INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/120

COSTA RICA

REQUEST FOR AN ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR COSTA RICA

June 2025

In the context of the Request for an Arrangement Under the Flexible Credit Line, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 2, 2025. Based on information available at the time of these discussions, the staff report was completed on May 16, 2025.
- A **Staff Supplement:** Assessment of the Impact of the Proposed Arrangement Under the Flexible Credit Line on the Fund's Finances and Liquidity Position.
- A **Statement by the Executive Director** for Costa Rica.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 25/173

IMF Executive Board Approves New Two-Year US$1.5 Billion Flexible Credit Line Arrangement for Costa Rica

FOR IMMEDIATE RELEASE

- The IMF approved today a two-year arrangement for Costa Rica under the Flexible Credit Line (FCL), for an amount of about US$1.5 billion (equivalent to 300 percent of quota).
- Costa Rica qualifies for the FCL by virtue of its very strong economic fundamentals and institutional policy frameworks, its track record of implementing very strong policies, and commitment to maintaining such policies in the future.
- The arrangement will enhance Costa Rica's external buffers and provide insurance against external downside risks. The authorities intend to treat the arrangement as precautionary and would consider requesting reduced access in the future, risks permitting.

Washington, DC – June 2, 2025: The Executive Board of the International Monetary Fund (IMF) approved today a two-year arrangement for Costa Rica under the Flexible Credit Line (FCL) in an amount equivalent to SDR 1.1082 billion (about US$1.5 billion, equivalent to 300 percent of quota).

Costa Rica has maintained a close relationship with the Fund through surveillance, capacity development, and lending. The authorities sought Fund support through the Rapid Financing Instrument (in April 2020), an Extended Fund Facility (EFF) arrangement (approved on March 1, 2021, and completed on June 14, 2024), and a Resilience and Sustainability Facility (RSF) arrangement (approved on November 14, 2022 and completed on June 14, 2024).

The FCL is reserved for countries with very strong policy frameworks and track records in economic performance. Costa Rica's very strong fundamentals and institutional policy frameworks, sustained track records of implementing very strong policies, and continued commitment to maintaining such policies in the future all justify the transition to an FCL arrangement. The arrangement is intended to send a very clear signal of the quality of the country's very strong policies and institutional frameworks. Unlike the EFF arrangement, the FCL has no ex-post conditionality in which disbursements are subject to compliance with specific targets and reforms. Qualification is assessed regularly for countries wanting to maintain access.

The authorities plan to treat the arrangement as precautionary. The arrangement provides Costa Rica with upfront access to IMF resources in case needed if future external shocks materialize.

Following the Executive Board's discussion on Costa Rica, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, issued the following statement:

"Costa Rica has very strong economic fundamentals and institutional policy frameworks. An impressive reform track record has simultaneously spurred GDP growth, reduced public debt, and lowered poverty. The economic outlook remains favorable.

“The authorities are committed to maintaining their very strong policies and frameworks. They are appropriately prioritizing further reducing public debt, enshrining central bank independence, and further strengthening financial supervision and crisis management.

“Nonetheless, Costa Rica is vulnerable to the shifting external environment. In the context of increased external risks, the new Flexible Credit Line (FCL) arrangement will provide valuable insurance. Downside risks include a prolonged increase in global uncertainty, slower growth in major trading partners, tighter global financial conditions, and higher oil prices.

“The authorities intend to treat the FCL arrangement as precautionary and would consider requesting reduced access in the future if external risks were to decline.”

INTERNATIONAL MONETARY FUND

COSTA RICA

May 16, 2025

REQUEST FOR AN ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE

EXECUTIVE SUMMARY

Context. An impressive reform track record has simultaneously spurred GDP growth and reduced public debt, economic fundamentals are very strong, and the economic outlook remains favorable. The authorities are committed to maintaining their very strong policies and frameworks.

Risks. Measures of global policy uncertainty have spiked and refinancing costs are being kept relatively high due to elevated U.S. dollar interest rates and a recent rise in global spreads. In an adverse scenario with a prolonged increase in global uncertainty, a tightening of global financial conditions, adverse shocks to trade policies, and higher oil prices, Costa Rica could face balance of payments pressures (both from lower capital inflows and a decline in net exports).

Flexible Credit Line (FCL). The authorities have requested a two-year Flexible Credit Line Arrangement in the amount of about SDR 1.1082 billion (300 percent of quota). The authorities intend to treat the FCL as precautionary. The requested access level is appropriate considering elevated external risks and Costa Rica's capacity to repay the Fund. The authorities would consider requesting reduced access in the future, risks permitting. Staff assesses that Costa Rica meets the qualification criteria for an FCL and supports the authorities' request.

Approved By
Nigel Chalk (WHD) and Koshy Mathai (SPR)

Prepared by a team comprising Ding Ding (outgoing mission chief), Varapat Chensavasdijai (incoming mission chief), Alberto Behar, Agnese Carella, Alfredo Alvarado (all WHD), Moustapha Mbohou (SPR), Santiago Acosta-Ormaechea, Ivania García Cascante (Resident Representative Office), with assistance from Heidi Canelas and Giselle Ballon de Rivero (WHD).

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CONTEXT AND RECENT DEVELOPMENTS

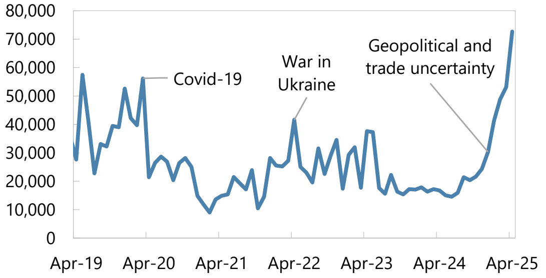
1. **An impressive policy reform track record has spurred growth and reduced public debt.** Costa Rica is an upper middle income country with a long history of democratic stability, good governance, freedom of expression, and rule of law. An impressive reform sequence started in 2015 and resulted in OECD accession in 2021. This included an ambitious fiscal reform, which introduced a fiscal rule and improvements to the tax system. A strategic focus on economic diversification has boosted exports of advanced manufactured goods and business services. Costa Rica has also worked to bring down public debt and protect its natural resources and ecosystems. From 2021 to 2024, annual real GDP growth averaged 5 percent, public debt fell by 8 percentage points of GDP, and poverty fell by 20 percent. Costa Rica has maintained a close relationship with the Fund through surveillance, capacity development, and lending. The COVID-19 pandemic prompted the authorities to seek Fund support through an RFI in 2020, an EFF in 2021, and an RSF in 2022.

2. **The authorities are committed to sustaining their impressive reform trajectory.** Successive administrations have shown fiscal discipline, maintained a forward-looking, data-dependent monetary policy, and put in place important supply side and institutional reforms. The authorities are committed to continuing to lower debt, further strengthening central bank autonomy and governance, addressing supply-side bottlenecks, and improving the legal framework for financial supervision and crisis management. Legislative and Presidential elections will be held in early 2026 and a new administration will be in place in May 2026.

3. **External risks have increased.** The World Uncertainty Index—a news-based indicator of sentiment—has risen to levels above those of the COVID-19 pandemic. Downside risks facing Costa Rica include further escalation of the trade war, slower growth in major trading partners (notably the U.S.), and tighter global financial conditions. Materialization of one or more of these risks could reduce demand for Costa Rica's goods and services, dent foreign direct investment inflows, and make external borrowing more costly for both the private and public sectors.

World Uncertainty Index

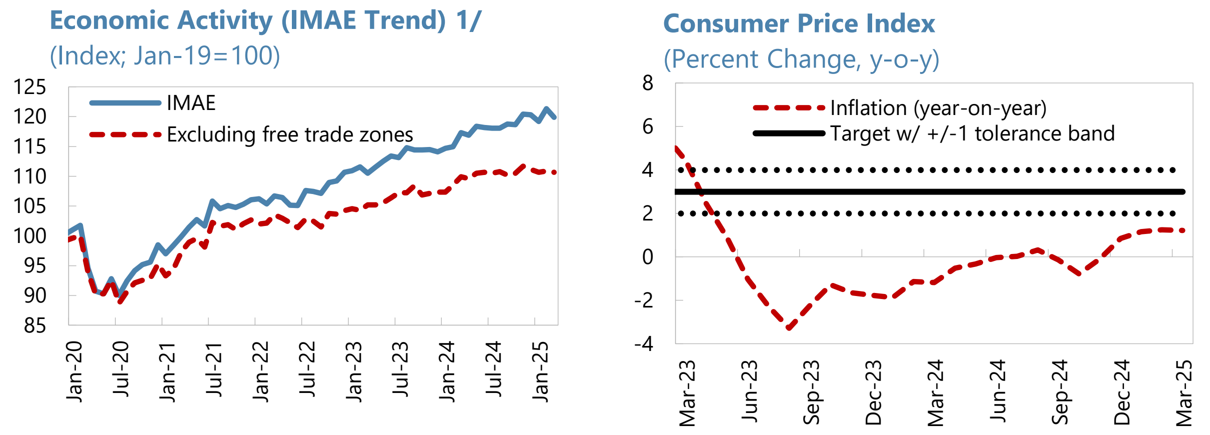
(GDP weighted average)



Source: Ahir, H, N Bloom, and D Furceri (2022), "World Uncertainty Index", NBER Working Paper.

4. **The authorities are requesting a two-year Flexible Credit Line arrangement with access equivalent to 300 percent of quota.** They regard the FCL as an important endorsement of their very strong management of the economy. Moreover, they regard access to the arrangement, which they intend to treat as precautionary, as valuable insurance against a range of looming external shocks. The requested access (of almost US$1.5 billion) is consistent with their assessment of the potential external risks the country currently faces. However, the authorities would consider requesting reduced access in the future if global risks were to decline.

5. Growth momentum remains strong. Following GDP growth of 4.3 percent in 2024, high frequency indicators show continued momentum, amid recent signs of stabilization. Unemployment is near historical lows and labor force participation has been rising. Inflation was about 1.2 percent in March and inflation expectations are within the BCCR's target range of 2–4 percent.



Source: Haver Analytics and IMF staff estimates.
1/ Índice Mensual de Actividad Económica.

OUTLOOK AND POLICIES

6. The economy is expected to continue performing well. Under the baseline, GDP growth is projected to slow towards 3.4 percent this year, reflecting the impact of tariffs and slowing external demand, and to remain around potential (of 3½ percent) over the medium term. Inflation is expected to return to the BCCR's target of 3 percent in 2026. Risks to the outlook for economic activity and employment are to the downside and risks to inflation are balanced. The current account deficit is expected to rise to 1.8 percent of GDP.

7. The authorities' broadly neutral monetary policy stance is appropriate. If the convergence of inflation to the target weakens in the coming months, there is room to cut the policy rate further. Once inflation returns firmly to the target, the BCCR will need to remain vigilant to manage both upside and downside risks to price stability. Given the comfortable level of international reserves, further accumulation of international reserves is unnecessary. Foreign exchange intervention should be limited to responses to large shocks and correcting market dysfunction, consistent with the IMF's Integrated Policy Framework. Measures to develop foreign exchange derivatives markets would help firms and households better manage exchange rate risks.

8. Indicators of financial soundness remain good. Amendments are being pursued to the bank resolution and deposit insurance law, which would further strengthen supervisory and resolution powers and enhance the crisis management framework. The smooth resolution of two small non-bank financial institutions last year highlights the effectiveness of Costa Rica's strong supervisory and resolution framework.

9. The authorities are appropriately prioritizing a further reduction in public debt. Temporary factors reduced the headline primary surplus to 1.1 percent of GDP in 2024 but, as these unwind, the primary surplus should rise to 1.3 percent this year. Public sector wage restraint will bring the primary surplus to 1.7 percent over the medium term while allowing for an increase in public investment (which will be aided by a new public investment law). A higher primary surplus will lessen debt and gross financing needs and increase the fiscal space to respond to shocks. Most public institutions, including the central government, have fully implemented the public employment law. This law helps free budget resources for other spending priorities, promote a fairer wage structure, and strengthen performance incentives. It will be important for the remaining public institutions to fully implement the law. A comprehensive, revenue-increasing tax reform would help increase the fiscal space for capital spending and social assistance while improving the equity and efficiency of the tax system. The Legislative Assembly should approve proposals to grant the executive more flexibility in issuing external debt. The disputed claim by the social security system should be resolved and accompanied by improvements in governance along with registries of beneficiaries of the social security system.

10. Supply-side reforms would help sustain Costa Rica's impressive economic performance by addressing growth bottlenecks. Boosting graduation rates and aligning curricula with workforce needs would help reduce skills mismatches. Enhancing infrastructure quality and maintenance would strengthen potential growth. Building on progress made under the Resilience and Sustainability Facility, efforts should continue to further advance resilience to natural disasters (e.g. through more resilient infrastructure and more diversified energy sources) and to catalyze climate finance. Lessening government regulations and increasing use of private-public partnerships would help foster private sector-driven growth. In this regard, efforts to address regulatory bottlenecks and to launch a one-stop window to facilitate business creation are important steps forward.

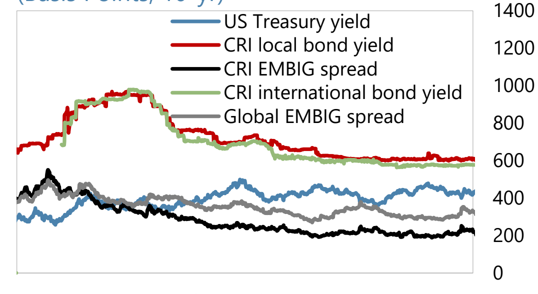
ROLE OF THE FLEXIBLE CREDIT LINE ARRANGEMENT

A. Evolution of External Risks and Exposures

11. External risks have increased. The EM VIX, which is a market-based measure of global risk perceptions, has indicated an increase in risks since the start of the year. Although the increase in the average global emerging market spread has been relatively modest, the U.S. 10-year Treasury yield benchmark has stayed high due to expectations of higher fiscal financing needs (April 2025 World Economic Outlook) and bond market volatility has increased. The April 2025 Global Financial Stability Report's capital flows-at-risk analysis indicates the likelihood of observing capital outflows from emerging markets has increased.

Government Bond Yield and EMBIG Spread

(Basis Points, 10-yr)

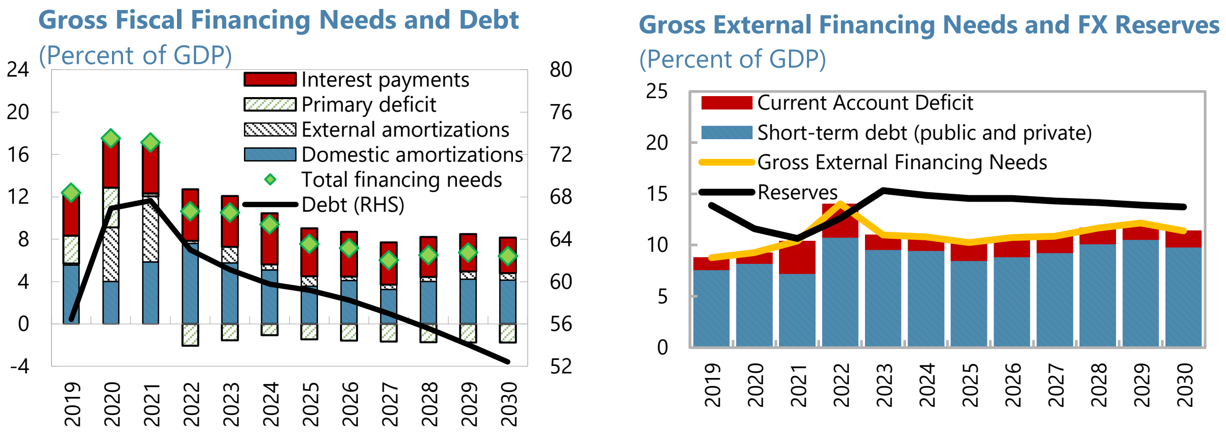


Source: Bloomberg and IMF staff calculations.

12. Costa Rica's refinancing costs have been buffeted by global financial conditions. A steady decline in Costa Rica's sovereign spreads was interrupted when global market conditions shifted in March and early April. However, local currency yields have fallen as monetary policy has normalized. Gross fiscal financing needs are around 7½ percent of GDP in the short term and will decline over the medium term. Costa Rica shows a robust external financing structure that is anchored by consistently strong FDI inflows. The sovereign risk and debt sustainability assessment continues to show risks to be low (Annex I).

13. Costa Rica is vulnerable to the shifting external environment (Box 1)**.** If downside risks to global and U.S. growth were to materialize, Costa Rica's exports of goods and services would be adversely affected (the U.S. buys half of Costa Rica's exports and accounts for two-thirds of inward FDI). Capital inflows (including asset allocation decisions of local pension funds) could also be affected by a shift in risk aversion and a tightening of global financial conditions. Costa Rica generates almost all its electricity from renewable sources and oil prices have declined recently but, nevertheless, higher oil prices would represent an important negative terms of trade shock that would weaken the balance of payments.[1]

Financing Needs



Gross Fiscal Financing Needs and Debt
(Percent of GDP)

Gross External Financing Needs and FX Reserves
(Percent of GDP)

Source: BCCR, and IMF staff estimates.

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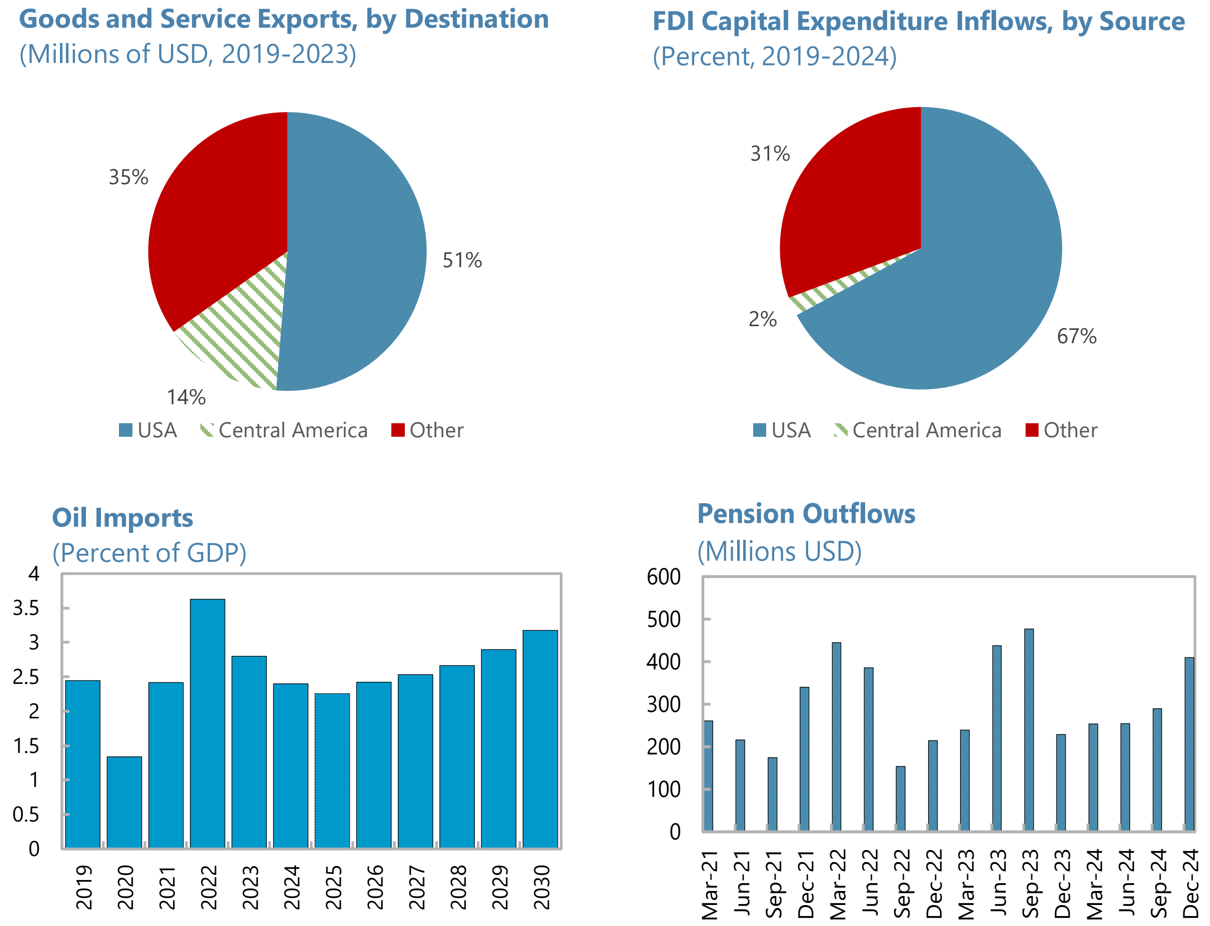
[1] Costa Rica does not receive sizable net remittance inflows. Costa Rica has the second largest share of foreign-born population (migrants and refugees) in Latin America, of which most are from Nicaragua. The net fiscal contribution is currently positive due to their tax payments and social security contributions exceeding the government transfers they receive, although a disorderly influx could create additional spending needs without offsetting revenues. See *Characteristics and Economic Impact of Migrants and Refugees in Costa Rica* – CR/23/443.

Selected External Sector Indicators



Goods and Service Exports, by Destination
(Millions of USD, 2019-2023)

FDI Capital Expenditure Inflows, by Source
(Percent, 2019-2024)

Oil Imports
(Percent of GDP)

Pension Outflows
(Millions USD)

Source: Orbis Crossborder Investment, Comtrade, OECD-WTO Balanced Trade in Services, BCCR, and IMF staff estimates.

Box 1. External Economic Stress Index

Background. The External Economic Stress Index (EESI) is a composite indicator of changes in the external environment facing a country. The index is based on: (i) a consideration of the main external risks facing Costa Rica; (ii) the selection of proxy variables capturing these risks; and (iii) the choice of weights to apply to each of these variables. The index is calculated as a weighted sum of the standardized deviations of the external proxies from their means (based on data from 2001-2024). Lower index values indicate higher stress.

Risks. The main external risks for Costa Rica are typically (i) an economic downturn in trading partners (especially the United States) leading to a decline in exports and FDI inflows; (ii) rising commodity prices, particularly those raising the energy import bill; and (iii) a tightening of global financial conditions and higher uncertainty, which would negatively affect the volume and cost of net external financing such as direct investment by foreigners, foreign purchases of public debt, and capital flight to safe havens by domestic pension funds.

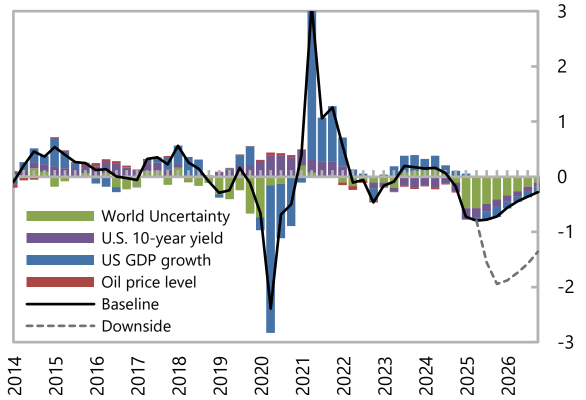
Proxy variables and weights. For this index, weights are calculated based on the relevant BOP flow as a share of GDP from 2022-2024. (i) U.S. GDP growth is used to proxy external demand as it accounts for half of Costa Rica's exports and affects growth in Costa Rica's other trading partners. The weight of +0.59 is based on the size of goods and services exports, though the U.S. is also a big source of FDI. (ii) The oil price level proxies energy

Box 1. External Economic Stress Index (concluded)

import costs. The weight is -0.04 (higher oil prices increase stress) based on the size of oil imports. Global financial conditions and sentiment are proxied, respectively, by the U.S. 10-Year Treasury Yield and the World Uncertainty Index (WUI). Both are in levels and each has a weight of -0.18 based on the size of gross financial flows (direct, portfolio, and other investment).

EESI history and baseline. The index shows a sharp increase in stress at the outbreak of COVID-19 in 2020 and reversal in 2021 as U.S. GDP growth rebounded. In 2022, the rise in U.S. interest rates and normalization of U.S. GDP growth started to increase stress. In late 2024, external stress started to increase to levels that are above the average for Costa Rica's history. The main driver has been the increase in the WUI, especially the spike in early 2025. The baseline assumes the WUI only gradually returns to its end-2024 level, that U.S. GDP growth is slower than in the recent past, and that interest rates decline slightly. Therefore, over the forecast horizon, the EESI is expected to remain elevated and only gradually return to average levels.

External Economic Stress Index components, 2014-2026
(Negative values indicate more stress)



EESI downside scenario. The scenario assumes that U.S. interest rates do not decrease from current levels due to renewed inflationary pressure and additional fiscal stimulus, broadly consistent with *Scenario A* in the April 2025 WEO. Specifically, rates remain at end-2024 levels such that, by end-2026, they are almost 100 bps above the baseline. Consistent with *Scenario A*, we have a frontloaded shock to U.S. GDP growth such that the GDP level is 2¼ percent lower than under the baseline in 2026. The WUI stays constant at high March levels such that, like in *Scenario A*, it reaches three standard deviations above those under the baseline. Lastly, it assumes a US$20 (almost one standard deviation) rise in the oil price. The result is an increase in external stress instead of a return toward average stress.

B. Assessment of Qualification

14. The core of the assessment is whether the member (a) has very strong economic fundamentals and institutional policy frameworks; (b) is implementing—and has a sustained track record of implementing—very strong policies; and (c) remains committed to maintaining such policies in the future. Moreover a very positive assessment of the member's policies should have been given in the most recent Article IV consultations. Finally, staff is to assess nine specific qualification criteria, which speak to (a) and (b) above.

15. Costa Rica continues to demonstrate very strong economic fundamentals and institutional policy frameworks, and has a sustained track record of implementing very strong policies. This is demonstrated below using the nine qualification criteria.

Summary of Qualification Assessments Including Track Record	
1.Sustainable external position (EBA assessment that at least "moderately weaker").	"Stronger" in 2021, 2023, and 2025 Article IV Consultations.
2.Capital account dominated by private flows (share of private flows in capital flows>50 percent on average over last 3 years).	54 percent.
3. Track record of steady sovereign access to international capital markets at favorable terms (public-sector bonds issued / loans disbursed in international markets in at least 3 of the last 5 years; cumulative amount >50 percent of quota).	4 issuance years in 2020-2024 amounting to 1,170 percent of quota.
4. Comfortable reserve position (reserves>100 percent of ARA metric or other indicators on average over three years and not below 80 in any year).	ARA average: 98. External financing needs average: 123. Always above 80.
5.Sound public finances (debt sustainable with high probability).	Sustainable with high probability in 2022, 2023, 2024, 2025. Borderline in 2021 using previous framework.
6. Low and stable inflation (inflation in single digits in the last 5 years).	Minimum -0.4 (2024). Maximum 8.3 (2022).
7. Sound financial system (capital adequacy above regulatory minimum; no significant solvency risks or recapitalization needs).	Risk-adjusted capital ratio: minimum 16.5 (end-2021) and maximum 19.1 (end-2024) – above regulatory minimum. No significant solvency risks or recapitalization needs.
8. Effective financial sector supervision (no substantial concerns regarding supervisory framework).	No substantial concerns.
9. Data transparency and integrity (an SDDS subscriber or satisfactory progress towards SDDS).	SDDS subscriber since before 2020.

16. **A sustainable external position.** The staff report for the 2025 Article IV Consultation assesses Costa Rica's external position to be stronger than medium-term fundamentals and desirable policies in 2024. The 2023 and 2021 consultations had "stronger" assessments. Efforts are underway to improve the functioning and liquidity of the FX market and macroprudential measures are being actively used to mitigate potential vulnerabilities from balance sheet FX mismatches. Costa Rica has long maintained an exchange system free of restrictions on the making of payments and transfers for current international transactions. Gross external debt was 42 percent of GDP in 2024 and is expected to stabilize at below pre-pandemic levels (Annex II) while the non-interest current account surplus was 0.9 percent of GDP in 2024. The net international investment position was -40 percent of GDP at end-2024, compared to -44 percent at end-2023.

17. **A capital account position dominated by private flows.** For 2022-2024, 54 percent of gross inflows and outflows were private-sector flows. The share exceeded 60 percent in 2022 and 2024. In 2023, the private share was 39 percent because of significant reserve accumulation, which accounted for 28 percent of total flows (three-quarters of public flows). The private share of IIP

liabilities was over 80 percent at end-2024 (due to the dominance of foreign direct investment) and the private share of assets was over 55 percent.

18. A track record of steady sovereign access to international capital markets at favorable terms. Costa Rica's public sector has issued sovereign debt in 4 out of the past 5 calendar years (2020-2024).[2] The Central Government (CG) issued external debt in 2021, 2022 and 2023. State-owned Banco Nacional issued a blue bond in 2024. Issuances are equivalent to 11.7 times Costa Rica's quota (Eurobond issuances alone were worth 6 times the quota). In particular, Costa Rica did not in staff's assessment lose market access at any point in the last 12 months. Further Eurobond issuances are expected this year. There has been a consistent strong market appetite for Costa Rican debt and EMBIG spreads declined consistently to about 200 basis points (¶12).[3] However, despite a rapid rise in Costa Rica's sovereign credit ratings, they are currently two notches below an investment grade rating.

USD-denominated External Bond Issuances, 2019-2024

(USD million)

	2019	2020	2021	2022	2023	2024
CG eurobonds	1467				2921	
CG GDNs 1/	719		1600	800		
Banco Nacional (blue bond)						50
ICE (SLB)			300			
Total	2187		1900	800	2921	50

1/ Global Depository Notes. Only includes USD-denominated notes with underlying security denominated in USD. GDNs settled/denominated in USD based on underlying CRC securities not included. Data based on outstanding amounts at the time data was accessed. Actual holdings by foreigners are not available.
Sources: Bloomberg, Citibank, Green Finance LAC; and IMF staff caclulations.

19. A reserve position that remains relatively comfortable, notwithstanding potential balance of payments pressures that justify IMF assistance. This assessment is justified by a broad range of metrics, even though a mechanical assessment based on the ARA metric is borderline.[4] Comfortable reserve coverage and the costs of self-insurance underpinned staff's advice during the 2025 Article IV Consultation to limit further reserve accumulation in favor of further exchange rate

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[2] Some years had multiple issuances or more than one entity. Includes Eurobonds, USD-denominated Global Depository Notes, and SOE issuance of sustainability linked bonds. In March 2023, a 10-year Eurobond with a US$1.5 billion face value was issued with a yield of 6.55 percent. In November 2023, a 30-year Eurobond with a US$1.5 billion face value was issued at a discount with a yield of 7.75 percent.

[3] Spreads doubled during the onset of the COVID-19 pandemic. However, spreads continued to decline through subsequent periods of volatility (the global inflationary episode, adverse terms of trade shocks, the war in Ukraine, and the recent rise in global policy uncertainty, even though spreads ticked up temporarily in March and early April).

[4] The mechanical ARA assessment using the contemporaneous classification for each year (floating in 2022, non-floating in 2023 and 2024) yields an average of 98 percent based on the M4 measure of broad money, which is used by the authorities and by staff in the Article IV Consultation. M4 incorporates foreign currency deposits and monetary stabilization bonds. Costa Rica's classification as a crawl-like arrangement is the result of reserve accumulation during the sustained appreciation that took place within a 2 percent crawling band during 2023-24. However, during periods of depreciation, the exchange rate has not been confined to a crawling 2 percent band, and this appears more relevant for assessing reserve coverage.

flexibility during periods of appreciation pressure and informs the calculation of appropriate access. Other important contributors to the assessment are access to the Latin American Reserve Fund (about 10 percent of end-2024 reserves), macroprudential measures that significantly reduce banks' potential short-term FX funding needs, and the considerable weight of foreign direct investment in external financing. Lastly, coverage is adequate even after netting out IMF loans.[5]

Reserve Coverage Indicators, 2022-2025

(Percent of Metric)

	2022	2023	2024	2025 (forecast)
ARA (float)	106	144	140	141
ARA (not float)	71	95	92	92
3 Months' Imports	123	174	177	169
Broad Money (M4)	123	155	144	145
External Financing Needs	90	140	138	142
Short-term Debt	117	161	157	172
Memorandum:				
Exchange rate classification	Float	Crawl like	Crawl like (preliminary)	…

20. Sound public finances including a sustainable public debt position. Fiscal performance is assessed to be solid, underpinned by very strong fiscal institutions and frameworks.

- The 2018 fiscal reform increased taxes which, together with compliance measures, boosted revenues, and established a fiscal rule for spending. The reform contributed greatly to the impressive fiscal performance. The primary surplus averaged 1.6 percent of GDP in 2022-2024, though high interest burdens kept overall deficits sizable at 3.3 percent of GDP. The authorities conducted a landmark public employment reform, established a medium-term debt strategy, unified debt management functions in a single office, improved the depth and coverage of their medium-term fiscal framework, centralized/digitalized social assistance cash transfers and established a single window for social assistance, and made crucial public investment management reforms.

- Expectations of continued impressive fiscal performance and debt reduction are consistent with the authorities' medium-term fiscal framework. Financing is expected to come from official external sources, domestic debt, and Eurobonds. Risks to the outlook are mitigated by available financing, a fiscal rule that responds to the debt ratio, and the authorities' track record in taking corrective action. Debt Sustainability Assessments in Article IVs and program reviews assess debt to be sustainable with high probability and the overall risk of debt distress is low.[6]

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[5] See Annex VIII of 2025 Article IV Staff Report for a deeper analysis of reserve coverage and costs.

[6] Debt has been assessed as sustainable with high probability in all applications of the new SRDSF template, which started in 2022. In early 2021, the then-applicable MAC DSF template yielded a borderline assessment, though the framework underpinning that assessment, developed amid extraordinary uncertainty, proved with the benefit of hindsight to be overly pessimistic.

21. Low and stable inflation in the context of a sound monetary and exchange rate policy framework. In 2021 to 2024, average annual inflation varied from -0.4 percent in 2024 to 8.3 percent in 2022, meeting the quantitative component of this criterion. In the face of very large shocks in the past few years, Costa Rica has demonstrated a very strong *de facto* monetary policy framework through decisive early loosening at the start of COVID-19, being one of the first central banks in the world to tighten in response to the global inflation surge, and being among the first to loosen as inflation fell—even being the first country in Latin America to lower the policy rate below that of the U.S. Federal Reserve. These actions, accompanied by appropriate communication, have helped anchor inflation expectations amid multiple large external shocks and exchange rate swings. Costa Rica's Central Bank scores very highly in indices[7] of de jure independence, which would be enshrined through approval of legal proposals submitted to the Legislative Assembly. There is broad-based public support for the central bank to continue to act independently even with the current legislative framework.

22. A sound financial system and absence of solvency problems that may threaten systemic stability. The 2025 Article IV staff report assesses systemic financial stability risks to be contained. The capital adequacy ratio has averaged almost 18 percent since end-2020 (with a December 2024 value of 19.1 percent), well above the regulatory minimum. Stress tests indicate that the banking system maintains sufficient capital to withstand a severely stressed scenario. Over the same period, liquidity metrics have stayed comfortable, NPLs have been low, and the system has remained profitable. There are no apparent systemic stability risks in nonbanks.

23. Effective financial sector supervision. This has been an area of significant progress.

- The 2018 FSSR highlighted shortcomings in financial supervision. The 2020 OECD accession review noted subsequent progress. The 2021 EFF request included a structural benchmark to strengthen the bank resolution framework, and the 2022 World Bank FSAP pointed out that there was still a need to strengthen the banking sector supervisory framework (notably the full implementation of risk-based supervision, enhancing prudential regulation and the corrective framework, and improving recovery and resolution planning).

- In response to the reports, there has been significant change. Regulatory stress testing tools, credit monitoring, and liquidity risks assessments were all strengthened. Supervision was extended to previously non-regulated entities and supervisory practices are now explicitly risk-based with greater clarity about the regulators' oversight function. Legislation was submitted to bring the bank resolution and deposit insurance framework in line with international best practice. In addition to improving crisis management, the legislation strengthens supervisory

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[7] For example, in country data underpinning Adrian et al (2024) and Adrian (2024). This index has 10 indicators spanning independence of the CEO or highest governing body, budgetary and financial independence, independence in formulating monetary policy, the primary objective of the central bank, restrictions on direct lending to the government or lending outside the financial system, and the scope of monetary policy audits.

and resolution powers. The authorities regard passage of this bill as a key priority and are confident of approval once the legislative process has taken its course.

- When two nonbank financial institutions were satisfactorily resolved during 2024 using the supervisory and resolution frameworks that were introduced in 2020, this demonstrated the effectiveness of financial oversight in Costa Rica. Moreover, the robust exercise of drafting the amendments to the bank resolution and deposit insurance framework, which involved all stakeholders and extensive IMF input, provides a ready playbook for actions that could be taken in the unlikely event of broader financial vulnerabilities.

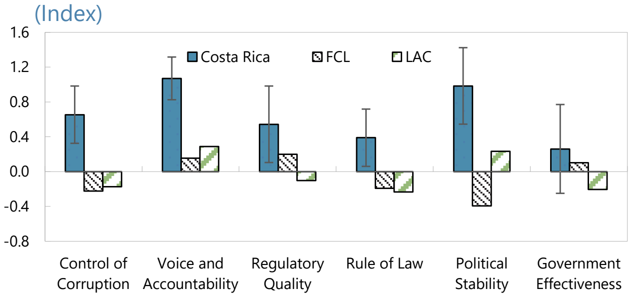
- The 2023 and 2025 Article IV consultations did not raise any substantial concerns on financial supervision, Costa Rica is not currently on the FATF list of jurisdictions under increased monitoring (grey list), and there were no outstanding recommendations on AML/CFT that warranted further attention.[8]

24. Data integrity and transparency. Costa Rica complies with the Special Data Dissemination Standards since 2019. Data is timely and of good quality with strong institutional protections to data integrity.

25. Complementing the nine criteria, Costa Rica has very strong institutional policy frameworks. The policy response to recent economic shocks has been exemplary and fiscal institutions have ensured a consistent path of debt reduction even in the face of large domestic and external shocks (the fiscal rule escape clause was invoked during the COVID-19 pandemic). Costa Rica also demonstrated its institutional resilience in its response to a 2022 cyberattack on the Ministry of Finance and other institutions. Costa Rica scores well on governance indicators, is a mature democracy, has an independent judiciary, and has a history of smooth political transitions and policy continuity. There are no substantive weaknesses in AML/CFT, fiscal, financial, or regulatory policies. Based on the centralized governance assessment tool and informed by recent Article IV consultations, staff considers that Costa Rica's ability to respond to shocks is not hampered by governance and corruption vulnerabilities.

Worldwide Governance Indicators, 2023

(Index)



Sources: Daniel Kaufmann (Natural Resource Governance Institute and Brookings Institution) and Aart Kraay (World Bank), and IMF staff calculations.
Note: FCL countries are Chile, Colombia, Mexico and Morocco. The estimated index follows a standard normal distribution, ranging from -2.5 to 2.5, with higher values indicating better governance. Use of these indicators should be considered carefully, as they are derived from perceptions-based data. Whiskers report 95 percent confidence interval. These are not available for the LAC or FCL averages.

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[8] Costa Rica is continuing with its efforts to strengthen its AML/CFT supervision in the financial sector by preparing legislation to enhance regulatory sanctions for banks and by submitting to the Legislative Assembly a bill to implement a risk-based framework for the oversight of virtual asset service providers.

26. Policy continuity has been demonstrated across administrations and the authorities remain committed to maintaining such policies in the future. The qualification criteria and context provided demonstrate Costa Rica's track record of very strong policies and frameworks and how they have contributed to very strong economic fundamentals and remarkable economic progress. The previous administration implemented the fiscal reform and negotiated the EFF. The current one, headed by a different party, completed the EFF and negotiated the RSF. This track record is likely to be sustained beyond the current administration. There continues to be wide recognition from across the political spectrum that close engagement with the Fund can support their goal of sustaining very strong economic performance.

27. During the 2025 Article IV Consultation, the IMF Executive Board commended Costa Rica's economic progress based on its very strong fundamentals, policies, and policy frameworks. Executive Directors' assessment at the 2023 Article IV also highlighted confidence in the strength of Costa Rica's institutional frameworks. Subsequent assessments related to the concluding EFF review (in June 2024) and the Post-Financing Assessment (in December 2024) were similarly positive.

C. Access Considerations

28. Staff considers that the requested access would mitigate potential balance of payments risks. The level of access would be sufficient in an adverse scenario given Costa Rica's comfortable level of reserves and Costa Rica's access to other multilateral and regional financing arrangements. In an adverse scenario (Box 2) the current account deficit would rise by about US$2.2 billion (about 2 percent of GDP) due to slower external demand and higher oil import prices in 2025. Net financial flows would fall by US$5.7 billion (about 5½ percent of GDP) with about a US$1.3 billion (about 1 percent of GDP) decline in net FDI (due to global uncertainty, tighter financial conditions, and slower global activity) and lower external borrowing by the private and public sector. Capital outflows by domestic pension funds are also incorporated.

29. In such an adverse scenario, where the exchange rate is allowed to depreciate to facilitate the needed external adjustment, reserve use would meet about 70 percent of the additional external financing needs. In such a scenario, reserves fall by US$4.7 billion instead of the baseline increase of US$0.75 billion. The authorities would also draw on the Latin America Reserve Fund (FLAR) to meet the shock to the balance of payments.[9] Use of FLAR and IMF resources would allow reserves to remain above 80 percent of the ARA metric.

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[9] Staff has consulted with FLAR.

Box 2. Access Considerations Using Illustrative Adverse Scenario

The illustrative scenario shows that access of about SDR 1.1 billion would provide adequate insurance against plausible risks. The scenario assumes that tighter global financial conditions, elevated uncertainty, and higher oil prices reduce global growth. These factors reduce Costa Rica's net exports and net financial inflows.

The April 2025 WEO *Scenario A* has multiple shocks including diverging growth paths, a ratcheting up of tariffs, greater policy uncertainty, and tighter global financial conditions. The effect on global GDP is about 2 percent relative to the baseline by 2026. We further assume that oil prices rise due to a supply shock.

Current account. The decline in Costa Rica's trading partners' GDP reduces Costa Rica's goods and services exports by 4 percent. This shock does not separately identify a reduction in prices of agriculture or other commodities and is less severe than most other FCL/PLL arrangements, which include many commodity-dependent exporters. Even in such a scenario, exports would be above Costa Rica's preceding 3-year average due to strong observed and baseline-projected growth (Figure 1). Costa Rica's oil import bills rise due to a US$20 dollar rise in its FOB price (almost 1 historical standard deviation and broadly in line with other oil importers). The current account response to exchange rate depreciations in 2025 (about 5 percent period average in real effective terms) following the shock begins in 2027.

Foreign Direct Investment. Lower global growth and higher trade policy uncertainty make current and potential investors pause their investment plans and reduce the share of earnings reinvested in the country, resulting in a 30 percent decline in FDI relative to the baseline. When compared to the preceding 3-year average, the size of the shock is less severe than the median FCL/PLL case.

Debt disbursements. Medium and long-term debt issued is assumed to be 35 percent lower than under the baseline. For public debt, the resulting US$1.5 billion gap would be comparable to global conditions preventing a planned Eurobond issuance. The implied rollover rates would still be above 100 and not severe in comparison to other FCL/PLL countries. For short-term debt disbursements, the decline is 30 percent.

Portfolio investment. In response to uncertainty and actual/feared depreciation, pension funds accelerate their reallocation of investment portfolios abroad. The assumed additional outflow of US$500 million is informed by observed outflow volatility by local pension funds.

Reserve drawdown. Alongside the depreciation, use of reserves contributes US$5.5 billion or about 70 percent of the financing gap. This would represent a decline of about one third in the first year, compared to a decline of about one quarter between January 2020 and June 2022 associated with the impacts of the pandemic, the war in Ukraine, and Costa Rica's negative terms of trade shock alongside a sizeable depreciation, though both trends reversed sharply thereafter. Nonetheless, the resulting reserve coverage is 89 percent of the ARA metric and 90 percent of external financing needs.

Financing gap. We assume that the authorities use some of their access to the FLAR (the amount of US$1 billion is close to what they have drawn in the past and US$0.5 billion below the maximum). The remaining financing gap of almost US$1.5 billion is consistent with the requested level of access.

External Financing Requirements and Sources, 2024-2026

(in USD million, unless otherwise indicated)

			Projections					
	Size of shock	2024	2025			2026		
			Baseline	Adverse	Contribution to gap	Baseline	Adverse	Contribution to gap
Gross financing requirements		**9,924**	**11,275**	**13,473**	**2,197**	**11,342**	**13,796**	**2,454**
Current account deficit		**1,291**	**1,826**	**4,024**	**2,197**	**2,076**	**4,530**	**2,454**
Exports of goods and services	4% decline in value	-36,770	-37,644	-36,138	1,506	-40,256	-38,646	1,610
Imports of goods and services		30,459	32,063	32,754	692	35,375	36,219	844
of which Oil Imports	US$ 20 rise in oil price	2,287	2,315	3,006	692	2,631	3,475	844
Income deficit		7,602	7,408	7,408	0	6,957	6,957	0
Debt amortization		**8,633**	**9,449**	**9,449**	**0**	**9,266**	**9,266**	**0**
Medium and long term debt		2,839	3,215	3,215	0	2,456	2,456	0
Public sector		1,623	1,865	1,865	0	990	990	0
Private sector		1,216	1,350	1,350	0	1,466	1,466	0
Short-term debt		5,794	6,234	6,234	0	6,810	6,810	0
Public sector		100	100	100	0	100	100	0
Private sector		5,694	6,134	6,134	0	6,710	6,710	0
Available financing		**9,924**	**11,275**	**11,001**	**274**	**11,342**	**11,325**	**17**
Foreign direct investment (net)	30% decline in net inflows	**4,275**	**4,240**	**2968**	**1,272**	**4,293**	**3,005**	**1,288**
Short-term debt disbursements		**5,794**	**6,234**	**4,364**	**1,870**	**6,810**	**4,767**	**2,043**
Public sector	30% decline	100	100	70	30	100	70	30
Private sector	30% decline	5,694	6,134	4294	1,840	6,710	4,697	2,013
Medium- and long-term debt disbursements		**4,975**	**5,966**	**3,878**	**2,088**	**5,677**	**3,690**	**1,987**
Public sector	35% decline	1,549	3,295	2142	1,153	2,482	1,613	869
Private sector	35% decline	3,426	2,671	1736	935	3,195	2,077	1,118
Other capital flows (net)		**-4,200**	**-4,413**	**-4913**	**500**	**-6,298**	**-6798**	**500**
Of which outward portfolio investment	US$ 500 million increase	-3,137	-2,981	-3,481	500	-2,969	-3,469	500
Gross reserves (− = increase)		**-920**	**-751**	**4,705**	**-5,456**	**-860**	**4,941**	**-5,801**
Financing gap					**2,472**			**2,471**
Of which other sources (e.g., FLAR)					1,000			1,000
Remainder					1,472			1,471
in SDRs					**1,108**			**1,108**
% quota					300			300
Memorandum Items								
Gross international reserves		14,181	14,932	9,476		15,792	9,991	
As percent of ARA metric (float)		140	141	89		136	86	
As precent of External Financing Needs		138	142	90		135	86	
Reserve drawdown as share of total gap (percent)				69			70	
Reserve change compared to previous year (percent)		7	5	-33		6	-30	

30. **The level of access requested for this arrangement is appropriate given recent increases in global uncertainty.** The authorities are aware the access is state-dependent and relies on other criteria (such as capacity to repay). If the authorities were to request and qualify for a follow-up arrangement in the future and external risks were to decline, the authorities would consider requesting reduced access. The requested access level is at the bottom of the range of FCL and Exceptional Access Arrangements approved since 2023.

Access Levels in Recent FCL and Exceptional Access Arrangements

(Percent of Quota)

FCL	
Costa Rica	300
Colombia (2024)	300
Mexico (2023)	300
Morocco (2025)	386
Chile (2024)	600
Exceptional Access	
Ecuador (2024)	430
Argentina (2025)	479

Source: IMF staff calculations.

D. Enterprise Risks and Safeguards

31. Staff assesses no major enterprise risks from the FCL proposal, compared to maintaining the status quo. Risks considered include financial, strategic, business, and reputational risks. FCL approval would also present opportunities.

32. Capacity to repay is adequate despite Costa Rica's outstanding credit to the Fund. Costa Rica has an excellent track-record of meeting all its financial obligations. In the event of an FCL disbursement of all available access, outstanding GRA credit to the Fund would rise to a peak of 635 percent of quota in 2025 with an additional credit from the RST of 150 percent of quota. In the adverse scenario consistent with such a disbursement (Figure 2), outstanding credit would peak at 4.1 percent of GDP (about half the median for FCL and exceptional access cases since 2008) and 40.8 percent of international reserves (around the median for such cases) in 2025. Obligations to the Fund would peak in 2029[10] at 2.2 percent of exports (about one-third of the median), and 8.1 percent of total external debt service (one-third of the median) in the adverse scenario.[11] Although the indicators are generally low in comparison with other FCL and exceptional access cases (see staff supplement), obligations as a share of quota (230.7 percent in 2029) and as a share of central government revenue (5.9 percent in 2029) are in the top quartile of all GRA access cases. In summary, obligations to the Fund would remain manageable at the proposed FCL access level.

33. Considering financial risks, granting access would entail low liquidity and moderate credit risks. If Costa Rica were to withdraw the full amount in a single drawing, this amount would represent about 1 percent of GRA credit outstanding, bringing Costa Rica's share of GRA credit outstanding to 2.6 percent (see staff supplement). The scheduled repurchases of outstanding credit, the adequate capacity to repay, the authorities' intention to treat the arrangement as precautionary, the strength of the economy and size of policy buffers, and a track record of very strong policies all mitigate risks to the adequacy and liquidity of lending resources and credit risks.

34. Not granting the FCL would present strategic and reputational risks. Precautionary arrangements make a valuable contribution to the Global Financial Safety Net and, with use of these instruments still low, it is strategically worthwhile to demonstrate that they are available to currently qualifying members and could be a goal for others. Accordingly, not granting FCL access would present a strategic risk to the membership regarding the objective and availability of precautionary arrangements. While Costa Rica would be the first member to move from an Upper Credit Tranche arrangement requested with actual BOP needs (such as an EFF) to an FCL within a year, nothing in Fund policies or procedures rules out such a transition. Not meeting the needs of a member by granting access to an FCL during a time of exceptionally high global uncertainty when qualification criteria have been met would introduce business risks, while there would be reputational risks from

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[10] Although there would be overlap between FCL and EFF repurchases, there would be no overlap between FCL and RSF repurchases due to the latter's long grace periods, which helps sustain FX buffers over the long term and creates space for investments that increase infrastructure resilience, increase long-run output, reduces prospective risks to BOP stability, and aids capacity to repay.

[11] In a more severe scenario presented in the 2024 Post-Financing Assessment, existing outstanding credit and obligations remain comfortable.

being perceived by stakeholders as not evenhanded and of being inconsistent with established policies and procedures.

35. The authorities are progressing towards full implementation of safeguards recommendations. An update safeguards assessment was conducted in 2020. The BCCR has implemented most of the recommendations and is committed to implementing the remaining recommendations through the needed legal reforms (namely the bill to improve the BCCR's transparency and accountability and to institutionalize its autonomy and a separate constitutional amendment to enshrine BCCR autonomy, which would also allow the BCCR to implement governance reforms through internal regulations). Safeguards procedures for this FCL request will be conducted based on a review of the most recent external audit results and discussions with the BCCR's external auditors. Once completed, the results will be reported to the Board in the next staff report for Costa Rica. Should FCL resources be used for budget support, the authorities will update a framework agreement between the BCCR and the government to clarify their responsibilities for timely servicing of related financial obligations to the Fund.

STAFF APPRAISAL

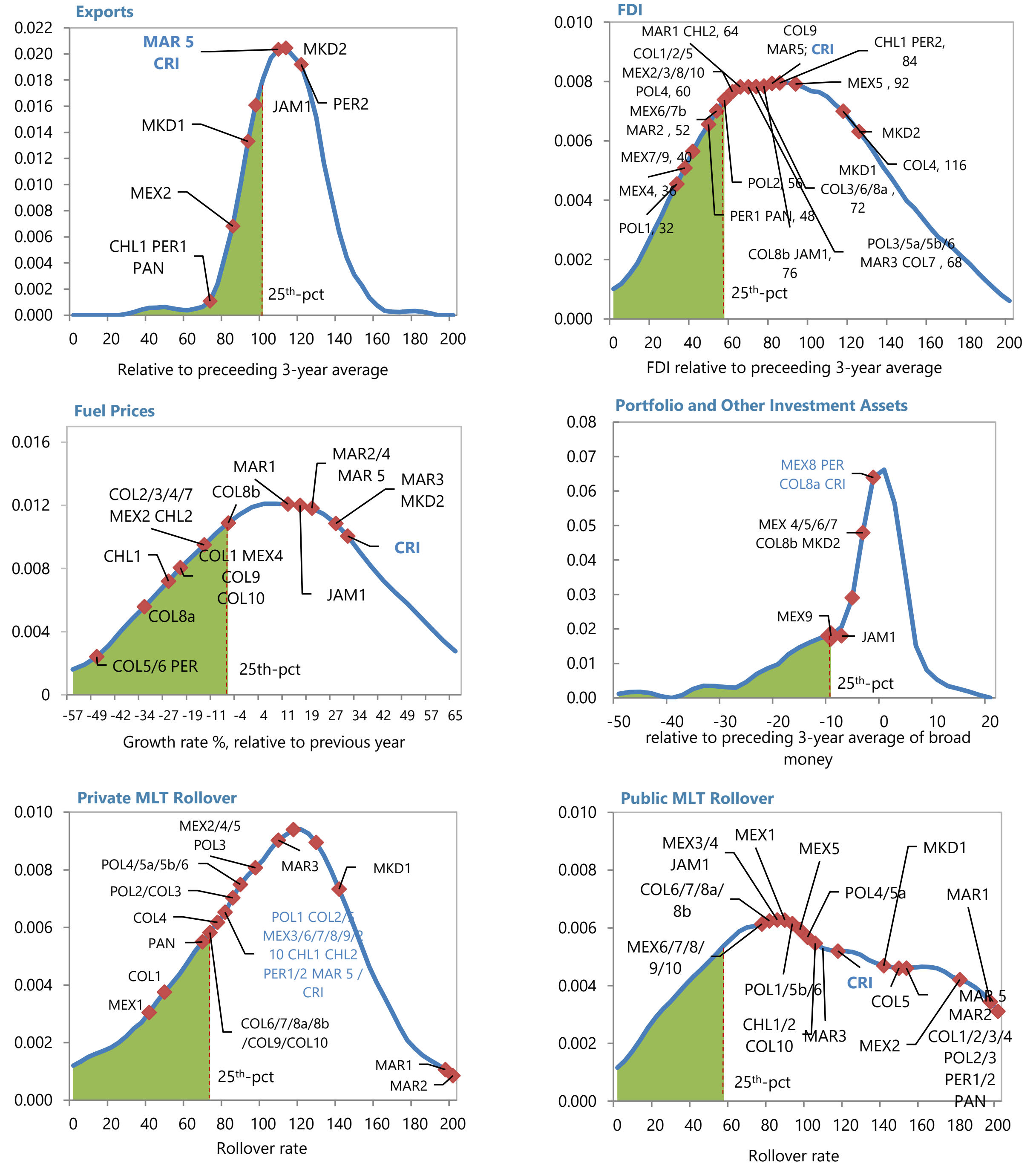
36. Costa Rica stands to benefit from an FCL Arrangement. The two-year arrangement would act as a very clear signal of the quality of the country's very strong policies and institutional frameworks. An FCL would provide valuable insurance against a range of external risks, complementing existing insurance through the country's comfortable level of international reserves and its access to regional reserve pooling arrangements. The authorities also see the signal as an important complement to their other efforts to achieve investment grade status. The authorities plan to treat the access as precautionary.

37. Costa Rica meets all the qualification criteria for such an arrangement. During the 2025 Article IV Consultation, the IMF Executive Board recognized Costa Rica's very strong fundamentals, policies, and policy frameworks. A very strong track record has been sustained across different administrations and is expected to continue into the medium term. All nine qualification criteria are met. However, there is scope to further strengthen financial supervision and crisis management as well as enshrine central bank independence into law. The authorities continue to pursue legislation in both these areas.

38. The level of requested access of 300 percent of quota and the authorities' intention to treat the arrangement as precautionary are appropriate. Access above 200 percent of quota is justified by the recent increase in external risks. In an adverse scenario, the drawdown of international reserves would leave reserve coverage above 80 percent (assuming the FCL is fully drawn). Capacity to repay the Fund would remain adequate even in an adverse scenario. In the event that global risks decline in the future, the authorities would consider requesting reduced access. The level of access under the proposed arrangement (SDR 1.1082 billion) would have manageable effects on Fund finances (see staff supplement). In light of this assessment, staff supports the authorities' request for a two-year FCL arrangement with access of 300 percent of quota. Upon approval of the arrangement, Costa Rica's Post-Financing Assessment would automatically terminate.

Figure 1. Costa Rica and Selected Countries: Comparing Adverse Scenario 1/

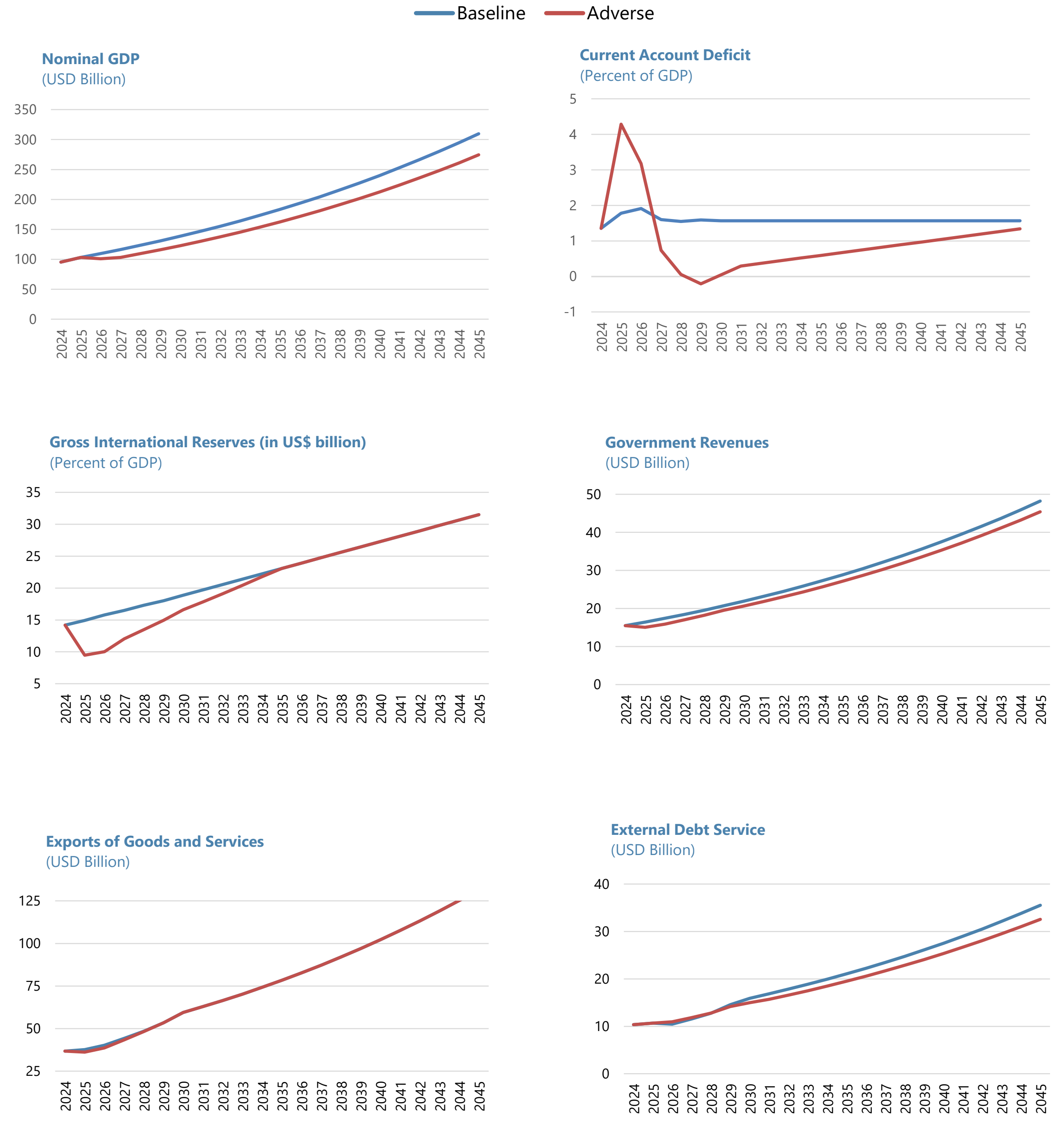
(Probability Density)



Source: IMF staff calculations.

1/ The countries shown are previous FCL/PCL/PLL arrangements, numbered consecutively by country. CRI, marked in blue, represents the adverse scenario for Costa Rica (effect for the first year of crisis).

Figure 2. Costa Rica: Selected Indicators—Comparing Baseline and Adverse Scenario



Nominal GDP
(USD Billion)

Current Account Deficit
(Percent of GDP)

Gross International Reserves (in US$ billion)
(Percent of GDP)

Government Revenues
(USD Billion)

Exports of Goods and Services
(USD Billion)

External Debt Service
(USD Billion)

Table 1. Costa Rica: Selected Economic and Financial Indicators

						Projections						
	2021	2022	2023	2024 CR/ 24/359 1/	2024	2025 CR/ 24/359	2025	2026	2027	2028	2029	2030
National Income	(Annual percentage change)											
Real GDP	7.9	4.6	5.1	4.0	4.3	3.5	3.4	3.4	3.5	3.5	3.5	3.5
Domestic demand	8.6	0.8	3.1	4.4	4.3	3.5	3.4	3.2	3.3	3.4	3.4	3.4
Consumption	6.9	2.5	4.1	3.1	3.3	3.0	2.5	2.6	2.8	3.0	3.0	3.0
Private	8.3	2.6	5.0	3.4	4.0	3.3	3.0	3.1	3.2	3.3	3.3	3.3
Public	1.7	2.4	0.1	2.1	0.7	1.7	0.8	0.5	1.1	1.6	1.7	1.7
Gross fixed capital formation	7.8	1.5	8.6	4.3	4.3	5.8	6.4	5.7	5.4	5.1	5.0	5.0
Exports of goods and nonfactor services	15.9	18.5	10.0	5.0	5.8	5.8	4.6	5.6	5.4	5.1	5.0	5.0
Imports of goods and nonfactor services	19.2	8.1	5.2	6.5	6.0	6.3	4.8	5.4	5.4	5.2	5.2	5.2
	(Contributions to real GDP growth)											
Domestic demand	8.3	0.7	2.9	4.0	3.9	3.2	3.1	2.9	3.0	3.1	3.1	3.1
Consumption	5.5	2.0	3.1	2.4	2.6	2.3	1.9	1.9	2.1	2.2	2.2	2.2
Gross domestic investment	2.8	-1.3	-0.2	1.7	1.3	0.9	1.2	1.0	0.9	0.9	0.9	0.9
of which : Inventory changes	1.5	-1.5	-1.6	1.0	0.6	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Net exports	-0.3	3.8	2.2	0.0	0.4	0.3	0.3	0.5	0.5	0.4	0.4	0.4
Prices	(Annual percentage change)											
GDP deflator	2.4	6.3	-0.1	0.3	0.0	2.7	3.0	3.2	3.2	3.2	3.2	3.2
Consumer prices (period average)	1.7	8.3	0.5	-0.4	-0.4	1.6	2.2	3.0	3.0	3.0	3.0	3.0
Consumer prices (end of period)	3.3	7.9	-1.8	0.4	0.8	2.4	2.8	3.0	3.0	3.0	3.0	3.0
Savings and Investment	(In percent of GDP, unless otherwise indicated)											
Savings	18.6	17.7	15.3	16.2	15.7	16.7	15.6	15.4	15.7	16.0	16.2	16.4
Domestic savings	15.4	14.4	13.8	14.3	14.3	14.8	13.8	13.5	14.1	14.4	14.6	14.8
Private sector	17.2	14.2	14.3	15.4	15.4	15.1	14.1	13.5	13.7	13.8	13.8	13.8
Public sector	-1.8	0.2	-0.4	-1.1	-1.0	-0.3	-0.3	0.1	0.4	0.6	0.8	1.0
External savings	3.2	3.3	1.4	1.9	1.4	1.9	1.8	1.9	1.6	1.5	1.6	1.6
Gross domestic investment	18.6	17.7	15.3	16.2	15.7	16.7	15.6	15.4	15.7	16.0	16.2	16.4
Private sector	16.3	15.8	13.5	14.4	13.7	14.8	13.6	13.4	13.5	13.7	13.8	13.9
Public sector	2.2	1.9	1.8	1.8	1.9	1.9	2.0	2.1	2.2	2.3	2.4	2.5
External Sector												
Current account balance	-3.2	-3.3	-1.4	-1.9	-1.4	-1.9	-1.8	-1.9	-1.6	-1.5	-1.6	-1.6
Trade balance	-4.4	-6.7	-3.7	-3.9	-2.6	-4.0	-3.4	-4.0	-3.7	-3.9	-3.9	-4.0
Services	7.0	10.1	9.7	9.6	9.2	9.6	8.8	8.4	8.5	8.7	8.5	8.4
Capital account balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-1.8	-1.9	-0.7	-1.8	-0.8	-1.8	-1.8	-1.9	-1.6	-1.5	-1.6	-1.5
Foreign direct investment, net	-4.8	-4.4	-4.3	-4.3	-4.5	-4.3	-4.1	-4.0	-4.1	-4.3	-4.4	-4.5
Gross international reserves (millions of U.S. dollars)	6,921	8,724	13,261	14,441	14,181	15,174	14,932	15,792	16,485	17,301	18,026	18,869
-in months of next year's imports	3.1	3.7	5.2	5.2	5.3	5.1	5.1	4.9	4.6	4.4	4.1	3.8
-as percent of gross external financing requirements	102.6	89.8	139.6	…	137.7	…	142.0	135.4	131.8	121.5	114.9	121.3
External debt	48.6	50.7	43.3	41.9	42.0	41.1	42.1	43.3	44.0	44.4	44.7	44.7
Real effective exchange rate, avg. (percent change)	-9.2	1.8	15.2	…	3.5	…	…	…	…	…	…	…
Public Finances												
Central government primary balance	-0.3	2.1	1.6	1.3	1.1	1.6	1.3	1.5	1.6	1.6	1.7	1.7
Central government overall balance	-5.1	-2.8	-3.3	-3.7	-3.8	-3.2	-3.2	-2.8	-2.5	-2.3	-2.0	-1.7
Central government debt	67.6	63.0	61.1	61.1	59.8	60.8	59.7	59.0	57.9	56.7	55.3	53.7
Money and Credit												
Credit to the private sector (percent change)	3.7	3.3	1.9	6.5	6.2	6.7	6.4	6.5	6.6	6.6	7.1	7.2
Credit to the private sector (adjusted by exchange rate changes)	2.4	6.1	6.3	7.5	7.1	6.6	6.4	6.1	6.4	6.3	6.8	6.9
Monetary base 2/	7.8	8.0	7.9	8.0	8.3	8.0	8.3	8.3	8.2	8.2	8.2	8.2
Broad money	54.0	47.5	47.4	49.4	51.3	50.1	50.5	50.9	51.5	52.3	52.2	53.7
Memorandum Items												
Nominal GDP (billions of colones)	40,327	44,810	47,059	49,083	49,116	52,177	52,307	55,830	59,647	63,720	68,058	72,686
Output gap (as percent of potential GDP)	0.1	-0.3	1.0	0.7	0.6	0.2	0.4	0.2	0.1	0.0	0.0	0.0
Unemployment rate (percent)	13.7	11.7	7.3	7.0	6.9	7.3	7.5	8.0	8.5	8.5	8.5	8.5

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

1/ Costa Rica 2024 PFA SR.

2/ Includes currency issued and required domestic reserves.

Table 2. Costa Rica: Central Government Balance 1/

						Projections						
	2021	2022	2023	2024 CR/ 24/359	2024	2025 CR/ 24/359	2025	2026	2027	2028	2029	2030
				(In billions of colones)								
Revenue	**6,326**	**7,341**	**7,182**	**7,367**	**7,410**	**7,814**	**7,910**	**8,443**	**9,024**	**9,634**	**10,294**	**11,001**
Tax revenue	5,566	6,312	6,423	6,535	6,577	6,976	7,073	7,550	8,070	8,616	9,207	9,840
Nontax revenue 1/	760	1,029	759	831	833	837	836	893	954	1,018	1,087	1,161
Expenditure	**8,377**	**8,598**	**8,712**	**9,200**	**9,268**	**9,464**	**9,597**	**10,021**	**10,509**	**11,074**	**11,632**	**12,267**
Current noninterest	5,839	5,803	5,844	6,068	6,145	6,210	6,382	6,710	7,052	7,441	7,849	8,286
Wages	2,624	2,627	2,653	2,794	2,825	2,764	2,878	2,976	3,059	3,151	3,250	3,350
Goods and services	342	356	335	342	348	384	380	415	457	511	568	616
Transfers	2,874	2,820	2,855	2,932	2,972	3,062	3,125	3,319	3,536	3,778	4,031	4,320
Interest 2/	1,939	2,184	2,260	2,451	2,379	2,468	2,388	2,392	2,412	2,443	2,465	2,486
Capital	599	611	609	682	744	785	827	919	1,045	1,190	1,318	1,495
Primary balance	**-112**	**927**	**730**	**617**	**521**	**818**	**701**	**814**	**927**	**1,004**	**1,126**	**1,221**
Overall Balance	**-2,051**	**-1,257**	**-1,530**	**-1,834**	**-1,858**	**-1,650**	**-1,687**	**-1,578**	**-1,485**	**-1,439**	**-1,338**	**-1,266**
Total Financing	2,158	1,207	1,469	1,834	2,018	1,650	1,687	1,578	1,485	1,439	1,338	1,265
External (net)	645	1,051	1,180	532	513	867	1,282	1,199	743	575	385	246
of which RSF disbursement	0	0	0	380	379	0	0	0	0	0	0	0
Domestic (net)	1,513	156	350	1,302	1,116	783	405	379	741	864	953	1,020
Central government debt	**27,272**	**28,224**	**28,762**	**29,988**	**29,348**	**31,713**	**31,207**	**32,930**	**34,526**	**36,114**	**37,603**	**39,025**
External	6,779	7,210	7,539	7,891	7,818	8,795	9,107	10,397	11,203	11,875	12,360	12,709
Domestic	20,493	21,014	21,224	22,097	21,302	22,918	22,100	22,533	23,322	24,239	25,244	26,316
				(In percent of GDP)								
Revenue	**15.7**	**16.4**	**15.3**	**15.0**	**15.1**	**15.0**	**15.1**	**15.1**	**15.1**	**15.1**	**15.1**	**15.1**
Tax revenue	13.8	14.1	13.6	13.3	13.4	13.4	13.5	13.5	13.5	13.5	13.5	13.5
Nontax revenue 1/	1.9	2.3	1.6	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Expenditure	**20.8**	**19.2**	**18.5**	**18.7**	**18.9**	**18.1**	**18.3**	**17.9**	**17.6**	**17.4**	**17.1**	**16.9**
Current noninterest	14.5	12.9	12.4	12.4	12.5	11.9	12.2	12.0	11.8	11.7	11.5	11.4
Wages	6.5	5.9	5.6	5.7	5.8	5.3	5.5	5.3	5.1	4.9	4.8	4.6
Goods and services	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Transfers	7.1	6.3	6.1	6.0	6.1	5.9	6.0	5.9	5.9	5.9	5.9	5.9
Interest 2/	4.8	4.9	4.8	5.0	4.8	4.7	4.6	4.3	4.0	3.8	3.6	3.4
Capital	1.5	1.4	1.3	1.4	1.5	1.5	1.6	1.6	1.8	1.9	1.9	2.1
Primary balance	**-0.3**	**2.1**	**1.6**	**1.3**	**1.1**	**1.6**	**1.3**	**1.5**	**1.6**	**1.6**	**1.7**	**1.7**
Overall Balance	**-5.1**	**-2.8**	**-3.3**	**-3.7**	**-3.8**	**-3.2**	**-3.2**	**-2.8**	**-2.5**	**-2.3**	**-2.0**	**-1.7**
Total Financing	**5.4**	**2.7**	**3.1**	**3.7**	**4.1**	**3.2**	**3.2**	**2.8**	**2.5**	**2.3**	**2.0**	**1.7**
External (net)	1.6	2.3	2.5	1.1	1.0	1.7	2.5	2.1	1.2	0.9	0.6	0.3
of which RSF disbursement	0.0	0.0	0.0	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	3.8	0.3	0.7	2.7	2.3	1.5	0.8	0.7	1.2	1.4	1.4	1.4
Central government debt	**67.6**	**63.0**	**61.1**	**61.1**	**59.8**	**60.8**	**59.7**	**59.0**	**57.9**	**56.7**	**55.3**	**53.7**
External	16.8	16.1	16.0	16.1	15.9	16.9	17.4	18.6	18.8	18.6	18.2	17.5
Domestic	50.8	46.9	45.1	45.0	43.4	43.9	42.2	40.4	39.1	38.0	37.1	36.2
Memorandum items:												
Non-interest expenditure growth (percent)												
in nominal terms	-0.1	-0.4	0.6	4.6	6.8	3.6	4.6	5.8	6.1	6.6	6.2	6.7
in real terms	-1.8	-8.0	0.1	5.0	7.2	2.1	2.4	2.7	3.0	3.5	3.1	3.6
Domestic financing without RSF (net)	1,513	156	350	1,681	1,496	783	405	379	741	864	953	1,020
Nominal GDP (billions of colones)	40,327	44,810	47,059	49,083	49,116	52,177	52,307	55,830	59,647	63,720	68,058	72,686

Sources: Ministry of Finance and IMF staff estimates.

1/ In 2022, includes a one-off transfer of surpluses from public entities accumulated before their CG consolidation and not used in 2021 and revenues that could not be identified due to the cyberattack.

2/ The inflation adjustment of the principal of TUDES (inflation indexed bonds) was recorded as interest expenditure.

Table 3. Costa Rica: Balance of Payments

						Projections						
	2021	2022	2023	2024	2024	2025	2025	2026	2027	2028	2029	2030
				CR/ 24/359		CR/ 24/359						
				(In millions of U.S. dollars)								
Current Account	**-2,063**	**-2,272**	**-1,239**	**-1,776**	**-1,291**	**-1,892**	**-1,826**	**-2,076**	**-1,843**	**-1,889**	**-2,055**	**-2,143**
Goods and services balance	1,670	2,297	5,270	5,401	6,311	5,773	5,581	4,881	5,500	5,848	5,895	6,106
Trade balance	-2,845	-4,666	-3,158	-3,728	-2,510	-4,025	-3,461	-4,290	-4,311	-4,742	-5,051	-5,424
Export of goods (f.o.b.)	14,826	16,647	18,886	20,302	20,656	21,870	21,045	22,744	24,951	26,900	29,459	32,286
Import of goods (f.o.b.)	17,671	21,313	22,045	24,029	23,166	25,895	24,506	27,034	29,262	31,642	34,510	37,710
Services balance	4,515	6,963	8,429	9,129	8,820	9,798	9,042	9,171	9,812	10,589	10,946	11,530
Of which: Travel balance	1,151	2,694	3,092	3,599	3,553	3,981	3,655	4,007	4,447	4,781	5,471	6,453
Exports of services	8,782	12,746	14,797	16,185	16,114	17,394	16,599	17,512	19,326	21,603	23,929	27,184
Imports of services	4,267	5,782	6,368	7,056	7,293	7,596	7,557	8,341	9,515	11,014	12,984	15,654
Primary Income	-4,254	-5,135	-7,074	-7,764	-8,189	-8,277	-8,093	-7,808	-8,383	-8,827	-9,262	-9,671
Secondary Income	521	566	564	587	587	612	685	852	1,039	1,090	1,313	1,422
Capital Account	**19**	**20**	**22**	**24**	**24**	**27**	**24**	**25**	**28**	**31**	**34**	**37**
Financial Account	**-1,177**	**-1,311**	**-610**	**-1,751**	**-737**	**-1,865**	**-1,803**	**-2,051**	**-1,816**	**-1,859**	**-2,021**	**-2,106**
Public sector	-266	-1,770	-2,551	-1,084	-273	-1,533	-1,045	-1,106	-18	372	971	1,271
Private sector	-648	-1,343	-2,596	-1,848	-1,384	-1,065	-1,509	-1,805	-2,491	-3,048	-3,717	-4,220
Foreign direct investment, net	-3,146	-3,060	-3,701	-4,124	-4,275	-4,371	-4,240	-4,293	-4,704	-5,305	-5,718	-6,206
Other private sector flows	2,498	1,717	1,104	2,276	2,891	3,305	2,731	2,488	2,213	2,258	2,001	1,986
Change in International Reserves (increase +)	-263	1,803	4,537	1,180	920	733	751	860	693	816	725	843
Errors and Omissions	**867**	**941**	**607**	**0**	**529**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
				(In percent of GDP)								
Current Account	**-3.2**	**-3.3**	**-1.4**	**-1.9**	**-1.4**	**-1.9**	**-1.8**	**-1.9**	**-1.6**	**-1.5**	**-1.6**	**-1.6**
Goods and services balance	2.6	3.3	6.1	5.7	6.6	5.7	5.4	4.5	4.8	4.8	4.6	4.5
Trade balance	-4.4	-6.7	-3.7	-3.9	-2.6	-4.0	-3.4	-4.0	-3.7	-3.9	-3.9	-4.0
Export of goods (f.o.b.)	22.8	24.0	21.8	21.3	21.7	21.5	20.5	20.9	21.7	22.0	22.8	23.6
Import of goods (f.o.b.)	27.2	30.8	25.5	25.2	24.3	25.5	23.9	24.9	25.4	25.9	26.7	27.5
Services balance	7.0	10.1	9.7	9.6	9.2	9.6	8.8	8.4	8.5	8.7	8.5	8.4
Of which: Travel balance	1.8	3.9	3.6	3.8	3.7	3.9	3.6	3.7	3.9	3.9	4.2	4.7
Exports of services	13.5	18.4	17.1	17.0	16.9	17.1	16.2	16.1	16.8	17.7	18.5	19.8
Imports of services	6.6	8.4	7.4	7.4	7.6	7.5	7.4	7.7	8.3	9.0	10.0	11.4
Primary Income	-6.5	-7.4	-8.2	-8.2	-8.6	-8.1	-7.9	-7.2	-7.3	-7.2	-7.2	-7.1
Secondary Income	0.8	0.8	0.7	0.6	0.6	0.6	0.7	0.8	0.9	0.9	1.0	1.0
Capital Account	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial Account	**-1.8**	**-1.9**	**-0.7**	**-1.8**	**-0.8**	**-1.8**	**-1.8**	**-1.9**	**-1.6**	**-1.5**	**-1.6**	**-1.5**
Public sector	-0.4	-2.6	-2.9	-1.1	-0.3	-1.5	-1.0	-1.0	0.0	0.3	0.8	0.9
Private sector	-1.0	-1.9	-3.0	-1.9	-1.5	-1.0	-1.5	-1.7	-2.2	-2.5	-2.9	-3.1
Foreign direct investment, net	-4.8	-4.4	-4.3	-4.3	-4.5	-4.3	-4.1	-4.0	-4.1	-4.3	-4.4	-4.5
Other private sector flows	3.8	2.5	1.3	2.4	3.0	3.2	2.7	2.3	1.9	1.8	1.5	1.4
Change in International Reserves (increase +)	-0.4	2.6	5.2	1.2	1.0	0.7	0.7	0.8	0.6	0.7	0.6	0.6
Errors and Omissions	**1.3**	**1.4**	**0.7**	**0.0**	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum Items:												
Non-oil current account (percent of GDP)	-0.8	0.3	1.4	0.6	1.0	0.3	0.5	0.5	0.9	1.1	1.3	1.6
Terms of trade (annual percentage change)	-2.8	-1.6	2.7	0.1	0.0	1.1	1.6	1.0	0.1	0.0	-0.2	-0.3
Gross international reserves (with RSF, millions of U.S. dollars)	6,921	8,724	13,261	14,441	14,181	15,174	14,932	15,792	16,485	17,301	18,026	18,869
Gross international reserves (without RSF, millions of U.S. dollars)	6,921	8,724	13,261	13,705	13,444	14,438	14,195	15,055	15,748	16,565	17,290	18,132
Net international reserves, program definition (millions of U.S. dollars) 1/	2,884	3,871	8,266	7,954	7,954	9,089	8,822	9,532	10,113	10,905	11,636	12,199
External debt (percent of GDP) 2/	48.6	50.7	43.3	41.9	42.0	41.1	42.1	43.3	44.0	44.4	44.7	44.7

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

1/ For the completed EFF arrangement, the program definition of NIR excludes FX deposits of residents other than the central government.

2/ Includes public and private sector debt.

Table 4. Costa Rica: Gross External Financing Needs and Sources

					Projections					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	(In millions of U.S. dollars)									
Gross external financing needs	**-9,336**	**-11,985**	**-8,937**	**-13,903**	**-15,528**	**-15,876**	**-17,134**	**-18,502**	**-20,666**	**-22,213**
Current account balance	-2,063	-2,272	-1,239	-1,291	-1,826	-2,076	-1,843	-1,889	-2,055	-2,143
Amortization	-5,120	-4,681	-7,438	-8,015	-8,825	-8,621	-9,450	-10,430	-12,074	-13,352
Public sector, of which	-1,254	-358	-1,428	-1,378	-1,681	-921	-1,015	-991	-1,531	-1,529
Central government	-134	-150	-1,252	-40	-300	-318	-357	-309	-653	-652
Central bank 1/	-2	-2	-139	-962	0	0	0	0	0	0
Private sector	-3,866	-4,324	-6,010	-6,637	-7,144	-7,700	-8,435	-9,439	-10,543	-11,823
of which: short-term	-2,782	-3,137	-4,757	-5,321	-5,694	-6,134	-6,710	-7,521	-8,405	-9,443
Other net capital inflows 2/	-2,153	-5,031	-260	-4,597	-4,877	-5,179	-5,840	-6,183	-6,537	-6,717
Gross external financing sources	**8,182**	**10,409**	**8,514**	**12,652**	**14,131**	**14,783**	**16,342**	**18,091**	**20,318**	**22,245**
Capital transfers	19	20	22	24	24	25	28	31	34	37
Direct investment, net	3,146	3,060	3,701	4,275	4,240	4,293	4,704	5,305	5,718	6,206
Borrowing	4,754	9,131	9,329	9,272	10,619	11,325	12,303	13,572	15,291	16,844
Public sector, of which	457	904	3,381	152	1,814	1,420	727	694	699	776
Central government	-12	151	3,144	-15	1,917	1,558	1,000	1,000	1,038	1,147
of which: Eurobonds	0	0	2,921	0	1,000	1,000	1,000	1,000	1,000	1,000
Central bank 3/	502	1,100	0	0	0	0	0	0	0	0
Private sector	4,298	8,228	5,949	9,120	8,804	9,905	11,576	12,878	14,592	16,069
Change in International reserves (increase -)	263	-1,803	-4,537	-920	-751	-860	-693	-816	-725	-843
Use of IMF credit	**294**	**554**	**275**	**1,039**	**-184**	**-69**	**-138**	**-231**	**-277**	**-278**
Purchases/disbursements	294	554	275	1,284	0	0	0	0	0	0
RFI	0	0	0	0	0	0	0	0	0	0
EFF	294	554	275	548	0	0	0	0	0	0
RSF	0	0	0	736	0	0	0	0	0	0
Repurchases/repayments	0	0	0	-245	-184	-69	-138	-231	-277	-278
Other gross multilateral financing	**861**	**1,021**	**147**	**212**	**1,581**	**1,162**	**930**	**642**	**624**	**246**
World Bank	313	307	4	12	…	…	…	…	…	…
Inter-American Development Bank (IDB)	404	385	104	83	…	…	…	…	…	…
CAF	0	0	0	0	…	…	…	…	…	…
Central American Bank for Economic Integration (CABEI)	144	329	40	117	…	…	…	…	…	…
Debt rescheduling or refinancing	0	0	0	0	0	0	0	0	0	0
Other exceptional financing	0	0	0	0	0	0	0	0	0	0
Unidentified financing	0	0	0	0	0	0	0	0	-1	0
Memorandum items:										
Gross multilateral support	1,154	1,575	422	1,497	1,581	1,162	930	642	624	246
In percent of GDP	1.8	2.3	0.5	1.6	1.5	1.1	0.8	0.5	0.5	0.2
Of which, committed	1,154	1,575	422	1,497	1,581	1,162	930	642	624	246
Of which, disbursed	1,154	0	0	0	0	0	0	0	0	0
IMF share of total gross multilateral financing (percent)										
Purchases and disbursements, flow basis	25	35	65	86	…	…	…	…	…	…
Purchases and disbursements, cumulative basis	32	33	36	49	…	…	…	…	…	…
Current account balance (percent of GDP)	-3.2	-3.3	-1.4	-1.4	-1.8	-1.9	-1.6	-1.5	-1.6	-1.6
Gross international reserves	6,921	8,724	13,261	14,181	14,932	15,792	16,485	17,301	18,026	18,869
In percent of ST debt (remaining maturity)	148	117	161	157	172	165	155	140	132	141
In percent of gross external financing requirement	103	90	140	138	142	135	132	121	115	121
In months of next year's imports of G&S	3.1	3.7	5.2	5.3	5.1	4.9	4.6	4.4	4.1	3.8

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

1/ Includes total amortization of FLAR credit line in 2024.

2/ Also reflects the 2021 SDR allocation and changes in banks', corporates', and households' gross foreign assets.

3/ Includes FLAR credit line in 2022.

Table 5. Costa Rica: Monetary Survey

						Projections		
	2021	2022	2023	2024	2024	2025	2025	2026
				CR/ 24/359		CR/ 24/359		
				(In billions of colones, unless otherwise indicated)				
Central Bank								
Net foreign assets	4,007	3,800	5,739	6,716	6,070	7,175	6,484	7,047
Of which : Gross international reserves								
(In millions of U.S. dollars)	6,921	8,724	13,251	14,431	14,177	15,164	14,928	15,788
Net domestic assets	-852	-195	-2,006	-2,770	-2,012	-2,987	-2,165	-2,440
Net domestic credit	-1,601	-1,756	-2,036	-1,834	-1,662	-2,631	-2,331	-2,472
Credit to nonfinancial public sector (net)	-315	-615	-1,010	-647	-412	-672	-437	-437
Credit to other depository corporations (net)	-1,204	-1,114	-997	-1,157	-1,228	-1,929	-1,872	-2,013
Credit to other financial corporations (net)	-82	-26	-29	-29	-23	-29	-23	-23
Credit to the private sector (net)	0	0	0	0	0	0	0	0
Monetary stabilization instruments (-)	-1,364	-1,282	-2,073	-2,775	-3,021	-2,775	-3,021	-3,021
Other items (net)	-103	426	-610	-875	-130	-295	386	253
Capital account (-)	2,216	2,416	2,714	2,714	2,802	2,714	2,802	2,802
Monetary base 2/	3,155	3,605	3,733	3,945	4,058	4,189	4,319	4,608
Currency	1,529	1,495	1,539	1,585	1,610	1,685	1,711	1,819
Required reserves	1,626	2,110	2,194	2,360	2,448	2,503	2,608	2,789
Other Depository Institutions								
Net foreign assets	-63	693	734	1,031	544	1,304	1,046	1,675
Net domestic assets	29,012	28,383	28,979	30,555	30,741	32,858	32,886	35,277
Net domestic credit	33,228	33,317	34,298	36,037	36,286	38,754	38,797	41,112
Credit to nonfinancial public sector (net)	5,841	5,185	4,660	4,114	4,289	4,093	4,104	4,076
Credit to nonfinancial private sector	22,405	23,146	23,576	25,098	25,036	26,788	26,630	28,350
In national currency	14,212	15,343	15,999	16,901	16,917	17,970	17,790	18,970
In foreign currency	8,193	7,804	7,577	8,197	8,120	8,818	8,840	9,379
Credit to financial corporations (net)	4,982	4,986	6,061	6,824	6,960	7,873	8,062	8,687
Other items (net)	1,322	677	738	834	737	887	889	1,424
Capital account	-5,538	-5,611	-6,056	-6,316	-6,282	-6,783	-6,800	-7,258
Liabilities to nonfinancial private sector	28,949	29,077	29,714	31,586	31,284	34,163	33,932	36,952
In national currency	17,469	17,859	19,530	20,761	20,806	22,547	22,616	24,772
In foreign currency	11,480	11,218	10,183	10,825	10,478	11,616	11,316	12,180
Of which: Deposits (including CDs)	28,743	28,849	29,457	31,301	31,020	33,854	33,124	36,067
Consolidated Financial System 1/								
Net foreign assets	3,944	4,494	6,473	7,746	6,614	8,480	7,530	8,722
Net domestic assets	25,828	25,625	24,012	24,922	26,040	26,731	27,574	29,208
Net domestic credit	27,931	27,716	27,226	28,565	28,914	30,208	30,297	31,988
Other items (net)	1,219	1,104	128	-41	607	592	1,275	1,676
Capital account	-3,322	-3,195	-3,342	-3,602	-3,481	-4,069	-3,998	-4,456
Broad money	21,779	21,266	22,324	24,263	25,174	26,147	26,393	28,390
Memorandum Items				(Annual percentage change)				
Monetary base 2/	4.0	14.3	3.6	5.7	8.7	6.2	6.4	6.7
Broad money	8.8	-2.4	5.0	8.7	12.8	7.8	4.8	7.6
Credit to the private sector	3.7	3.3	1.9	6.5	6.2	6.7	6.4	6.5
In national currency	4.6	8.0	4.3	5.6	5.7	6.3	5.2	6.6
In foreign currency	2.2	-4.7	-2.9	8.2	7.2	7.6	8.9	6.1
Credit to the private sector (adjusted by exchange rate changes)	2.4	6.1	6.3	7.5	7.1	6.6	6.4	6.1
				(In percent of GDP)				
Monetary base 2/	7.8	8.0	7.9	8.0	8.3	8.0	8.3	8.3
Broad money	54.0	47.5	47.4	49.4	51.3	50.1	50.5	50.9
Of which: Deposits denominated in foreign currency	20.4	18.7	15.6	15.9	15.3	16.2	15.2	15.4
Credit to the private sector	55.6	51.7	50.1	51.1	51.0	51.3	50.9	50.8
Of which: In foreign currency	20.3	17.4	16.1	16.7	16.5	16.9	16.9	16.8
Central bank balance	0.1	-0.4	-0.6	0.0	-0.2	0.0	0.0	0.0

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

1/ Depository corporations survey data.

2/ Includes currency issued and required domestic reserves.

Table 6. Costa Rica: Financial Soundness Indicators

	2018	2019	2020	2021	2022	2023	2024
	Dec	Dec	Dec	Dec	Dec	Dec	Dec
			(In percent)				
Capitalization							
Risk-adjusted capital ratio	16.7	17.5	16.8	16.5	17.7	18.6	19.1
Capital-to-assets ratio	14.2	15.2	14.4	14.4	14.4	15.5	15.7
Asset quality							
Nonperforming loans to total loans	2.1	2.4	2.5	2.3	2.1	2.0	2.1
Non-income generating assets to total assets	16.3	15.8	18.3	17.1	18.5	17.5	17.3
Foreclosed assets to total assets	1.0	1.1	1.1	1.0	1.0	0.9	0.3
Loan loss provisions to total loans	3.3	3.5	4.2	4.3	4.1	3.8	3.9
Credit in foreign currency to total credit	39.1	36.6	37.1	36.6	33.7	32.1	32.4
Management							
Administrative expenses to total assets	3.1	3.2	3.0	2.9	3.1	3.3	3.3
Noninterest expenses to gross income	77.6	83.1	82.0	79.1	88.4	88.7	89.8
Total expenses to total revenues	95.6	96.7	97.2	94.6	96.9	98.4	97.8
Profitability							
Return on assets (ROA)	0.9	1.0	0.6	0.9	1.0	0.7	1.0
Return on equity (ROE)	6.8	6.8	4.6	6.5	7.2	4.4	6.3
Interest margin to gross income	21.3	16.4	18.9	26.9	13.8	10.4	10.7
Liquidity							
Liquid assets to total short-term liabilities	98.6	96.8	93.9	89.9	89.9	87.4	80.3
Liquid assets to total assets	28.0	29.8	33.0	35.7	33.8	33.0	32.3
Loans to deposits 1/	113.1	105.6	99.0	95.6	94.8	93.8	94.2
Liquid assets to deposits	43.7	44.6	50.0	52.4	48.6	46.7	45.2
Sensitivity to market risk							
Net open FX position to capital	21.1	23.5	25.1	25.6	24.4	20.2	18.8
Other							
Financial margin 2/	7.1	7.1	6.7	7.0	7.0	5.7	5.9

Source: Superintendency of Banks (SUGEF).
1/ Loans (including contingent credits) divided by deposits held by the public.
2/ Difference between implicit loan and deposit rates.

Table 7. Costa Rica: Capacity to Repay Indicators Under the Baseline Scenario[1]

(in SDR millions, unless otherwise indicated)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Fund obligations based on existing credit (millions of SDRs)																						
Principal	184.7	138.5	51.6	103.1	171.9	206.2	206.2	206.2	154.7	103.1	62.1	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0
GRA	184.7	138.5	51.6	103.1	171.9	206.2	206.2	206.2	154.7	103.1	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.7	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0
Charges and interest 1/	85.1	73.0	71.5	67.6	61.8	54.8	47.3	39.8	32.9	27.9	24.8	22.4	20.2	18.0	15.7	13.5	11.3	9.1	6.9	4.6	2.7	2.2
GRA	82.1	54.0	47.0	43.2	37.4	30.4	22.9	15.3	8.5	3.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic charges	...	49.6	44.6	42.0	37.4	30.4	22.9	15.3	8.5	3.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Level-based surcharges	...	4.4	2.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
time-based surcharges	...	0.0	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF interest	0.0	16.7	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.0	20.2	18.0	15.7	13.5	11.3	9.1	6.9	4.6	2.4	0.4	0.0
SDR charges	3.0	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Fund obligations based on existing and prospective credit (millions of SDRs)																						
Principal	184.7	138.5	51.6	103.1	171.9	206.2	206.2	206.2	154.7	103.1	62.1	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0
GRA	184.7	138.5	51.6	103.1	171.9	206.2	206.2	206.2	154.7	103.1	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.7	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0
Charges and interest 1/2/	85.1	74.0	73.1	69.1	63.3	56.1	48.4	40.7	33.7	28.5	25.4	22.9	20.7	18.4	16.1	13.8	11.6	9.3	7.0	4.8	2.7	2.3
GRA	67.0	54.0	47.0	43.2	37.4	30.4	22.9	15.3	8.5	3.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic charges	...	49.6	44.6	42.0	37.4	30.4	22.9	15.3	8.5	3.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Level-based surcharges	...	4.4	2.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
time-based surcharges	...	0.0	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF interest	0.0	16.7	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.0	20.2	18.0	15.7	13.5	11.3	9.1	6.9	4.6	2.4	0.4	0.0
SDR charges	3.0	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total obligations based on existing and prospective credit																						
Millions of SDRs	269.8	212.6	124.7	172.3	235.2	262.4	254.7	246.9	188.4	131.7	87.4	78.3	76.1	73.8	71.5	69.2	67.0	64.7	62.4	60.2	30.4	2.3
Percent of exports of goods and services	1.0	0.7	0.4	0.5	0.7	0.7	0.6	0.6	0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Percent of gross international reserves	2.5	1.9	1.1	1.4	1.8	2.0	1.8	1.7	1.3	0.8	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.1	0.0
Percent of government revenue	2.5	1.8	1.0	1.3	1.7	1.8	1.7	1.5	1.1	0.7	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.0
Percent of public external debt service	10.6	8.8	6.9	8.4	11.0	10.1	9.2	8.5	6.1	4.0	2.5	2.2	2.0	1.8	1.7	1.5	1.4	1.3	1.2	1.1	0.5	0.0
Percent of GDP	0.4	0.3	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of quota	73.0	57.5	33.7	46.6	63.7	71.0	68.9	66.8	51.0	35.6	23.7	21.2	20.6	20.0	19.4	18.7	18.1	17.5	16.9	16.3	8.2	0.6
Principal	50.0	37.5	14.0	27.9	46.5	55.8	55.8	55.8	41.9	27.9	16.8	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5	0.0
GRA	50.0	37.5	14.0	27.9	46.5	55.8	55.8	55.8	41.9	27.9	9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5	0.0
Outstanding IMF credit based on existing and prospective drawings																						
Millions of SDRs	1,930.1	1,791.6	1,740.0	1,636.9	1,465.0	1,258.8	1,052.5	846.3	691.6	588.5	526.4	471.0	415.6	360.2	304.8	249.3	193.9	138.5	83.1	27.7	0.0	0.0
GRA	1,376.0	1,237.5	1,185.9	1,082.8	910.9	704.7	498.4	292.2	137.5	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	554.1	554.1	554.1	554.1	554.1	554.1	554.1	554.1	554.1	554.1	526.4	471.0	415.6	360.2	304.8	249.3	193.9	138.5	83.1	27.7	0.0	0.0
Percent of exports of goods and services	7.0	6.3	5.8	4.9	4.1	3.2	2.5	1.9	1.5	1.2	1.0	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.0	0.0	0.0
Percent of gross international reserves	18.1	15.9	14.7	13.3	11.4	9.4	7.5	5.8	4.6	3.8	3.3	2.8	2.4	2.0	1.7	1.3	1.0	0.7	0.4	0.1	0.0	0.0
Percent of government revenue	17.8	15.3	14.2	12.6	10.6	8.6	6.8	5.2	4.0	3.2	2.7	2.3	1.9	1.6	1.3	1.0	0.7	0.5	0.3	0.1	0.0	0.0
Percent of total public external debt	14.9	12.7	11.5	10.7	9.6	8.5	7.4	5.9	4.9	4.1	3.7	3.2	2.7	2.3	1.9	1.5	1.1	0.8	0.4	0.1	0.0	0.0
Percent of GDP	2.7	2.3	2.1	1.9	1.6	1.3	1.0	0.8	0.6	0.5	0.4	0.4	0.3	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Percent of quota	522.5	485.0	471.0	443.1	396.6	340.8	284.9	229.1	187.2	159.3	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0	0.0
GRA	372.5	335.0	321.0	293.1	246.6	190.8	134.9	79.1	37.2	9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0	0.0
Net use of IMF credit (millions of SDRs)	1,930.1	-138.5	-51.6	-103.1	-171.9	-206.2	-206.2	-206.2	-154.7	-103.1	-62.1	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-27.7	0.0
Disbursements	2,114.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	184.7	138.5	51.6	103.1	171.9	206.2	206.2	206.2	154.7	103.1	62.1	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0
Memorandum items:																						
Exports of goods and services (millions of U.S. dollars)	36,770	37,644	40,256	44,277	48,503	53,388	56,538	59,790	63,202	66,787	70,550	74,498	78,633	82,962	87,488	92,213	97,144	102,284	107,640	113,219	119,027	125,074
Gross international reserves (millions of U.S. dollars)	14,181	14,932	15,792	16,485	17,301	18,026	18,751	19,476	20,201	20,926	21,651	22,376	23,101	23,826	24,551	25,276	26,001	26,726	27,451	28,176	28,901	29,626
Quota (millions of SDRs)	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4

Source: IMF staff estimates and projections.

1/ Based on the GRA rate of charge of 4.008 percent as of April 10, 2025.

2/ Costa Rica belongs to the RST Interest Group C. Based on the RST rate of interest of 3.658 percent as of April 10, 2025.

Table 8. Costa Rica: Capacity to Repay Indicators Under the Adverse Scenario[1]

(in SDR millions, unless otherwise indicated)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Fund obligations based on existing credit																										
Principal	184.7	138.5	51.6	103.1	171.9	206.2	206.2	206.2	154.7	103.1	62.1	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0	0.0	0.0	0.0	0.0
GRA	184.7	138.5	51.6	103.1	171.9	206.2	206.2	206.2	154.7	103.1	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.7	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0	0.0	0.0	0.0	0.0
Charges and interest 1/	85.1	67.2	70.9	67.1	61.4	54.5	47.1	39.7	33.0	28.0	25.0	22.6	20.5	18.2	16.1	13.9	11.7	9.5	7.3	5.1	3.2	2.8	2.8	2.8	2.8	2.8
GRA	82.1	53.6	46.3	42.5	36.8	29.9	22.5	15.1	8.3	3.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic charges	...	49.2	43.8	41.3	36.8	29.9	22.5	15.1	8.3	3.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Level-based surcharges	...	4.4	2.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
time-based surcharges	...	0.0	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF interest	0.0	11.0	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.7	19.9	17.7	15.5	13.3	11.1	8.9	6.8	4.6	2.4	0.4	0.0	0.0	0.0	0.0	0.0
SDR charges	3.0	2.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Fund obligations based on existing and prospective credit																										
Principal	184.7	138.5	51.6	103.1	448.9	760.3	483.3	206.2	154.7	103.1	62.1	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0	0.0	0.0	0.0	0.0
GRA	184.7	138.5	51.6	103.1	448.9	760.3	483.3	206.2	154.7	103.1	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.7	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0	0.0	0.0	0.0	0.0
Charges and interest 1/2/	85.1	95.4	138.7	137.4	128.6	92.0	53.4	39.7	33.0	28.0	25.0	22.6	20.5	18.2	16.1	13.9	11.7	9.5	7.3	5.1	3.2	2.8	2.8	2.8	2.8	2.8
GRA	67.0	81.7	114.0	112.8	104.0	67.4	28.7	15.1	8.3	3.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic charges	...	62.7	83.7	81.2	76.2	55.5	28.6	15.1	8.3	3.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Level-based surcharges	...	11.9	24.4	23.0	20.2	8.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
time-based surcharges	...	1.6	6.0	8.6	7.6	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Service charges	...	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF interest	0.0	11.0	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.7	19.9	17.7	15.5	13.3	11.1	8.9	6.8	4.6	2.4	0.4	0.0	0.0	0.0	0.0	0.0
SDR charges	3.0	2.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Total obligations based on existing and prospective credit																										
Millions of SDRs	269.8	233.9	190.3	240.6	577.6	852.4	536.7	246.0	187.7	131.2	87.1	78.0	75.9	73.7	71.5	69.3	67.1	64.9	62.7	60.5	30.9	2.8	2.8	2.8	2.8	2.8
Percent of exports of goods and services	1.0	0.9	0.7	0.7	1.6	2.2	1.2	0.5	0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Percent of gross international reserves	2.5	3.3	2.5	2.7	5.8	7.7	4.4	1.9	1.3	0.9	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Percent of government revenue	2.5	2.1	1.6	1.9	4.3	5.9	3.5	1.5	1.1	0.7	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Percent of public external debt service	10.6	6.2	5.7	6.8	14.7	18.0	14.0	6.1	4.4	2.9	1.8	1.5	1.4	1.3	1.2	1.1	1.0	0.9	0.9	0.8	0.4	0.0	0.0	0.0	0.0	0.0
Percent of total external debt service	3.5	2.9	2.3	2.7	6.1	8.1	4.8	2.1	1.5	1.0	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Percent of GDP	0.4	0.3	0.3	0.3	0.7	0.9	0.6	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of quota	73.0	63.3	51.5	65.1	156.3	230.7	145.3	66.6	50.8	35.5	23.6	21.1	20.5	19.9	19.3	18.8	18.2	17.6	17.0	16.4	8.4	0.7	0.7	0.7	0.7	0.7
Principal	50.0	37.5	14.0	27.9	121.5	205.8	130.8	55.8	41.9	27.9	16.8	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5	0.0	0.0	0.0	0.0	0.0
GRA	50.0	37.5	14.0	27.9	121.5	205.8	130.8	55.8	41.9	27.9	9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5	0.0	0.0	0.0	0.0	0.0
Outstanding IMF credit based on existing and prospective drawings																										
Millions of SDRs	1,930.1	2,899.8	2,848.2	2,745.1	2,296.2	1,535.8	1,052.5	846.3	691.6	588.5	526.4	471.0	415.6	360.2	304.8	249.3	193.9	138.5	83.1	27.7	0.0	0.0	0.0	0.0	0.0	0.0
EFF	1,237.5	1,237.5	1,185.9	1,082.8	910.9	704.7	498.4	292.2	137.5	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCL	...	1,108.2	1,108.2	1,108.2	831.2	277.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RFI	138.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	554.1	554.1	554.1	554.1	554.1	554.1	554.1	554.1	554.1	554.1	526.4	471.0	415.6	360.2	304.8	249.3	193.9	138.5	83.1	27.7	0.0	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	7.0	10.7	9.9	8.5	6.4	3.9	2.4	1.8	1.4	1.1	1.0	0.8	0.7	0.6	0.4	0.3	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of gross international reserves	18.1	40.8	38.0	30.6	22.9	13.8	8.5	6.4	4.9	3.9	3.3	2.8	2.3	2.0	1.6	1.3	1.0	0.7	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Percent of government revenue	17.8	25.7	24.0	21.6	16.9	10.6	6.9	5.2	4.0	3.3	2.8	2.3	2.0	1.6	1.3	1.0	0.7	0.5	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Percent of total public external debt	14.9	19.9	18.5	17.7	15.3	11.1	7.9	6.4	5.4	4.6	4.1	3.6	3.1	2.6	2.2	1.7	1.3	0.9	0.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Percent of GDP	2.7	4.1	3.8	3.5	2.7	1.7	1.1	0.8	0.6	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of quota	522.5	785.0	771.0	743.1	621.6	415.8	284.9	229.1	187.2	159.3	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0	0.0	0.0	0.0	0.0	0.0
GRA	372.5	635.0	621.0	593.1	471.6	265.8	134.9	79.1	37.2	9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0	0.0	0.0	0.0	0.0	0.0
Net use of IMF credit	1,930.1	970.5	-51.6	-103.1	-448.9	-760.3	-483.3	-206.2	-154.7	-103.1	-62.1	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-27.7	0.0	0.0	0.0	0.0	0.0
Disbursements	2,114.8	1,109.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	184.7	138.5	51.6	103.1	448.9	760.3	483.3	206.2	154.7	103.1	62.1	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0	0.0	0.0	0.0	0.0
Memorandum items:																										
Exports of goods and services (millions of U.S. dollars)	36,770	36,138	38,646	43,391	48,261	53,361	59,470	62,889	66,479	70,249	74,208	78,360	82,710	87,263	92,023	96,994	102,180	107,586	113,220	119,088	125,198	131,558	138,177	145,066	152,236	159,698
Gross international reserves (millions of U.S. dollars)	14,181	9,476	10,021	12,034	13,495	14,962	16,604	17,839	19,115	20,434	21,794	23,082	23,924	24,767	25,609	26,452	27,295	28,137	28,980	29,822	30,665	31,508	32,350	33,193	34,035	34,878
Quota (millions of SDRs)	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4

Source: IMF staff estimates and projections. Projections made on the basis of the recent reform of the Charges and Surcharges Policy (effective as of November 1, 2024).

1/ Assumes the full drawing available FCL access. Staff projections for external debt, GDP, gross external reserves, and exports of goods and services reflect the adverse and not the baseline scenario under which the full FCL drawing is assumed.

2/ Based on the GRA rate of charge of 3.598 as of May 1, 2025.

Annex I. Sovereign Risk and Debt Sustainability Assessment

Figure 1. Costa Rica: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk reflects a relatively consistent level of vulnerability over the short, medium and long term as well as the sustainability assessment.
Near term 1/	...	...	
Medium term	Low	Low	The mechanical signal is low for a third year albeit sensitive to changes in the assumptions. The final assessment is informed by the signals as well as the scenarios, which postpone debt reduction and generate higher financing needs, which could be comfortably met from domestic sources and regional partners.
Fanchart	**Moderate**	...	
GFN	**Moderate**	...	
Stress test	Cont. Liabty. Nat. Disast.	...	
Long term	...	Low	Climate-related long-term debt risks are limited. Debt risks from aging include an alternative baseline of slower GDP growth as well as scenarios illustrating pension and healthcare pressures in the absence of further reforms.
Sustainability assessment 2/	...	Sustainable with high probability	Based on the authorities' track record and Medium-term Fiscal Framework debt and financing needs are expected to decline.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Under the baseline, Costa Rica's public debt is assessed to remain sustainable with high probability. Public debt is projected to decline further below 60 percent of GDP in the short run and to 50 percent of GDP well within 10 years. Gross financing needs are estimated at about 7.5 percent of GDP this year and expected to decline. Financing is expected to come from official external sources, domestic debt, and Eurobonds. Important risks to the outlook are mitigated by available financing, a fiscal rule that responds to the debt ratio, and the authorities' track record in taking corrective action. Broader coverage beyond the central government would aid a more comprehensive assessment.

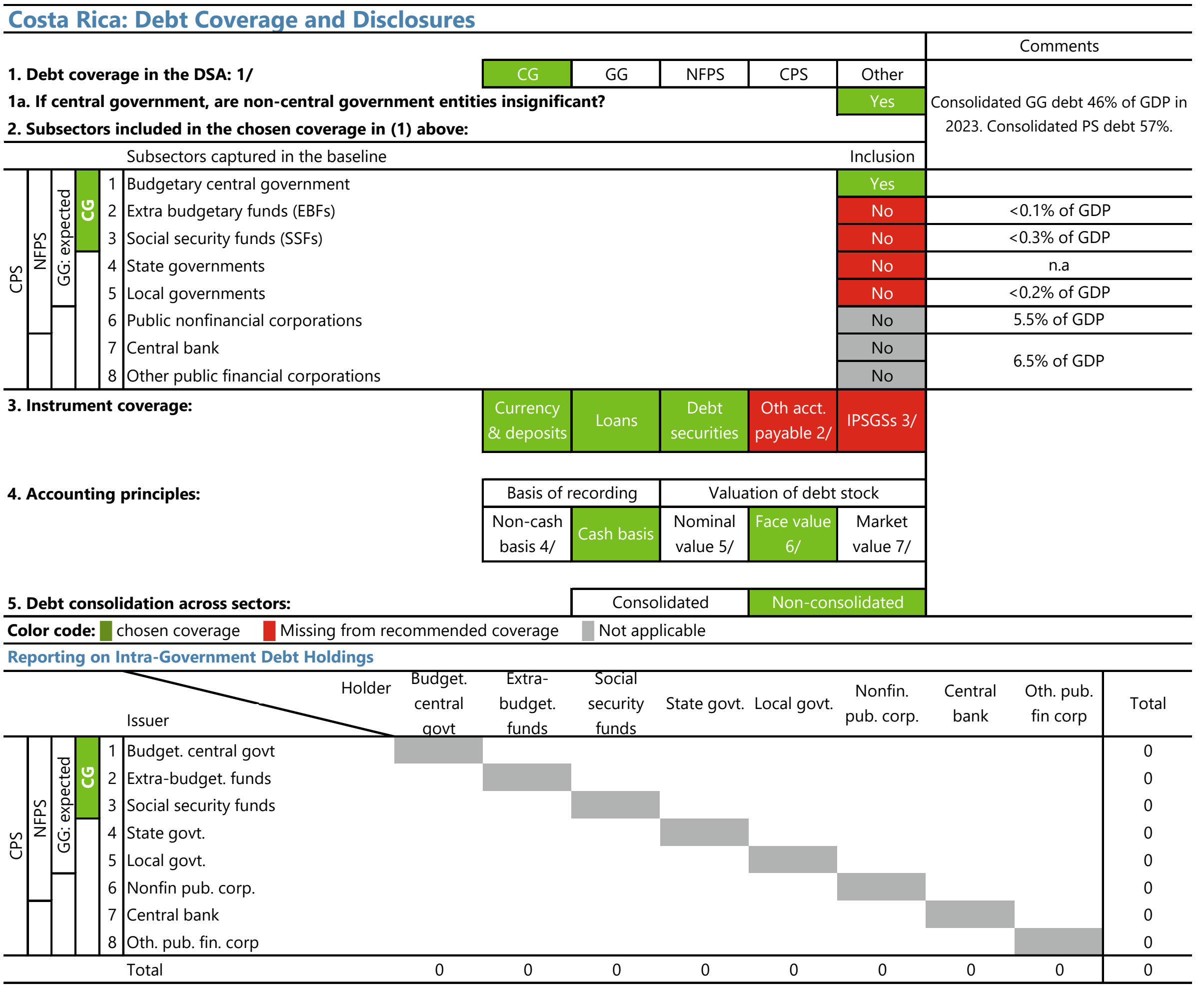
Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fisca adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Costa Rica: Debt Coverage and Disclosures



Costa Rica: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	🟩 CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					🟩 Yes	Consolidated GG debt 46% of GDP in 2023. Consolidated PS debt 57%.
2. Subsectors included in the chosen coverage in (1) above:						

					Subsectors captured in the baseline	Inclusion	
CPS	NFPS	GG: expected	CG	1	Budgetary central government	🟩 Yes	
				2	Extra budgetary funds (EBFs)	🟥 No	<0.1% of GDP
				3	Social security funds (SSFs)	🟥 No	<0.3% of GDP
				4	State governments	🟥 No	n.a
				5	Local governments	🟥 No	<0.2% of GDP
				6	Public nonfinancial corporations	▨ No	5.5% of GDP
				7	Central bank	▨ No	6.5% of GDP
				8	Other public financial corporations	▨ No	

3. Instrument coverage:	🟩 Currency & deposits	🟩 Loans	🟩 Debt securities	🟥 Oth acct. payable 2/	🟥 IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	🟩 Cash basis	Nominal value 5/	🟩 Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	🟩 Non-consolidated

Color code: 🟩 chosen coverage 🟥 Missing from recommended coverage ▨ Not applicable

Reporting on Intra-Government Debt Holdings

					Holder / Issuer	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central govt	▨								0
				2	Extra-budget. funds		▨							0
				3	Social security funds			▨						0
				4	State govt.				▨					0
				5	Local govt.					▨				0
				6	Nonfin pub. corp.						▨			0
				7	Central bank							▨		0
				8	Oth. pub. fin. corp								▨	0
					Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

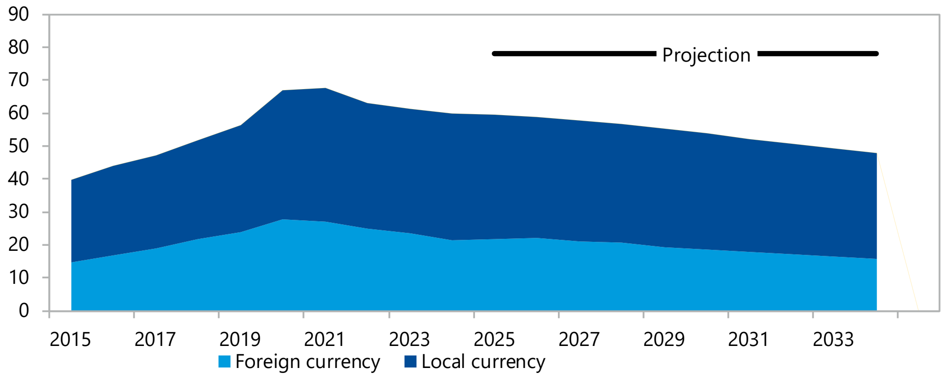
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: Coverage is of the central government due to data timeliness and quality concerns for the broader public sector. General government consolidated debt is lower than that for the central government alone partly on account of social security fund holdings of government securities. The authorities are improving data timeliness, quality, and coverage including by adopting GFSM2014 standards and accrual methods to the general government.

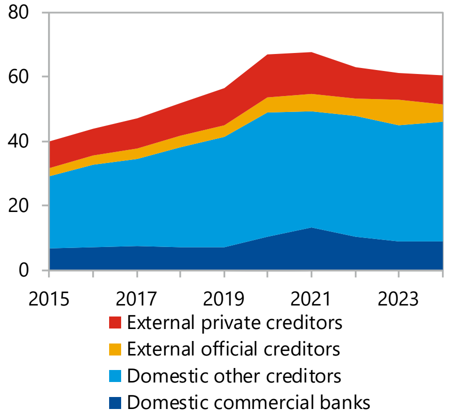
Figure 3. Costa Rica: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



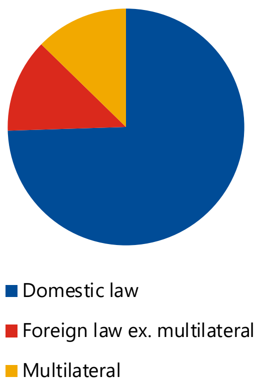
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



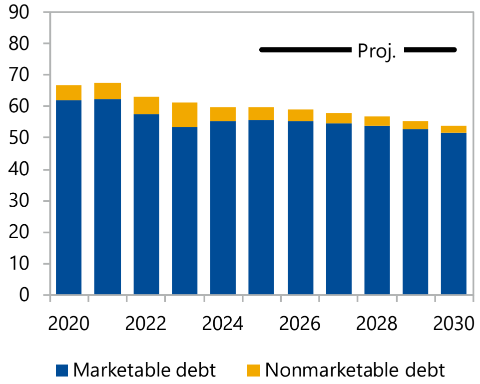
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2024 (percent)



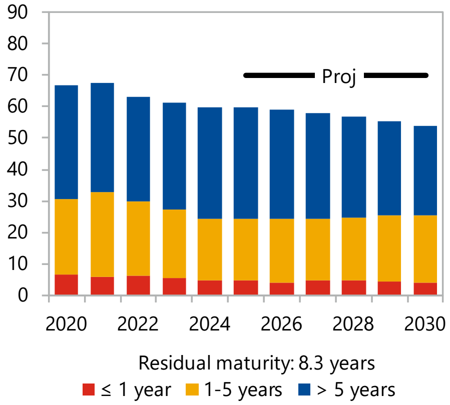
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is central government.

Commentary: Consistent with the Medium-term Debt Strategy, the authorities are expected to continue to benefit from multilateral funding in the short term. The authorities returned to the Eurobond market in 2023 and have conditional legislative approval for further issuance.

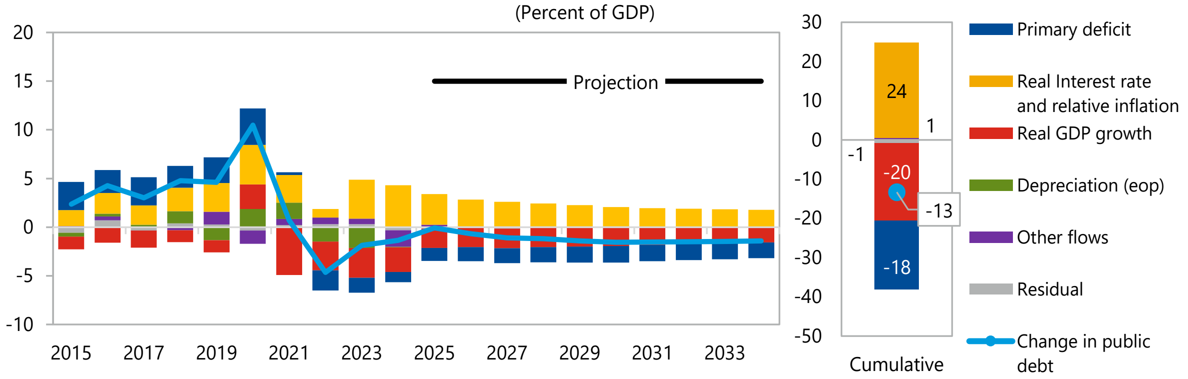
Figure 4. Costa Rica: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	59.8	59.7	59.0	57.9	56.7	55.3	53.7	52.2	50.7	49.3	47.8
Change in public debt	-1.4	-0.1	-0.7	-1.1	-1.2	-1.4	-1.6	-1.5	-1.5	-1.5	-1.4
Contribution of identified flows	-1.7	0.1	-0.6	-1.0	-1.1	-1.3	-1.5	-1.5	-1.5	-1.4	-1.4
Primary deficit	-1.1	-1.3	-1.5	-1.6	-1.6	-1.7	-1.7	-1.7	-1.7	-1.7	-1.6
Noninterest revenues	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1
Noninterest expenditures	14.0	13.8	13.7	13.6	13.6	13.5	13.5	13.5	13.5	13.5	13.5
Automatic debt dynamics	1.1	1.2	0.8	0.5	0.4	0.3	0.1	0.2	0.2	0.2	0.2
Real interest rate and relative inflation	4.3	3.1	2.8	2.5	2.4	2.2	2.0	2.0	1.9	1.8	1.8
Real interest rate	4.8	2.9	2.5	2.3	2.1	2.0	1.8	1.7	1.7	1.6	1.6
Relative inflation	-0.5	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Real growth rate	-2.5	-2.0	-2.0	-2.0	-2.0	-1.9	-1.9	-1.7	-1.7	-1.6	-1.5
Real exchange rate (end of period)	-0.1	...	...	...	...	...	... .	...	...	...	...
Other identified flows	-1.7	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-1.7	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Contribution of residual	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	9.4	7.7	7.3	6.2	6.8	7.0	6.7	6.1	5.7	6.5	6.7
of which: debt service	10.5	9.1	8.8	7.8	8.3	8.7	8.3	7.8	7.3	8.2	8.4
Local currency	7.4	5.9	6.3	5.2	6.5	5.9	6.3	6.0	5.4	6.2	6.4
Foreign currency	3.1	3.2	2.5	2.6	1.8	2.7	2.1	1.8	1.9	2.0	2.0
Memo:											
Real GDP growth (percent)	4.3	3.4	3.4	3.5	3.5	3.5	3.5	3.4	3.3	3.3	3.2
Inflation (GDP deflator; percent)	0.0	3.0	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.2
Nominal GDP growth (percent)	4.4	6.5	6.7	6.8	6.8	6.8	6.8	6.6	6.6	6.5	6.5
Effective interest rate (percent)	8.3	8.1	7.7	7.3	7.1	6.8	6.6	6.5	6.5	6.5	6.4

Contribution to Change in Public Debt

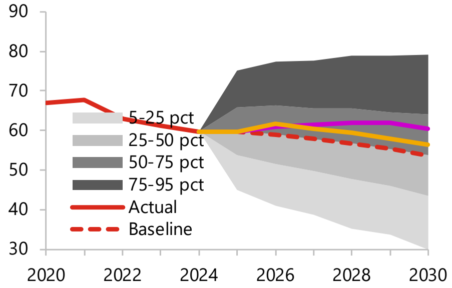
(Percent of GDP)



Commentary: Fiscal consolidation, a stronger currency, and strong GDP growth have significantly reduced debt since 2021. In 2024, debt reduction was driven by use of cash buffers (1% of GDP) and centralization of cash holdings in the Treasury Single Account (0.7%), which reduced financing needs. Looking ahead, a reducton in debt is expected to be supported by lower interest payments and a rising primary balance. In the short run, a moderate rise in cash balances is assumed. Although further centralization of cash balances, which would reduce debt, is likely, the projections prudently exclude this dynamic.

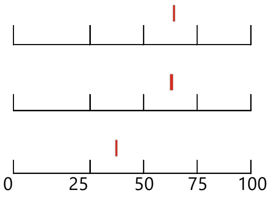
Figure 5. Costa Rica: Medium-Term Risk Assessment

Final Fanchart (Percent of GDP)

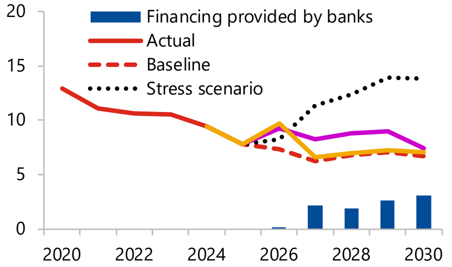


Debt fanchart module

	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	49.1	0.7	
Probability of debt non-stabilizaiton *(percent)*	7.5	0.1	
Terminal debt-to-GDP x institutions index	27.6	0.6	
Debt fanchart index (DFI)		1.37	
Risk signal: 3/		**Moderate**	

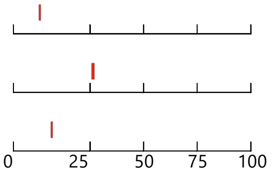


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

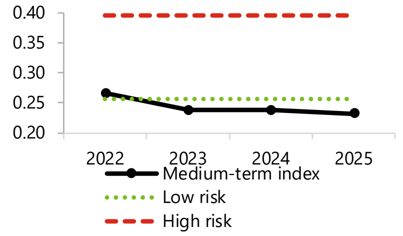
	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	7.0	2.4	
Initial Banks' claims on the gen. govt *(pct bank assets)*	9.9	3.2	
Chg. In banks' claims in stress *(pct banks' assets)*	7.9	2.6	
GFN financeability index (GFI)		8.2	
Risk signal: 4/		**Moderate**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis   Commodity prices   Exchange rate   🟪 Contingent liab.   🟧 Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.4	0.31	0.5	0.2
GFN finaceability index	8.2	0.16	0.5	0.1
Medium-term index		0.23		
Risk signal: 5/		**Low**		
Final assessment:		**Low**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 45.5 pct.

Commentary: The MTI has declined and remains slightly below the low-risk threshold. The fanchart estimates risks, including those from forecast uncertainty, to be moderate. The GFN module indicates lower risks than for comparators. For this DSA, the contingent liability test focuses on the extreme scenario in which the central government becomes liable for the entire (8.5 percent of GDP) disputed claim by the CCSS (which is within general government) and pays this evenly over each of four years starting in 2026. The shock would postpone further debt reduction but not increase GFNs as much as the default stress scenario. The natural disaster shock is customized to a fiscal cost of 2.3 percent of GDP and a 0.7 percent of GDP reduction.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 6. Costa Rica: Realism of Baseline Assumptions

Forecast Track Record 1/	t+1	t+3	t+5
Public debt to GDP	🟧	🟩	🟩
Primary deficit	🟧	🟧	🟧
r - g	🟧	🟧	🟧
Exchange rate depreciaton	🟧	🟧	🟧
SFA	🟧	🟩	
	real-time	**t+3**	**t+5**
Historical Output Gap Revisions 2/	🟧	🟧	🟧

Comparator Group:

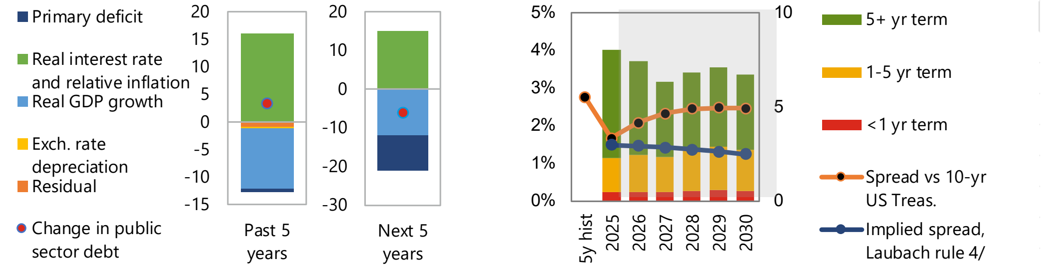
Emerging Markets, Non-Commodity Exporter, Program

Color Code:

Optimistic	🟥	> 75th percentile
	🟧	50-75th percentile
Pessimistic	🟩	25-50th percentile
	▩	< 25th percentile

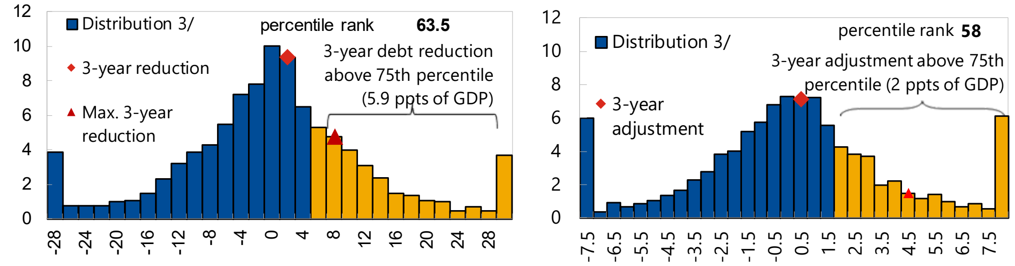
Public Debt Creating Flows (Percent of GDP)

Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



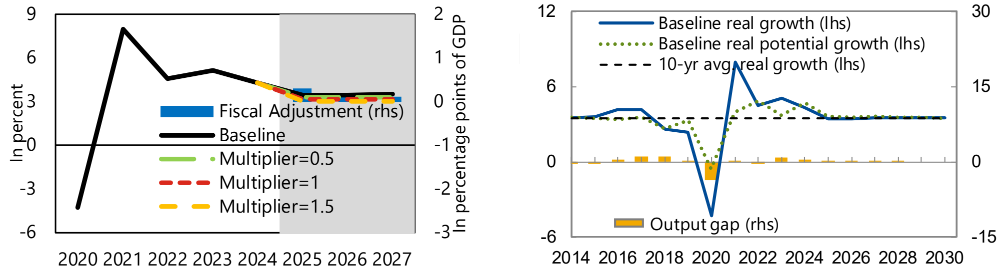
3-Year Debt Reduction (Percent of GDP)

3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



Fiscal Adjustment and Possible Growth Paths (Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))

Real GDP Growth (In percent)



Commentary: Realism analysis does not trigger major concerns. The improvement in the primary balance is underpinned by the implementation track record and the MTFF. The spread is expected to be lower than before due to large use of more favorable multilateral financing sources and less pressure on local markets, though a lower share of multilateral finance is expected to increase the spread over the medium term. GDP growth projections are in line with recent averages, implied fiscal multipliers, and potential growth estimates.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

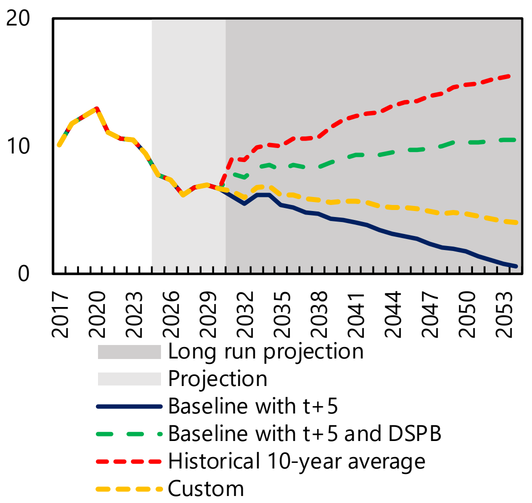
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 7. Costa Rica: Long-Term Risk Assessment: Large Amortization Including Custom Scenario

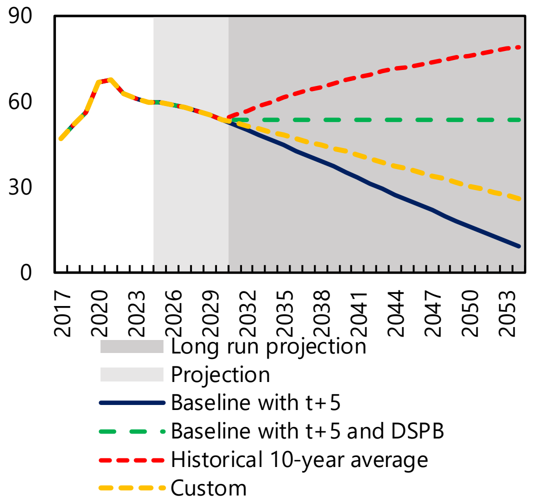
Projection	**Variable**	**Risk Indication**
Medium-term extrapolation	GFN-to-GDP ratio	🟩
	Amortization-to-GDP ratio	🟩
	Amortization	🟥
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	🟩
	Amortization-to-GDP ratio	🟥
	Amortization	🟥
Historical average assumptions	GFN-to-GDP ratio	🟥
	Amortization-to-GDP ratio	🟥
	Amortization	🟥
Overall Risk Indication		🟩

Variable	**2030**	**2034 to 2038 average**	**Custom Scenario**
Real GDP growth	3.5%	3.2%	2.9%
Primary Balance-to-GDP ratio	1.7%	1.5%	1.3%
Real depreciation	-2.3%	-2.3%	-2.3%
Inflation (GDP deflator)	3.2%	3.2%	3.2%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

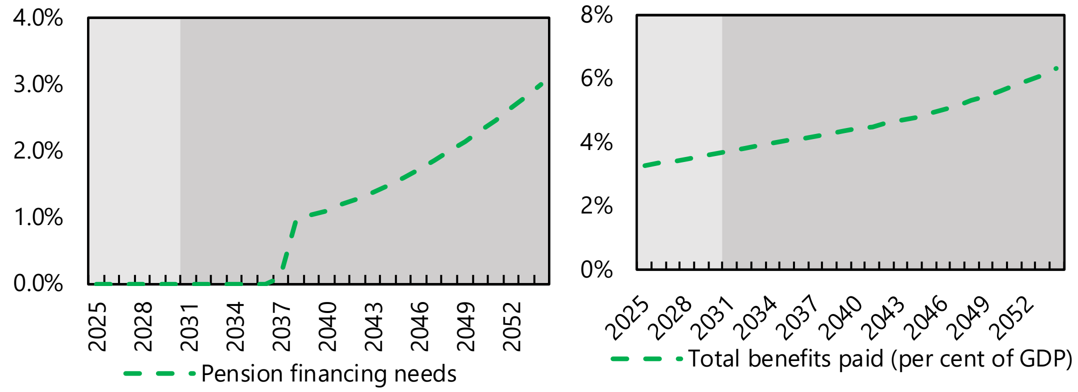


Commentary: This module indicates (in red) when the relevant variable exceeds the historical average by more than one standard deviation according to 10-year historical average assumptions (for example a primary deficit of 1.2% of GDP) or assuming a debt stabilizing primary balance (a small and growing deficit). The medium-term extrapolation is closer to staff's baseline and recent fiscal performance. Staff's baseline is shown by the custom scenario. It has a primary balance averaging 1.3 percent of GDP over the long term (consistent with more fiscal space for higher spending as debt falls) and GDP growth slowing, mainly due to a declining labor force, to about 2.5 percent in 2050. The declining debt and GFN paths as well as the overall risk indication are consistent with a low overall long-term risk.

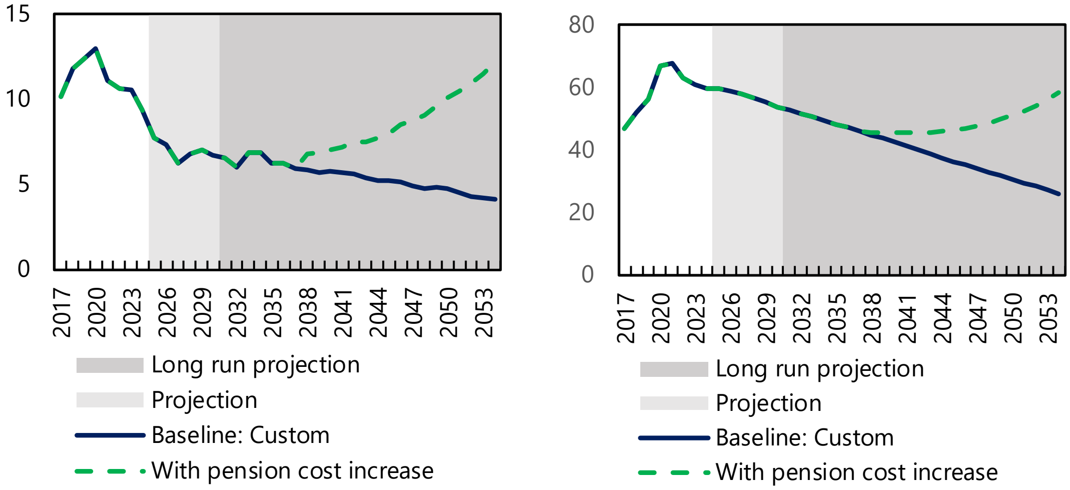
Figure 8. Costa Rica: Demographics: Pensions

Permanent adjustment needed in the pension system to keep pension assets positive for:	**30 years**	**50 years**	**Until 2100**
(pp of GDP per year)	1.1%	2.7%	4.3%

Pension Financing Needs **Total Benefits Paid**

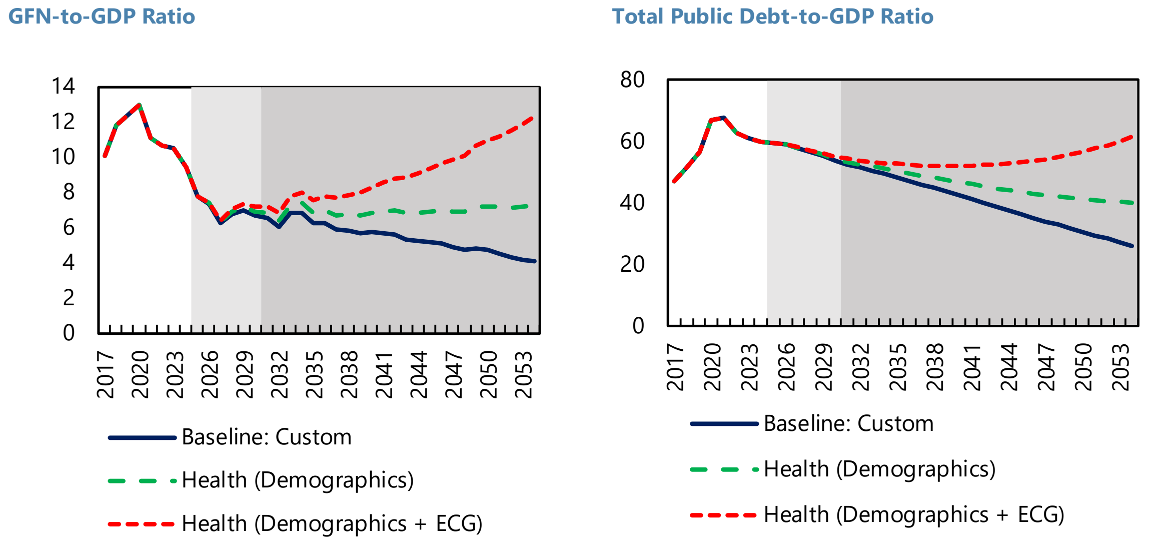


GFN-to-GDP Ratio **Total Public Debt-to-GDP Ratio**



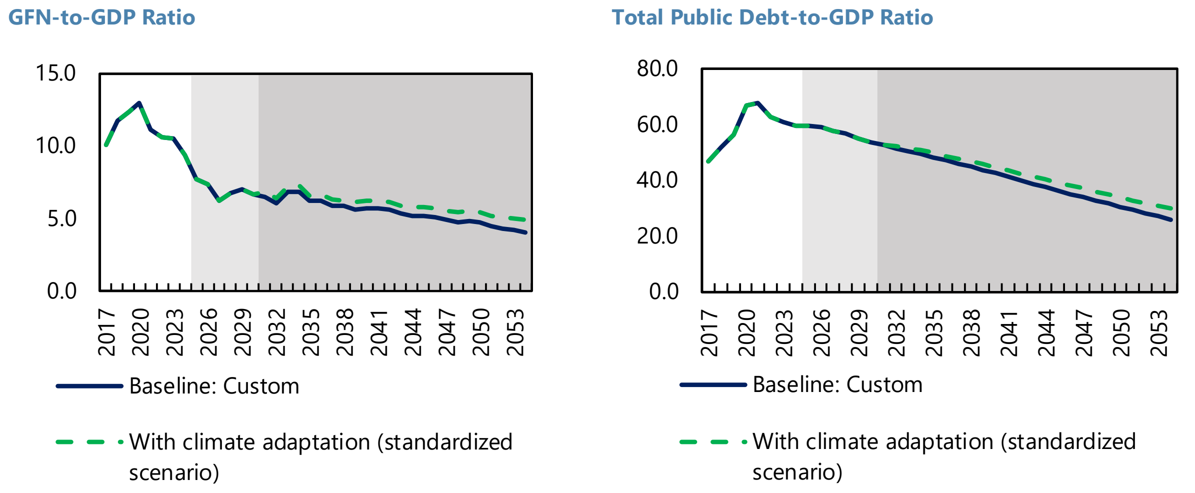
Commentary: The pensions module considers how aging could increase budgetary pressures, focusing on the old age, death, and disability pension. Modelled demographic pressures run down assets by 2036 (in line with the MTFF but sooner than a new actuarial study), generating fiscal pressures and debt risks. Results are not forecasts but illustrate the need for parametric changes. Indexation to inflation instead of wages and linking retirement age to life expectancy could reduce costs by 2 percent of GDP by 2050.

Figure 9. Costa Rica: Demographics: Health



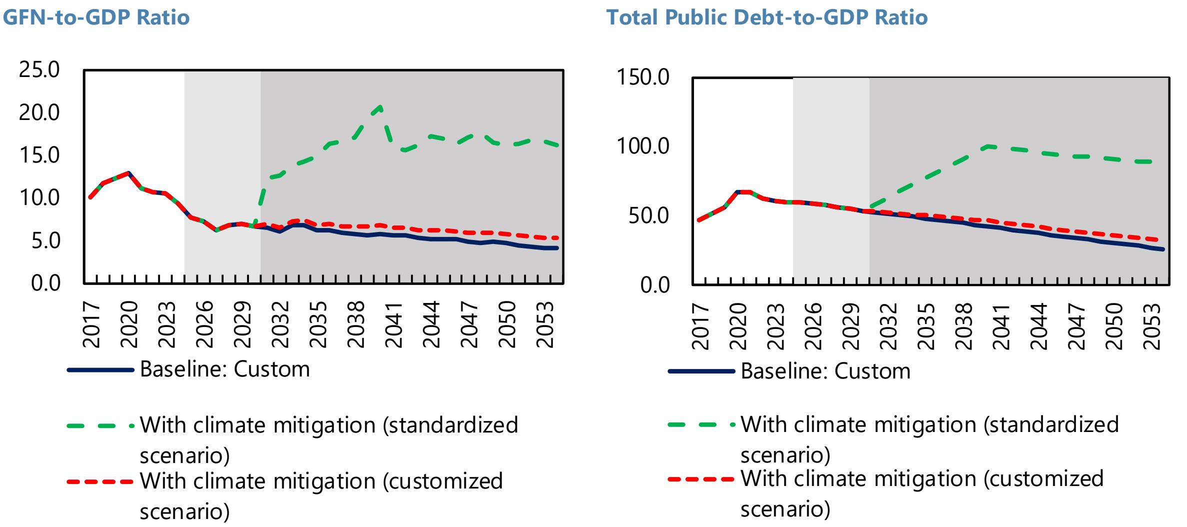
Commentary: The healthcare modules estimate how aging can increase fiscal pressures using data on spending by the CCSS. A scenario of higher spending per capita by 0.6 percent per year suggests contingent fiscal pressures that could prevent sustained declines in debt.

Figure 10. Costa Rica: Climate Change: Adaptation



Commentary: The standardized climate change adaptation module adds costs of associated investments of 0.3 percent of GDP in 2030-2034 and 0.1 percent of GDP in the long term. These have a small effect on debt and financing needs. There is an implicit assumption that investment cancels any negative impact of climate change on growth.

Figure 11. Costa Rica: Climate Change: Mitigation



Commentary: Costa Rica's characteristics, such as near complete use of renewable sources for electricity generation, make the default scenario for EMs less applicable. A customized scenario based on costing of the National Decarbonization Plan (0.3 percent of GDP per year for a decade) and fuel revenue losses consistent with the authorities' analysis of transition risks (a permanent 0.1 percent of GDP per year) has a small effect.

Table 1. Costa Rica: Decomposition of Public Debt and Debt Service by Creditor, 2024-2026[1]

	Debt Stock (end of period)			Debt Service[3]					
	2024			2024	2025	2026	2024	2025	2026
	(In US$)	*(Percent total debt)*	*(Percent GDP)*	*(In US$)*			*(Percent GDP)*		
Total	**57,373.8**	**100.0%**	**60.2%**	**9,769.9**	**9,698.9**	**10,098.0**	**10%**	**9%**	**9.3%**
External	**15,283.1**	**26.6%**	**16.0%**	**1,481.4**	**2,088.5**	**1,618.1**	**2%**	**2%**	**1.5%**
Multilateral creditors[1,2]	7,128.0	12.4%	7.5%	936.0	997.8	969.0	1%	1%	0.9%
IMF	2,518.356	4.4%	2.64%	375.3					
World Bank	1,504.8	2.6%	1.6%	158.5					
ADB/AfDB/IADB	1,921.4	3.3%	2.0%	228.5					
Other Multilaterals	1,183.4	2.1%	1.2%	173.6					
o/w: list largest two creditors	450.8	0.8%	0.5%	73.1					
list of additional large creditors	732.6	1.3%	0.8%	100.6					
Bilateral Creditors[2]	655.1	1.1%	0.7%	51.1	66.9	65.1	0.1%	0.1%	0.1%
Paris Club	326.7	0.6%	0.3%	23.8	-	-	0.0%	0.0%	0.0%
o/w: list largest two creditors	326.7	0.6%	0.3%	23.8					
list of additional large creditors			0.0%						
Non-Paris Club	328.4	0.6%	0.3%	27.3	-	-	0.0%	0.0%	0.0%
o/w: list largest two creditors	328.4	0.6%	0.3%	27.3					
list of additional large creditors									
Bonds	7,500.0	13.1%	7.9%	494.3	1,023.9	584.1	0.5%	1.0%	0.5%
Commercial creditors				-	-	-			
o/w: list largest two creditors									
list of additional large creditors									
Other international creditors	7,500.0	13.1%	7.9%	494.3	-	-	0.5%	0.0%	0.0%
o/w: list largest two creditors	7,500.0	13.1%	7.9%	494.3			0.5%	0.0%	0.0%
list of additional large creditors									
Domestic	**42,090.7**	**73.4%**	**44.1%**	**8,288.5**	**7,610.4**	**8,479.9**	**8.7%**	**7.4%**	**7.8%**
Held by residents, total	41,857.9	73.0%	43.9%						
Held by non-residents, total	232.8	0.4%	0.2%						
T-Bills									
Bonds	42,004.2	73.2%	44.0%	8,184.8	7,600.6	8,469.9	8.6%	7.4%	7.8%
Loans	86.6	0.2%	0.1%	103.7	9.7	10.0	0.1%	0.0%	0.0%
Memo items:									
Collateralized debt[4]									
o/w: Related									
o/w: Unrelated									
Contingent liabilities	9,491.0	16.5%	10.0%						
o/w: Public guarantees	844.8	1.5%	0.9%						
o/w: Other explicit contingent liabilities[5]	8,646.3	15.1%	9.1%						
Nominal GDP	95,365.0		100.0%	95,365.0	102,590.6	108,600.1			

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/Multilateral creditors are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (eg. Lending into Arrears).

3/ Debt service figures reflect budgetary execution, which is not forecast beyond the current year at the creditor level.

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Annex II. External Debt Sustainability Assessment

External debt has fallen from 50.7 percent of GDP in 2022 to 42 percent in 2024, driven by a higher current account balance, robust economic growth, and an appreciation of the domestic currency. It is expected to stabilize at around 44.5 percent in the medium term, which would still be below the pre-pandemic baseline. In the scenarios for growth, current account, and combined shocks, external debt increases to about 47-48 percent of GDP in the medium term. In the unlikely scenario of a 30 percent currency depreciation, external debt increases to about 66 percent.

Table 1. Costa Rica: External Debt Sustainability Framework, 2020-2030

(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2020	2021	2022	2023	2024			2025	2026	2027	2028	2029	2030	**Debt-stabilizing non-interest current account 6/**
Baseline: External debt	49.6	48.6	50.7	43.3	42.0			**42.1**	**43.3**	**44.0**	**44.4**	**44.6**	**44.7**	**-5.5**
Change in external debt	1.8	-1.0	2.1	-7.4	-1.4			0.2	1.2	0.7	0.4	0.3	0.0	
Identified external debt-creating flows (4+8+9)	-0.1	-3.8	-4.3	-13.2	-7.3			-3.9	-3.6	-4.1	-4.4	-4.4	-4.5	
Current account deficit, excluding interest payments	-0.7	1.7	1.3	-0.7	-0.9			0.2	0.3	-0.1	-0.2	-0.1	-0.1	
Deficit in balance of goods and services	-3.9	-2.6	-3.3	-6.1	-6.6			-5.4	-4.5	-4.8	-4.8	-4.5	-4.4	
Exports	32.0	36.3	42.5	38.9	38.6			36.7	37.1	38.5	39.7	41.3	43.4	
Imports	28.1	33.8	39.1	32.8	31.9			31.3	32.6	33.7	34.9	36.7	39.0	
Net non-debt creating capital inflows (negative)	-2.7	-5.0	-4.6	-4.5	-4.7			-4.3	-4.1	-4.2	-4.5	-4.6	-4.7	
Automatic debt dynamics 1/	3.3	-0.5	-1.0	-8.0	-1.8			0.3	0.3	0.3	0.2	0.2	0.2	
Contribution from nominal interest rate	1.7	1.5	2.0	2.1	2.2			1.6	1.6	1.7	1.7	1.7	1.7	
Contribution from real GDP growth	2.1	-3.8	-2.1	-2.1	-1.7			-1.3	-1.4	-1.4	-1.5	-1.5	-1.5	
Contribution from price and exchange rate changes 2/	-0.6	1.8	-0.9	-8.1	-2.3			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	1.9	2.8	6.5	5.8	5.9			4.0	4.7	4.8	4.8	4.7	4.5	
External debt-to-exports ratio (in percent)	154.8	133.7	119.5	111.3	108.8			114.8	116.7	114.4	111.7	108.2	102.9	
Gross external financing need (in billions of US dollars) 4/	5.5	7.2	7.0	8.7	9.6			10.8	10.8	11.4	12.6	14.4	15.8	
in percent of GDP	8.9	11.1	10.0	10.0	10.0	10-Year	10-Year	10.6	9.9	9.9	10.3	11.2	11.6	
Scenario with key variables at their historical averages 5/								**42.1**	**43.2**	**44.4**	**45.5**	**46.5**	**47.3**	**-5.4**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation							
Real GDP growth (in percent)	-4.3	7.9	4.6	5.1	4.3	3.5	3.1	3.4	3.4	3.5	3.5	3.5	3.5	
GDP deflator in US dollars (change in percent)	1.2	-3.5	2.0	18.9	5.7	2.9	6.2	4.0	2.3	2.4	2.5	2.3	2.4	
Nominal external interest rate (in percent)	3.4	3.2	4.3	5.2	5.6	3.8	0.9	4.1	4.1	4.2	4.1	4.1	4.0	
Growth of exports (US dollar terms, in percent)	-12.2	18.2	24.5	14.6	9.2	8.7	9.8	2.4	6.9	10.0	9.5	10.1	11.4	
Growth of imports (US dollar terms, in percent)	-13.6	25.2	23.5	4.9	7.2	6.3	11.4	5.3	10.3	9.6	10.1	11.4	12.4	
Current account balance, excluding interest payments	0.7	-1.7	-1.3	0.7	0.9	-0.7	1.2	-0.2	-0.3	0.1	0.2	0.1	0.1	
Net non-debt creating capital inflows	2.7	5.0	4.6	4.5	4.7	4.2	0.6	4.3	4.1	4.2	4.5	4.6	4.7	

1/Derived as [r-g-r(1+g)+ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r=nominal effective interest rate on external debt; r=change in domestic GDP deflator in US dollar terms, g=real GDP growth rate, e=nominal appreciation (increase in dollar value of domestic currency), and a=share of domestic currency denominated debt in total external debt.

2/The contribution from price and exchange rate changes is defined as [-r(1+g)+ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e>0) and rising inflation (based on GDP deflator).

3/For projection, line includes the impact of price and exchange rate changes.

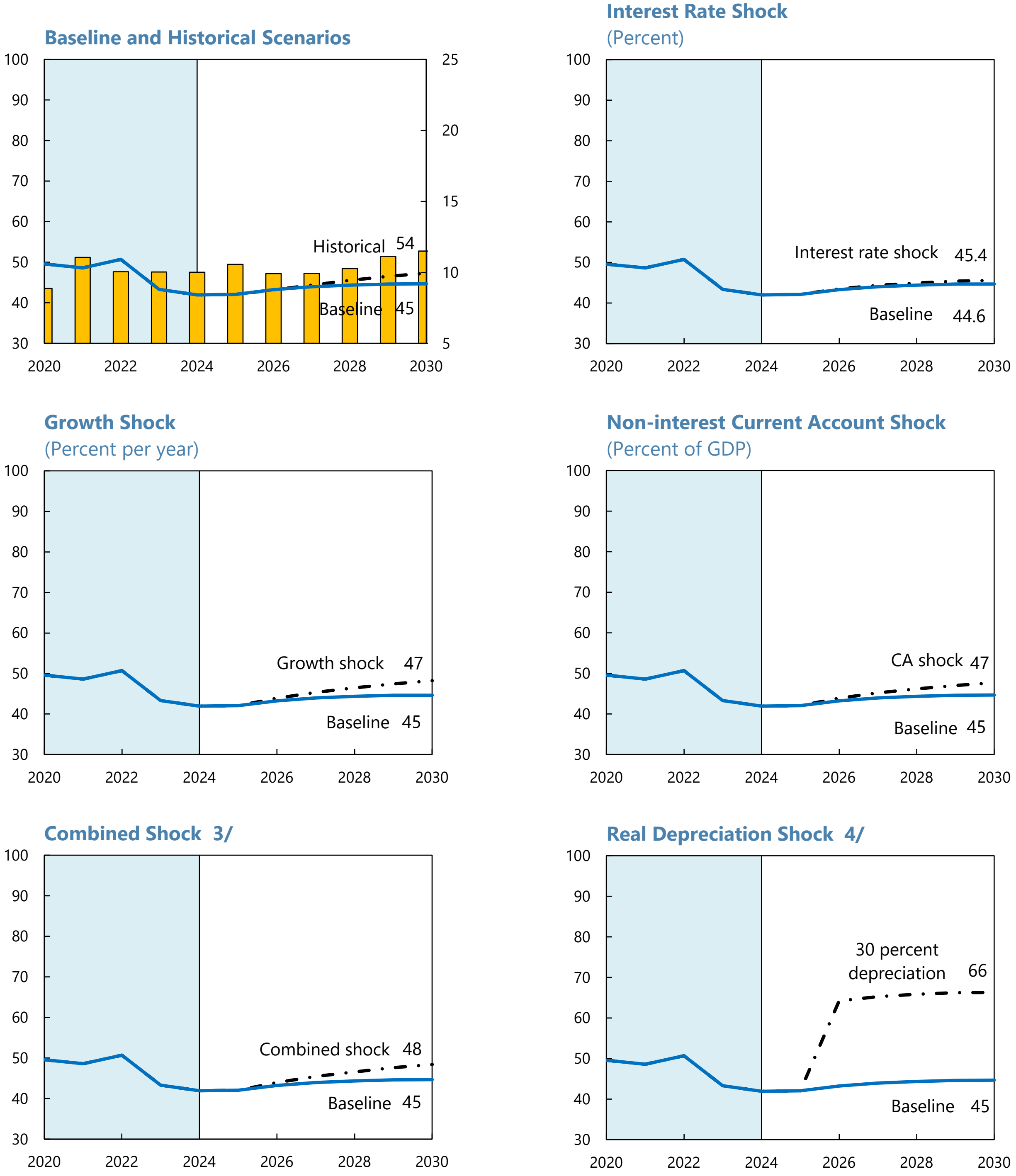
4/Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 1. Costa Rica: External Debt Sustainability: Bound Tests [1] [2]

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.

3/ Permanent ¼ standard deviation shocks applied to real interest rate, growth rate, and current account balance.

4/ One-time real depreciation of 30 percent occurs in 2026.

Appendix I. Written Communication

San José, May 16, 2025

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431, USA

Dear Ms. Georgieva,

The Costa Rican authorities are grateful for the IMF's continued support, particularly the programs laid out by the Costa Rican authorities and supported by the EFF and RSF, which were crucial tools to safeguard macroeconomic stability, anchor fiscal consolidation efforts and strengthen the country's climate agenda. Both IMF-supported programs were successfully completed. Costa Rica's remarkable economic achievements and resilience are even more apparent amid the ongoing global challenges.

Costa Rica's fiscal balance sharply deteriorated following a considerable increase in current spending after the global financial crisis, which was exacerbated by the pandemic. The economy went from a contraction of 4.3 percent in 2020, a fiscal deficit of 8.4 percent of GDP, and a public debt-to-GDP ratio that reached nearly 70 percent, to a GDP growth of 4.3 percent, a fiscal deficit of 3.8 percent of GDP, a primary balance of 1.1 percent of GDP, and the public debt-to-GDP ratio decreased to 59.8 percent, in 2024. This evidences the authorities' commitment to their reform agenda, in different and successive administrations, and how the support from the Fund has been crucial to safeguard the economy's stability and support reform efforts.

As a small open economy with a high degree of integration in global markets, our economy is exposed to significant tail risks from external developments. The current international environment is characterized by high uncertainty, given the changing announcements of new tariff measures amid geopolitical tensions. Downward risks to growth stem from a global economic slowdown, renewed financial markets volatility, increased credit spreads associated with global risk premia, and capital outflows from emerging markets. Slower-than-expected growth in key trading partners, most notably the United States, would significantly and negatively impact our economy.

We are committed to continue our reform agenda to further enhance the country's economic stability and resilience to ensure inclusive growth. This effort extends beyond the Central Bank of Costa Rica (BCCR) and the Ministry of Finance to encompass the entire government. A well-articulated medium-term strategy complemented by short-term perspectives is essential for navigating current and prospective challenges. In fact, as part of the strategic measures to cope with heightened and significant external vulnerabilities, we would like to request the Flexible Credit Line (FCL) as a precautionary instrument to bolster our economy's resilience.

We believe the FCL arrangement will also help enhance market confidence and catalyze financing opportunities, while generating other positive externalities including as an anchor to keep implementing very strong policies going forward. It is also a cost-effective alternative to self-insurance, and hence, it would complement our very strong institutional frameworks and mitigate the impact of the abovementioned external risks.

We request a two-year FCL arrangement with access at 300 percent of Costa Rica's quota, or SDR 1.1082 billion. We intend to treat the FCL arrangement as a precautionary support to our financial buffers. The requested access level responds to a thorough assessment of external risks that might affect Costa Rica while considering the buffers the country has been building over the last years in its macroeconomic policy framework. We would consider requesting reduced access in the future, if global risks were to decline.

As it was acknowledged by the IMF Executive Directors in the recently concluded 2025 Article IV consultation, Costa Rica's policies and institutional frameworks remain very strong. Our economic policies have also responded swiftly to recent shocks while safeguarding macroeconomic and financial stability. There has also been a remarkable track record of very strong economic policies implemented across recent administrations, which we are committed to maintain going forward.

Overall, the country has built a track record of very strong economic fundamentals and institutional policy frameworks. These outcomes are a consequence of good macroeconomic policies, wide-ranging reforms in the context of becoming a member of the OECD, two successfully completed IMF-supported programs, and a strategic focus on exports and economic diversification. Costa Rica also remains committed to maintaining very strong policies in the future.

In this context, we believe that the FCL arrangement would help support our aim to continue building buffers and contribute to maintaining a high degree of confidence in our economy. We consent to the IMF's publication of this letter and the related staff report.

Sincerely yours,

/s/	/s/
Róger Madrigal López	Nogui Acosta Jaén
Governor Banco Central de Costa Rica	Minister of Finance

INTERNATIONAL MONETARY FUND

COSTA RICA

May 20, 2025

ASSESSMENT OF THE IMPACT OF THE PROPOSED ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE ON THE FUND'S FINANCES AND LIQUIDITY POSITION

Approved By
Carlo Sdralevich (FIN) and Koshy Mathai (SPR)

Prepared by the Finance and Strategy, Policy, and Review Departments.

CONTENTS

INTRODUCTION

1. **This note assesses the impact of the proposed arrangement under the Flexible Credit Line (FCL) for Costa Rica on the Fund's finances and liquidity position, in accordance with the policy on FCL arrangements.**[1] The proposed two-year FCL arrangement, which the authorities intend to treat as precautionary, would be in the amount of SDR 1.1082 billion (300 percent of quota, equivalent to about US$ 1.46 billion). The proposed FCL arrangement would be the first for Costa Rica.

2. **The proposed access would bolster precautionary buffers in the face of potential vulnerabilities deriving from the shifting external environment and increased risks**. The full amount of access would be available throughout the arrangement period, in one or multiple purchases.[2] Staff's baseline projection envisages no purchase, in line with the authorities' intention to treat the proposed arrangement as precautionary and as insurance against a range of looming external shocks. This note analyzes the impact of Costa Rica's requested FCL on the Fund's finances and liquidity position against the backdrop of heightened external risks, higher uncertainty, and tighter financial conditions, including in a downside scenario where FCL access would be fully drawn.

BACKGROUND

3. **Costa Rica is among the fastest-growing economies in the Western Hemisphere, having achieved notable economic progress in recent years.** Costa Rica's growth has been driven by a dynamic and diversified export sector, robust foreign direct investment, low and stable inflation in the context of a sound monetary and exchange rate policy framework, sound public finances with a sustainable public debt position, and a strong track record of policy implementation demonstrated across administrations. At the same time, the authorities have shown steadfast commitment to economic reforms, which have reinforced macroeconomic fundamentals and strengthened institutional frameworks. Such macroeconomic performance has allowed the Costa Rican economy to show resilience to the recent global volatile and uncertain conditions. Nonetheless, the Costa Rican economy remains vulnerable to external shocks, particularly to those related to trade and global financial conditions.

4. **Since 2020, Costa Rica has accessed Fund resources three times.** In April 2020, the IMF approved Costa Rica's request for emergency assistance under the Rapid Financing Instrument (RFI), disbursing SDR 369 million (equivalent to 100 percent of its quota) to address urgent balance of payments needs. This was followed by the approval of an Extended Fund Facility (EFF) arrangement in 2021 totaling SDR 1,237 million (335 percent of quota), which was fully drawn and completed in June 2024. To further support the country's structural reform agenda, a Resilience and Sustainability Facility (RSF) amounting to SDR 554 million (150 percent of quota), of which all resources were

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[1] See *GRA Lending Toolkit and Conditionality—Reform Proposals (3/13/09)* and *Flexible Credit Line (FCL) Arrangements, Decision No.14283-(09/29)*, adopted March 24, 2009, as amended.

[2] If the full amount is not drawn in the first year of the arrangement, subsequent purchases are subject to the mid-term review of Costa Rica's continued qualification for the FCL arrangement.

disbursed, was approved in November 2022 and completed in June 2024. Together, these facilities have helped successive administrations advance a consistent track record of economic reforms, strengthening both macroeconomic fundamentals and institutional frameworks. Costa Rica has not received any IMF financing between the Global Financial Crisis and the COVID-19 pandemic.

PROPOSED FLEXIBLE CREDIT LINE ARRANGEMENT—RISKS AND IMPACT ON FUND FINANCES

5. **Costa Rica's external debt is assessed to be sustainable with high probability under the Sovereign Risk and Debt Sustainability Framework.** Costa Rica's external debt-to-GDP ratio is expected to increase this year and broadly remain stable over the medium term under the baseline.[3] After peaking at 50.7 percent of GDP in 2022, driven by the negative impact of the pandemic on GDP and the surge in public sector borrowing, Costa Rica's external debt declined to 42 percent of GDP by 2024 (Table 1). The public external debt-to-GDP ratio, after peaking at 18.6 percent of GDP in 2026, is projected to steadily decline to 14 percent of GDP by 2030 (Table 2). Costa Rica's external debt would remain sustainable under standard external Debt Sustainability Analysis's (DSA) stress scenarios.[4] Furthermore, Costa Rica has shown very strong debt management and an excellent track-record of meeting its financial obligations.

Table 1. Costa Rica: Total External Debt, 2018–2025[1/]

	2018	2019	2020	2021	2022	2023	2024	2025
(In millions of US Dollars)								
Total External Debt	29,135	30,795	30,926	31,573	35,127	37,499	40,006	43,198
Private	14,426	14,609	15,608	16,136	20,151	20,191	22,774	24,535
Public	14,709	16,186	15,318	15,437	14,975	17,307	17,232	18,663
(In percent of GDP)								
Total External Debt	46.7	47.8	49.6	48.6	50.7	43.3	42.0	42.1
Private	23.1	22.7	25.0	24.8	29.1	23.3	23.9	23.9
Public	23.6	25.1	24.6	23.8	21.6	20.0	18.1	18.2

Sources: Costa Rican authorities and IMF staff estimates.
1/ Baseline scenario.

6. **Risks and impact on Fund finances from the proposed FCL arrangement for Costa Rica are assessed in the context of an adverse scenario.** Downside risks to the economic outlook of Costa Rica remain elevated. Heightened trade and financial uncertainty could lower external demand and lower goods and services exports, reduce FDI, and tighten external financing conditions. Supply disruptions could increase oil prices. A materialization of these risks would lead

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[3] Staff Report SM/25/80, May 2025.

[4] If a real exchange rate depreciation of 30 percent were to materialize in 2025, Costa Rica's external debt would peak at 64 percent of GDP in 2026 but remain on a sustainable medium-term path afterward, converging to about 66 percent of GDP in the medium run.

to a worsening of macroeconomic conditions vis-à-vis the baseline projections, generating balance of payment needs, in which case purchases under the proposed FCL arrangement could be expected.

7. **The adverse scenario considers shocks to global economic conditions, as described in Box 2 in the staff report accompanying the request of an arrangement under the FCL.**[5] If this scenario were to materialize, weaker trading partner's growth and demand, commodity price uncertainty on the back of heightened trade uncertainty, and tighter financial conditions would slow global economic activity and worsen Costa Rica's external position over the next two years (Table 2). Under the adverse scenario, Costa Rica is expected to experience a contraction of 1.5 percent in its nominal GDP in 2025, compared with a 7.6 percent growth expected for the baseline. The trade shocks considered in the adverse scenario are expected to widen the current account deficit from about 1.4 percent of GDP in 2024 to about 4.3 percent of GDP in 2025 and 3.2 percent of GDP in 2026, reflecting mainly a contraction in the exports of goods and services in 2025. Lower net capital inflows due to the worsening of external financing conditions, especially FDI and public sector external borrowing, would add to Costa Rica's external financing needs under the adverse scenario. International reserves would fall by US$ 4.7 billion to US$ 9.5 billion, covering around 70 percent of the external financing needs, while still remaining close to 90 percent of the ARA metric (float). To cover the remaining US$ 2.5 billion financing gap under the adverse scenario in 2025, the authorities are expected to draw the full amount of the proposed FCL arrangement (about US$ 1.5 billion) and from the Latin American Reserve Fund (FLAR, for about US$ 1 billion) (Table 2).

Table 2. Costa Rica: Comparison of Key Assumptions under Baseline and Adverse Scenarios[1/]

(in billions of US dollars, unless otherwise indicated)

	2023	2024	2025	2026	2027	2028	2029	2030
Baseline scenario								
Nominal GDP growth (percent)	24.9	10.2	7.6	5.9	6.0	6.0	5.9	5.9
Nominal GDP (billions of USD)	87	95	103	109	115	122	129	137
Current account balance (in percent of GDP)	-1.4	-1.4	-1.8	-1.9	-1.6	-1.5	-1.6	-1.6
Gross international reserves	13.3	14.2	14.9	15.8	16.5	17.3	18.0	18.9
As percent of ARA metric (float)	144	140	141	136	131	125	121	120
Exports of goods and services	33.7	36.8	37.6	40.3	44.3	48.5	53.4	59.5
Total external debt (in percent of GDP)	43.3	42.0	42.1	43.3	44.0	44.4	44.7	44.7
of which: public external debt (in percent of GDP)	20.0	18.1	18.2	18.6	17.9	16.8	15.5	14.0
Central government debt (in percent of GDP)	61.1	59.8	59.7	59.0	57.9	56.7	55.3	53.7
Adverse scenario								
Nominal GDP growth (percent)	24.9	10.2	-1.5	5.4	7.2	7.2	7.0	5.9
Nominal GDP (billions of USD)	87	95	94	99	106	114	122	129
Current account balance (in percent of GDP)	-1.4	-1.4	-4.3	-3.2	-0.7	-0.1	0.2	0.0
Gross international reserves	13.3	14.2	9.5	10.0	12.0	13.5	15.0	16.6
As percent of ARA metric (float)	144	140	89	87	95	98	100	105
Exports of goods and services	33.7	36.8	36.1	38.6	43.4	48.3	53.4	59.5
Total external debt (in percent of GDP)	43.3	42.0	48.1	48.6	47.8	46.4	44.6	44.2
of which: public external debt (in percent of GDP)	20.0	18.1	20.7	20.8	19.6	17.7	15.3	13.9
Central government debt (in percent GDP)	61.1	59.8	65.9	65.2	63.0	60.9	58.7	57.1
Financing gap	0.0	0.0	2.5	0.0	0.0	0.0	0.0	0.0

Sources: Costa Rican authorities and IMF staff projections.

1/ Since a full drawing of the FCL is assumed under the adverse scenario, external debt under this scenerio includes the liability generated from such drawing.

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[5] Staff's adverse drawing scenario, used also for the Capacity to Repay indicators, differs from the baseline DSA stress tests in terms of size of the shocks to key macroeconomic assumptions. Regardless, the debt dynamics in both exercises are similar.

8. If the full amount available under the proposed FCL arrangement were purchased in a downside scenario, Costa Rica's capacity to repay would remain adequate:

- Under the adverse scenario, and assuming full drawing of the FCL in June 2025, Costa Rica's external debt is projected to peak at 48.6 percent of GDP in 2026, with public external debt reaching 20.8 percent of GDP in the same year, before both ratios decline somewhat over the medium term (Table 2).[6] Relative to previously approved exceptional access cases and FCL arrangements, Costa Rica's overall external debt-to-GDP and public external debt-to-GDP ratios at the time of approval would be below the median (Figure 1).

- Costa Rica's outstanding GRA credit would reach 3.3 percent of GDP at its peak in 2025, equivalent to 33 percent of gross international reserves and 16.1 percent of total public external debt. In turn, Costa Rica's total outstanding Fund credit (GRA and RST) would reach 4.1 percent of GDP at its peak in 2025, 40.8 percent of gross international reserves, and 19.9 percent of total public external debt (Table 3).[7] Peak total Fund exposure relative to GDP and total external debt would remain below the median of recent exceptional access and FCL arrangements, while peak Fund exposure relative to gross international reserves would slightly exceed the median of the same program sample (Figure 2). Peak projected outstanding Fund credit in percent of quota would compare favorably relative to other exceptional access cases and FCL arrangements in the event of full drawing (Figure 3).

- Assuming that all repurchases are made as scheduled, Costa Rica's GRA credit outstanding would reach about 635 percent of quota in 2025 and about 621 percent of quota in 2026, before falling to about 593 percent in 2027 and 472 percent in 2028. Total credit outstanding (GRA and RST) will be 785 percent of quota in 2026 and continue to decline until reaching zero in 2044 (Table 3).[8] If the amount available under the FCL arrangement were to be fully drawn in 2025, payments of GRA charges would be 22.1 percent of quota, 30.9 percent of quota, 30.5 percent of quota, and 28.1 percent of quota in 2025, 2026, 2027, and 2028, respectively. Costa Rica's total (GRA and RST) projected obligations to the Fund under the adverse scenario would peak in 2029 at about SDR 0.85 billion, or 0.9 percent of GDP, 2.2 percent of exports of goods and services, 7.7 percent of international reserves, and 5.9 percent of central government revenue, before quickly falling to more moderate levels by 2033. Costa Rica's peak debt service to the Fund as a share of exports of goods and services and as share of total external debt service would be significantly lower than the median of recent exceptional access cases (Figure 2).

9. The approval of the proposed FCL arrangement would have a manageable impact on the Fund's liquidity as measured by the forward commitment capacity (FCC). Other things

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[6] Total external debt from 2024 onwards is marginally lower under the adverse scenario than under the baseline because the adverse scenario assumes more limited market access, resulting in significantly lower rollover rates of both the public and private sectors in 2024 than in the baseline.

[7] Costa Rica is expected to fully repay its RFI by end 2025.

[8] Capacity to Repay metrics account for Fund credit and obligations under all current and past arrangements—in Costa Rica's case, these include a previous EFF with credit still outstanding, the RSF, and the proposed FCL, which is assumed to be fully drawn under the adverse scenario.

equal, access under the proposed FCL arrangement would reduce the Fund's FCC by 0.7 percent from its current level to SDR 160.1 billion as of April 22, 2025 (Table 4). [9]

10. Fund exposure to Costa Rica would increase but remain moderate even in the event of full drawing.

- As of April 30, 2025, Fund's GRA exposure to Costa Rica is SDR 1,330 million equivalent to around 360 percent of quota. If the full amount available under the proposed FCL arrangement were drawn, GRA Fund credit to Costa Rica would reach SDR 2,346 million or 635 percent of quota by the end of 2025. Total Fund exposure (GRA and RST) to Costa Rica as of April 30, 2025, is SDR 1,884 million, equivalent to around 510 percent of quota. If the full amount available under the proposed FCL arrangement were drawn, total Fund credit to Costa Rica would reach SDR 2,900 million or 785 percent of quota by the end of 2025 (Table 3).

- Under the scenario of full drawing under the FCL, Costa Rica's GRA credit outstanding will represent about 2.6 percent of the Fund's total GRA credit outstanding as of April 22, 2025 (Table 4), which compares to about 1.4 percent of total GRA credit outstanding without drawing on the FCL. This would make Costa Rica the seventh largest GRA borrower among current arrangements (currently it is the twelfth without the FCL drawing). The concentration of Fund credit in the top five users of Fund resources would decline modestly, from 78.1 percent to about 77.2 percent of total GRA credit outstanding. Potential GRA exposure to Costa Rica would amount to 9 percent of the Fund's current precautionary balances. Income risk would also be manageable, with projected annual GRA charges and surcharges on Costa Rica during 2025–30 amounting to about 50.4 percent of the Fund's residual burden-sharing capacity of SDR 981 million as of April 22, 2025.[10]

11. The proposed FCL arrangement would slightly increase the regional concentration of the Fund's lending commitments and the concentration across Fund financing instruments:

- **Regional concentration to Latin America:** Currently, the Western Hemisphere accounts for about 62.5 percent of GRA credit and undrawn balances, including for arrangements treated as precautionary (Figure 4). With the proposed FCL arrangement for Costa Rica, this share would edge up to about 62.8 percent.

- **Share of FCL commitments among Fund facilities:** Commitments under FCL arrangements, which represent the bulk of precautionary arrangements, stood at around SDR 46.8 billion as of April 22, 2025, or about 47.2 percent of total GRA commitments (Figure 4). With the proposed

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[9] As is usual practice, the analysis considers only the marginal impact of Costa Rica's drawing on its precautionary arrangement and does not incorporate any possible drawing by other FCL countries.

[10] The burden-sharing capacity is calculated based on the floor of remuneration which, under current policies, is 85 percent of the SDR interest rate. The residual burden-sharing capacity is equal to the total burden-sharing capacity minus the portion being utilized to offset deferred charges. Since there are currently no deferred charges, no adjustment is needed to determine the residual burden sharing capacity.

FCL for Costa Rica, the share of commitments from FCL arrangements in total would rise to about 47.8 percent.

Table 3. Costa Rica: Capacity to Repay Indicators Under the Adverse Scenario[1/2/3/]

(in SDR millions, unless otherwise indicated)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Fund obligations based on existing credit																						
Principal	184.7	138.5	51.6	103.1	171.9	206.2	206.2	206.2	154.7	103.1	62.1	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0
GRA	184.7	138.5	51.6	103.1	171.9	206.2	206.2	206.2	154.7	103.1	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.7	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0
Charges and interest 1/	85.1	67.2	70.9	67.1	61.4	54.5	47.1	39.7	33.0	28.0	25.0	22.6	20.5	18.2	16.1	13.9	11.7	9.5	7.3	5.1	3.2	2.8
GRA	82.1	53.6	46.3	42.5	36.8	29.9	22.5	15.1	8.3	3.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic charges	...	49.2	43.8	41.3	36.8	29.9	22.5	15.1	8.3	3.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Level-based surcharges	...	4.4	2.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
time-based surcharges	...	0.0	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF interest	0.0	11.0	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.7	19.9	17.7	15.5	13.3	11.1	8.9	6.8	4.6	2.4	0.4	0.0
SDR charges	3.0	2.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Fund obligations based on existing and prospective credit																						
Principal	184.7	138.5	51.6	103.1	448.9	760.3	483.3	206.2	154.7	103.1	62.1	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0
GRA	184.7	138.5	51.6	103.1	448.9	760.3	483.3	206.2	154.7	103.1	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.7	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0
Charges and interest 1/2/	85.1	95.4	138.7	137.4	128.6	92.0	53.4	39.7	33.0	28.0	25.0	22.6	20.5	18.2	16.1	13.9	11.7	9.5	7.3	5.1	3.2	2.8
GRA	67.0	81.7	114.0	112.8	104.0	67.4	28.7	15.1	8.3	3.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic charges	...	62.7	83.7	81.2	76.2	55.5	28.6	15.1	8.3	3.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Level-based surcharges	...	11.9	24.4	23.0	20.2	8.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
time-based surcharges	...	1.6	6.0	8.6	7.6	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Service charges	...	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF interest	0.0	11.0	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.7	19.9	17.7	15.5	13.3	11.1	8.9	6.8	4.6	2.4	0.4	0.0
SDR charges	3.0	2.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Total obligations based on existing and prospective credit																						
Millions of SDRs	269.8	233.9	190.3	240.6	577.6	852.4	536.7	246.0	187.7	131.2	87.1	78.0	75.9	73.7	71.5	69.3	67.1	64.9	62.7	60.5	30.9	2.8
Percent of exports of goods and services	1.0	0.9	0.7	0.7	1.6	2.2	1.2	0.5	0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Percent of gross international reserves	2.5	3.3	2.5	2.7	5.8	7.7	4.4	1.9	1.3	0.9	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.1	0.0
Percent of government revenue	2.5	2.1	1.6	1.9	4.3	5.9	3.5	1.5	1.1	0.7	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.0
Percent of public external debt service	10.6	6.2	5.7	6.8	14.7	18.0	14.0	6.1	4.4	2.9	1.8	1.5	1.4	1.3	1.2	1.1	1.0	0.9	0.9	0.8	0.4	0.0
Percent of total external debt service	3.5	2.9	2.3	2.7	6.1	8.1	4.8	2.1	1.5	1.0	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.1	0.0
Percent of GDP	0.4	0.3	0.3	0.3	0.7	0.9	0.6	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of quota	73.0	63.3	51.5	65.1	156.3	230.7	145.3	66.6	50.8	35.5	23.6	21.1	20.5	19.9	19.3	18.8	18.2	17.6	17.0	16.4	8.4	0.7
Principal	50.0	37.5	14.0	27.9	121.5	205.8	130.8	55.8	41.9	27.9	16.8	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5	0.0
GRA	50.0	37.5	14.0	27.9	121.5	205.8	130.8	55.8	41.9	27.9	9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5	0.0
Outstanding IMF credit based on existing and prospective drawings																						
Millions of SDRs	1,930.1	2,899.8	2,848.2	2,745.1	2,296.2	1,535.8	1,052.5	846.3	691.6	588.5	526.4	471.0	415.6	360.2	304.8	249.3	193.9	138.5	83.1	27.7	0.0	0.0
EFF	1,237.5	1,237.5	1,185.9	1,082.8	910.9	704.7	498.4	292.2	137.5	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCL	...	1,108.2	1,108.2	1,108.2	831.2	277.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RFI	138.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	554.1	554.1	554.1	554.1	554.1	554.1	554.1	554.1	554.1	554.1	526.4	471.0	415.6	360.2	304.8	249.3	193.9	138.5	83.1	27.7	0.0	0.0
Percent of exports of goods and services	7.0	10.7	9.9	8.5	6.4	3.9	2.4	1.8	1.4	1.1	1.0	0.8	0.7	0.6	0.4	0.3	0.3	0.2	0.1	0.0	0.0	0.0
Percent of gross international reserves	18.1	40.8	38.0	30.6	22.9	13.8	8.5	6.4	4.9	3.9	3.3	2.8	2.3	2.0	1.6	1.3	1.0	0.7	0.4	0.1	0.0	0.0
Percent of government revenue	17.8	25.7	24.0	21.6	16.9	10.6	6.9	5.2	4.0	3.3	2.8	2.3	2.0	1.6	1.3	1.0	0.7	0.5	0.3	0.1	0.0	0.0
Percent of total public external debt	14.9	19.9	18.5	17.7	15.3	11.1	7.9	6.4	5.4	4.6	4.1	3.6	3.1	2.6	2.2	1.7	1.3	0.9	0.5	0.2	0.0	0.0
Percent of GDP	2.7	4.1	3.8	3.5	2.7	1.7	1.1	0.8	0.6	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Percent of quota	522.5	785.0	771.0	743.1	621.6	415.8	284.9	229.1	187.2	159.3	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0	0.0
GRA	372.5	635.0	621.0	593.1	471.6	265.8	134.9	79.1	37.2	9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0	0.0
Net use of IMF credit	1,930.1	970.5	-51.6	-103.1	-448.9	-760.3	-483.3	-206.2	-154.7	-103.1	-62.1	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-55.4	-27.7	0.0
Disbursements	2,114.8	1,109.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	184.7	138.5	51.6	103.1	448.9	760.3	483.3	206.2	154.7	103.1	62.1	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	27.7	0.0
Memorandum items:																						
Quota (millions of SDRs)	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4	369.4

Sources: Costa Rican authorities, Finance department, World Economic Outlook, and IMF staff estimates.

1/ Assumes drawing of 300 percent of quota upon approval of the new FCL arrangement and materialization of an adverse scenario.

2/ Costa Rica belongs to the RST Interest Group C. Based on the RST rate of interest of 3.948 percent as of May 8, 2025.

3/ Staff projections for external debt, GDP, gross international reserves, and exports of goods and services reflect the adverse scenario under which the full FCL drawing is assumed.

Table 4. Costa Rica: FCL Arrangement—Impact on GRA Finances
(in SDR millions, unless otherwise indicated)

	As of 4/22/25
Liquidity measures	
Current Forward Commitment Capacity (FCC) 1/ (As of April 22nd, 2025)	162,013
FCC on approval 2/	160,905
Change in percent	-0.7
Prudential measures, assuming full FCL drawing	
Fund credit to Costa Rica	
In percent of total GRA credit outstanding 3/	2.6
In percent of current precautionary balances	9.0
Fund credit outstanding to five largest debtors	
In percent of total GRA credit outstanding, before approval	78.1
In percent of total GRA credit outstanding including Costa Rica's assumed full drawing 3/	77.2
Memorandum items	
Current precautionary balances (As of January 31st, 2025)	26,970
Total FCL commitments, including proposed FCL arrangement	47,896
Quota of FTP members with actual and proposed FCLs, in percent of total quota of FTP members	2.7

Source: Finance department.
1/ The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less repayments of borrowing due one year forward, less a prudential balance. The FCC does not include resources from currently unactivated lines of credit, including the New Arrangements to Borrw of bilateral commitments from members to boost IMF resources.
2/ Current FCC minus access under the proposed FCL plus the remaining access under the current FCL.
3/ Based on current Fund credit outstanding plus full drawings under the proposed FCL arrangement.

ASSESSMENT

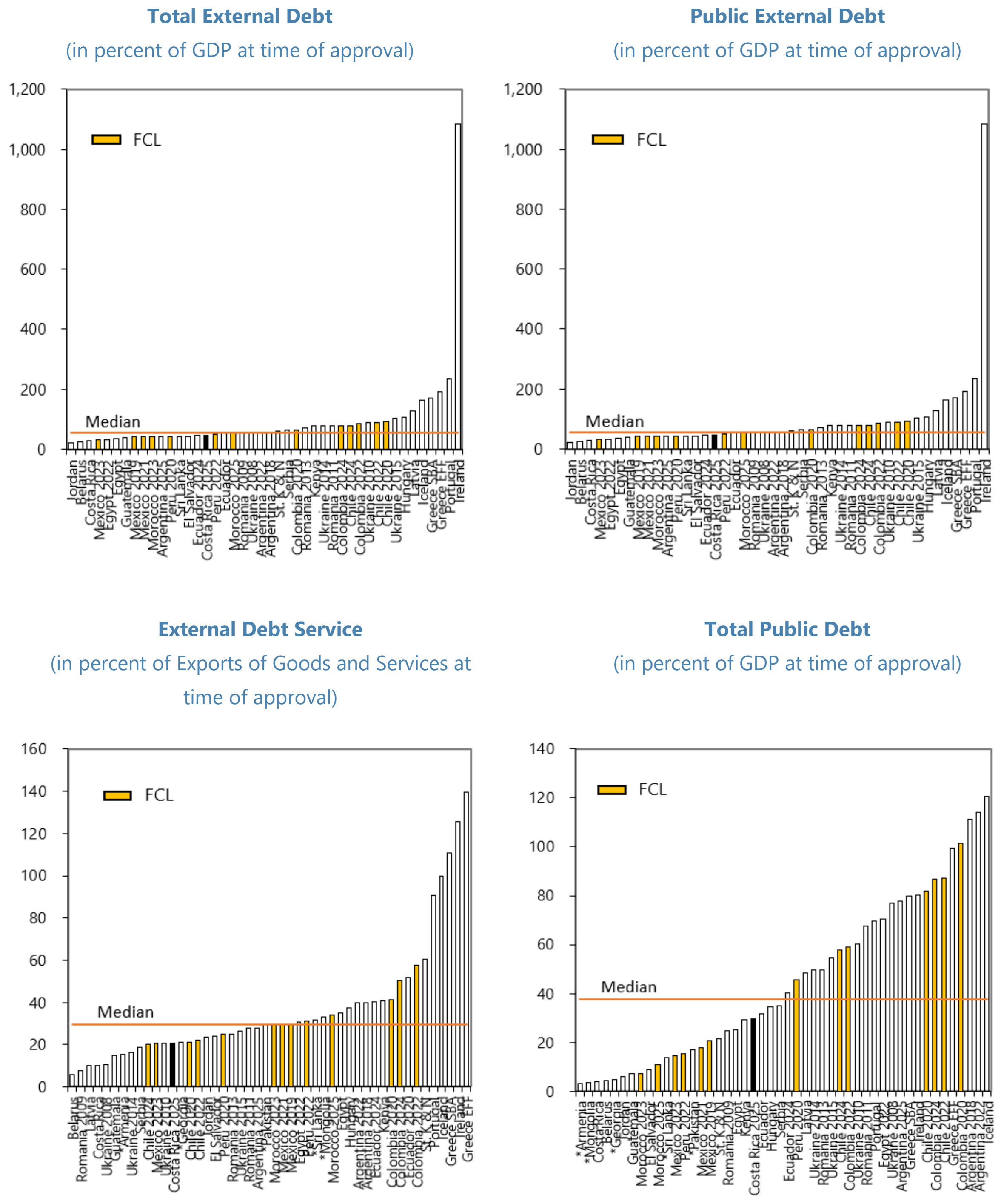
12. **The proposed FCL arrangement for Costa Rica will have a manageable impact on the Fund's overall liquidity position, reducing it marginally.** The approval of an FCL arrangement in the amount of SDR 1.1082 billion, which the authorities intend for precautionary use, will decrease the FCC by 0.7 percent (Table 4). While the Fund's overall liquidity position is expected to remain adequate after the approval of the proposed FCL arrangement, close monitoring remains warranted in view of the elevated risks to global growth and financial stability, including possible spillovers from ongoing global economic and financial uncertainty that could result in higher demand for Fund resources.

13. **Staff considers that the proposed FCL arrangement carries moderate credit risks to the Fund**. If fully drawn, the arrangement would increase Costa Rica's GRA credit outstanding to 2.6 percent of total Fund GRA credit outstanding. This would make Costa Rica the seventh largest GRA borrower among current arrangements, with a credit exposure accounting for 9 percent of the

current level of precautionary balances. The related financial risks to the Fund are mitigated by several factors. Costa Rica plans to treat the FCL arrangement as precautionary, and even in an adverse scenario where it draws the full available resources, its capacity to repay the Fund would remain adequate (Table 3). Moreover, Costa Rica has very strong policy frameworks and a sustained track record of implementing very strong policies, including during the recently completed Extended Fund Facility program. The authorities remain committed to maintaining such policies in the future and closely cooperating with the Fund, and they plan to implement any additional reforms that would strengthen their policy frameworks even further. Delivering on these commitments will be important to help mitigate financial risks to the Fund. A review to confirm continued qualification for the FCL instrument will be conducted 12 months after the approval of the arrangement.

Figure 1. Debt Ratios of Recent Exceptional Access Cases [1] [2]

(EA and FCL cases since September 2008)



Total External Debt

(in percent of GDP at time of approval)

Public External Debt

(in percent of GDP at time of approval)

External Debt Service

(in percent of Exports of Goods and Services at time of approval)

Total Public Debt

(in percent of GDP at time of approval)

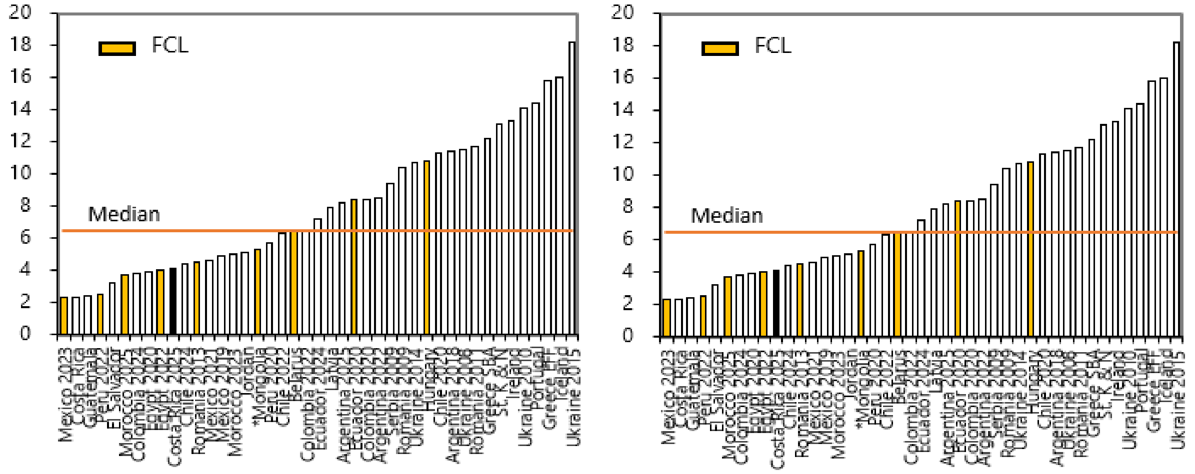
Sources: Finance Department and IMF staff estimates.

[1] Estimates as reported in relevant staff reports on the request of SBAs or arrangements under the EFF approved since September 2008. Also includes ratios reported in relevant staff reports of FCL arrangements for Mexico (2019 and 2021), Peru (2020), Chile (2020), Colombia (2020, 2022) and Costa Rica (2023).

[2] Asterisks indicate PRGT-eligible countries at the time of the program.

Figure 2. Peak Fund Exposure and Debt Service Ratios for Recent Exceptional Access Cases[1/ 2/]

(EA and FCL cases since September 2008, Based on Total Fund Credit Outstanding)



Peak Fund Exposure Ratios

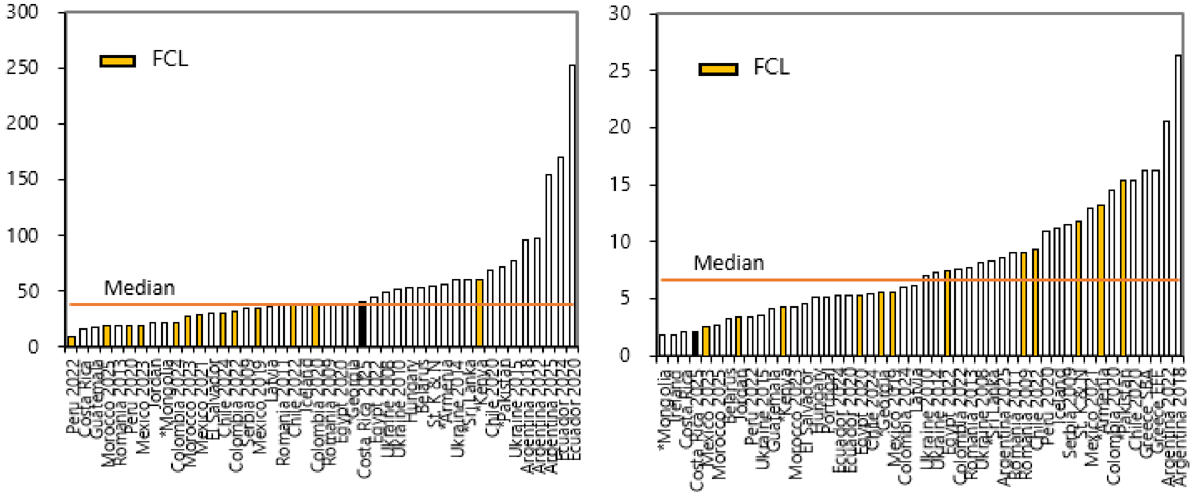
Fund Exposure

(in percent of GDP)

Peak Debt Service Ratios

Total External Debt Service

(in percent of Exports of Goods and Services)



Fund Exposure

(in percent of Gross International Reserves) 3/

Debt Service to the Fund

(in percent of Exports of Goods and Services) 4/

Figure 2. Peak Fund Exposure and Debt Service Ratios for Recent Exceptional Access Cases

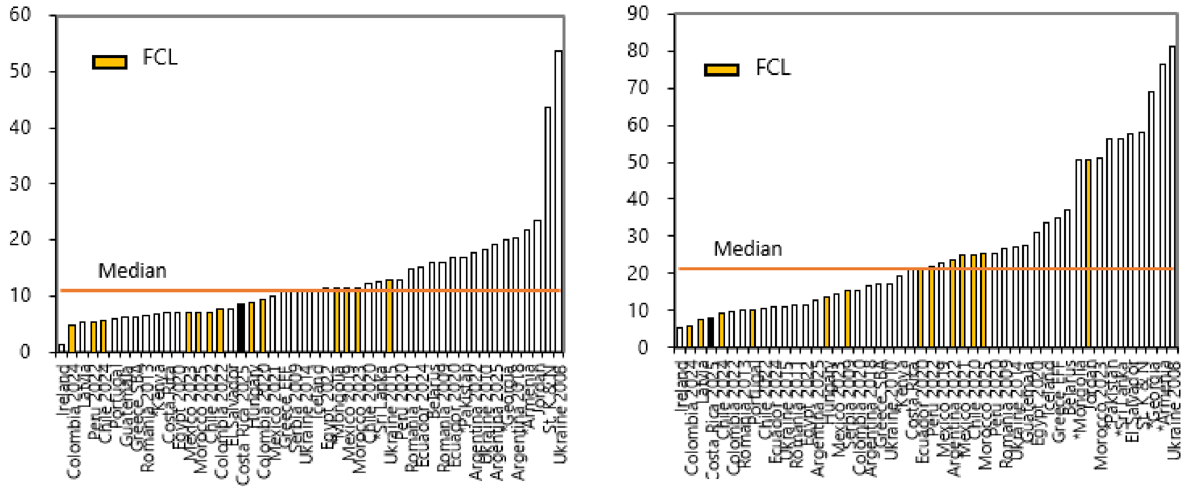
(EA and FCL cases since September 2008, Based on Total Fund Credit Outstanding) (Concluded)

Fund Exposure

(in percent of Total External Debt)

Debt Service to the Fund

(in percent of total External Debt Service) 4/



Sources: Finance Department and IMF staff estimates.

1/ Estimates as reported in relevant staff reports on the request of SBAs or arrangements under the EFF approved since September 2008. Also includes ratios reported in relevant staff reports of FCL arrangements for Mexico (2019, 2021 and 2023), Peru (2020 and 2022), Chile (2020, 2022 and 2024), Colombia (2020, 2022 and 2024), and Morocco (2023 and 2025).

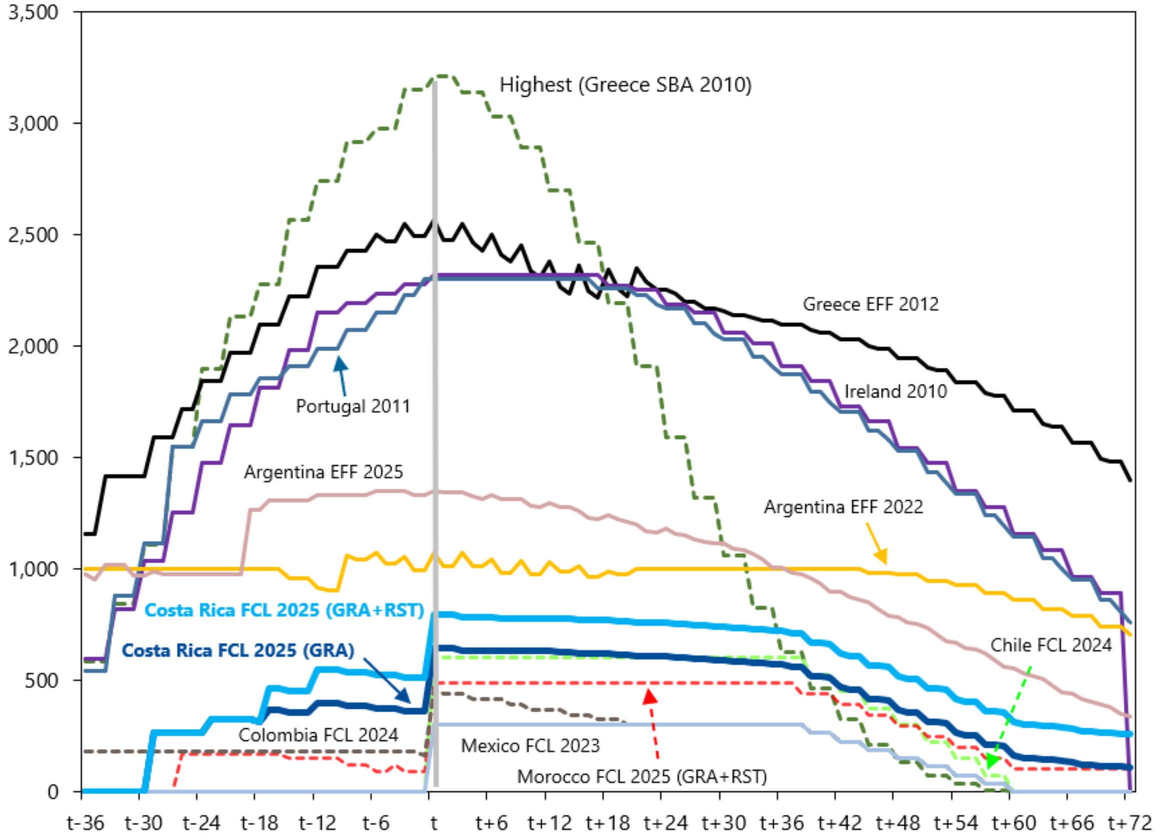
2/ Asterisks indicate PRGT-eligible countries at the time of the program. In Panel F, Georgia's debt service to the Fund includes one from PRGF loan.

3/ Excluding arrangements with members belonging to the euro area at the time of the approval of the arrangement: Greece, Ireland, and Portugal.

4/ For arrangements of which total external debt (or debt service) ratio is not available, public external debt ratio is shown instead.

Figure 3. Projected Fund Credit Outstanding in the GRA Around Peak Borrowing[1/]

(in percent of quota)

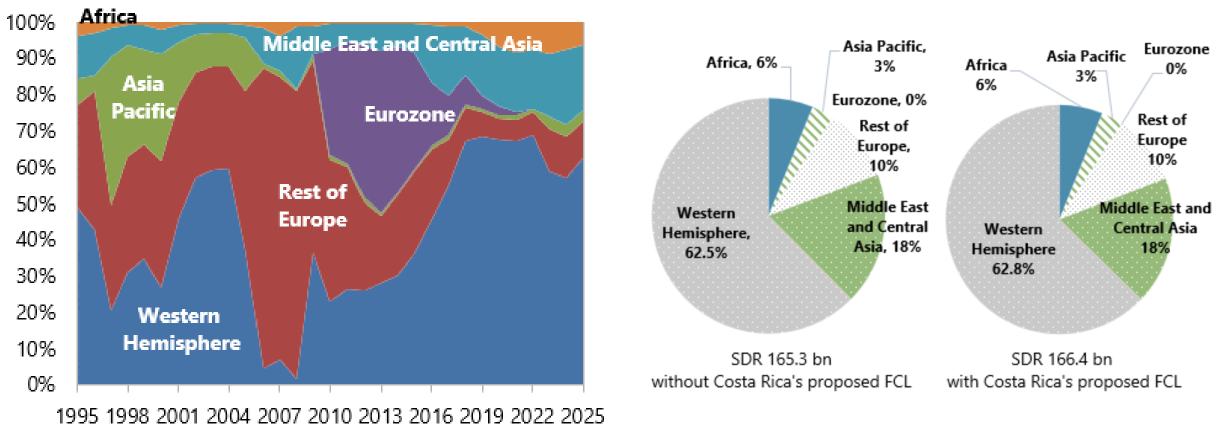


Sources: Finance Department and IMF staff estimates.

1/ t represents the time when outstanding credit to the Fund is at its peak. Time is expressed in months. Credit outstanding are in GRA unless specified in the brackets that it includes credit outstanding in both GRA and RST. For illustrative purposes it is assumed that Costa Rica's proposed FCL is fully drawn at the time of Board approval.

Figure 4. IMF Lending Concentration-By Region and By Lending Instrument

(in percent, as of April 22, 2025)

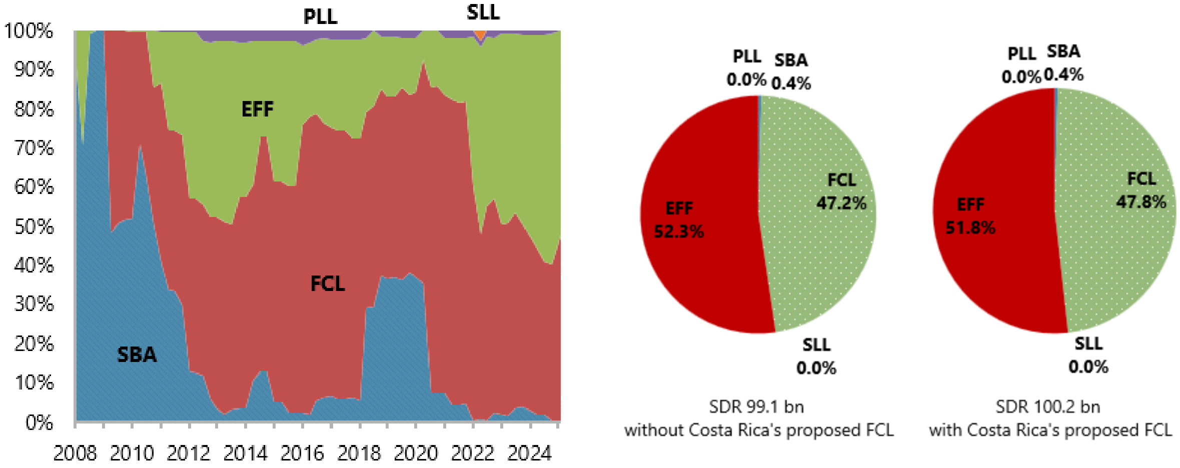


Regional Concentration of Credit and Precautionary Arrangements[1/ 2/]

Regional Concentration of Credit and Precautionary Arrangements[1/]

SDR 165.3 bn
without Costa Rica's proposed FCL

SDR 166.4 bn
with Costa Rica's proposed FCL



Commitments under Current GRA Arrangements

Commitments under Current GRA Arrangements

SDR 99.1 bn
without Costa Rica's proposed FCL

SDR 100.2 bn
with Costa Rica's proposed FCL

Source: Finance Department.

1/ GRA credit outstanding plus undrawn balances, by region, as a share of total GRA balances and total GRA undrawn balances. The latter include undrawn balances under existing arrangements as well as commitments under precautionary arrangements.

2/ Costa Rica FCL is included in the credit and precautionary arrangements within the region of Western Hemisphere in the charts on the left-hand side.

Annex I. History of IMF Arrangements with Costa Rica

1. The proposed FCL arrangement would be Costa Rica's first under this instrument. In recent years, Costa Rica has engaged with the IMF through three financing facilities amid a sequence of global shocks. In 2020, the country received support under the Rapid Financing Instrument (RFI) with a disbursement of SDR 369 million (equivalent to 100 percent of its quota). This was followed in 2021 by the approval of an Extended Fund Facility (EFF) arrangement in which the authorities drew the complete approved amount of SDR 1,237 million (335 percent of quota). The program was successfully completed in June 2024. In 2022, this was followed by a Resilience and Sustainability Facility (RSF) arrangement of SDR 554 million (150 percent of quota). The arrangement was completed in June 2024 and all resources were disbursed. Collectively, these programs have supported successive administrations in extending a track record of economic reforms, while reinforcing macroeconomic fundamentals and institutional capacity.

2. Costa Rica has a long history of engagement with the IMF prior to these arrangements through Stand-By Arrangements (SBAs), particularly during periods of economic adjustment. In the early 1990s, Costa Rica entered into three consecutive SBAs—in 1991, 1993, and 1995—to support efforts aimed at stabilizing the economy, consolidating fiscal balances, controlling inflation, and advancing structural reforms, including trade liberalization and financial sector development. Later, in 2009, in the context of the Global Financial Crisis, Costa Rica entered into a new 15-month SBA amounting to SDR 492 million (about 300 percent of quota). The authorities chose to treat the SBA as precautionary, signaling their commitment to maintaining sound macroeconomic policies while enhancing confidence amid heightened external risks. The program focused on preserving fiscal and financial stability, supporting economic recovery, and strengthening the country's resilience to external shocks. Although Costa Rica did not draw on the available resources, the arrangement served as an important policy anchor during a period of global uncertainty and contributed to sustaining investor confidence.

Table 1. Costa Rica: IMF Financial Arrangements, 1990–2025

(in millions of SDR)

Year	Type of Arrangement	Date of Arrangement	Date of Expiration or Cancellation	Amount of New Arrangement		Amount Drawn	Credit Outstanding 1/
				SDR millions	in % of quota		
1991	Stand-By Arrangement	8-Apr-91	30-Sep-92	34	40	26	0
1993	Stand-By Arrangement	19-Apr-93	18-Feb-94	21	18	0	0
1995	Stand-By Arrangement	29-Nov-95	28-Feb-97	52	44	0	0
2009	Stand-By Arrangement	11-Apr-09	10-Jul-10	492	300	0	0
2020	Rapid Financing Instrument	29-Apr-20	15-Sep-20	369	100	369	92
2021	Extended Fund Facility	1-Mar-21	18-Jun-24	1237	335	1237	1237
2022	Resilience and Sustainability Facility	14-Nov-22	18-Jun-24	554	150	554	554

Source: Finance Department.
1/ As of 22 April, 2025

Statement by Xiana Mendez Bertolo, Executive Director for Costa Rica and Valerie Lankester Campos, Senior Advisor to Executive Director

June 2, 2025

On behalf of our authorities, we thank staff for their close and constructive engagement with their request for an arrangement under the flexible credit line, FCL. We would like to convey their appreciation to our departing Mission Chief, Mr. Ding and his team for their exceptional work and commitment to Costa Rica. Alongside, we thank Mr. Chensavasdijai for his steadfast and quick onboarding into Costa Rica's case. We also wish to transmit the authorities' gratitude to Management for their support.

The authorities welcome the report's recognition of Costa Rica's remarkable reform track record. For almost a decade, Costa Rica has designed and implemented wide-ranging reforms in the context of becoming a member of the OECD and two successfully completed IMF-supported programs, while maintaining good macroeconomic policies and a strategic focus on exports and economic diversification. The authorities' efforts, commitment, and ownership, including from successive administrations, have built a strong track record and shown an overall strong macroeconomic performance.

Costa Rica, a small and open economy exposed to trade and capital flows, is highly vulnerable to external shocks. These shocks may manifest, among other ways, in sudden and significant increases in commodity prices—mainly oil; highly restrictive external financial conditions; and a drastic drop in external demand. All of this has direct and adverse implications for the balance of payments, with effects that could gradually undermine the country's macroeconomic stability.

Against this backdrop, and in a context of heightened uncertainty, Costa Rica's macroeconomic stability must be shielded from the adverse effects that may accompany the eventual materialization of external shocks of this or other kinds.

Given its precautionary nature, we believe the FCL allows for proactive risk management from a favorable position, with the aim of mitigating the adverse effects from potential external shocks. The FCL arrangement would help support the country's aim to continue building buffers and contribute to maintaining a high degree of confidence in the Costa Rican economy.

Therefore, the authorities have requested a two-year FCL with access to Costa Rica's 300 percent of quota, or SDR 1.1082 billion. The authorities intend to treat the FCL arrangement as a precautionary support for the existing financial buffers.

After an initial expression of interest by the Costa Rican authorities on a confidential basis as per FCL guidelines and following the Fund's Management recommendation of approval of Costa Rica's FCL, as reflected in a press release after the informal FCL Board meeting, broader engagement with key stakeholders became possible. All members of the BCCR Board of Directors have since fully supported the FCL request.

This request comes a few weeks after our Article IV consultation, which presented an economy with visible achievements and resilience, even more apparent amid the ongoing global challenges. Poverty and unemployment rates are at historically low levels, and the authorities continue with their efforts to safeguarding debt sustainability, with public debt-to-GDP ratio remaining on a firm downward trend and containing inflation pressures by adjusting monetary policy in a timely and prospective manner as needed.

Costa Rica meets all the qualification criteria for the FCL. All nine qualification criteria are met. And the authorities are committed to continue with their ongoing reform agenda to further enhance the country's economic stability and resilience to ensure inclusive growth. This effort extends beyond the Central Bank of Costa Rica (BCCR) and the Ministry of Finance to encompass the entire government. A well-articulated medium-term reform strategy complemented by short-term policy adjustments, as needed, is essential for navigating current and prospective challenges.

The BCCR will continue with its efforts to strengthen its autonomy, governance, and operational framework, which would be achieved by approving legislative proposals, already in Congress, to improve governance, transparency, and accountability, and to institutionalize the central bank's *de facto* autonomy. Also, our fiscal authorities will maintain their efforts to safeguard debt sustainability, following its medium-term fiscal framework, MTFF, to ensure that the debt-to-GDP ratio remains on a clear downward path going forward.

The level of requested access of 300 percent of quota is appropriate. The requested access level responds to a thorough assessment of external risks that might affect Costa Rica while considering the buffers the country has been building over the last years as part of its macroeconomic policy framework**.** Access above 200 percent of quota is justified by the recent increase in external risks. In an adverse scenario, as stated by staff, the drawdown of international reserves would leave reserve coverage above 80 percent (assuming the FCL is fully drawn). Capacity to repay the Fund would remain adequate even in an adverse scenario. In the event that global risks decline in the future, the authorities would consider requesting reduced access.

The Costa Rican authorities remain committed to continuing with its track record of very strong policies and institutional policy frameworks, including the operative inflation targeting regime with a flexible exchange rate, an adequate level of international reserves, a sound fiscal policy anchored by fiscal rule and MTFF, and a robust regulation and supervision of the financial system.

Finally, the authorities consider that in a more challenging and volatile international environment, the importance of the Fund's precautionary toolkit becomes more apparent, and the role of the IMF as a trusted advisor becomes more prominent. In this challenging context, the authorities welcome the positive signaling from the FCL and consider that this facility reinforces market confidence in the country's very strong policy framework.