

---

## **Country Report**

# **Costa Rica**

**September 2009**

Economist Intelligence Unit  
26 Red Lion Square  
London WC1R 4HQ  
United Kingdom

---

### **The Economist Intelligence Unit**

The Economist Intelligence Unit is a specialist publisher serving companies establishing and managing operations across national borders. For 60 years it has been a source of information on business developments, economic and political trends, government regulations and corporate practice worldwide.

The Economist Intelligence Unit delivers its information in four ways: through its digital portfolio, where the latest analysis is updated daily; through printed subscription products ranging from newsletters to annual reference works; through research reports; and by organising seminars and presentations. The firm is a member of The Economist Group.

#### **London**

The Economist Intelligence Unit  
26 Red Lion Square  
London  
WC1R 4HQ  
United Kingdom  
Tel: (44.20) 7576 8000  
Fax: (44.20) 7576 8500  
E-mail: london@eiu.com

#### **New York**

The Economist Intelligence Unit  
The Economist Building  
111 West 57th Street  
New York  
NY 10019, US  
Tel: (1.212) 554 0600  
Fax: (1.212) 586 0248  
E-mail: newyork@eiu.com

#### **Hong Kong**

The Economist Intelligence Unit  
60/F, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong  
Tel: (852) 2585 3888  
Fax: (852) 2802 7638  
E-mail: hongkong@eiu.com

Website: [www.eiu.com](http://www.eiu.com)

### **Electronic delivery**

This publication can be viewed by subscribing online at [www.store.eiu.com](http://www.store.eiu.com).

Reports are also available in various other electronic formats, such as CD-ROM, Lotus Notes, online databases and as direct feeds to corporate intranets. For further information, please contact your nearest Economist Intelligence Unit office.

### **Copyright**

© 2009 The Economist Intelligence Unit Limited. All rights reserved. Neither this publication nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of The Economist Intelligence Unit Limited.

All information in this report is verified to the best of the author's and the publisher's ability. However, the Economist Intelligence Unit does not accept responsibility for any loss arising from reliance on it.

ISSN 1366-4026

### **Symbols for tables**

"n/a" means not available; "--" means not applicable

Printed and distributed by PurePrint Group, Bellbrook Park, Uckfield, East Sussex TN22 1PL, UK.

---

# Costa Rica

## Executive summary

- 3 Highlights

## Outlook for 2009-10

- 4 Political outlook
- 4 Economic policy outlook
- 6 Economic forecast

## Monthly review: September 2009

- 9 The political scene
- 10 Economic policy
- 13 Economic performance

## Data and charts

- 16 Annual data and forecast
- 17 Quarterly data
- 18 Monthly data
- 20 Annual trends charts
- 21 Monthly trends charts
- 22 Comparative economic indicators

## Country snapshot

- 23 Basic data
- 24 Political structure

**Editors:** Federico Barriga (editor); Justine Thody (consulting editor)  
**Editorial closing date:** September 9th 2009  
**All queries:** Tel: (44.20) 7576 8000 E-mail: london@eiu.com  
**Next report:** To request the latest schedule, e-mail schedule@eiu.com



# Executive summary

## Highlights

September 2009

### Outlook for 2009-10

- Laura Chinchilla, the candidate of the ruling Partido Liberación Nacional (PLN), is set to win the February 2010 presidential election, given the popularity of her party and a divided opposition.
- In line with the popular administration of the current president, Óscar Arias, Ms Chinchilla will offer political and economic stability.
- Economic policy will centre on the Plan Escudo, an ambitious emergency economic stimulus and social protection plan. Social spending will focus in education, healthcare and pensions.
- The fiscal balance will deteriorate in the outlook period, as the government increases spending. The fiscal deficit will reach 3.8% in 2009 and 4.9% in 2010, despite a stabilisation of fiscal revenue next year.
- The economy, which is reliant on export-oriented manufacturing, will contract by 3.8% in 2009, but will grow by 3.6% in 2010, helped by the Plan Escudo and a modest recovery of export demand.
- Inflation levels will remain higher in Costa Rica than in other countries in the region, averaging 8.3% in 2009 and 7.5% in 2010.
- The current-account deficit will contract in 2009 by 2.3% of GDP, reflecting a sharper fall in imports than exports. Higher oil prices and an increase in imports will widen the deficit in 2010 to 4.1% of GDP.

### Monthly review

- After failing to form a coalition for the 2010 elections, left and centre-left parties have decided to run with presidential candidates of their own, further improving the prospects of victory for Ms Chinchilla.
- Trade negotiations with the EU have come to a halt, despite the efforts of the Arias administration to continue the talks without Honduras.
- The government has submitted the 2010 general budget along with a special budget bill to cover the 2009 fiscal deficit. The government is seeking to increase social spending by contracting new debt.
- Economic relations with China have deepened, with negotiations on a free-trade agreement progressing and a US\$1bn investment project with a Chinese oil company concluded.
- Inflation increased by just 0.7% in August, reflecting lower food prices and stable transport costs. However, inflation is set to increase slightly, as higher oil prices drive up transport costs.

# Outlook for 2009-10

## Political outlook

**Domestic politics** The centrist Partido Liberación Nacional (PLN) currently leads in polls of voting intentions for presidential and Legislative Assembly elections on February 7th 2010. Its presidential candidate, Laura Chinchilla, the former vice-president and minister of justice, is favourite to defeat the main opposition party candidate, Ottón Solís from the Partido Acción Ciudadana (PAC). The Economist Intelligence Unit considers a victory for the PLN candidate the most likely scenario, as Ms Chinchilla will benefit from her close ties with the popular administration of the current president, Óscar Arias (PLN), and from a fragmented opposition. The government of Mr Arias has been able to maintain strong support despite an economic recession, a decline in manufacturing and services and a fall in domestic demand. Its popularity is largely attributable to the continued implementation of the government's Plan Escudo, an economic stimulus and social protection scheme. In contrast, Mr Solís will be hampered by his own waning popularity as well as the recent emergence of a second centre-left party, the Partido Alianza Patriótica (PAP), which may make further inroads into the PAC's share of the vote.

The new government that will take over in May 2010 will promise continuity, but will face some difficult decisions, particularly on the public finances. It will struggle to pass an important and long-delayed fiscal reform, as tax increases would be politically unpalatable in view of the fragile state of the economy in the outlook period. It will also face a divided Legislative Assembly, as it is unlikely that any party, including the PLN, will win enough votes to gain a legislative majority.

**International relations** The government will continue in its efforts to deepen regional integration and seek free-trade agreements (FTAs) with the EU (together with the rest of Central America), as well as with China and Singapore. As the political crisis in Honduras lingers, it is unlikely that the current Arias administration will be able to finalise an FTA with the EU before the new government assumes office in May 2010. There is a small risk that if the PAC wins the elections, the agreement with the EU could be put on hold, although we consider this an unlikely outcome. Trade talks with China are set to conclude in early 2010, and we expect Chinese investment to flow into the energy and manufacturing sectors in the medium term.

## Economic policy outlook

**Policy trends** Costa Rica's fiscal position will continue to deteriorate owing to a fall in revenue, weak domestic consumption and increasing government debt. Mr Arias's economic and social stimulus plan, the Plan Escudo—a fiscal support scheme for businesses, the financial sector, workers and families—could cost up to 8% of GDP over the outlook period. The plan will be financed through fresh

multilateral debt (including a US\$735m IMF facility the authorities had envisaged as being precautionary) and the rest through domestic debt issuance. The already large public-sector debt burden (which totalled 42.2% of GDP at end-2008) will rise to over 50% of GDP in the forecast period as a result of the fiscal stimulus. Dealing with the downturn will mean that a crucial fiscal reform to tackle long-standing imbalances will be postponed until the new administration takes over in 2010. However, we do not expect the reform to be passed immediately, as it will take time for the new administration to gather legislative support for the measure. The urgency of this long-delayed reform has increased in view of the tariff regime under the Dominican Republic-Central America Free-Trade Agreement (DR-CAFTA), as revenue from import tariffs is expected to decrease from 5.8% of GDP in 2008 to 2.9% and 2.1% of GDP in 2009 and 2010, respectively. A successful fiscal reform will also be needed to consolidate improvements in monetary policy efficiency, following a part-recapitalisation of debt held by the Banco Central de Costa Rica (BCCR, the Central Bank), which is estimated to cost the central government around 1.5% of GDP per year. We expect continued slow progress on measures to increase exchange-rate flexibility.

**Fiscal policy** Revenue will fall sharply in 2009, by around one-tenth in real terms, as a result of the recession and reduced trade flows. With expenditure rising sharply (we expect a rise of over 25% in 2009 and 15% in 2010) in line with the Plan Escudo, the fiscal balance will turn from a small surplus of 0.2% of GDP in 2008 to a deficit of 3.8% of GDP in 2009 and 4.9% of GDP in 2010, reflecting the impact of the recession and lower customs revenue, as trade flows fall and the impact of DR-CAFTA is felt. Tariffs on 80% of goods imported from the other members of DR-CAFTA, totalling 28.2% of Costa Rican imports in 2008, became zero-rated on January 1st, while the remaining tariffs on consumer and industrial goods are being phased out over a ten-year period. The decline in revenue is likely to bottom out in the second half of 2009, in line with a slight increase in export and import levels. Improvements in tax collection, particularly income tax, and administrative efforts to curb tax evasion will also prevent a further revenue deterioration in 2010. However, public debt will rise in 2010 to 53.6% of GDP, as the government has pledged to increase expenditure in favour of more social spending, and has resorted to presenting a bill that will facilitate debt financing of current expenditure.

**Monetary policy** For most of the outlook period the Central Bank will concentrate its efforts on economic stimulus through the use of interest rates. Plans to move towards a formal inflation-targeting system by the end of 2010, which would entail the adoption of a flexible exchange-rate regime and the use of interest rates as a primary tool for controlling inflation, are likely to be delayed. In January 2009 the rate of increase of the upper level of the crawling band was increased from 6 céntimos to 20 céntimos per day, and we expect this to remain in place for the remainder of the outlook period. With inflation on a downward trend, the Central Bank will reduce its monetary policy rate in the remainder of 2009 (the monetary policy rate has gone down by 1% to 9% since late May 2009). Commercial lending rates will remain at high levels (the weighted average lending rate is slightly below 22%), and the fall in domestic demand will

continue to affect the main monetary aggregates (the narrow monetary aggregate has contracted by an average of 6% in the last five months, while the broad monetary aggregate has grown by only 3.3% on average in the first half of 2009). However, with the easing of monetary policy and a lower base of comparison, we expect growth in monetary aggregates to pick up at the end of 2009 and to accelerate again in 2010.

## Economic forecast

### International assumptions

#### International assumptions summary

(% unless otherwise indicated)

	2007	2008	2009	2010
<b>Real GDP growth</b>				
World	2.8	-1.4	2.7	3.4
US	0.4	-2.4	1.8	1.2
EU27	0.8	-4.3	0.0	1.1
<b>Exchange rates</b>				
¥:US\$	103.4	96.1	94.8	92.8
US\$:€	1.470	1.363	1.388	1.415
SDR:US\$	0.629	0.654	0.647	0.640
<b>Financial indicators</b>				
¥ 3-month money market rate	0.85	0.40	0.30	0.50
US\$ 3-month commercial paper rate	2.18	0.26	0.28	1.38
<b>Commodity prices</b>				
Oil (Brent; US\$/b)	97.7	62.0	74.0	67.0
Coffee (Arabica; US cents/lb)	139.8	138.3	121.3	125.0
Food, feedstuffs & beverages (% change in US\$ terms)	29.5	-20.3	3.7	2.6
Industrial raw materials (% change in US\$ terms)	-5.1	-33.9	10.2	-2.5

Note. Regional GDP growth rates weighted using purchasing power parity exchange rates.

Recent data suggest that the global economy is now stabilising. However, the lingering after-effects on the global economy of the financial crash that started in mid-2008 and the wealth destruction of 2008-09 will prevent a quick return to potential growth. World GDP growth in purchasing power parity (PPP) terms will fall by 1.4% in 2009, recovering to 2.7% in 2010. Costa Rica's preferential access to the US market through DR-CAFTA will partly cushion the impact of shrinking US import demand, but the country will be further hit by weak economic conditions in its Central American trading partners and Mexico. The slowdown is reducing demand for Costa Rican exports, particularly from its free-trade zones (FTZs), and tourism inflows. Tight global credit conditions will bring about lower levels of inward investment than in recent years.

### Economic growth

After three consecutive quarters of contraction, recent data suggest that the economic contraction has bottomed out in Costa Rica. The government's policy of increasing wages has cushioned the fall of private consumption, as a result of which we have revised our forecast for GDP in 2009 slightly, from a contraction of 4% to a contraction of 3.8%. Our estimates assume a gradual recovery starting in late 2009, helped by government support through the Plan Escudo and a lower base of comparison. In line with global—and particularly US—trends, the

2010 recovery will be moderate (3.6%), owing largely to a pick-up in manufacturing, exports and domestic demand.

The slowdown in 2009 is being led by manufacturing, reflecting in particular continued weak US demand for manufactured goods. Manufacturing output has fallen in year-on-year terms since May 2008 and has fed into most other economic sectors. It will only start to recover in the fourth quarter of 2009, in part owing to a low base of comparison. Agricultural output fell sharply in the first half of the year, partly as a result of flooding in late 2008, which disrupted important crops such as coffee and bananas. The construction sector has deteriorated even further (output has decreased by an average of 5.3% per month since January), with private employment in construction falling drastically in the past few months. The sector will continue to struggle in 2009-10, supported only by investments in public-sector infrastructure. Tourism inflows have also fallen sharply since the fourth quarter of 2008; they will remain weak in the remainder of 2009 and rise only gradually in 2010. Other service sectors, such as back-office support for US companies, will be under pressure from the US recession, although it appears that companies are moving their services to Costa Rica from other countries, which should help to mitigate the fall in demand for these services.

The impact of recession on employment will be keenly felt and will be only partly offset by employment creation in the public sector within the framework of the Plan Escudo. Provisional figures indicate a decrease in private-sector jobs and a subsequent rise in unemployment, which we expect to average 6.4% in 2009. Under this scenario, we envisage private consumption to contract by 1.7% in 2009. Also, although DR-CAFTA will provide a floor to the forecast decline in investment, particularly in telecommunications and insurance as both open up to competition, tough financing conditions and a contraction in construction activity are expected to cause investment to fall by 15.6% in 2009. The recovery in investment in 2010 will be relatively modest, at 5%, supported by DR-CAFTA-related investment.

**Inflation** Despite a rapid fall in recent months, inflation will remain at higher levels in Costa Rica than in other countries, in part because of the public debt dynamics, which were running at 5.7% in August (albeit down from 13.9% at end-2008). The disinflationary trend was driven by lower transport and food costs, which have been falling in line with international trends. We expect inflation to start to pick up once again in the fourth quarter of 2009, as transport costs rise, but at 7.3% at end-2010 this will be much lower than in 2008, and within the target of 8% (plus or minus 1 percentage point). Lower average inflation will be helped by lower commodity prices, as well as by sluggish domestic demand. The rapid fall in producer price inflation since the third quarter of 2008 (from 34.8% in September 2008 to -5.17% in August) supports the view that the inflation has passed its peak.

**Exchange rates** The Central Bank will manage a controlled real depreciation of the exchange rate in the rest of this year and in 2010. Costa Rica's large external financing requirement will maintain pressure on the colón, leading the currency to trade near the upper end of the exchange-rate band, as it has since July 2008. We do

not envisage a further widening of the exchange-rate ban in the outlook period, which was raised from 6 céntimos to 20 céntimos per day in January. This will bring the exchange rate to C611:US\$1 by end-2009 and to C655:US\$1 at the end of 2010. The real effective exchange rate (REER) has been depreciating since 2006 and we expect this trend to continue in 2009, as other currencies appreciate against the US dollar.

**External sector** After a sharp deterioration in 2008 the current-account deficit will narrow to 2.3% of GDP in 2009, before widening again to 4.1% of GDP in 2010, owing largely to trends on the trade account. Trade data for 2009 have shown a much sharper decline in import spending than in export earnings, a function of depressed domestic and global demand as well as greater falls in import prices. We expect this trend to continue, (although higher oil prices in the forecast period might accelerate import spending earlier than expected), causing the trade deficit to narrow in 2009, before widening again in 2010 on the back of rising imports. The income deficit will also narrow in 2009, as outward profit remittances fall, supporting a narrowing of the current-account deficit and helping to offset the deterioration in the services and current transfers balance. Both services exports (through tourism and back-office services) and service imports (through transport costs) will fall, leading to a narrowing of Costa Rica's structural services surplus, from 7.1% of GDP in 2008 to 5% in 2009. A mild recovery in global demand from 2010 will help to lift goods and services earnings again, but the risks to our forecast remain substantial. Our current estimate is that the services surplus will rise to 6.9% of GDP in 2010. The transfers surplus will narrow modestly in 2009, owing to falling inward family remittances from a recession-hit US and outward remittances to Nicaragua, as jobs in Costa Rica are lost.

#### Forecast summary

(% unless otherwise indicated)

	2007 <sup>a</sup>	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>
Real GDP growth	7.8	2.9	-3.8	3.6
Industrial production growth	8.4	-1.1	-5.0	2.0
Gross agricultural production growth	5.1	-2.3	-4.0	2.5
Unemployment rate (av)	4.6	4.9	6.4	6.0
Consumer price inflation (av)	9.4	13.4	8.3	7.5
Consumer price inflation (year-end)	10.8	13.9	5.8	7.3
Commercial bank prime lending rate	12.8	15.8	18.6	17.0
Central government balance (% of GDP)	0.6	0.2	-3.8	-4.9
Exports of goods fob (US\$ bn)	9.3	9.7	8.1	8.8
Imports of goods fob (US\$ bn)	12.3	14.6	10.5	11.8
Current-account balance (US\$ bn)	-1.6	-2.6	-0.7	-1.2
Current-account balance (% of GDP)	-6.0	-8.9	-2.3	-4.1
External debt (year-end; US\$ bn)	7.8	8.2	8.1	8.1
Exchange rate C:US\$ (av)	516.6	526.2	580.0	631.1
Exchange rate ¥:C (av)	0.228	0.196	0.166	0.150
Exchange rate C:€ (year-end)	727.4	772.2	845.6	916.9

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit forecasts.

## Monthly review: September 2009

### The political scene

#### **PLN likely to win the 2010 presidential elections**

After trying—and failing—to form a coalition for the 2010 elections (August 2009, The political scene), Costa Rica's left and centre-left parties have decided to run with presidential candidates of their own, further improving the prospects of Laura Chinchilla, the presidential candidate for the ruling centrist Partido de Liberación Nacional (PLN). The main opposition party, the Partido Acción Ciudadana (PAC), has confirmed the runner-up of the 2006 presidential election, Ottón Solís, as its candidate. The other two main left opposition parties, Partido Alianza Patriótica (PAP) and Partido Frente Amplio (PFA), will be running with Rolando Araya Monge and Eugenio Trejos, respectively. Mr Araya is a former PLN presidential candidate and brother of Johnny Araya Monge, the mayor of the capital, San José, while Mr Trejos was the leader of the opposition movement against the adoption of the Dominican Republic-Central America Free-Trade Agreement (DR-CAFTA), which eventually came into effect in early 2009.

The centre-right Movimiento Libertario (ML) confirmed its long-time leader Otto Guevara as its presidential candidate, while the right-wing Partido Unidad Social Cristiana (PUSC) picked Rafael Ángel Calderón, a former president (1990-94), who was in prison and is now under house arrest over corruption charges. Given the large number of candidates, Ms Chinchilla's position as front-runner has been reinforced. According to the latest CID-Gallup opinion poll in August, none of the other parties has any chance, individually, of securing the presidency. While Ms Chinchilla was supported by 43% of respondents, Mr Solís (second in the poll) obtained only 26% of voter intentions. In addition, 8% said they would be casting their vote for Mr Guevara, with 6% opting for Mr Calderón, while the remainder of the parties will have to make do with less than 3% of intended votes.

Another factor favouring the PLN candidate is a rise in the approval rating of the current government of the president, Óscar Arias. Ms Chinchilla has repeatedly stated that she will continue with the administration's policies, especially with respect to social spending. Most Costa Ricans feel that the administration has done well as far as social benefits are concerned, in particular by providing higher pensions, increasing aid to students and offering housing "bonds" (subsidies to purchase houses). In the CID-Gallup poll, 42% of respondents mentioned at least one of these policies as the Arias administration's biggest achievement. After a drop in public approval in October 2008 following a steep deterioration of the economy, 62% of the public felt the administration was doing either a good or a very good job in August 2009. Approving opinions were 45% higher than disapproving ones. Moreover, 69% of respondents felt the country was ready for a woman president, indicating that there is enough public support for a female candidate.

### **Honduras crisis brings trade talks with EU to a halt**

The ongoing political crisis in Honduras means that the likelihood of concluding trade negotiations and signing a partnership agreement with the EU by the end of 2009 has diminished. Talks were suspended by the EU at the end of June, when the Honduran president, Manuel Zelaya, was forced to leave his country. In spite of international pressure and Mr Arias's efforts to mediate the conflict, the *de facto* government of Honduras refuses to adopt the San José accord—a proposal put forward by Mr Arias to the effect that Mr Zelaya be returned to power until new elections can be held. In August Spain, which will hold the EU presidency from January 2010, indicated that the EU was willing to continue talks without Honduras to meet the original deadlines, with the possibility of Honduras joining in once its domestic crisis had been resolved.

Although the Costa Rican government has been pushing for the talks to get back on track even without Honduras, Guatemala and El Salvador felt it was neither appropriate nor feasible to continue. They argued that the EU's mandate of negotiating as a bloc does not allow for partial arrangements and that a modification of the rule by the EU would take six months and require the European Parliament's approval. In addition, Central American countries would also have to amend their mandates. The two countries felt that, given the circumstances, it was more appropriate to wait until a new Honduran government is elected in November 2009 and takes over in January 2010. At the end of August the European Parliament came out in support of the deposed Honduran president and pushed for compliance with the San José accord to solve the crisis. It also approved the suspension of trade talks with Central America until democracy is re-established in Honduras. The resolution leaves the process wide open, and in the best-case scenario the talks will only be resumed in early 2010.

## **Economic policy**

### **Budget bills focuses on social spending**

In early September the Ministry of Finance submitted the regular budget for 2010, which foresees an increase in the amount of social spending. The government estimates that the budget will total C4.6trn (US\$7.7bn), 12.2% more than in 2009. With only C2.7trn in expected revenue, the government hopes to finance the remaining C1.6trn with new debt, which would imply a budget deficit of 5% of GDP in 2010. The Ministry of Finance has announced that budget priorities will remain the same as in 2009: to maintain social spending under the framework of the Plan Escudo (the economic stimulus and social protection plan of the current government), to continue investing in public infrastructure, and to reduce the tax evasion gap. In total, social spending will go up by 12.9%. The Ministry of Education will get the largest share of the budget increase (6.86% of GDP), in part to cover 2,664 new teaching posts. Likewise, the 26.7% increase set aside for the Ministry of Public Security will go towards raising salaries and hiring 700 new officers. The Ministry of Housing will receive an additional 46.1% from the budget in 2010, as revenue from the new solidarity luxury housing tax is included. There will also be more funding for the student aid programme *Avanzemos* (C7bn) and for food security programmes. However, the government has not yet given any details regarding its economic assumptions for 2010, nor has it explained the different components of revenue.

Along with the 2010 regular budget, the government has submitted a special budget bill to the Legislative Assembly which includes a package of cuts worth C74.6bn (US\$128m, or 0.4% of GDP) to be made to the already approved regular budget for 2009. The spending adjustment came after the Contraloría General de la República (CRG, the comptroller general) had estimated that government revenue in 2009 will be 17.5% below target, which would require spending cuts of as much as C477bn (2.8% of GDP). The government, however, has refused to reduce its spending by the amount suggested by the CRG because of unavoidable commitments such as wages, pensions and year-end bonuses for public-sector workers, which must by law be covered by the national budget. As an alternative, the government wants to make temporary use of debt financing to cover those obligations, as with the budget obligations for 2010.

The special budget bill has already been vetted in the legislative committee stage but faces resistance from opposition factions, especially from the PAC and the Movimiento Libertario. These parties have demanded further reductions in spending for this year and next, as well as rules on how much can be financed with the new bill. Given that the 2010 general election is drawing near, the government will be keen to push the bill through, and the opposition will be in a good position to extract concessions in exchange for its support. As a result, it is likely that the bill will be modified before being adopted by the assembly.

### **Economic relations with China deepen**

Rapid headway has been made on trade and investment agreements ever since diplomatic relations were established with China in 2007. In the past few months negotiations for a free-trade agreement between the two countries have progressed, with a fourth round of talks scheduled for the first half of September in Peking. So far, both countries have agreed on duty-free or more favourable tariff conditions for 90% of the goods to be included in the trade agreement. The fourth round will address tariff treatment for the remaining 10% of goods (considered sensitive goods), a crucial step to concluding the agreement. The sensitive goods that Costa Rica is looking to place in the Chinese market include sugar, meat, coffee, beer, sauces and pastas. China, for its part, is seeking access for its metal mechanics, textiles, plastics, tyres and rice. The fourth round of talks will also seek to identify any remaining goods to be included and agreeing on their treatment as well as the rules of origin to be applied to them. Negotiations are scheduled to end in the first quarter of 2010.

Meanwhile, in late August the CRG vetted the contract to set up a mixed-capital venture between the Refinadora Costarricense de Petróleo (Recope, the national oil refinery company) and the Chinese National Petroleum Corporation (CNPC). The venture would invest a total of US\$1bn to expand Costa Rica's oil-refining capacity by building new facilities in Moín, Limón, where the country's only refinery is located. Although the contract had been rejected five months earlier for judicial reasons (the CGR had ruled that the state had the sole right to refine, import and distribute fuels), the government has since reworked the terms of the agreement to make it viable. The approved contract allows Recope to lease the new facilities for a minimum of 15 years, after which it could buy them back. According to the contract, each party will contribute an initial investment of US\$50m, with the rest added gradually over time. Construction of the new facilities will take five years. Recope would be in charge of operating

the new plant, with the ultimate goal of refining all the crude oil needed to cover Costa Rica's total fuel demand (currently only 30% of petrol consumed in the country is refined there). The expansion will increase refining from 18,000 to 60,000 barrels a day. Recope estimates that with this investment the country will save US\$200m per year on fuel import costs, while the government has stated that during the construction phase the expansion will directly generate between 1,000 and 1,500 new jobs in Limón province.

### Tax collection drop slows to a halt

Government revenue fell by 8.2% year on year in July, similar to the drop in the previous two months but less than the 19% drop registered in April, suggesting that the fall in revenue is bottoming out. The fall in July was attributable to lower customs revenue, especially from duties on vehicles (down 50%), electrical appliances (40%), and iron and steel products (74%). These results are in line with the performance of imports, which were down by 32.5% year on year in the same month. Income tax revenue fell by 7.5% year on year in July, owing largely to lower corporate tax revenue, as businesses struggle in the current economic conditions. However, other revenue items showed slight increases, with revenue from sales and consumption tax increasing year on year by 1.5% and 8.2% respectively in the first seven months of the year. In the same period, total spending rose by 25.9% year on year, largely owing to higher wages and salaries (33.4%) and transfers to the higher education fund (39.9%). Between January and June 2009 other expenditure items increased by 14.5%, and funds going into pensions grew by 19.7%. These data suggest that the government is taking its anti-cyclical policies as laid out in the Plan Escudo seriously.

### Central government finances

(C bn unless otherwise indicated; cash basis)

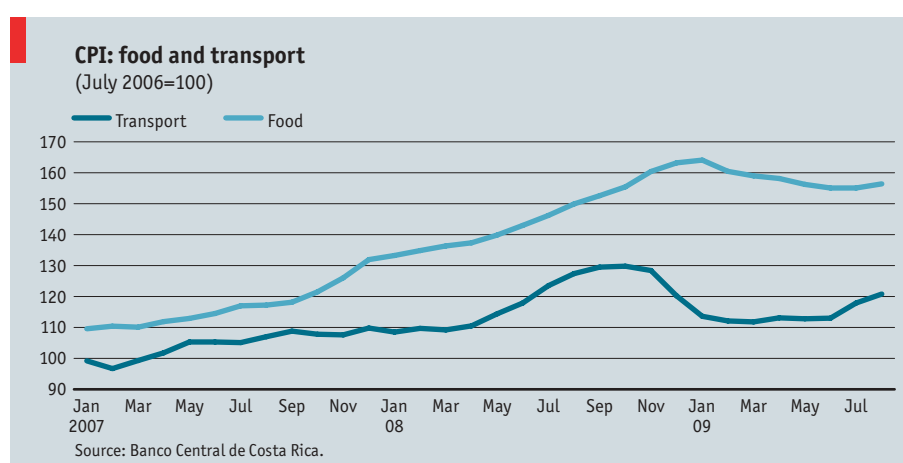
	Jul 2008	2009	% change, year on year	Jan-Jul 2008	2009	% change, year on year
<b>Revenue</b>	<b>228.4</b>	<b>209.9</b>	<b>-8.1</b>	<b>1,408.9</b>	<b>1,292.7</b>	<b>-8.2</b>
Customs tax	77.2	65.0	-15.8	521.3	411.0	-21.2
Income tax	87.4	71.8	-17.8	394.5	364.9	-7.5
Sales tax	35.7	36.7	2.8	259.5	263.4	1.5
Consumption tax	1.6	2.1	31.3	13.4	14.5	8.2
Other revenue	26.5	34.2	29.1	220.1	239.0	8.6
<b>Primary expenditure</b>	<b>170.1</b>	<b>204.4</b>	<b>20.2</b>	<b>1,043.7</b>	<b>1,314.4</b>	<b>25.9</b>
Wages & salaries	62.3	81.1	30.2	459.2	612.5	33.4
Pensions	24.9	30.0	20.5	172.7	206.7	19.7
Higher education fund	11.6	15.7	35.3	93.0	130.1	39.9
Other expenditure	71.3	77.6	8.8	318.8	365.1	14.5
<b>Primary balance</b>	<b>58.4</b>	<b>5.5</b>	<b>-90.6</b>	<b>365.2</b>	<b>-21.7</b>	<b>-</b>
% of annual GDP	-	-	-	2.3	-0.1	-
<b>Interest payments</b>	<b>35.5</b>	<b>39.5</b>	<b>11.3</b>	<b>213.9</b>	<b>213.5</b>	<b>-0.2</b>
On internal debt	15.4	18.3	18.8	151.5	148.9	-1.7
On external debt	20.1	21.2	5.5	62.3	64.7	3.9
<b>Total expenditure</b>	<b>205.5</b>	<b>243.9</b>	<b>18.7</b>	<b>1,257.5</b>	<b>1,528.0</b>	<b>22.1</b>
<b>Overall balance</b>	<b>22.9</b>	<b>-34.0</b>	<b>-</b>	<b>151.3</b>	<b>-235.3</b>	<b>-</b>
% of annual GDP	-	-	-	1.0	-1.3	-

Source: Ministerio de Hacienda.

## Economic performance

### CPI remains low despite higher oil prices

In August the inflation rate, as measured by the consumer price index (CPI), rose by 5.7% year on year and by 0.7% from the previous month. There was a slight rise in gas and petrol prices in July and August, but lower food and stable transport prices played a major role in keeping inflation levels down. Transport prices fell considerably after oil prices plummeted in the fourth quarter of 2008 and have remained stable since February. However, the continued increase in oil prices is putting inflationary pressures on transport costs, and the Economist Intelligence Unit expects prices in this sector to go up in the fourth quarter of 2009. As transport is the second-biggest item after food in calculating the CPI (it takes up 18% of the household budget), inflation in Costa Rica will increase slightly in the next few months. Nevertheless, it will remain much lower than in previous years. The Banco Central de Costa Rica (BCCR, the Central Bank) expects a year-end inflation rate of between 4% and 6% (we forecast year-end inflation at 5.8%).



### Consumer prices

(% change; base year=1995)

	2007		2008		2009	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
Jan	1.0	9.2	0.7	10.6	0.4	13.5
Feb	0.3	8.6	1.1	11.4	0.4	12.8
Mar	0.7	9.2	0.4	11.0	0.01	12.3
Apr	0.9	9.8	0.8	10.9	0.3	11.6
May	1.0	9.2	1.9	11.9	-0.1	9.5
Jun	0.6	8.8	1.4	12.8	0.2	8.2
Jul	0.9	8.7	2.1	14.2	0.9	6.9
Aug	0.7	8.6	1.8	15.4	0.7	5.7
Sep	0.6	9.4	1.0	15.8	-	-
Oct	0.6	9.9	1.4	16.3	-	-
Nov	1.2	10.1	1.2	16.3	-	-
Dec	1.7	10.8	-0.4	13.9	-	-

Source: Banco Central de Costa Rica.

### The trade deficit falls

According to Central Bank figures, in the first half of 2009 the balance of trade recorded a US\$2.4bn deficit (0.9% of GDP), 56% less than in the first half of 2008. The reduction in the trade deficit is largely attributable to a steeper fall in the import bill than in export earnings. In the first half of 2009 imports plummeted by 31.3%, while export earnings fell by 12.4%. Foreign demand for major products fell across the board, with the exception of meat. Among traditional products, sugar suffered the most (-39.5%), followed by coffee (-14.8%) and bananas (-2.8%). Exports by companies in regular regimes and in free zones fell by 18% and 11.1%, respectively. Although total exports fell by 7.8% year on year, the value of free-zone company exports grew by 3.5%, signaling a reversal of the trend of the previous five months. This growth in export earnings is the result of a transfer of production quotas to Costa Rica, as operations in other countries close down. Of the regular-regime exports, pineapple production, pharmaceutical products, and paper and cardboard manufactured goods showed the most promising signs of recovery.

#### Main exports, Jan-Jun

(US\$ m unless otherwise indicated; fob)

	2008	2009	% change
Bananas	353.1	343.3	-2.8
('000 metric tonnes)	1,100.3	828.8	-24.7
Coffee	213.3	181.8	-14.8
('000 46 kg bags)	1,516.1	1,318.3	-13.0
Sugar	22.3	13.5	-39.5
('000 46 kg bags)	1,597.7	691.6	-56.7
Beef	14.8	17.4	17.6
('000 kg)	5.6	6.5	16.1
Other agricultural & fisheries products	602.8	582.6	-3.4
Manufactured goods	1,105.3	906.5	-18.0
Inward processing <sup>a</sup>	170.6	118.2	-30.7
Free zones	2,456.3	2,184.6	-11.1
<b>Total exports</b>	<b>4,928.8</b>	<b>4,319.4</b>	<b>-12.4</b>

<sup>a</sup> Duty-free manufacturing operations located outside designated free zones.

Source: Banco Central de Costa Rica.

The import bill abroad shrank by 31.3% in the first half of 2009, from US\$7.7bn to US\$5.3bn (imports fell by 18% year on year in June). The falloff, a result of the economic slowdown and weaker domestic demand, was felt across the board in all import categories. The largest drop, however, was in fuel and lubricants (down by 44.4%), followed by shrinking purchases abroad of construction materials (34.2%), raw materials (32.5%), capital goods (25.4%) and end-consumer goods (24.2%). Although a fall in imports helps to reduce the deficit in the balance of payments and the current account, it also reflects the dire state of the country's manufacturing, as the sector requires a number of primary imports.

In an attempt to support the export sector, the Promotora del Comercio Exterior de Costa Rica (Procomer, the foreign trade promotion agency) has launched a programme providing assistance and consulting services for export firms in order to reactivate their sales abroad and overcome the current fall in foreign trade. The plan offers financial and export logistics services, new market

openings, insurance services and help with red tape. It also provides trade promotion through fairs and missions and encourages the use of new sales channels such as Internet sales. Costa Rican export companies are looking, among others, at China as a potential market (see Economic policy) and will participate in a high-profile trade fair in Shanghai in October.

### Imports, Jan-Jun

(US\$ m; cif)

	2008	2009	% change
<b>Raw materials</b>	<b>3,913.0</b>	<b>2,640.9</b>	<b>-32.5</b>
Industry & mining	3,671.9	2,467.5	-32.8
Inward processing	64.1	45.7	-28.7
Free zones	1,509.9	1,177.0	-22.0
Other companies	2,109.1	1,258.0	-40.4
Agriculture	241.1	173.4	-28.1
<b>Consumer goods</b>	<b>1,363.4</b>	<b>1,033.8</b>	<b>-24.2</b>
Non-durable	900.8	791.5	-12.1
Durable	462.6	242.3	-47.6
<b>Capital goods</b>	<b>1,225.9</b>	<b>914.7</b>	<b>-25.4</b>
Industry & mining	937.1	732.6	-21.8
Inward processing	7.2	4.9	-31.9
Free zones	176.6	127.9	-27.6
Other companies	753.3	599.8	-20.4
Agriculture	49.7	33.0	-33.6
Transport	239.1	149.0	-37.7
Construction materials	245.0	161.2	-34.2
Fuel & lubricants	955.6	530.9	-44.4
<b>Total incl others</b>	<b>7,715.4</b>	<b>5,300.6</b>	<b>-31.3</b>

Source: Banco Central de Costa Rica.

# Data and charts

## Annual data and forecast

	2004 <sup>a</sup>	2005 <sup>a</sup>	2006 <sup>a</sup>	2007 <sup>a</sup>	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>
<b>GDP</b>							
Nominal GDP (US\$ m)	18,595	19,965	22,526	26,267	29,834	28,933	29,536
Nominal GDP (C bn)	8,144	9,539	11,518	13,570	15,700	16,781	18,640
Real GDP growth (%)	4.3	5.9	8.8	7.8	2.9	-3.8	3.6
<b>Expenditure on GDP (% real change)</b>							
Private consumption	3.1	4.4	5.7	7.4	4.6	-1.7	3.8
Government consumption	1.3	0.2	2.9	2.2	2.3	4.2	2.0
Gross fixed investment	-0.5	4.3	10.8	18.0	12.6	-15.6	5.0
Exports of goods & services	8.2	12.8	10.3	10.0	-0.9	-12.0	7.0
Imports of goods & services	9.1	12.4	8.1	4.5	5.5	-14.5	7.6
<b>Origin of GDP (% real change)</b>							
Agriculture	0.7	4.3	12.7	5.1	-2.3	-4.0	2.5
Industry	4.3	8.8	11.3	8.4	-1.1	-5.0	2.0
Services	5.4	5.2	6.9	7.1	6.1	-3.1	4.7
<b>Population and income</b>							
Population (m)	4.3	4.3	4.4	4.5	4.5 <sup>c</sup>	4.6	4.7
GDP per head (US\$ at PPP)	8,161	8,716	9,166	10,009	10,387 <sup>c</sup>	9,870	10,067
Recorded unemployment (av; %)	6.5	6.6	6.0	4.6	4.9	6.4	6.0
<b>Fiscal indicators (% of GDP)</b>							
Public-sector balance	-2.5	-1.6	-0.7	0.6	0.2	-3.8	-4.9
Public-sector debt interest payments	4.1	4.1	3.8	3.1	2.2	1.8	2.2
Public-sector primary balance	1.6	2.5	3.1	3.7	2.4	-2.0	-2.7
Net public debt	58.6	54.6	50.9	46.5	42.2	49.3	53.1
<b>Prices and financial indicators</b>							
Exchange rate C:US\$ (end-period)	458.6	496.7	517.9	498.1	555.5	610.6	654.9
Consumer prices (end-period; %)	13.1	14.1	9.4	10.8	13.9	5.8	7.3
Stock of money M1 (% change)	5.6	25.0	36.6	32.1	4.2	-1.7	11.1
Stock of money M2 (% change)	24.3	25.2	26.0	18.5	11.2	16.4	17.5
Lending interest rate (av; %)	23.4	24.7	22.2	12.8	15.8	18.6	17.0
<b>Current account (US\$ m)</b>							
Trade balance	-1,421	-2,159	-2,770	-3,024	-4,813	-2,431	-2,973
Goods: exports fob	6,370	7,099	8,068	9,266	9,738	8,096	8,819
Goods: imports fob	-7,791	-9,258	-10,838	-12,290	-14,551	-10,527	-11,792
Services balance	857	1,116	1,364	1,827	2,105 <sup>c</sup>	1,438	2,036
Income balance	-444	-209	4	-850	-373 <sup>c</sup>	-60	-667
Current transfers balance	213	271	349	470	433 <sup>c</sup>	391	399
Current-account balance	-796	-981	-1,053	-1,578	-2,648	-662	-1,205
<b>External debt (US\$ m)</b>							
Debt stock	5,514	5,996	6,591	7,846	8,155	8,057	8,092
Debt service paid	706	598	598	628	932 <sup>c</sup>	845	917
Principal repayments	508	388	383	372	545 <sup>c</sup>	514	615
Interest	198	210	215	256	388 <sup>c</sup>	331	302
Debt service due	706	598	598	629	932 <sup>c</sup>	845	917
<b>International reserves (US\$ m)</b>							
Total international reserves	1,922	2,313	3,115	4,114	3,799	4,089	3,921

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit forecasts. <sup>c</sup> Economist Intelligence Unit estimates.

Source: IMF, *International Financial Statistics*.

## Quarterly data

	2007		2008				2009	
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
<b>Central government finance (C m)</b>								
Revenue	474.6	635.3	608.5	571.9	580.2	660.0	n/a	n/a
Expenditure	499.6	556.8	569.1	482.9	600.2	732.0	n/a	n/a
Balance	-25.0	78.5	39.4	89.0	-20.0	-72.0	n/a	n/a
<b>Employment, wages and prices</b>								
Average gross monthly wages (C)	2,681	2,753	2,826	2,905	3,035	3,116	3,258	3,350
Consumer prices (July 2006=100)	109.5	112.4	115.9	119.7	126.0	129.8	130.8	131.4
Consumer prices (% change, year on year)	8.9	10.3	11.0	11.9	15.1	15.5	12.9	9.8
Producer prices incl fuel (Dec 1999=100)	246.7	258.9	273.0	291.2	326.7	328.8	307.8	246.7
Producer prices ind excl fuel (Dec 1999=100)	235.7	244.3	256.8	273.0	301.1	309.7	302.5	n/a
<b>Financial indicators</b>								
Exchange rate C:US\$ (av)	518.6	510.5	496.4	508.3	547.4	552.8	561.5	573.8
Exchange rate C:US\$ (end-period)	518.6	498.1	494.7	519.6	554.4	555.5	563.4	575.3
Deposit rate (av; %)	6.2	5.9	3.9	2.8	4.1	5.8	6.7	6.5
Discount rate (end-period; %)	16.0	17.0	15.0	16.5	21.8	25.0	25.8	25.3
Lending rate (av; %)	12.1	12.2	13.3	13.0	17.2	19.9	20.3	20.1
M1 (end-period; C bn)	1,972.5	2,243.5	2,418.5	2,250.7	2,134.5	2,337.9	2,208.2	2,097.1
M1 (% change, year on year)	48.0	32.1	36.6	27.2	8.2	4.2	-8.7	-6.8
M2 (end-period; C bn)	3,458.5	3,672.9	3,875.0	3,874.6	3,828.0	4,083.7	3,967.0	3,938.6
M2 (% change, year on year)	27.3	18.5	14.7	16.0	10.7	11.2	2.4	1.7
<b>Foreign trade (US\$ m)</b>								
Exports fob	2,287.4	2,383.6	2,407.8	2,521.0	2,404.0	2,170.9	2,081.8	2,237.7
Imports cif	-3,304.0	-3,641.9	-3,610.2	-4,105.2	-4,086.7	-3,569.5	-2,541.5	-2,802.2
Trade balance	-1,016.6	-1,258.3	-1,202.4	-1,584.2	-1,682.7	-1,398.6	-459.7	-564.5
<b>Foreign reserves (US\$ m)</b>								
Reserves excl gold (end-period)	3,886	4,114	4,891	4,334	3,814	3,799	4,167	3,934

Sources: IMF, *International Financial Statistics*; Banco Central de Costa Rica.

## Monthly data

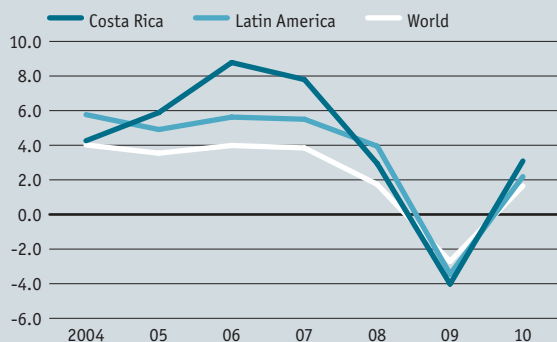
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exchange rate C:US\$ (av)</b>												
2007	518.1	519.1	518.8	518.7	518.7	518.7	518.7	518.6	518.5	518.8	513.9	498.7
2008	497.5	496.4	495.3	494.2	511.0	519.7	536.6	552.0	553.8	555.1	553.6	549.8
2009	556.4	562.7	565.6	570.2	574.5	576.7	582.0	n/a	n/a	n/a	n/a	n/a
<b>Exchange rate C:US\$ (end-period)</b>												
2007	519.1	519.0	518.8	518.7	518.7	518.6	518.6	518.6	518.6	518.9	513.9	498.1
2008	496.8	496.1	494.7	494.3	519.7	519.6	551.6	552.6	554.4	555.7	531.0	555.5
2009	560.3	565.3	563.4	573.1	576.8	575.3	586.2	n/a	n/a	n/a	n/a	n/a
<b>Real effective exchange rate (1997=100; CPI-basis)</b>												
2007	99.86	101.10	101.94	101.28	101.04	99.76	99.66	96.83	96.24	95.59	94.81	90.17
2008	89.34	88.86	89.76	89.02	92.13	93.11	93.82	89.13	86.64	82.63	78.72	79.09
2009	81.82	83.01	83.11	83.97	85.40	87.66	n/a	n/a	n/a	n/a	n/a	n/a
<b>M1 (end-period; % change, year on year)</b>												
2007	36.9	45.1	40.3	36.8	44.4	42.8	61.5	56.3	29.7	33.5	34.3	32.1
2008	35.8	33.7	36.6	36.2	32.8	27.2	23.1	18.1	8.2	9.4	6.9	4.2
2009	3.8	-2.7	-8.7	-8.1	-8.7	-6.8	n/a	n/a	n/a	n/a	n/a	n/a
<b>M2 (end-period; % change, year on year)</b>												
2007	24.3	26.3	29.9	23.1	27.5	29.2	23.8	20.6	14.4	16.4	19.1	18.5
2008	20.4	17.3	14.7	18.8	19.6	16.0	18.1	15.8	10.7	12.7	9.6	11.2
2009	11.5	6.3	2.4	1.3	2.5	1.7	n/a	n/a	n/a	n/a	n/a	n/a
<b>Deposit rate (av; %)</b>												
2007	8.5	6.6	6.5	6.2	6.1	6.1	6.1	6.2	6.2	6.0	5.9	5.8
2008	5.8	2.9	2.9	2.8	2.8	2.9	3.3	4.2	4.7	5.2	6.0	6.2
2009	6.2	6.8	7.0	6.7	6.4	6.4	n/a	n/a	n/a	n/a	n/a	n/a
<b>Lending rate (av; %)</b>												
2007	15.3	15.1	13.3	12.8	12.2	12.2	12.2	12.0	12.0	11.8	12.0	12.7
2008	14.5	12.8	12.5	12.4	12.8	13.9	15.3	17.8	18.4	19.7	20.0	19.9
2009	20.3	20.3	20.5	20.3	20.1	19.9	n/a	n/a	n/a	n/a	n/a	n/a
<b>Consumer prices (av; % change, year on year)</b>												
2007	9.2	8.6	9.2	9.8	9.2	8.8	8.7	8.6	9.4	9.9	10.1	10.8
2008	10.6	11.4	11.0	10.9	11.9	12.8	14.2	15.4	15.8	16.3	16.3	13.9
2009	13.5	12.8	12.3	11.7	9.5	8.2	6.9	5.7	n/a	n/a	n/a	n/a
<b>Producer prices (av; % change, year on year)</b>												
2007	14.3	13.2	12.7	13.7	13.0	12.6	11.9	12.1	13.1	14.8	16.6	17.9
2008	18.5	19.1	20.3	20.7	22.6	23.8	29.0	33.5	34.8	32.1	28.7	20.6
2009	15.4	12.6	10.3	8.1	5.0	2.4	-1.2	-5.1	n/a	n/a	n/a	n/a
<b>Average real wages (% change year on year)</b>												
2007	1.9	2.4	1.8	1.3	2.0	2.4	1.5	1.7	0.9	0.5	0.2	-0.4
2008	-0.1	-0.8	-0.5	-0.4	-1.2	-2.0	-0.8	-1.8	-2.2	-2.7	-2.7	-0.6
2009	1.6	2.2	2.6	3.1	5.2	6.5	2.1	n/a	n/a	n/a	n/a	n/a
<b>Total exports fob (US\$ m)</b>												
2007	697.3	697.2	857.3	731.9	864.8	817.5	732.8	805.6	749.0	855.7	813.2	714.7
2008	722.5	848.2	837.1	887.0	842.6	791.4	798.5	794.0	811.5	904.9	658.1	607.9
2009	619.4	686.8	775.6	734.2	759.1	744.4	725.6	n/a	n/a	n/a	n/a	n/a
<b>Total imports cif (US\$ m)</b>												
2007	1,057.4	947.7	998.8	930.0	1,071.5	1,001.3	1,075.9	1,140.9	1,087.2	1,223.0	1,314.2	1,104.7
2008	1,283.2	1,246.0	1,081.0	1,501.1	1,315.5	1,288.6	1,350.2	1,371.2	1,365.3	1,463.0	1,063.1	1,043.4
2009	858.7	831.3	851.5	844.3	900.7	1,057.2	969.0	n/a	n/a	n/a	n/a	n/a

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Trade balance fob-cif (US\$ m)</b>												
2007	-360.1	-250.5	-141.5	-198.1	-206.7	-183.8	-343.1	-335.3	-338.2	-367.3	-501.0	-390.0
2008	-560.7	-397.8	-243.9	-614.1	-472.9	-497.2	-551.7	-577.2	-553.8	-558.1	-405.0	-435.5
2009	-239.3	-144.5	-75.9	-110.1	-141.6	-312.8	-243.4	n/a	n/a	n/a	n/a	n/a
<b>Total exports fob (% change year on year)</b>												
2007	29.4	10.0	5.1	30.5	12.8	9.2	16.6	12.0	5.0	21.3	11.3	12.0
2008	3.6	21.7	-2.4	21.2	-2.6	-3.2	9.0	-1.4	8.3	5.7	-19.1	-14.9
2009	-14.3	-19.0	-7.3	-17.2	-9.9	-5.9	-9.1	n/a	n/a	n/a	n/a	n/a
<b>Total imports cif (% change year on year)</b>												
2007	14.7	16.5	2.4	9.8	3.0	4.7	11.0	10.9	12.4	19.4	19.4	22.2
2008	21.4	31.5	8.2	61.4	22.8	28.7	25.5	20.2	25.6	19.6	-19.1	-5.5
2009	-33.1	-33.3	-21.2	-43.8	-31.5	-18.0	-28.2	n/a	n/a	n/a	n/a	n/a
<b>Foreign-exchange reserves excl gold (US\$ m)</b>												
2007	3,164.1	3,239.3	3,491.7	3,559.3	3,588.2	3,734.2	3,839.3	3,902.8	3,885.9	3,831.0	3,799.0	4,113.6
2008	4,397.2	4,554.7	4,890.7	4,936.6	4,572.6	4,334.2	4,106.6	4,004.2	3,814.0	3,625.2	3,753.6	3,798.7
2009	3,844.4	4,077.2	4,167.3	4,269.4	3,899.2	3,934.5	3,883.0	n/a	n/a	n/a	n/a	n/a

Sources: International Monetary Fund, *International Financial Statistics*; Haver Analytics.

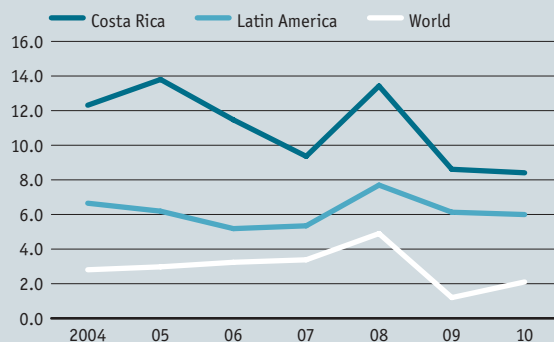
### Annual trends charts

**Real GDP growth**  
(% change)



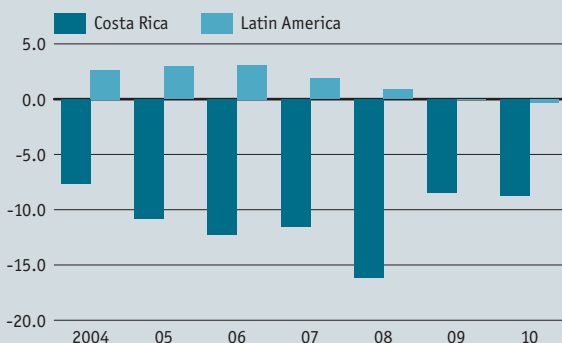
Source: Economist Intelligence Unit.

**Consumer price inflation**  
(av; %)



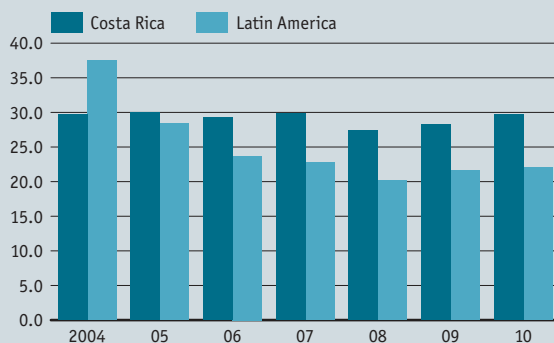
Source: Economist Intelligence Unit.

**Trade balance**  
(% of GDP)



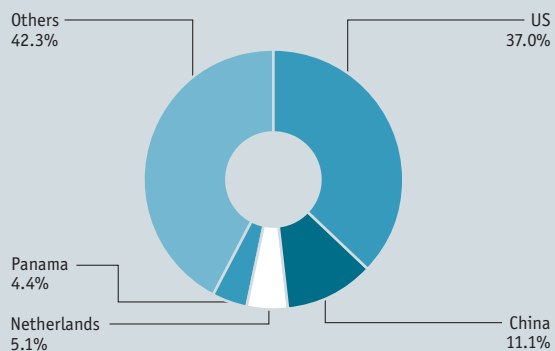
Source: Economist Intelligence Unit.

**Total external debt**  
(% of GDP)



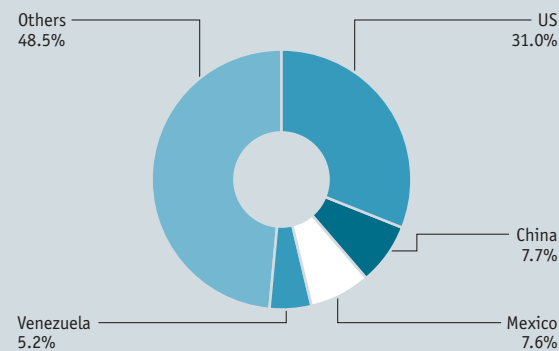
Source: Economist Intelligence Unit.

**Main destinations of exports, 2008**  
(share of total)



Source: Economist Intelligence Unit.

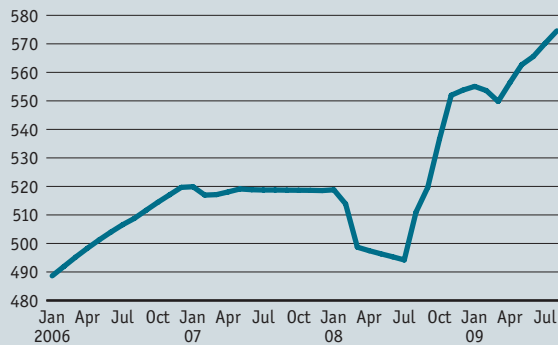
**Main origins of imports, 2008**  
(share of total)



Source: Economist Intelligence Unit.

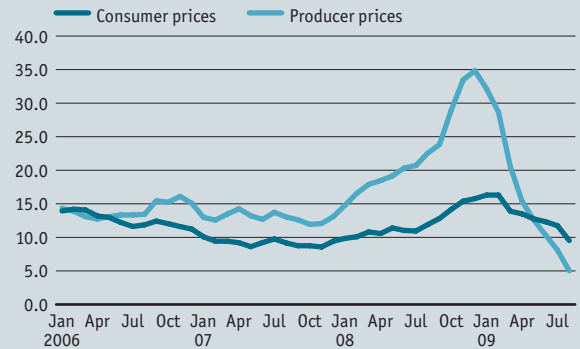
### Monthly trends charts

**Exchange rate**  
(C:US\$; av)



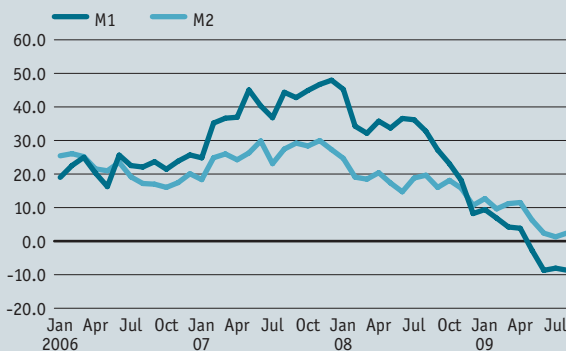
Source: Economist Intelligence Unit.

**Price inflation**  
(% change, year on year)



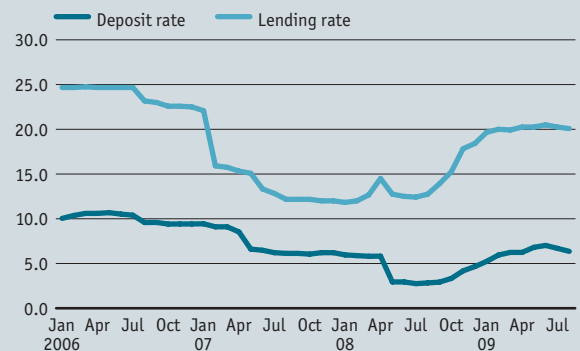
Source: Economist Intelligence Unit.

**Monetary aggregates**  
(% change, year on year)



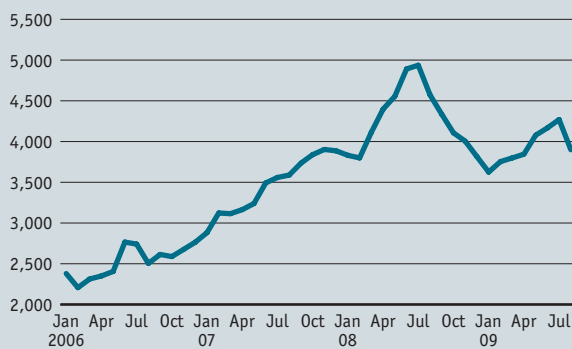
Source: Economist Intelligence Unit.

**Interest rates**  
(av; %)



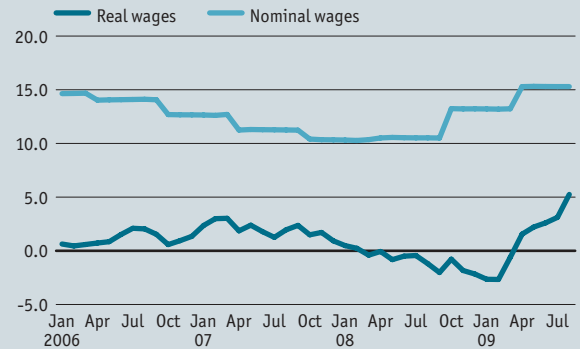
Source: Economist Intelligence Unit.

**Foreign-exchange reserves**  
(US\$ m)



Source: Economist Intelligence Unit.

**Wage growth**  
(% change, year on year)

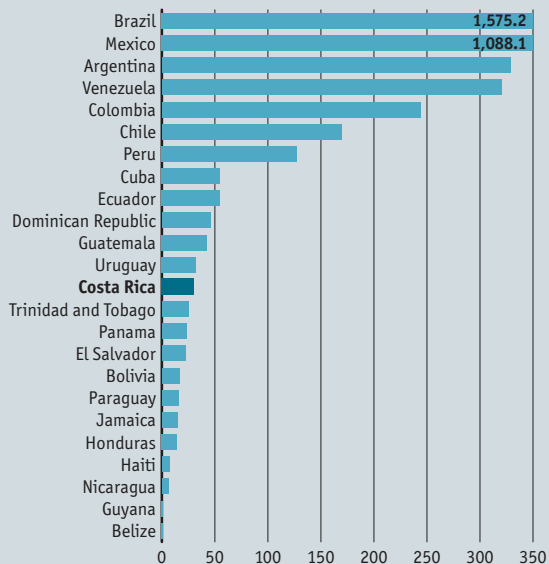


Source: Economist Intelligence Unit.

## Comparative economic indicators, 2008

### Gross domestic product

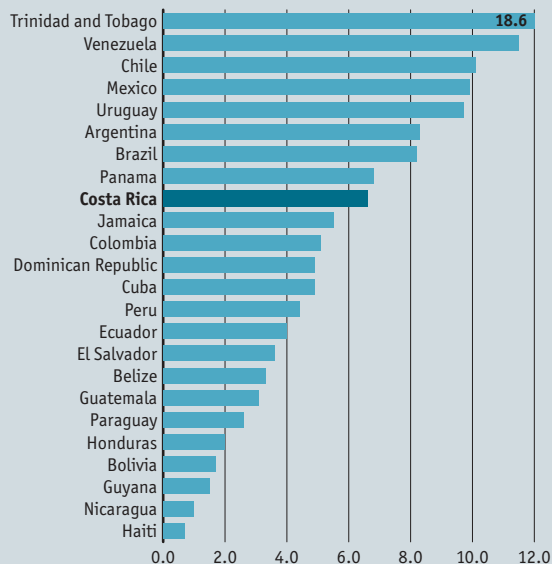
(US\$ bn; market exchange rates)



Sources: Economist Intelligence Unit estimates; national sources.

### Gross domestic product per head

(US\$ '000; market exchange rates)



Sources: Economist Intelligence Unit estimates; national sources.

### Gross domestic product

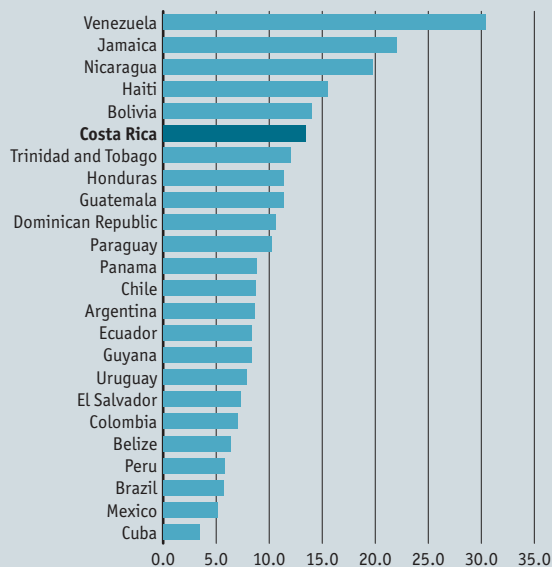
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

### Consumer prices

(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

# Country snapshot

## Basic data

<b>Land area</b>	51,100 sq km; three major mountain ranges, central highland plateau and highland valleys, with lowlands along Pacific and Atlantic coasts	
<b>Population</b>	4.4m	
<b>Main towns</b>	Population in '000 (based on 2000 census)	
	San José (capital)	310
	Alajuela	233
	Cartago	132
	Puntarenas	106
	Heredia	104
	Limón	90
<b>Climate</b>	Tropical in lowlands, warm temperate on highland plateau and valleys	
<b>Weather in San José (altitude 1,172 metres)</b>	Dry season, December-May; wet season, June-November. Hottest month, June (average daily temperature 24-29°C); coldest months, December-January (21-27°C); driest month, February (5 mm average rainfall); wettest month, September (305 mm average rainfall)	
<b>Languages</b>	Spanish	
<b>Measures</b>	Metric system	
<b>Currency</b>	1 colón (C) = 100 céntimos. Average exchange rate in 2008: C580:US\$1	
<b>Time</b>	Six hours behind GMT	
<b>Public holidays</b>	There are nine legal holidays: January 1st; April 11th (Battle of Rivas); Maundy Thursday; Good Friday; May 1st (1856 Campaign and Labour Day); July 25th (Annexation of Guanacaste); August 15th (Day of the Virgin Mary's Assumption to Heaven and Mothers' Day); September 15th (Independence Day); and December 25th (Christmas). There are two additional unpaid, optional holidays: August 2nd (Virgin Mary Queen of Angels, Patron of Costa Rica); and October 12th (Spanish discovery of the New World, called Día de las Culturas), both of which may be shifted to the following Monday	

## Political structure

<b>Official name</b>	Republic of Costa Rica	
<b>Form of state</b>	Presidential democracy with a Legislative Assembly	
<b>The executive</b>	The president is head of state, elected for four years by universal adult suffrage; he or she appoints a cabinet, as well as the heads of public agencies and the Central Bank. Óscar Arias of the Partido Liberación Nacional (PLN) took office on May 8th 2006	
<b>National legislature</b>	Legislative Assembly, a 57-member single chamber directly elected for a four-year term by universal adult suffrage	
<b>Legal system</b>	Supreme Court at the apex of a subordinate court system; magistrates are elected by the Legislative Assembly for an eight-year term	
<b>Elections</b>	Mr Arias, who was president in 1986-90, was elected for another term by a narrow margin in a general election held in February 2006. Last mayoral elections: December 2006. Next elections: February 7th 2010 (presidential and Legislative Assembly); December 2010 (mayoral)	
<b>Main political organisations</b>	Government: Partido Liberación Nacional (PLN) Opposition: Partido Acción Ciudadana (PAC); Partido Movimiento Libertario (ML); Partido Unidad Social Cristiana (PUSC); Partido Unión para el Cambio (PUC); Bloque Patriótico Parlamentario (BP); Partido Auténtico Herediano (PAH); Partido Renovación Costarricense (PRC); Partido Unión Nacional (PUN)	
	<b>President</b>	Óscar Arias
	<b>Vice-president</b>	Vacant; the president of Congress, Francisco Antonio Pacheco, acts in the president's absence
<b>Key ministers</b>	<b>Agriculture</b>	Javier Flores Galagarza
	<b>Culture</b>	María Elena Carballo
	<b>Economics &amp; institutional co-ordination</b>	Marco Vargas Díaz
	<b>Education</b>	Leonardo Garnier Rímolo
	<b>Environment &amp; energy</b>	Roberto Dobles Mora
	<b>Finance</b>	Jenny Phillips
	<b>Foreign relations</b>	Bruno Stagno Ugarte
	<b>Foreign trade</b>	Marco Vinicio Ruiz Gutiérrez
	<b>Health</b>	María Luisa Ávila Agüero
	<b>Housing</b>	Clara Zomer Rezler
	<b>Justice</b>	Hernando París
	<b>Labour &amp; social security</b>	Álvaro González
	<b>Planning &amp; economic policy</b>	Roberto Gallardo Núñez
	<b>Presidency</b>	Rodrigo Arias
	<b>Public security</b>	Janina del Vecchio
	<b>Public works &amp; transport</b>	Karla González Carvajal
	<b>Science &amp; technology</b>	Eugenia Flores Vindas
	<b>Tourism</b>	Carlos Benavides Jiménez
<b>Central Bank president</b>	Francisco de Paula Gutiérrez	