(213)	(271)	(406)	(419)
Wood and wood products	480	597	852	1,207	1,321
Paper and paper products	324	431	1,109	2,119	2,223
Chemical and petroleum products	1,142	1,797	3,942	6,182	6,476
Chemical products	(505)	(941)	(2,462)	(4,325)	(4,543)
Petroleum products	(349)	(441)	(282)	(436)	(451)
Other	(287)	(415)	(1,198)	(1,420)	(1,482)
Nonmetallic mineral products	256	331	564	875	902
Metal products	731	1,207	2,693	2,701	2,803
Basic metals	(33)	(81)	(271)	(414)	(419)
Machinery and equipment	(698)	(1,125)	(2,422)	(2,287)	(2,384)
Other	981	965	935	574	3,995

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

Table 34. Costa Rica: Electricity Statistics

	1980	1981	1982	1983	1984
<u>Installed capacity (kvar)</u>	<u>598.0</u>	<u>729.0</u>	<u>935.6</u>	<u>773.8</u>	<u>776.9</u>
Hydroelectric	444.0	543.2	747.9	618.6	621.5
Thermal	154.0	185.8	187.7	155.2	155.4
<u>Total generation (GWh)</u>	<u>2,144</u>	<u>2,291</u>	<u>2,400</u> 1/	<u>2,860</u> 1/	<u>3,008</u>
Hydroelectric	2,098	2,262	2,366	2,822	3,000
Thermal	46	29	34	38	8
<u>Consumption (GWh)</u>	<u>1,880</u>	<u>2,047</u>	<u>2,065</u>	<u>2,194</u>	<u>2,336</u>
Residential	843	901	946	1,010	1,046
Industrial	638	640	538	362	680
Other	399	506	581	822	610
<u>Average rates (colones/kwh)</u>	<u>0.55</u>	<u>0.66</u>	<u>1.05</u>	<u>2.07</u>	<u>2.25</u>
Residential	0.50	0.65	1.03	1.67	1.58
Industrial	0.57	0.56	0.88	1.85	2.33
Other	0.57	0.77	1.23	2.70	3.32
<u>Memorandum item</u>					
Exports (GWh)	--	--	108	478	443

Source: Costa Rican Electricity Institute.

1/ Includes generation for export.

Table 35. Costa Rica: Price Indicators

	Weights	Indices				
		1980	1981	1982	1983	1984
<u>Wholesale prices (average) (1978=100)</u>	<u>100.0</u>	<u>143.6</u>	<u>237.3</u>	<u>494.3</u>	<u>623.7</u>	<u>671.5</u>
Food and beverages	41.5	136.9	193.1	417.5	544.2	584.1
Textiles and hides	4.8	124.5	228.0	531.4	624.9	649.7
Clothing	7.2	127.6	198.3	392.4	521.0	568.6
Construction materials	12.3	139.0	257.7	520.6	542.4	582.4
Fuel, electricity, and water	12.3	195.1	370.8	694.7	1,010.1	1,035.5
Chemicals and manufactures	21.8	137.1	248.2	533.9	631.3	716.0
 <u>Wholesale prices (end of period)</u>		<u>153.1</u>	<u>333.4</u>	<u>597.1</u>	<u>632.3</u>	<u>709.6</u>
Food and beverages		162.1	265.7	525.4	554.2	621.5
Textiles and hides		133.3	358.0	645.9	605.5	670.5
Clothing		132.3	289.9	476.8	527.4	608.7
Construction materials		151.4	387.8	536.9	545.1	611.0
Fuel, electricity, and water		203.6	423.1	894.1	1,007.0	1,051.1
Chemicals and manufactures		150.3	388.4	623.7	652.7	774.3
 <u>Implicit GDP deflator (1966=100)</u>		<u>429.2</u>	<u>605.5</u>	<u>1,115.2</u>	<u>1,411.9</u>	<u>1,590.5</u>
 <u>Consumer prices (average) (1975=100)</u>	<u>100.0</u>	<u>147.4</u>	<u>202.0</u>	<u>384.1</u>	<u>509.4</u>	<u>570.3</u>
Food	40.8	158.4	216.5	462.4	611.4	665.2
Clothing	10.0	94.4	129.4	246.7	301.0	316.7
Housing	27.1	144.3	195.5	296.6	383.2	410.3
Other	22.1	155.0	216.4	409.7	571.2	707.1
 <u>Consumer prices (end of period)</u>		<u>158.3</u>	<u>261.3</u>	<u>474.9</u>	<u>525.7</u>	<u>616.9</u>
Food		169.2	288.4	579.9	627.5	726.3
Clothing		101.2	174.4	294.1	304.3	328.2
Housing		157.6	231.9	357.7	376.0	436.6
Other		164.9	286.9	507.3	622.9	767.8
 <u>Basic basket 1/ (in colones) (end of period)</u>		<u>...</u>	<u>2,550.5</u>	<u>4,736.3</u>	<u>5,239.7</u>	<u>5,696.3</u>

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

1/ Corresponds to the enlarged basic basket composed of 35 items.

Table 36. Costa Rica: Wholesale Price Index Components

(In percent)

	General Index	By Origin		By Price Control	
		Domestic	Imported	Controlled	Noncontrolled
<u>1980</u>					
March	97.1	98.0	95.6	98.6	96.2
June	99.2	99.6	98.7	99.8	99.0
September	102.8	102.6	103.0	102.7	102.8
December	106.9	106.0	108.4	105.5	107.6
<u>1981</u>					
March	129.5	120.7	143.5	133.1	127.5
June	158.3	142.7	183.1	170.0	152.8
September	175.6	160.1	200.3	180.6	172.8
December	232.2	204.8	275.9	194.7	246.2
<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

Source: Central Bank of Costa Rica.

Table 37. Costa Rica: Average Energy Prices

	1980	1981	1982	1983	1984
(In colones per litre)					
<u>Petroleum prices</u>					
Gasoline	5.80	9.96	16.88	23.10	23.10
Diesel	2.40	6.06	12.88	18.06	18.06
Kerosene	2.34	6.83	12.64	17.00	17.00
(In colones per kwh)					
<u>Electricity rates</u>	0.55	0.66	1.05	2.07	2.25
Residential	0.50	0.65	1.03	1.67	1.58
Industrial	0.57	0.56	0.88	1.85	2.33
Commercial	0.57	0.77	1.23	2.70	3.32
(Annual percentage change)					
<u>Petroleum prices</u>					
Gasoline	59.3	71.7	69.5	36.8	--
Diesel	65.5	152.5	112.5	40.5	--
Kerosene	70.8	191.9	85.1	34.5	--
<u>Electricity rates</u>	19.6	20.0	59.1	97.1	8.7
Residential	13.6	30.0	58.5	62.1	-5.39
Industrial	29.5	-1.7	57.1	110.2	19.49
Commercial	16.3	35.1	59.7	119.5	22.96

Source: Central Bank of Costa Rica.

Table 38. Costa Rica: Average Wages 1/

	1980	1981	1982	1983	1984
<u>(In colones)</u>					
<u>Total</u>	<u>2,457</u>	<u>3,062</u>	<u>4,668</u>	<u>6,899</u>	<u>8,328</u>
By sector					
Agriculture	1,538	1,918	3,283	4,779	5,837
Manufacturing, mining and utilities	2,226	2,757	4,434	6,604	8,047
Construction	1,855	2,256	3,432	5,452	6,466
Commerce	2,497	3,158	4,831	5,779	7,296
Transport, communication and storage	2,318	2,862	4,463	6,681	9,098
Personal services	3,432	3,961	5,762	8,319	9,614
By employer					
Public sector	3,478	4,560	6,469	9,423	11,081
Central Administration	(3,148)	(4,543)	(6,247)	(8,600)	(10,403)
Autonomous entities	(3,745)	(4,642)	(6,628)	(10,003)	(11,496)
Private sector	1,890	2,368	3,783	5,655	6,875
<u>(In 1975 colones)2/</u>					
<u>Total</u>	<u>1,667</u>	<u>1,516</u>	<u>1,215</u>	<u>1,354</u>	<u>1,460</u>
By sector					
Agriculture	1,043	949	855	938	1,024
Manufacturing, mining and utilities	1,510	1,365	1,154	1,296	1,411
Construction	1,258	1,117	894	1,070	1,134
Commerce	1,694	1,563	1,258	1,134	1,279
Transport, communication, and storage	1,572	1,417	1,162	1,312	1,597
Personal services	2,328	1,961	1,500	1,633	1,686
By employer					
Public sector	2,359	2,257	1,684	1,850	1,944
Central Administration	(2,130)	(2,249)	(1,626)	(1,688)	(1,762)
Autonomous entities	(2,541)	(2,298)	(1,726)	(1,964)	(2,017)
Private sector	1,282	1,172	985	1,110	1,206

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

1/ Average wage of the economically active population.

2/ Nominal wages deflated using the consumer price index.

Table 39. Costa Rica: Minimum Wage Index

(1975 = 100)

	1980	1981	1982	1983	1984
<u>Average nominal minimum</u>					
<u>wage index</u>	<u>185.2</u>	<u>229.7</u>	<u>398.1</u>	<u>606.3</u>	<u>713.5</u>
By sector					
Agriculture	194.3	240.7	440.5	653.7	767.6
Mining	183.4	227.4	394.3	584.1	687.5
Manufacturing	185.3	229.8	401.9	606.0	713.3
Construction	167.8	206.6	358.1	529.8	623.6
Utilities	186.8	231.7	405.1	607.9	715.5
Commerce	196.5	243.6	439.2	674.8	794.3
Transport, storage, and communication	178.8	220.1	381.3	571.3	673.2
Services	186.9	231.8	414.3	630.3	744.6
Other	194.8	241.5	435.4	656.1	772.6
<u>Average real minimum</u>					
<u>wage index 1/</u>	<u>125.7</u>	<u>113.7</u>	<u>103.6</u>	<u>119.0</u>	<u>125.1</u>
By sector					
Agriculture	131.8	119.1	114.7	128.4	134.7
Mining	124.4	112.6	102.6	114.6	120.5
Manufacturing	125.7	113.8	104.6	118.9	125.0
Construction	113.9	102.3	93.2	104.0	109.3
Utilities	126.7	114.7	105.5	119.4	125.5
Commerce	133.3	120.6	114.3	132.4	139.2
Transport, storage, and communication	121.3	108.9	99.3	112.2	118.1
Services	126.8	114.8	107.8	123.7	130.5
Other	132.2	119.5	113.3	128.8	135.5

Sources: Ministry of Labor; and Fund staff estimates.

1/ Nominal minimum wages deflated using consumer price index.

Table 40. Costa Rica: Employment

	1980	1981	1982	1983	1984
(In thousands)					
<u>Total employment</u> ^{1/}	<u>738.0</u>	<u>751.5</u>	<u>777.6</u>	<u>778.7</u>	<u>802.8</u> ^{2/}
By sector					
Agriculture	212.9	224.6	245.8	230.3	...
Manufacturing and mining	118.2	115.9	121.7	130.4	...
Construction	54.5	49.5	42.8	37.9	...
Commerce	134.8	133.0	132.7	137.7	...
Basic services	46.5	42.3	41.8	43.6	...
Personal services	169.1	180.9	187.7	195.6	...
By employer					
Private sector	598.8	612.0	642.1	633.2	...
Public sector	139.2	139.5	135.5	145.5	...
(In percent)					
Participation rate ^{3/}	35.4	36.6	36.8	35.5	35.4
Open unemployment rate ^{3/}	5.0	8.0	8.0	7.4	6.4
<u>Total employment</u> ^{1/}	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
By sector					
Agriculture	28.8	29.9	31.6	29.6	...
Manufacturing and mining	16.0	15.4	15.6	16.7	...
Construction	7.4	6.6	5.5	4.9	...
Commerce	18.3	17.7	17.1	17.7	...
Basic services	6.3	5.6	5.4	5.6	...
Personal services	23.2	24.8	24.1	25.1	...
By employer					
Private sector	81.1	81.4	82.6	81.3	...
Public sector	18.9	18.6	17.4	18.7	...

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

^{1/} Annual average of three observations (March, July, and November).

^{2/} Estimated from the annual percentage increase observed in March and November 1984, since there was no survey in July 1984.

^{3/} Annual average of two observations (March and December).

Table 41. Costa Rica: Operations of the Nonfinancial Public Sector

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
I. Central Administration					
<u>Current revenue</u>	<u>5,306</u>	<u>7,770</u>	<u>14,026</u>	<u>21,417</u>	<u>27,012</u>
Tax revenues	5,124	7,517	13,717	20,622	24,864
Direct taxes	(1,194)	(1,701)	(3,215)	(5,164)	(5,412)
Indirect taxes	(3,930)	(5,816)	(10,502)	(15,458)	(19,452)
Sales of goods and services	27	36	48	58	55
Property income	40	52	48	288	353
Transfers	14	52	86	249	1,531
Other current revenue	101	113	127	200	209
<u>Current expenditure</u>	<u>6,676</u>	<u>8,663</u>	<u>15,072</u>	<u>20,953</u>	<u>26,137</u>
Wages and salaries	2,936	3,501	5,044	7,730	9,822
Goods and services	303	426	669	1,158	1,460
Interest	902	1,427	2,615	3,739	3,752
Transfers to	2,535	2,949	6,651	8,326	11,103
Rest of general government <u>1/</u>	(1,863)	(1,839)	(3,980)	(4,895)	(5,889)
Public enterprises	(36)	(59)	(14)	(14)	(135)
Other	(636)	(1,051)	(2,657)	(3,417)	(5,079)
Exchange subsidies <u>2/</u>	--	360	93	--	--
<u>Current surplus or deficit (-)</u>	<u>-1,370</u>	<u>-893</u>	<u>-1,046</u>	<u>464</u>	<u>875</u>
<u>Capital expenditure</u>	<u>1,930</u>	<u>2,106</u>	<u>2,212</u>	<u>5,091</u>	<u>5,392</u>
Fixed capital formation	1,148	1,169	1,181	2,931	3,662
Transfers to	722	844	816	2,033	1,477
Rest of general government	(668)	(75)	(398)	(1,261)	(1,085)
Public enterprises	(7)	(623)	(80)	(456)	(215)
Other	(47)	(146)	(338)	(316)	(177)
Other capital expenditure	60	93	215	127	253
<u>Overall surplus or deficit (-)</u>	<u>-3,300</u>	<u>-2,999</u>	<u>-3,258</u>	<u>-4,627</u>	<u>-4,517</u>

Table 41. Costa Rica: Operations of the Nonfinancial Public Sector (Continued)

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
II. <u>Rest of the General Government 3/</u>					
<u>Current revenue</u>	<u>5,758</u>	<u>6,323</u>	<u>10,114</u>	<u>16,239</u>	<u>20,508</u>
Direct taxes	2,496	3,045	4,697	8,418	10,908
Of which: social security payments from	(2,431)	(2,915)	(3,846)	(6,966)	(9,067)
Central Administration	/200/	/153/	/469/	/582/	/708/
Public enterprises	/145/	/191/	/226/	/601/	/759/
Other	/2,086/	/2,571/	/3,151/	/5,783/	/7,600/
Indirect taxes	477	514	885	951	1,415
Sales of goods and services	1,187	414	633	866	1,186
Property income	198	245	293	727	1,173
Transfers from	1,372	2,019	3,357	4,993	5,479
Central Administration	(1,265)	(1,836)	(3,116)	(4,324)	(4,621)
Public enterprises	(21)	(20)	(23)	(320)	(608)
Other	(86)	(163)	(218)	(349)	(250)
Other current revenue	154	201	289	317	374
Adjustment 4/	-126	-115	-39	-33	-27
<u>Capital revenue</u>	<u>308</u>	<u>226</u>	<u>668</u>	<u>1,316</u>	<u>1,247</u>
Transfers from	368	177	664	1,173	1,148
Central Administration	(362)	(131)	(637)	(1,168)	(1,135)
Public enterprises	(4)	(33)	(--)	(3)	(3)
Other	(2)	(13)	(27)	(2)	(10)
Other capital revenue	22	27	8	14	33
Adjustment 4/	-82	22	-4	129	66
<u>Current expenditure</u>	<u>5,223</u>	<u>5,768</u>	<u>9,085</u>	<u>13,806</u>	<u>16,856</u>
Wages and salaries	2,524	3,152	4,460	6,285	8,237
Goods and services	1,323	1,501	2,691	4,021	4,337
Interest	17	34	148	59	84
Transfers to	1,359	906	1,481	3,342	4,064
Central Administration	(27)	(30)	(36)	(310)	(656)
Public enterprises	(1)	(11)	(5)	(2)	(--)
Other	(1,331)	(865)	(1,440)	(3,030)	(3,408)
Other current expenditure	--	--	--	--	46
Exchange subsidies 3/	--	175	305	99	88
<u>Capital expenditure</u>	<u>1,075</u>	<u>1,182</u>	<u>1,218</u>	<u>1,988</u>	<u>2,538</u>
Fixed capital formation	776	959	907	1,397	1,541
Transfers to	81	85	83	85	262
Central Administration	(5)	(36)	(11)	(--)	(1)
Public enterprises	(67)	(42)	(49)	(78)	(161)
Other	(9)	(7)	(23)	(7)	(100)
Net lending	103	57	140	291	278
Other capital expenditure	115	81	88	215	457
<u>Overall surplus or deficit (-)</u>	<u>-232</u>	<u>-401</u>	<u>479</u>	<u>1,761</u>	<u>2,361</u>

Table 41. Costa Rica: Operations of the Nonfinancial Public Sector (Continued)

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
III. General Government					
<u>Current revenue</u>	<u>9,110</u>	<u>12,149</u>	<u>20,124</u>	<u>32,451</u>	<u>40,975</u>
Tax revenue	7,807	10,923	18,829	29,410	36,479
Direct taxes	(3,490)	(4,593)	(7,443)	(13,001)	(15,612)
Indirect taxes	(4,317)	(6,330)	(11,386)	(16,409)	(20,867)
Sales of goods and services	1,214	450	681	924	1,241
Property income	174	297	341	1,015	1,526
Transfers from	117	192	265	696	1,867
Public enterprises	(23)	(21)	(26)	(322)	(1,107)
Other	(94)	(171)	(239)	(374)	(760)
Other current revenue	255	314	416	517	583
Adjustment 4/	-457	-27	-408	-111	-721
<u>Capital revenue</u>	<u>28</u>	<u>115</u>	<u>259</u>	<u>55</u>	<u>161</u>
Transfers from	6	46	27	5	13
Public enterprises	(4)	(33)	(--)	(3)	(3)
Other	(2)	(13)	(27)	(2)	(10)
Other capital revenue	22	27	8	14	33
Adjustment 4/	--	42	224	36	115
<u>Current expenditure</u>	<u>9,945</u>	<u>12,487</u>	<u>20,141</u>	<u>29,554</u>	<u>36,448</u>
Wages and salaries	5,460	6,653	9,504	14,014	18,059
Goods and services	1,626	1,927	3,360	5,179	5,797
Interest	855	1,386	2,763	3,799	3,836
Transfers to	2,004	1,986	4,116	6,463	8,622
Public enterprises	(37)	(75)	(19)	(16)	(135)
Other	(1,967)	(1,911)	(4,097)	(6,447)	(8,487)
Other current expenditure	--	--	--	--	46
Exchange subsidies 2/	--	535	398	99	88
<u>Capital expenditure</u>	<u>2,725</u>	<u>3,177</u>	<u>3,021</u>	<u>5,818</u>	<u>6,844</u>
Fixed capital formation	1,924	2,128	2,088	4,328	5,203
Transfers to	130	818	490	858	653
Public enterprises	(74)	(665)	(129)	(535)	(376)
Other	(56)	(153)	(361)	(323)	(277)
Net lending	103	57	140	291	278
Other capital expenditure	175	174	303	341	710
Adjustment 4/	393	--	--	--	--
<u>Overall surplus or deficit (-)</u>	<u>-3,532</u>	<u>-3,400</u>	<u>-2,779</u>	<u>-2,866</u>	<u>-2,156</u>

Table 41. Costa Rica: Operations of the Nonfinancial Public Sector (Continued)

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
IV. Nonfinancial Public Enterprises 5/					
<u>Current revenue</u>	<u>4,995</u>	<u>10,280</u>	<u>18,239</u>	<u>28,949</u>	<u>35,027</u>
Sales of goods and services	4,832	9,846	17,737	27,401	33,558
Property income	23	66	145	565	890
Transfers from	35	52	97	55	174
General government	(35)	(52)	(28)	(19)	(174)
Other	(--)	(--)	(69)	(36)	(--)
Other current revenue	105	274	663	930	378
Adjustment 4/	--	42	-403	-2	27
<u>Capital revenue</u>	<u>52</u>	<u>759</u>	<u>135</u>	<u>596</u>	<u>297</u>
Transfers from	6	683	129	518	222
General government	(6)	(670)	(102)	(514)	(177)
Other	(--)	(13)	(27)	(4)	(45)
Other capital revenue	65	14	6	78	72
Adjustment 4/	-19	62	--	--	3
<u>Current expenditure</u>	<u>5,111</u>	<u>12,119</u>	<u>20,653</u>	<u>26,826</u>	<u>31,065</u>
Wages and salaries	1,227	1,358	2,061	2,859	3,537
Social security payments	145	191	228	601	759
Goods and services	2,858	7,213	11,680	15,408	17,810
Interest	660	1,966	4,709	5,528	5,466
Transfers to	221	1,040	937	2,430	3,493
General government	(13)	(115)	(52)	(366)	(1,059)
Other	(208)	(925)	(885)	(2,064)	(2,434)
Exchange losses 2/	--	351	1,038	--	--
<u>Capital expenditure</u>	<u>1,906</u>	<u>3,327</u>	<u>3,417</u>	<u>4,456</u>	<u>4,291</u>
Fixed capital formation	1,875	3,094	3,186	3,552	3,878
Transfers to	1	108	53	285	295
General government	(1)	(1)	(52)	(3)	(1)
Other	(--)	(107)	(1)	(282)	(294)
Net lending	30	76	160	577	84
Other capital expenditure	--	49	18	42	34
<u>Operational surplus</u>	<u>7</u>	<u>-1,585</u>	<u>-2,162</u>	<u>3,070</u>	<u>5,606</u>
<u>Current account surplus or deficit (-)6/</u>	<u>-116</u>	<u>-1,839</u>	<u>-2,414</u>	<u>2,123</u>	<u>3,962</u>
<u>Overall surplus or deficit (-)</u>	<u>-1,970</u>	<u>-4,407</u>	<u>-5,696</u>	<u>-1,737</u>	<u>-32</u>

Table 41. Costa Rica: Operations of the Nonfinancial Public Sector (Concluded)

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
V. Consolidated Nonfinancial Public Sector					
<u>Current revenue</u>	8,957	10,235	17,691	34,558	44,803
Tax revenue	7,662	10,732	18,603	28,809	35,720
Direct taxes	(3,345)	(4,402)	(7,217)	(12,400)	(14,853)
Indirect taxes	(4,317)	(6,330)	(11,386)	(16,409)	(20,867)
General government nontax revenue	1,737	1,061	1,438	2,456	3,350
Central Administration	(176)	(201)	(223)	(546)	(617)
Rest of general government	(1,561)	(860)	(1,215)	(1,910)	(2,733)
Public enterprises operational surplus	7	-1,585	-2,162	3,070	5,606
Current transfers	94	171	308	374	760
Adjustment ^{4/}	-543	-144	-496	-151	-633
<u>Capital revenue</u>	73	208	213	114	80
Transfers	2	13	27	6	55
Other capital revenue	87	54	41	92	105
Adjustment ^{4/}	-16	141	145	16	-80
<u>Total expenditure and net lending</u>	14,532	18,250	26,379	39,275	47,071
General government current expenditures	9,408	12,412	20,122	29,538	36,314
Capital expenditures and net lending	4,624	5,838	6,257	9,737	10,757
Fixed capital formation	(3,799)	(5,222)	(5,274)	(7,881)	(9,081)
Transfers	(56)	(260)	(362)	(605)	(571)
Net lending	(133)	(133)	(300)	(868)	(361)
Other	(175)	(223)	(321)	(383)	(744)
Adjustment ^{4/}	(461)	(--)	(--)	(--)	(--)
<u>Overall surplus or deficit before adjustment (-)</u>	-5,502	-7,807	-8,475	-4,603	-2,188
<u>Net residual ^{6/}</u>	627	-224	-295	651	-654
<u>Financing = overall deficit</u>	4,875	8,031	8,770	3,952	2,842
External (net)	2,176	1,466	-1,505	-324	-384
Domestic	2,699	1,739	2,697	14,766	159
Banking system	(2,401)	(1,664)	(1,872)	(13,889)	(-1,122)
Public bond placement	(346)	(56)	(681)	(437)	(445)
Change in floating debt	(-48)	(131)	(144)	(440)	(836)
External arrears (change)	--	4,826	7,578	-13,767	3,067
Rescheduling	--	--	--	3,277	--

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

1/ Includes social security payments.

2/ Exchange subsidies granted by the the Central Bank.

3/ Includes: Local governments, CCSS, IDA, CTAMS, DESAF, ICT, INA, OCIS, OFICAFE, IMAS, CONICYT, CTAC, LTCR, MPNPE, PNI, SNASRA, SNE, HCR, 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, FECDASA, 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 42. Costa Rica: Central Administration Revenue

(In millions of colones)

	1980	1981	1982	1983	Prel. 1984
<u>Total revenue</u>	<u>5,306</u>	<u>7,770</u>	<u>14,026</u>	<u>21,417</u>	<u>27,012</u>
<u>Tax revenue</u>	<u>5,124</u>	<u>7,517</u>	<u>13,717</u>	<u>20,622</u>	<u>24,864</u>
Direct taxes	1,194	1,701	3,215	5,166	5,413
Income and profits tax	(1,009)	(1,487)	(2,910)	(4,714)	(4,738)
Payroll tax	(125)	(146)	(201)	(305)	(517)
Property tax	(60)	(68)	(104)	(147)	(158)
Indirect taxes	3,930	5,816	10,502	15,456	19,451
Domestic goods and services	(2,373)	(2,688)	(4,715)	(7,615)	(11,065)
General sales tax	[946]	[1,123]	[2,695]	[4,271]	[5,673]
Selective taxes on goods and services	[1,427]	[1,565]	[2,020]	[3,344]	[5,392]
Taxes on international trade	(1,557)	(3,128)	(5,787)	(7,841)	(8,386)
Taxes on imports	[817]	[899]	[1,087]	[2,427]	[4,200]
Import duties	/582/	/474/	/647/	/1,208/	/2,019/
Import surcharges	/189/	/385/	/405/	/1,166/	/2,008/
Other	/46/	/40/	/35/	/53/	/173/
Taxes on exports	[735]	[2,223]	[4,689]	[4,994]	[3,851]
Ad-valorem export tax	/323/	/706/	/1,542/	/1,483/	/1,518/
Bananas export tax	/218/	/1,080/	/1,659/	/1,757/	/1,364/
Coffee tax	/170/	/339/	/699/	/749/	/907/
Exchange differential	/--/	/5/	/766/	/933/	/--/
Other	/24/	/93/	/23/	/72/	/62/
Other	[5]	[6]	[11]	[420]	[335]
<u>Nontax revenue</u>	<u>182</u>	<u>253</u>	<u>309</u>	<u>795</u>	<u>2148</u>
Sales of goods and services	27	36	48	58	55
Property income	40	52	48	288	353
Public enterprises	(--)	(1)	(1)	(1)	(1)
Financial institutions	(29)	(40)	(45)	(287)	(352)
Other	(11)	(11)	(2)	(--)	(--)
Transfers	14	52	86	249	1,531
Rest of general government	(4)	(43)	(62)	(222)	(521)
Public enterprises	(2)	(1)	(3)	(2)	(499)
Financial institutions	(8)	(8)	(21)	(25)	(511)
Other current revenue	101	113	127	200	209

Source: Ministry of Finance.

Table 43. Costa Rica: Central Administration Expenditure

(In millions of colones)

	1980	1981	1982	1983	1984
<u>Total expenditure</u>	<u>8,606</u>	<u>10,769</u>	<u>17,284</u>	<u>26,044</u>	<u>31,529</u>
<u>Current expenditure</u>	<u>6,676</u>	<u>8,663</u>	<u>15,072</u>	<u>20,953</u>	<u>26,137</u>
Wages and salaries	2,936	3,501	5,044	7,730	9,822
Purchases of goods and services	303	426	669	1,158	1,460
Interest	902	1,427	2,615	3,739	3,752
Domestic debt	(544)	(459)	(400)	(1,351)	(1,807)
External debt <u>1/</u>	(358)	(968)	(2,215)	(2,388)	(1,945)
Transfers to	2,535	2,949	6,651	8,326	11,103
Rest of general government <u>2/</u>	(1,863)	(1,839)	(3,980)	(4,895)	(5,889)
Public enterprises	(36)	(59)	(14)	(14)	(135)
Financial inter- mediaries	(--)	(30)	(110)	(--)	(--)
Private sector	(603)	(1,001)	(2,484)	(3,344)	(4,937)
Abroad	(33)	(20)	(63)	(73)	(142)
Exchange subsidies <u>3/</u>	--	360	93	--	--
<u>Capital expenditure</u>	<u>1,930</u>	<u>2,106</u>	<u>2,212</u>	<u>5,091</u>	<u>5,392</u>
Fixed capital formation	1,148	1,169	1,181	2,931	3,662
Transfers to	722	844	816	2,033	1,477
Rest of general government	(668)	(75)	(398)	(1,261)	(1,085)
Public enterprises	(7)	(623)	(80)	(456)	(215)
Financial inter- mediaries	(--)	(--)	(198)	(--)	(--)
Private sector	(47)	(146)	(140)	(316)	(177)
Other capital expenditure	60	93	215	127	253

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

(In millions of colones)

	1980	1981	1982	1983	1984
<u>Total revenue</u>	<u>2,841</u>	<u>3,321</u>	<u>5,225</u>	<u>8,671</u>	<u>11,088</u>
Current revenue	2,675	3,261	5,223	8,671	11,088
Tax revenue <u>1/</u>	(1,521)	(2,725)	(4,012)	(7,101)	(8,879)
Nontax revenue	(979)	(298)	(381)	(703)	(1,282)
Transfers	(175)	(238)	(830)	(867)	(927)
Capital revenue	166	60	2	--	--
<u>Current expenditure</u>	<u>2,421</u>	<u>3,150</u>	<u>5,093</u>	<u>7,035</u>	<u>8,701</u>
Wages and salaries	1,421	1,735	2,388	3,324	4,567
Goods and services	577	678	1,427	1,817	1,921
Interest	2	11	4	6	38
Transfers	421	551	969	1,789	2,087
Exchange subsidies <u>2/</u>	--	175	305	99	88
<u>Capital expenditure</u>	<u>240</u>	<u>215</u>	<u>231</u>	<u>360</u>	<u>211</u>
Direct investment	163	167	97	91	47
Net lending	67	44	133	257	164
Other	10	4	1	12	--
<u>Current account surplus</u>					
<u>or deficit (-)</u>	<u>254</u>	<u>111</u>	<u>130</u>	<u>1,636</u>	<u>2,387</u>
<u>Overall surplus or</u>					
<u>deficit (-)</u>	<u>180</u>	<u>-44</u>	<u>-99</u>	<u>1,276</u>	<u>2,176</u>

Source: Ministry of Finance.

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

Table 45. Costa Rica: Summary Operations of Major Nonfinancial Public Enterprises

	1980	1981	1982	1983	1984
(In millions of colones)					
<u>Total revenue</u>	<u>5,047</u>	<u>11,039</u>	<u>18,374</u>	<u>29,545</u>	<u>35,324</u>
Of which:					
RECOPE	2,187	4,404	8,040	10,858	11,638
ICE	1,214	1,920	3,532	5,843	8,654
CODESA	233	1,795	2,438	3,641	3,930
CNP	858	1,749	3,310	4,022	5,053
<u>Current expenditure 1/</u>	<u>5,111</u>	<u>12,119</u>	<u>20,653</u>	<u>26,826</u>	<u>31,065</u>
Of which:					
RECOPE	2,335	5,043	9,477	9,577	10,147
ICE	850	2,308	3,920	4,678	5,329
CODESA	427	1,809	3,365	3,735	4,000
CNP	900	1,952	3,060	4,532	6,114
<u>Capital expenditure 2/</u>	<u>1,906</u>	<u>3,327</u>	<u>3,417</u>	<u>4,456</u>	<u>4,291</u>
Of which:					
RECOPE	125	730	860	804	740
ICE	1,113	1,906	1,648	2,313	2,594
CODESA	498	324	521	621	224
CNP	53	18	18	55	30
<u>Current account deficit (-)</u>	<u>-116</u>	<u>-1,839</u>	<u>-2,414</u>	<u>2,123</u>	<u>3,962</u>
Of which:					
RECOPE	-166	-639	-913	1,281	1,491
ICE	364	-388	-289	1,089	3,272
CODESA	-240	-349	-885	-428	-78
CNP	-43	-402	206	-510	-1,067
<u>Overall deficit (-)</u>	<u>-1,970</u>	<u>-4,407</u>	<u>-5,696</u>	<u>-1,737</u>	<u>-32</u>
Of which:					
RECOPE	-273	-1,369	-2,297	477	751
ICE	-749	-2,294	-2,036	-1,148	731
CODESA	-692	-338	-1,448	-715	-294
CNP	-95	-221	232	-565	-1,091
(In percent of GDP)					
<u>Total revenue</u>	<u>12.2</u>	<u>19.3</u>	<u>18.9</u>	<u>23.4</u>	<u>23.4</u>
<u>Total expenditure</u>	<u>17.0</u>	<u>27.0</u>	<u>24.7</u>	<u>24.8</u>	<u>23.4</u>
Current	12.4	21.2	21.2	21.2	20.5
Capital	4.6	5.8	3.5	3.6	2.9
<u>Current account deficit (-)</u>	<u>-0.3</u>	<u>-3.2</u>	<u>-2.5</u>	<u>1.7</u>	<u>2.6</u>
<u>Overall deficit (-)</u>	<u>-4.8</u>	<u>-7.7</u>	<u>-5.8</u>	<u>-1.4</u>	<u>--</u>

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 4a. Costa Rica: Summary Accounts of the Banking System

(In millions of colones)

	December 31							
	C 38.50 = US\$1		C 41.40 = US\$1		C 45.00 = US\$1		March 31	
	1981	1982	1982	1983	Rec1. 1983 1/	1984	C 50.00 = US\$1 1984	1985
I. Central Bank								
Net international reserves	-7,457	-2,494	-2,682	-11,398	-4,180	-1,279	-5,869	1,193
Assets	5,656	9,406	10,115	12,697	18,522	19,472	20,075	23,221
Short-term liabilities	-13,113	-11,900	-12,797	-24,095	-22,702	-20,751	-25,944	-22,028
Net domestic assets	44,126	49,688	52,178	71,300	103,574	107,843	114,746	123,647
Credit to public sector (net)2/	8,765	9,643	9,624	9,944	26,273	27,470	29,414	30,722
Credit to Central Government (net)3/	(5,278)	(3,488)	(3,480)	(2,880)4/	(6,259)	(6,130)	(7,148)	(6,943)
of which: rescheduling	/--/	/--/	/--/	/--/	/3,397/	/3,626/	/3,774/	/4,729/
Credit to rest of public sector (net)	(3,487)	(6,155)5/	(6,144)5/	(7,064)5/	(20,014)	(21,340)	(22,266)	(23,779)
of which: rescheduling	/--/	/--/	/--/	/--/	/11,320/	/10,194/	/12,578/	/13,436/
Official capital and reserves	-15	-15	-15	-15	-15	-15	-15	-15
Credit to commercial banks 6/	1,710	1,801	1,801	2,866	6,985	6,023	7,841	7,616
of which: rescheduling	(--)	(--)	(--)	(--)	(4,119)	(1,307)	(4,578)	(2,516)
Credit to rest of banking system	355	437	437	447	447	476	450	483
Credit to nonbank intermediaries	318	383	383	726	726	969	721	975
Subscriptions to international agencies (net)	-1,764	-1,726	-1,865	-891	-1,074	-447	-1,195	-821
Unclassified assets (net)	5,938	10,346	10,346	26,756	49,476	52,611	48,647	55,804
Valuation adjustment	28,819	28,819	31,467	31,467	20,756	20,756	28,883	28,883
Counterpart unrequited foreign exchange	1,097	1,097	1,180	1,179	1,122	1,057	1,260	1,138
Government trust funds	...	...	...	...	1,098	4,478	754	7,676
Medium- and long-term foreign liabilities	20,401	22,401	24,091	29,249	67,005	69,126	74,950	81,112
Regular	20,401	22,401	24,091	29,249	45,675	48,318	51,830	51,257
Rescheduled	--	--	--	--	21,330	20,808	23,120	29,855
Liabilities to banks	9,942	13,087	13,611	16,803	17,497	17,992	18,986	21,424
Liabilities to nonbank intermediaries	--	255 5/	255 5/	357 5/	357	284	400	320
Liabilities to private sector	5,229	10,354	10,359	12,314	12,315	13,627	12,527	13,170
Currency in circulation	3,500	5,436	5,436	6,940	6,940	8,587	6,849	8,416
Demand deposits	145	118	118	277	277	145	118	553
Foreign currency deposits	42	41	46	3	4	--	--	--
Stabilization bonds	1,542	4,755	4,755	5,090	5,090	4,895	5,553	4,201
Import deposits	--	4	4	4	4	--	7	--
II. Commercial Banks								
Net international reserves	462	482	517	-47	1,704	238	1,400	326
Assets	2,526	2,476	2,662	2,491	2,707	1,741	2,660	2,501
Short-term liabilities	-2,064	-1,994	-2,145	-2,538	-1,003	-1,503	-1,260	-2,175
Claims on Central Bank	9,865	12,945	13,471	16,358	17,052	18,256	18,913	20,700
Net domestic assets	15,888	21,666	21,890	30,894	31,231	36,544	32,998	37,920
Credit to public sector (net)	-342	-252	-259	-2,225	-2,280	-4,817	-2,218	-6,490
Credit to Central Government (net)6/	(1,732)	(2,643)	(2,643)	(3,354)	(3,350)	(3,601)	(3,844)	(3,687)
Credit to rest of public sector (net)	(-2,674)	(-2,895)5/	(-2,902)5/	(-5,579)5/	(-5,630)	(-8,418)	(-6,062)	(-10,077)
Official capital and reserves	-315	-359	-359	-678	-941	-941	-956	-956
Credit to private sector	11,393	16,051	16,082	24,813	24,827	29,229	26,481	29,859
Credit to rest of banking system	379	404	404	647	647	934	690	933
Credit to nonbank intermediaries	165	170	170	170	170	170	170	170
Unclassified assets (net)	2,831	3,875	3,911	6,226	6,296	9,710	8,089	11,758
Valuation adjustment	1,777	1,777	1,941	1,941	2,249	2,249	2,546	2,546
Medium- and long-term foreign liabilities	2,995	3,400	3,656	3,634	1,628	2,513	2,165	1,726
Liabilities to Central Bank 6/	1,649	1,804	1,804	2,814	6,932	5,906	7,550	7,614
Liabilities to rest of banking system	21	42	42	29	29	258	43	309
Liabilities to nonbank intermediaries	23	452 5/	452 5/	1,223 5/	1,223	1,308	1,725	1,757
Liabilities to private sector	21,527	29,395	29,924	39,505	40,175	45,043	41,828	47,540
Demand deposits	6,963	11,408	11,408	15,264	15,264	16,978	14,713	16,398
Savings deposits	1,444	2,097	2,097	2,394	2,394	2,879	2,575	2,882
Time deposits	6,032	6,978	6,978	13,074	13,074	12,360	13,945	13,326
Foreign currency deposits	6,245	6,995	7,524	7,700	8,370	9,612	9,025	11,908
Other obligations	749	1,700	1,700	648	648	2,260	928	2,013
Private capital	94	217	217	425	425	954	642	1,013

Table 46. Costa Rica: Summary Accounts of the Banking System (Concluded)

(In millions of colones)

	December 31						March 31	
	C 38.50 = US\$1		C 41.40 = US\$1		C 45.00 = US\$1		C 50.00 = US\$1	
	1981	1982	1982	1983	1983 1/	1984	1984	1985
III. Rest of Banking System								
Claims on Central Bank	10	53	53	124	124	219	128	216
Net domestic assets	1,256	1,283	1,298	1,548	1,567	1,650	1,604	1,658
Credit to public sector (net)	-15	-2	-2	-8	-8	-54	-20	-51
Credit to Central Government (net)	(--)	(16)	(16)	(2)	(2)	(4)	(--)	(7)
Credit to rest of public sector (net)	(-15)	(-18)	(-18)	(-10)	(-10)	(-58)	(-20)	(-58)
Official capital and reserves	-137	-139	-139	-139	-139	-139	-139	-139
Credit to commercial banks	22	42	42	29	29	106	43	70
Credit to private sector	1,352	1,474	1,474	1,826	1,826	2,102	1,843	2,065
Unclassified assets (net)	-150	-277	-277	-360	-360	-584	-363	-527
Valuation adjustment	184	184	200	200	219	219	240	240
Medium- and long-term foreign liabilities	239	214	229	224	243	193	255	211
Liabilities to Central Bank	354	437	437	445	445	475	447	475
Liabilities to commercial banks	377	402	402	641	641	934	690	937
Liabilities to nonbank intermediaries	230	209	209	235	235	204	229	199
Liabilities to private sector	66	74	74	127	127	63	111	52
Demand deposits	--	--	--	--	--	--	--	--
Bonds	37	30	30	59	59	14	59	17
Other obligations	29	44	44	68	68	49	52	35
IV. Consolidated Banking System								
Net international reserves	-6,995	-2,012	-2,165	-11,445	-2,476	-1,041	-4,469	-1,519
Assets	8,182	11,882	12,777	15,188	21,229	21,213	22,735	25,722
Short-term liabilities	-15,177	-13,894	-14,942	-26,633	-23,705	-22,254	-27,204	-24,203
Net domestic assets	58,802	69,862	72,594	99,492	128,004	138,937	140,673	153,382
Credit to public sector (net) 2/	8,408	9,389	9,363	7,711	23,985	22,599	27,176	24,281
Credit to Central Government (net) 3/	(7,010)	(6,147)	(6,139)	(6,236)	(9,611)	(9,735)	(10,992)	(10,637)
Credit to rest of public sector (net)	(1,398)	(3,242) 5/	(3,224) 5/	(1,475) 5/	(14,374)	(12,864)	(16,184)	(13,644)
Official capital and reserves	-467	-513	-513	-832	-832	-1,095	-914	-1,110
Credit to nonbank intermediaries	483	553	553	896	896	1,139	891	1,145
Credit to private sector	12,745	17,525	17,556	26,639	26,653	31,331	28,324	31,924
Subscriptions to international agencies (net)	-1,764	-1,726	-1,865	-891	-1,074	-447	-1,195	-821
Unclassified assets (net)	8,619	13,943	13,980	32,622	55,412	61,737	54,373	67,035
Interbank float	-2	-89	-88	-261	-260	449	349	-741
Valuation adjustment	30,780	30,780	32,608	33,608	23,224	23,224	31,669	31,669
Counterpart unrequited foreign exchange	1,097	1,097	1,180	1,179	1,122	1,057	1,260	1,138
Government trust funds	...	...	...	...	1,098	4,478	754	7,676
Medium- and long-term foreign liabilities	23,635	26,014	27,976	33,107	68,876	71,832	77,370	83,049
Liabilities to nonbank intermediaries	253	916 5/	916 5/	1,815 5/	1,815	1,796	2,354	2,276
Liabilities to private sector	26,882	39,823	40,357	51,946	52,617	58,733	54,466	60,762
Currency	3,500	5,436	5,436	6,940	6,940	8,587	6,849	8,416
Demand deposits	7,108	11,525	11,526	15,541	15,541	17,123	14,831	16,951
Savings deposits	1,444	2,097	2,097	2,394	2,394	2,879	2,575	2,882
Time deposits	6,032	6,978	6,978	13,074	13,074	12,360	13,945	13,326
Foreign currency deposits	6,287	7,037	7,570	7,703	8,374	9,612	9,025	11,908
Bonds	1,579	4,785	4,785	5,149	5,149	4,909	5,612	4,218
Other	778	1,748	1,748	720	720	2,309	987	2,048
Private capital	94	217	217	425	425	954	642	1,013

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 C 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 (C 257 million).

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

Table 47. Costa Rica: Private Sector Financial Assets

	December 31				
	1980	1981	1982	1983	1984
(In millions of colones)					
<u>Total</u>	<u>17,646</u>	<u>27,596</u>	<u>41,962</u>	<u>54,638</u>	<u>61,929</u>
By instrument					
Money	7,233	10,608	16,961	22,481	25,710
Currency	(2,255)	(3,500)	(5,436)	(6,940)	(8,587)
Demand deposits	(4,978)	(7,108)	(11,525)	(15,541)	(17,123)
Quasi-money	9,833	16,116	23,036	31,011	32,956
In domestic currency	(7,577)	(10,292)	(15,679)	(22,936)	(22,757)
Savings deposits	/1,267/	/1,444/	/2,097/	/2,394/	/2,879/
Time deposits	/4,551/	/6,032/	/6,978/	/13,074/	/12,360/
Bonds <u>1/</u>	/1,759/	/2,816/	/6,604/	/7,468/	/7,518/
In foreign currency <u>2/</u>	(2,256)	(5,824)	(7,357)	(8,075)	(10,199)
Private capital and other	580	872	1,965	1,146	3,263
By entity					
Banking system	16,333	26,359	40,143	52,320	59,320
Central Bank	(2,760)	(5,227)	(10,356)	(12,314)	(13,627)
Commercial banks	(13,573)	(21,132)	(29,787)	(40,006)	(45,693)
Nonfinancial public sector	1,313	1,237	1,819	2,318	2,609
(Changes in percent)					
<u>Total</u>	<u>15.8</u>	<u>56.4</u>	<u>52.1</u>	<u>30.2</u>	<u>13.3</u>
Money	16.8	46.7	59.9	32.5	14.4
Currency	(15.4)	(55.2)	(55.3)	(27.7)	(23.7)
Demand deposits	(17.5)	(42.8)	(62.1)	(34.8)	(10.2)
Quasi-money	13.0	63.9	42.9	34.6	6.3
In domestic currency	(19.9)	(35.8)	(52.3)	(46.3)	(-0.8)
Savings deposits	/-3.3/	/14.0/	/45.2/	/14.2/	/20.3/
Time deposits	/33.5/	/32.5/	/15.7/	/87.4/	/-5.5/
Bonds	/9.9/	/60.1/	/134.5/	/13.1/	/0.7/
In foreign currency	(-2.8)	(158.2)	(26.3)	(9.8)	(26.3)
Private capital and other	42.5	50.3	125.3	-41.7	184.7

Source: Central Bank of Costa Rica.

1/ Includes private sector holdings of government bonds.2/ Foreign currency deposits are valued at the actual end-of-year exchange rates.

Table 48. Costa Rica: Banking System Credit to the Private Sector

	December 31				
	1980	1981	1982	1983	1984
(In millions of colones)					
Total	11,478	12,543	17,541	26,627	31,352
Agriculture	2,552	3,292	5,092	8,831	8,560
Livestock	2,654	2,693	4,194	6,574	7,650
Manufacturing	2,727	2,978	4,566	7,430	9,155
Commerce and personal credit	914	995	1,258	1,603	1,788
Services	801	795	715	548	1,066
Housing	1,077	1,113	1,238	1,518	2,884
Other	753	677	478	123	249
(In percent of total)					
Total	100.0	100.0	100.0	100.0	100.0
Agriculture	22.2	26.2	29.0	33.2	27.3
Livestock	23.1	21.5	23.9	24.7	24.4
Manufacturing	23.8	23.7	26.0	27.9	29.2
Commerce and personal credit	8.0	7.9	7.2	6.0	5.7
Services	7.0	6.3	4.1	2.0	3.4
Housing	9.4	8.9	7.1	5.7	9.2
Other	6.5	5.5	2.7	0.5	0.8

Source: Central Bank of Costa Rica.

Table 49. Costa Rica: Legal Reserve Position of the Commercial Banks 1/

	December 31				
	1980	1981	1982	1983	1984
(In millions of colones)					
<u>Liabilities subject to requirements</u>	13,612	19,273	28,001	39,773	45,169
Local currency	11,247	15,655	24,121	35,653	40,336
Foreign currency	2,365	3,618	3,880	4,120	4,833
<u>Required reserves</u>	3,738	5,340	7,716	11,434	13,778
Local currency					
Currency and deposits	1,229	1,810	3,460	5,785	7,311
Government bonds	878	1,136	1,656	2,747	3,003
Foreign currency	1,631	2,394	2,600	2,902	3,464
<u>Actual reserves</u>	4,403	7,010	9,496	12,642	14,831
Local currency					
Currency and deposits	1,493	2,370	4,001	5,900	7,339
Government bonds	862	1,099	1,597	2,654	3,004
Foreign currency	2,048	3,541	3,898	4,088	4,488
<u>Net excess or deficiency (-)</u>	665	1,670	1,780	1,208	1,053
Local currency					
Currency and deposits	264	560	541	115	28
Government bonds	-16	-37	-59	-93	1
Foreign currency	417	1,147	1,298	1,186	1,024
(As percent of liabilities subject to requirements)					
<u>Required reserves</u>	27.5	27.7	27.6	28.7	30.5
Local currency	18.7	18.8	21.2	23.9	25.6
Foreign currency	69.0	66.2	67.0	70.4	71.7
<u>Actual reserves</u>	32.3	36.4	33.9	31.8	32.8
Local currency	20.9	22.2	23.2	24.0	25.6
Foreign currency	86.6	97.9	100.5	99.2	92.9
<u>Net excess or deficiency (-)</u>	4.9	8.7	6.4	3.3	2.3
Local currency	2.2	3.3	2.0	0.3	0.1
Foreign currency	17.6	31.7	33.5	28.8	21.2

Source: Comptroller General of Banks.

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

Table 50. Costa Rica: Distribution of Domestic Bonded Debt

(In millions of colones)

	December 31				
	1980	1981	1982	1983	1984
<u>Total debt</u>	<u>11,468</u>	<u>18,276</u>	<u>26,551</u>	<u>29,323</u>	<u>31,760</u>
By holder					
Rest of general					
government	1,256	1,257	1,507	3,822	3,435
CCSS	(1,043)	(1,084)	(1,219)	(2,548)	(2,755)
Other	(213)	(173)	(288)	(1,274)	(680)
State enterprises	33	340	320	642	1,370
Financial inter-					
mediaries	8,382	13,873	17,701	17,826	19,414
Central Bank	(2,861)	(7,850)	(9,680)	(8,989)	(8,965)
Commercial banks	(5,335)	(5,773)	(7,416)	(8,330)	(10,299)
Nonbank inter-					
mediaries	(186)	(250)	(605)	(507)	(150)
Private sector <u>1/</u>	1,777	2,767	6,960	7,023	7,541
Foreign banks	20	39	63	10	--
<u>Debt of Central</u>					
<u>Government</u>	<u>7,749</u>	<u>9,154</u>	<u>11,647</u>	<u>15,682</u>	<u>16,437</u>
By holder					
Rest of general					
government	1,151	1,185	1,355	3,583	3,351
CCSS	(1,006)	(1,048)	(1,185)	(2,518)	(2,725)
Other	(145)	(137)	(170)	(1,065)	(626)
State enterprises	23	332	290	631	1,174
Financial inter-					
mediaries	5,621	6,694	8,448	9,295	9,303
Central Bank	(398)	(1,237)	(1,204)	(1,180)	(1,155)
Commercial banks	(5,037)	(5,252)	(6,940)	(7,791)	(8,109)
Nonbank inter-					
mediaries	(186)	(205)	(304)	(324)	(39)
Private sector <u>1/</u>	934	904	1,491	2,163	2,609
Foreign banks	20	39	63	10	--
<u>Debt of rest of general</u>					
<u>government</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>--</u>
By debtor					
ITCO	2	1	1	1	--
Municipalities	--	--	--	--	--
By holder					
State enterprises	--	--	--	--	--
Financial inter-					
mediaries	1	--	--	--	--
Private sector <u>1/</u>	1	1	1	1	--

Table 50. Costa Rica: Distribution of Domestic Bonded Debt (Concluded)

(In millions of colones)

	December 31				
	1980	1981	1982	1983	1984
<u>Debt of state enter-</u>					
<u>prises</u>	<u>2,878</u>	<u>3,095</u>	<u>4,974</u>	<u>4,262</u>	<u>4,193</u>
By debtor					
ICE	353	317	327	280	233
CODESA	2,464	2,729	4,592	3,926	3,926
CNFL	61	49	55	56	34
By holder					
Rest of general government	36	34	55	94	14
Financial inter-					
mediaries	2,465	2,730	4,592	4,017	4,003
Private sector <u>1/</u>	377	331	327	151	176
<u>Debt of financial</u>					
<u>intermediaries</u>	<u>840</u>	<u>6,024</u>	<u>9,927</u>	<u>9,380</u>	<u>11,132</u>
By debtor					
Central Bank	302	1,636	5,563	5,037	6,788
Commercial banks	357	4,189	4,173	4,137	4,163
INVU	178	197	191	206	181
INS	3	2	--	--	--
By holder					
Rest of general government	60	44	125	145	70
CCSS	(25)	(22)	(20)	(19)	(16)
Other	(35)	(22)	(105)	(126)	(54)
State enterprises	3	2	1	11	196
Financial inter-					
mediaries	311	4,448	4,660	4,514	6,109
Central Bank <u>2/</u>	(--)	(3,884)	(3,884)	(3,884)	(3,884)
Commercial banks	(298)	(520)	(475)	(488)	(2,114)
Nonbank inter-					
mediaries	(13)	(44)	(301)	(142)	(111)
Private sector <u>1/</u>	465	1,530	5,141	4,709	4,756
Foreign banks	--	--	--	--	--

Sources: Central Bank of Costa Rica; and Ministry of Finance.

1/ Includes nonconsolidated public sector.2/ Includes Bonos de Capitalización Bancaria issued by the commercial banks.

Table 51. Costa Rica: Interest Rate Structure

(In percent per annum)

	Prior to Dec. 1, 1982	From Dec. 1, 1982 to May 17, 1983	From May 17, 1983 to Jan. 27, 1984	Jan. 27, 1984 to Oct. 26, 1984	Since Oct. 26, 1984 1/
I. Lending Operations					
Central Bank					
Rediscount					
For agriculture and livestock cooperatives	...	...	12 percent	Unchanged)
)
For cattle raising for meat and dairy	14 percent	Basic rate 2/ (25 percent)	Basic rate minus 4 points (18 percent)	)	) 13.5 percent
))
For marketing of coffee, sugar, rice, cattle fattening, manufacture, and agroindustry	)	Basic rate plus 3 1/2 points (28 1/2 percent)	Basic rate plus 3 1/2 points (25 1/2 percent)	) Basic rate plus 4 points (22 percent)	) Basic rate plus 6 points (26 per- cent)
)))
For other agricultural and livestock activities	) Basic rate plus 2 points (23 1/2 percent)	Basic rate (25 percent)	Basic rate (22 percent)))
)))
For other activities	)	Basic rate plus 5 points (30 percent)	Basic rate plus 5 points (27 percent)	Basic rate plus 8 points (26 percent)	Basic rate plus 10 points (30 per- cent)
Loans					
To Rural Credit Department and small farmer credit sections of state banks	Commercial bank lending rate minus 6 points (6 per- cent)	Unchanged (6 per- cent)	Unchanged	Unchanged	Basic rate minus 6 points (14 percent)
To National Production Council	2 percent	Unchanged	Unchanged	Unchanged	2 percent plus a 2 percent surcharge
For relending to commercial banks of foreign loans	Determined on case- by-case basis	Unchanged	Unchanged	Unchanged	Unchanged
To commercial banks, up to 90 days	Determined on case- by-case basis	Unchanged	Unchanged	Unchanged	Unchanged
State-owned commercial banks 3/					
Regular loans	Basic rate plus 3 1/2 points (25 percent)	Basic rate plus 5 points (30 percent)	Basic rate plus 8 points (30 percent)	Basic rate plus 8 points (26 percent)	Basic rate plus 8 points (28 percent)
Loans to sugarcane cooperatives	6 percent	Unchanged	Unchanged	Unchanged	Unchanged
Loans to small farmers and small industrial and handicraft operations	12 percent	Unchanged	Unchanged	Unchanged	Unchanged
Loans for forestry and self-managed farm cooperatives	8 percent	Unchanged	Unchanged	Unchanged	Unchanged

Table 51. Costa Rica: Interest Rate Structure (Concluded)

(In percent per annum)

	Prior to Dec. 1, 1982	From Dec. 1, 1982 to May 17, 1983	From May 17, 1983 to Jan. 27, 1984	Jan. 27, 1984 to Oct. 26, 1994	Since Oct. 26, 1984 1/
<u>State-owned commercial banks (concluded)</u>					
Loans for promotion of rural women	12 percent	Unchanged	Unchanged	Unchanged	Unchanged
Loans for cattle raising	16 percent	Basic rate (25 percent)	Basic rate minus 4 points (18 percent)	Basic rate (18 percent)	Basic rate (20 percent)
Loans for commercial agriculture other than marketing	18-24 percent	Basic rate (25 percent)	Basic rate (22 percent)	Basic rate (18 percent)	Basic rate plus 1 1/2 points (21 1/2 percent)
Loans for marketing of coffee, sugar, rice, cattle fattening, manufacture, and agroindustry	24-25 percent	Basic rate plus 3 1/2 points (28-1/2 percent)	Basic rate plus 3 1/2 points (25 1/2 percent)	Basic rate plus 3 1/2 points (21 1/2 percent)	Basic rate plus 3 1/2 points (23 1/2 percent)
Investment banking section of private commercial banks and investment companies	Free	Free	Free	Free	Free
<u>State-owned commercial banks</u>					
Deposits in colonies					
Savings deposits up to 30 days	8 percent	Unchanged	Unchanged	Unchanged	Unchanged
Time deposits	Varies from 18 percent to 23 percent depending on maturity (basic rate was 21-1/2 percent)	Varies from 21 1/2 percent to 26 percent depending on maturity (basic rate is 25 percent)	Varies from 18 1/2 percent to 22 percent depending on maturity (basic rate is 22 percent)	Varies from 14 1/2 percent to 23 percent depending on maturity (basic rate is 18 percent)	Varies from 16 1/2 percent to 23 percent depending on maturity
Deposits in foreign currency					
Savings deposits up to 30 days	6 percent	Unchanged	Unchanged	Unchanged	Unchanged
Time deposits	1/2 to 1 percent over the prevailing rate in Panama and Miami (9-10 percent)	Unchanged	Unchanged	Unchanged	1/2 to 3 1/2 percent over the prevailing rate in Panama and Miami
Investment banking section of private commercial banks and investment companies	Free	Free	Free	Free	Free

Source: Central Bank of Costa Rica.

- 1/ Since February 27, 1985 the commercial banks are authorized to increase their entire structure of interest rates by up to 3 points at the discretion of each bank.
- 2/ Interest rate on six-month deposits to which all other bank interest rates are linked.
- 3/ Includes commercial department of the private commercial banks.

Table 52. Costa Rica: Net International Reserves

	December 31				Reclassified	
	1980	1981	1982	1983	1983 1/	1984
(In millions of U.S. dollars)						
<u>Net international reserves</u>	<u>-435.9</u>	<u>-850.8</u>	<u>-1,175.2</u>	<u>-1,116.7</u>	<u>-133.2</u>	<u>-172.8</u>
<u>Net official international reserves</u> 2/	<u>-137.3</u>	<u>-193.7</u>	<u>-64.9</u>	<u>-123.0</u>	<u>59.4</u>	<u>173.5</u>
Assets	228.2	146.9	244.3	306.7	306.7	420.3
Gold	(54.0)	(7.2)	(13.3)	(24.4)	(24.4)	(8.8)
SDRs	(--)	(--)	(--)	(0.6)	(0.6)	(--)
IMF position	(--)	(--)	(--)	(--)	(--)	(--)
Contribution to the Central American Stabilization Fund	(10.0)	(13.7)	(15.8)	(17.8)	(17.8)	(19.2)
Assets with multilateral clearing arrangements	(17.4)	(28.0)	(53.4)	(87.8)	(87.8)	(115.1)
Deposits with foreign commercial banks	(		(83.9)	(33.6)	(33.6)	(86.9)
Time deposits with central banks in Central America	(146.8)	(98.0)	(41.2)	(134.8)	(134.8)	(184.8)
Other assets	(		(36.7)	(7.7)	(7.7)	(5.5)
Liabilities	-365.5	-340.6	-309.2	-429.7	-247.3	-246.8
Liabilities to IMF	(-57.0)	(-102.6)	(-92.9)	(-191.9)	(-191.9)	(-155.8)
Liabilities with multilateral clearing arrangements	(-10.7)	(-2.1)	(--)	(--)	(--)	(--)
Other	(-297.8)	(-235.9)	(-216.3)	(-237.8)	(-55.4) 3/	(-91.0)
<u>Outstanding arrears</u>	<u>-298.6</u>	<u>-657.1</u>	<u>-1,110.3</u>	<u>-40.3</u>	<u>-40.3</u>	<u>-144.4</u>
<u>Rescheduling of arrears/trade credit facility</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>-953.4</u>	<u>-152.3</u> 3/	<u>-201.9</u> 3/
(In months of imports)						
Net official international reserves	...	...	...	...	0.7	1.9
Gross official international reserves	1.8	1.5	3.3	3.7	3.7	4.6

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/ SDR valued at end-of-year market rate and gold valued at end-of-year national valuation rate.

3/ Excludes all rescheduled foreign debt, which is included in medium-term foreign liabilities.

Table 53. Costa Rica: Detailed Balance of Payments

(In millions of U.S. dollars)

	1980			1981		
	Credit	Debit	Net	Credit	Debit	Net
Goods and services	1,245.2	1,923.6	-678.4	1,224.2	1,675.7	-451.5
Merchandise trade 1/	1,000.9	1,527.5	-526.6	1,002.6	1,211.4	-210.7
Freight and insurance	25.1	--	25.1	30.3	--	30.3
Other transportation	36.9	38.0	-1.1	22.6	27.1	-4.5
Travel	84.9	60.4	24.5	95.6	48.5	47.1
Factor services	19.3	235.5	-216.2	23.5	342.8	-319.3
Direct investment 2/	(19.3)	(57.2)	(-37.9)	(23.5)	(34.9)	(-11.4)
Interest (official)	(--)	(178.3)	(-178.3)	(--)	(307.9)	(-307.9)
Paid	/--/	/178.3/	/-178.3/	/--/	/160.3/	/-160.3/
Unpaid	/--/	/--/	/--/	/--/	/147.6/	/-47.6/
Other services	78.1	62.2	15.9	49.6	45.9	3.7
Transfers	33.5	19.0	14.5	36.9	9.9	27.1
Private	30.9	11.1	19.8	34.4	7.2	27.2
Public	2.6	7.9	-5.3	2.5	2.6	-0.1
Current account balance	1,278.7	1,942.6	-663.9	1,261.1	1,685.5	-424.4
Private capital	...	...	-180.8	...	...	-71.3
Direct investment	...	...	48.1	...	...	66.2
Medium- and long-term loans	...	...	13.5	...	...	-40.4
Short term (including net errors and omissions)	...	...	-242.4	...	...	-97.1
Official capital	294.4	67.7	226.7	266.4	197.9	68.5
Central Government	95.0	15.6	79.4	56.9	13.8	43.1
Public enterprises	191.0	28.9	162.1	131.2	25.2	106.0
Rest of nonfinancial public sector	8.4	14.4	-6.0	14.1	10.7	3.4
Short-term loans	--	8.8	-8.8	64.2	--	64.2
Unpaid principal	--	--	--	--	148.2	-148.2
Financial intermediaries	302.7	162.8	139.9	63.9	112.3	-48.4
Central Bank	271.2	138.9	132.3	50.2	23.0	27.2
Commercial banks	25.9	22.3	3.6	13.4	25.5	-12.1
Long term	(--)	(22.3)	(-22.3)	(13.4)	(14.0)	(-0.6)
Short term	(25.9)	(--)	(25.9)	(--)	(11.5)	(-11.5)
Other public intermediaries	5.6	1.6	4.0	0.3	0.8	-0.5
Unpaid principal	--	--	--	--	63.0	-63.0
Refinancing of current interest	--	--	--	--	--	--
Transactions with non-monetary international-agencies	4.5	5.6	-1.1	--	--	--
SDR allocation and gold revaluation	23.4	--	23.4	5.4	--	5.4
Overall balance (net international reserves)			-455.8			-470.2
Change in arrears (decrease -)			283.0			358.8
Rescheduling of arrears			--			--
Conversion of CDs into local currency			--			--
Contingent refinancing of arrears			--			--
Valuation adjustment			1.3			5.0
Net official reserves (increase -)			171.5			106.4
Net use of Fund resources			(-0.8)			(45.7)
Other net official reserves			(172.3)			(60.7)

Table 53. Costa Rica: Detailed Balance of Payments (Continued)

(In millions of U.S. dollars)

	1982			1983		
	Credit	Debit	Net	Credit	Debit	Net
Goods and services	1,150.9	1,427.3	-276.4	1,186.2	1,508.9	-322.7
Merchandise trade ^{1/}	869.0	894.2	-25.2	862.4	993.2	-130.8
Freight and insurance	13.0	--	13.6	8.2	--	16.0
Other transportation	49.7	50.2	-0.5	54.2	41.1	13.1
Travel	132.9	43.9	89.0	132.9	52.3	80.6
Factor services	26.7	373.9	-340.6	39.6	353.3	-313.7
Direct investment ^{2/}	(26.7)	(32.0)	(5.3)	(39.6)	(25.6)	(14.0)
Interest (official)	(--)	(341.9)	(-341.9)	(--)	(327.7)	(-327.7)
Paid	/--/	/106.0/	/-106.0/	/--/	/275.4/	/-275.5/
Unpaid	/--/	/235.9/	/-235.9/	/--/	/52.3/	/-52.3/
Other services	59.0	65.1	-6.1	88.9	69.0	19.9
Transfers	43.9	8.0	35.9	78.1	9.2	68.9
Private	36.5	6.9	29.6	30.1	7.2	22.9
Public	7.4	1.1	6.3	48.0	2.0	46.0
Current account balance	1,194.8	1,434.5	-240.5	1,264.3	1,518.1	-253.8
Private capital	...	...	16.0	...	...	67.5
Direct investment	...	...	26.3	...	...	55.1
Medium- and long-term loans	...	...	9.7	...	...	-33.0
Short term (including net errors and omissions)	...	...	-20.0	...	...	45.4
Official capital	91.0	130.0	-39.0	187.4	145.9	41.5
Central Government	47.0	14.0	33.0	78.6))
Public enterprises	39.4	24.0	15.4	42.6	59.0)	62.2)
Rest of nonfinancial public sector	4.6	1.0	3.6	--	1.0	-1.0
Short-term loans	--	--	--	--	3.0	-3.0
Rescheduled unpaid principal	--	91.0	-91.0	66.2	82.9	-16.7
Financial intermediaries	100.0	150.3	-50.3	281.6	120.8	160.8
Central bank	66.6	14.6	52.0	184.8	25.2	159.6
Commercial banks	33.4	7.8	25.6	1.0	4.0	-3.0
Long term	(5.0)	(7.8)	(-2.8)	(...)	(4.0)	(3.0)
Short term	(28.4)	(--)	(28.4)	(...)	(--)	(--)
Other public intermediaries	--	1.6	-1.6	4.8	0.6	(4.2)
Rescheduled unpaid principal	--	126.3	-126.3	91.0	91.0	--
Refinancing of current interest	--	--	--	34.4	--	34.4
Transactions with non-monetary international agencies	--	--	--	--	--	--
SDR allocation and gold revaluation	--	--	--	--	--	--
Overall balance (net international reserves)			-313.8			50.5
Change in arrears (decrease -)			453.2			-1,070.0
Rescheduling of arrears			--			749.3
Conversion of CDs into local currency			--			51.8
Contingent refinancing of arrears			--			152.3
Valuation adjustment			-10.6			6.1
Net official reserves (increase -)			-126.8			58.1
Net use of Fund resources			(-9.7)			(99.0)
Other net official reserves			(-119.1)			(-40.9)

Table 53. Costa Rica: Detailed Balance of Payments (Concluded)

(In millions of U.S. dollars)

	1984		Net
	Credit	Debit	
<u>Goods and services</u>	<u>1,275.0</u>	<u>1,626.4</u>	<u>-351.4</u>
Merchandise trade 1/	955.5	1,100.9	-145.4
Freight and insurance	8.8	--	8.8
Other transportation	53.7	41.8	11.9
Travel	115.6	54.8	60.8
Factor services	37.3	360.7	-323.4
Direct investment 2/	(37.3)	(46.7)	(-9.4)
Interest (official)	(--)	(314.0)	(-314.0)
Paid	/--/	/209.9/	/-209.9/
Unpaid	/--/	/104.1/	/-104.1/
Other services	104.1	68.2	35.9
<u>Transfers</u>	<u>143.4</u>	<u>10.3</u>	<u>133.1</u>
Private	31.7	7.5	24.2
Public	111.7	2.8	108.9
<u>Current account balance</u>	<u>1,418.4</u>	<u>1,636.7</u>	<u>-218.2</u>
<u>Private capital</u>	<u>...</u>	<u>...</u>	<u>95.3</u>
Direct investment	...	...	54.0
Medium- and long-term loans			-15.7
Short term (including net errors and omissions)	...	...	57.0
<u>Official capital</u>	<u>154.0</u>	<u>162.5</u>	<u>-8.5</u>
Central Government	73.9))
Public enterprises	23.4	62.7)	34.6)
Rest of nonfinancial public sector	--	--	--
Short-term loans	--	--	--
Rescheduled unpaid principal	56.7	99.8	-43.1
<u>Financial intermediaries</u>	<u>200.6</u>	<u>178.9</u>	<u>21.7</u>
Central Bank	103.4	49.3)	
Commercial banks	0.2)	
Long term	(...)	()	
Short term	(...)	()	
Other public intermediaries	--	--	--
Rescheduled principal	97.0	129.6	
<u>Refinancing of current interest</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Transactions with nonmonetary international agencies</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>SDR allocation and gold revaluation</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Overall balance (net international reserves)</u>			<u>-109.7</u>
Change in arrears (decrease -)			174.2
Rescheduling of arrears			--
Conversion of CDs into local currency			--
Contingent refinancing of arrears			49.6
Valuation adjustment			--
Net official reserves (increase -)			-114.0
Net use of Fund resources			(-36.1)
Other net official reserves			(-76.0)

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

1/ Exports, f.o.b. and imports, c.i.f.

2/ Includes private interest.

Table 54. Costa Rica: Indices of Terms of Trade

(1974=100)

	1980	1981	1982	Prel. 1983	Proj. 1984
<u>Total value</u>					
Exports	227.4	227.8	197.5	195.9	217.0
Imports	211.9	168.3	124.0	137.8	152.7
<u>Volume</u>					
Exports	125.5	137.4	121.9	123.7	136.9
Imports	140.5	104.4	79.0	91.6	102.2
<u>Unit value</u>					
Exports	181.2	165.8	162.1	158.4	158.6
Imports	150.8	161.2	156.7	150.4	149.5
<u>Terms of trade</u>	120.2	102.9	103.4	105.3	106.1

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

Table 55. Costa Rica: Exports, f.o.b.

(In millions of U.S. dollars)

	1980	1981	1982	Prel. 1983	Prel. 1984
<u>Exports, f.o.b.</u>	<u>1,000.9</u>	<u>1,002.6</u>	<u>869.0</u>	<u>862.4</u>	<u>955.5</u>
Agricultural products	487.4	488.8	492.0	494.4	518.6
Coffee	(247.9)	(240.1)	(236.9)	(230.1)	(264.6)
Bananas	(207.5)	(224.8)	(228.1)	(240.3)	(229.5)
Cocoa	(4.2)	(2.7)	(2.4)	(1.0)	(1.5)
Other	(27.8)	(21.2)	(24.6)	(23.0)	(23.0)
Manufactures	478.8	486.3	345.9	332.1	...
Processed food-stuffs	(166.7)	(172.7)	(104.8)	(79.2)	...
Meat	/70.7/	/73.9/	/53.1/	/31.9/	/46.9/
Sugar	/40.7/	/42.0/	/16.6/	/23.9/	/29.2/
Other	/55.3/	/56.8/	/35.1/	/23.4/	...
Textiles and leather	(70.5)	(54.7)	(41.7)	(42.6)	...
Wood products	(11.5)	(12.8)	(10.6)	(9.9)	...
Paper and printing	(18.9)	(15.2)	(14.2)	(17.4)	...
Chemicals	(89.3)	(106.3)	(81.0)	(87.0)	...
Fertilizers	/10.0/	/15.6/	/7.9/	/5.5/	/5.6/
Other	/79.3/	/90.7/	/73.1/	/81.5/	...
Nonmetallic minerals	(9.4)	(23.4)	(11.6)	(14.3)	(355.2)
Ferrous and non-ferrous metals	(4.9)	(3.6)	(3.5)	(6.8)	...
Machinery and equipment	(71.0)	(66.7)	(52.1)	(48.5)	...
Other	(36.6)	(30.9)	(27.4)	(26.4)	...
Other <u>1/</u>	34.7	27.5	31.1	35.9	...

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

1/ Includes balance of payments adjustment and adjustment for goods assembled in Costa Rica for re-export.

Table 56. Costa Rica: Imports, c.i.f.^{1/}

(In millions of U.S. dollars)

	1980	1981	1982	1983	Prel. 1984
<u>Imports, c.i.f.</u>	<u>1,527.5</u>	<u>1,213.3</u>	<u>894.2</u>	<u>993.2</u>	<u>1,100.9</u>
<u>Consumer goods</u>	<u>388.0</u>	<u>251.9</u>	<u>167.0</u>	<u>215.3</u>	<u>244.0</u>
Nondurables	244.6	165.0	134.4	167.7	171.1
Durables	143.4	86.9	32.6	47.6	72.9
<u>Raw materials</u>	<u>562.5</u>	<u>483.7</u>	<u>362.2</u>	<u>431.7</u>	<u>475.3</u>
Agriculture	50.7	44.1	43.9	50.3	47.7
Manufacturing					
and mining	439.4	393.4	293.0	344.2	386.9
Construction	72.4	46.2	25.3	37.2	40.7
<u>Petroleum and petroleum</u> <u>products</u>	<u>229.1</u>	<u>205.3</u>	<u>189.0</u>	<u>183.7</u>	<u>151.9</u>
<u>Capital goods</u>	<u>324.6</u>	<u>258.6</u>	<u>167.2</u>	<u>151.9</u>	<u>211.7</u>
Manufacturing					
and mining	104.3	79.1	42.4	53.3	68.7
Agriculture	23.5	13.5	9.5	15.7	19.4
Construction	40.3	17.6	8.8	18.1	26.4
Transport	84.7	65.9	61.3	30.9	50.3
Other	71.8	82.5	45.2	33.9	46.9
<u>Other 2/</u>	<u>23.3</u>	<u>13.8</u>	<u>8.8</u>	<u>10.6</u>	<u>18.1</u>

Source: Central Bank of Costa Rica.

^{1/} According to broad economic categories.

^{2/} Includes balance of payments adjustments.

Table 57. Costa Rica: Petroleum Imports

	1980	1981	1982	1983	1984
(In millions of U.S. dollars)					
<u>Total imports, c.i.f.</u>	<u>229.1</u>	<u>205.3</u>	<u>189.0</u>	<u>183.7</u>	<u>151.9</u>
Partially refined oil	117.2	127.2	97.3	80.1	77.9
Diesel	54.7	41.7	49.6	50.0	48.0
Gasoline	16.2	9.2	12.5	19.1	11.3
Aviation fuel	3.7	3.6	4.0	1.9	1.7
Asphalt	7.8	0.9	3.7	4.1	1.7
Bunker C	0.5	2.3	0.9	1.5	--
Other products	25.5	20.4	21.0	27.0	11.3
(In thousands of barrels)					
<u>Total imports</u>	<u>5,715</u>	<u>5,041</u>	<u>4,903</u>	<u>5,225</u>	<u>4,648</u>
Partially refined oil	3,460	3,486	2,769	2,579	2,604
Diesel	1,434	1,034	1,274	1,605	1,501
Gasoline	404	203	305	544	335
Aviation fuel	60	60	66	32	30
Asphalt	313	17	158	171	48
Bunker C	11	52	20	60	--
Other	33	189	311	234	130
(In U.S. dollars per barrel)					
<u>Average price</u>	<u>35.3</u>	<u>37.7</u>	<u>38.5</u>	<u>31.5</u>	<u>31.1</u>
Partially refined oil	33.9	36.5	35.1	31.1	29.9
Diesel	38.2	40.4	38.9	31.1	32.0
Gasoline	40.1	45.3	41.2	35.1	33.7
Bunker C	45.4	44.2	44.5	25.0	...

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

Table 58. Costa Rica: Trade with the Central American Common Market

(In millions of U.S. dollars)

	1980	1981	1982	1983	1984
<u>Exports, f.o.b.</u>	<u>270.3</u>	<u>238.0</u>	<u>167.2</u>	<u>198.2</u>	<u>171.8</u>
By commodity					
Agricultural products	3.9	3.6	0.9	0.6	...
Manufacturers	255.0	226.7	159.6	186.2	...
Processed foodstuff	(24.2)	(23.1)	(11.7)	(11.8)	...
Textiles and leather	(57.3)	(43.1)	(27.4)	(30.9)	...
Wood products	(6.5)	(5.9)	(4.4)	(4.6)	...
Paper and printing	(15.4)	(12.7)	(11.2)	(14.4)	...
Chemicals	(62.2)	(62.5)	(51.8)	(58.1)	...
Machinery and equipment	(48.3)	(46.5)	(30.5)	(33.9)	...
Other	(41.1)	(32.9)	(22.6)	(32.5)	...
Other not specified	11.4	7.7	6.7	11.4	...
By destination					
Guatemala	52.5	75.8	64.3	88.5	73.7
El Salvador	65.5	43.5	33.1	41.6	43.8
Honduras	31.2	34.8	23.2	27.2	36.1
Nicaragua	121.1	83.9	46.6	40.9	18.2
<u>Imports, c.i.f.</u>	<u>219.8</u>	<u>152.3</u>	<u>112.4</u>	<u>120.2</u>	<u>113.6</u>
By commodity					
Consumer goods	118.6	68.4	48.8	57.3	...
Nondurables	(98.9)	(57.8)	(42.9)	(49.8)	...
Durables	(19.7)	(10.6)	(5.9)	(7.5)	...
Raw materials	87.0	73.2	55.4	53.2	...
Agriculture	(11.4)	(10.5)	(9.9)	(8.2)	...
Manufacturing and mining	(66.6)	(57.7)	(42.7)	(45.0)	...
Construction	(9.0)	(3.0)	(2.8)	--	...
Fuels and lubricants	3.1	2.3	1.7	0.3	...
Capital goods	2.1	2.4	5.3	6.5	...
Other	9.0	6.0	1.2	2.9	...
By origin					
Guatemala	67.6	64.9	56.2	59.4	58.2
El Salvador	100.6	37.2	22.7	29.7	30.7
Honduras	18.8	16.4	11.9	11.0	8.3
Nicaragua	32.8	33.8	21.6	20.1	16.4
<u>Trade balance</u>	<u>50.5</u>	<u>85.7</u>	<u>54.8</u>	<u>78.0</u>	<u>58.2</u>

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

Table 59. Costa Rica: Exchange Rates
(Colones per U.S. dollar; period averages)

	Official		Banking		Free	
	Buying	Selling	Buying	Selling	Buying	Selling
<u>1980</u>	<u>8.54</u>	<u>8.60</u>	<u>9.52</u>	<u>9.59</u>	<u>10.52</u>	<u>10.56</u>
December	8.54	8.60	14.30	14.23	14.50	14.50
<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>
January	20.00	20.50	40.00	40.50	44.87	45.37
February	20.00	20.50	40.00	40.50	44.66	45.16
March	20.00	20.50	40.00	40.50	44.43	44.93
April	20.00	20.50	40.00	40.50	44.17	44.67
May	20.00	20.50	40.00	40.50	44.10	44.60
June	20.00	20.50	40.14	40.64	43.96	44.46
July	20.00	20.50	41.00	41.50	43.10	43.60
August	20.00	20.50	41.00	41.50	43.10	43.60
September	20.00	20.50	41.07	41.57	42.81	43.31
October	20.00	20.50	41.25	41.75	42.10	42.60
November	20.00	20.50	42.45	42.95	42.77	43.27 ^{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>						
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		

Source: Central Bank of Costa Rica.

^{1/} The banking and free market rates were unified in November 1983.