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COSTA RICA

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.



## COSTA RICA

### 1. Main recent trends: Introduction and summary

In 1979, the Costa Rican economy was affected by several factors which led to a new drop in the growth rate of economic activity and an increase in the disequilibria which had been evident in previous years. The gross domestic product grew by only 4.3%: less than the 5.7% of the year before, and much lower than the growth of nearly 9% recorded in 1977. Thus, the growth rate of the per capita product decreased from over 6% in 1977 to less than 2% in 1979, while the terms of trade deteriorated for the second consecutive year after two years of increases in the international price of coffee. As a result, gross income rose by only slightly more than 2% and per capita income fell somewhat (see table 1).

The lower economic dynamism was greatly influenced by the stagnation of the agricultural sector due to decreased production of some basic grains and of the principal export products. The growth rates of industry and commercial activities, which had fallen sharply the year before, also decreased in 1979, but services, and especially financial intermediation, maintained some dynamism, as did construction, which was stimulated by the capital expenditure of the public sector; this helped to generate rapid growth in total investment.

The increase of nearly 14% in gross fixed capital formation helped to reduce the rate of open unemployment from 4.6% in 1978 to only 4% in 1979. During the first half of the year, the real wages of workers covered by the country's broad social security system increased by nearly 6%. Although smaller than those of the three preceding years, this increase occurred despite the Government's intention to apply a fairly restrictive wage policy. Workers receiving the highest level of the minimum wage suffered a decrease of around 3% in their purchasing power, however, and it is likely that the acceleration of the inflationary process during the final months of the year affected the real remunerations of larger groups of workers.

In 1979, the growth rate of prices continued to intensify. After having fallen to extremely low levels of around 5% in the period 1976-1977, this rate exceeded 8% in 1978 and 13% in 1979. Moreover, it gradually

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accelerated during the year, increasing from a monthly average of only 0.3% in the first four months to 1.8% in the final four months. As in other Latin American countries, in Costa Rica the revival of the inflationary process was linked to the large new increases in the international price of petroleum in 1979; however, it also reflected the immediate impact of the price and interest rate liberalization policy and the adjustment of the tariffs of some public services and the prices of some manufactures for mass use.

The balance-of-payments disequilibria and the fiscal deficit also got worse in 1979.

The balance-of-payments current account deficit increased for the third consecutive year, rising from US\$ 370 million in 1978 to nearly US\$ 580 million in 1979 because the increase in the value of exports (8%) was once again much lower than that of imports (around 19%). The country thus resorted increasingly to external credit and was also forced to reduce its international reserves by US\$ 75 million, three times the amount of the loss of reserves in 1978. At the same time, the public external debt increased from slightly over US\$ 1,040 million at the end of 1978 to US\$ 1,375 million in December 1979 (see table 1).

The fiscal deficit increased by over 50% due to a real drop in current income and an increase in total expenditure stimulated by wage and salary rises, extraordinary spending due to the Nicaraguan situation, and a large increase in real investment by the central government.

In sum, Costa Rica faced a double challenge in 1979: on the one hand, external conditions were difficult, and on the other, the country began to apply a new economic policy.

The administration which took over the reins of government at the close of the first half of 1978 established a new economic policy programme which may be summarized as follows: (i) changes in the sectoral composition of public spending, with possible reduction of current expenditure; (ii) gradual reduction of the traditional industrial protection policy by decreasing some duties, especially on durable consumer goods, and (iii) significant modification of the monetary and financial policies by raising interest rates and allowing them to fluctuate in accordance with those prevailing in international financial centres.

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This policy, which was announced at the beginning of the new administration, was not fully implemented during the first months the new government was in power, but was gradually applied in 1979. Thus, some tariffs were reduced during the year, which stimulated imports of durable consumer goods, and the central government's real investment was sharply increased. At the same time, interest rates were increased and a restrictive monetary policy was adopted which sharply limited the expansion of the supply of money. This led, especially at the start of the second half of the year, to a state of restricted liquidity which served to slow down the growth of the industrial sector and raise its production costs.

The country also had to face serious external obstacles, such as new and substantial increases in international fuel prices, the growth of inflation in the industrialized countries and the corresponding increase in the cost of imports from those countries, and the turbulent situation prevailing in some Central American countries. These phenomena seriously hindered the application of the new economic policy.

Under these circumstances, the results which were obtained during the year, although encouraging compared with those in other countries of the region, caused some concern, since within the Central American subregion Costa Rica has traditionally been one of the countries with not only fairly harmonic development of its activities, but also the best social and income distribution indicators.

## 2. Recent economic trends

### (a) Total supply and demand

The growth rate of total supply continued to decrease in 1979: after having expanded by nearly 13% in 1977 and 6.5% in 1978, it rose by only just over 4% in 1979 due to the less dynamic performance both of the gross domestic product and of the volume of imports of goods and services (see table 2).

The growth rate of the product, after increasing to nearly 9% in 1977 and declining to less than 6% in 1978, diminished to just over 4% in 1979, while imports of goods and services, which had increased sharply in 1978 and especially in 1977, grew by only about 4.5% in 1979. The decline of

/their growth

their growth rate was largely affected by the deceleration during those years of total economic activity, and in particular that of the manufacturing sector, whose output includes a high imported component.

The lower growth rate of imports due to the slower expansion of the economy was partially offset by the reduction of taxes on imports of durable consumer goods, which was decreed at the start of the year with a view to discouraging smuggling. Due to this measure and to the policy initiated in mid-1978 designed to facilitate purchases abroad in general, the dynamism of imports remained greater than that of the product, and consequently the import coefficient continued to increase, reaching the exceptional magnitude of nearly 40% in 1979 (see table 2).

The evolution of the various components of total demand was extremely uneven: the growth of the volume of exports (3%) and especially of consumption (less than 2%) was slow, whereas gross domestic investment rose sharply (nearly 14%).

The weak growth of exports broke the trend of the three preceding years, when the volume increased at an average annual rate of around 9%. This lower dynamism was affected by the reduced volume of sales of bananas, cocoa and fertilizers, and its impact was not offset by the favourable growth of exports of manufactured goods, since these have a low share in the total value of exports.

Due to its notable growth, gross domestic investment became the principal stimulus for demand in 1979: the investment coefficient increased to nearly 31%, thus surpassing the size of the export coefficient for the first time (see table 2).

The marked increase in capital formation was decisively influenced by the significant dynamism of public investment in infrastructure: this important component of the central government's real investment climbed by nearly 66% in nominal terms, despite the Government's intention of restricting public spending.

Although official estimates are not yet available, on the basis of qualitative information it may be assumed that private investment also grew, although probably less than public investment. This increase was essentially based on the revival of residential construction for the high- and

/middle-income

middle-income strata, and it is likely that this growth was not accompanied by a commensurate expansion of the productive capacity of other sectors. For example, industry is estimated to have encountered greater financing costs, since the preferential interest rates for some loans granted to the manufacturing sector were limited solely to small-scale industry. This probably discouraged investment in machinery and equipment in the sector as a whole.

According to preliminary estimates, the foreign share in investment financing increased in 1979. Whereas in 1978 just over 40% of investment was covered by external savings, the latter financed more than 50% of total investment in 1979.

There was also greater variation in stocks in 1979. Keeping in mind the lower output of basic grains and other crop-farming products, as well as the relative depletion of coffee inventories, this rise in stocks in the economy as a whole seems essentially to be due to the growth of inventories of imported goods, essentially consumer luxuries, which seem to have been acquired in quantities greater than the domestic market's actual capacity for immediate absorption.

As in 1978, the growth rate of total consumption and especially that of private consumption decreased sharply in 1979, amounting to barely 1%, a rate well below that of population growth. General government consumption climbed by over 5%, however, since some events during the year necessitated extraordinary fiscal expenditure, noteworthy among which were the wage increases for public employees approved in the second half of the year in response to their demands, emergency expenditure to meet requirements arising from frontier surveillance connected with the situation in Nicaragua, and expenditure for the purchase of food and other goods to sustain a large number of refugees from that country over a period of several months.

(b) Growth of the main sectors

Although official estimates were not available in respect of the evolution of all economic activities, preliminary calculations indicate that the goods-producing sectors grew by around 2%, a rate much lower than the 5% increase in services.

/Among the

Among the goods-producing sectors, agricultural activity continued to stagnate, which suggests that it once again had difficulties in expanding and that its output grew at a lower rate than that of domestic demand. Manufacturing output grew by 4%, which was a lower rate than in 1978, when it was already exhibiting a slowing trend (see table 3).

According to various types of information, construction activity increased in 1979 because of the continuation of major public sector projects in energy and communications, especially roads, as well as the construction of housing for relatively high-income strata.

Some basic services, such as electricity, gas and water, grew more than the productive sectors mentioned above, especially because of a credit policy which channelled more funds towards them. Thus, up to 1978, 70% of new investment was usually directed towards the sectors producing goods and 30% to services, but in 1979, investment in services grew by 40%, whereas that in sectors producing goods rose by only 7% and investment in manufacturing decreased, even in absolute terms.

(i) The agricultural sector. As already noted, the performance of the agricultural sector was disappointing in 1979. Due to the virtual stagnation of the livestock subsector and the 1% drop in crop-farming production, its total output decreased by 0.7% (see table 4). The output of some export items, such as coffee, bananas and especially cotton, decreased sharply (-58%), as did that of sorghum (-34%) and beans (-38%).

The adverse results in agriculture may be attributed to various causes. Firstly, credits granted to it by the banking system increased nominally by only 6%, so that they decreased in real terms,<sup>1/</sup> among the reasons for this decline being the rise in interest rates to between 12% and 18% (excepting the rates applied to some specific categories) and the restricted liquidity of the traditional banking system, which in many cases led farmers to resort to the less favourable credit terms of non-official financial institutions. Second, agricultural activity was probably one of those most heavily affected

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<sup>1/</sup> Credit for crop-farming increased by only 2.7% and credit for livestock-raising by 12.6%, which partially explains why the output drop in each of these sectors was different.

by the sharp rise in the cost of main inputs, mostly imported. Finally, it also had to endure adverse climatic factors and diseases in some of its most important crops.

Among export crops, coffee output reached just over 97,000 tons, a volume which was slightly below that of the preceding year, perhaps because of excess rainfall, but which was nevertheless high with respect to previous years. The satisfactory level of coffee output in 1978 and 1979 was largely due to measures which have been taken for some time past to rehabilitate the coffee plantations.

The output of bananas decreased by nearly 5% because black sigatoka, although now under control through the use of fungicides, damaged part of the crop and labour problems which arose at the start of the year paralyzed the harvest for a short period.

Sugar cane production grew by just over 1%, a rate lower than those for 1978 and especially 1977. This slackening to some extent reflected the combination of large rises in production costs and extremely low international prices, which placed sugar cane cultivation on the central plateau at a disadvantage with respect to more profitable crops, such as coffee. Among the cost factors were the pronounced scarcity of manpower for sugar cane farming in that region, due to the availability of better paid and less arduous employment on other crops. It should, however, be noted that the programme of opening up new areas on the Pacific coast for sugar cane farming has progressed, and a new sugar mill is already operating in Tempisque, where ecological conditions are good and competition from other crops is minimal.

Cocoa production increased by less than 2% in 1979, despite the fact that for several years past growers - encouraged by good international prices which, although declining slightly in 1979, remained at high levels - have been improving the maintenance of plantations. Domestic demand has increased due to the establishment of new industrial plants: domestic consumption climbed by 23% in 1977 and 120% in 1978 and, according to preliminary information, seems to have continued to increase in 1979. During the year, growers had to face a threat from momilia, a disease very similar to rust which appeared on some cocoa plantations and, although it did not affect the output due to the measures which were taken to combat it, greatly increased costs.

/Cotton output

Cotton output decreased by nearly 58% in 1979. This combined with an even greater drop in 1978, brought production down to barely one-sixth of that which had been achieved in 1977 after an intensive promotion programme (see table 4). Excessive rainfall and a smaller area sown than had been planned (7,000 hectares instead of 10,000) combined to produce the drop in 1979.

The output of tobacco, a crop which has been promoted for export principally as burley, increased by approximately 5% despite the fact that it was affected by a fungus which attacks the leaf and lowers the quantity and quality of the output.

Products for domestic consumption, with the sole exceptions of maize and rice, performed poorly due to excessive rainfall which was poorly distributed throughout the year.

Rice production grew by 9%, partially due to an increase in the area sown. As in previous years, there was an exportable surplus which had to be sold on the international market at a price lower than its cost.

Maize output increased by nearly 9% in 1979, but because of the sharp declines it had suffered in the two preceding years, the harvest was still 40% lower than in 1976. This made imports necessary in order to meet consumption needs and industrial demand. As maize prices have not been very attractive for growers in past years, they have been replacing it with other crops, especially on the central plateau, with the result that the area sown to this grain has decreased by approximately 7,000 hectares.

Both the sorghum and bean crops were affected by adverse rainfall which (together with the reduction in the area sown) was the basic reason for the declines in output of 34% and 38%, respectively. As in the case of maize, these output reductions made it necessary to rely on external supplies.

Cattle-raising activity has been increasing for several years, partly in response to good prices and the beef import quota which the United States Government has assigned to Costa Rica. In 1979, however, the level of domestic demand decreased due to the high prices of this product and the volume of cattle slaughtered accordingly declined by just over 6%, part of

/the domestic

the domestic consumption of beef being replaced by other meats such as pork, production of which grew by more than 26% (see table 4).

In other categories of livestock activity, milk production increased by 2%, thus continuing the steady expansion which began at mid-decade, but egg production declined by around 2% which, together with the smaller slaughtering of poultry, suggests that the poultry sector output decreased in 1979.

With respect to fisheries, the catch of tuna increased by nearly 17% due to greater fishing capacity and better sales conditions negotiated with the Government of the United States, a country to which a high percentage of this product is exported.

Finally, in 1979 the National Sectoral Council for Agriculture and Renewable Natural Resources was established, replacing the National Agricultural Council, and has begun to set norms and promote those activities considered indispensable for the country's agricultural development.

(ii) Manufacturing. In 1979, the growth rate of the value added in manufacturing declined. Its increase of just over 4% was not only smaller than the 6% recorded in 1978, but was also the smallest for the past 15 years, with the sole exception of 1975.

Nevertheless, some productive sectors achieved large increases. This was the case for the wood and furniture, paper and paper products, chemicals and rubber products industries (which all grew by 8% or more) as well as for other branches of industry which had rates somewhat higher than the average, such as food, beverages and tobacco and metal manufactures and machinery (see table 5). In contrast, the output of textiles, leather and footwear decreased in 1979 for the second consecutive year and petroleum refining and the output of the "miscellaneous" section of manufacturing declined by around 3%.

The loss of dynamism in the industrial sector was due to various causes. Firstly, external demand for industrial products decreased, partly as a result of the Nicaraguan conflict and the tension which spread to other areas in Central America. Secondly, due to the monetary policy the cost of the bank credit available for industry increased and its amount decreased: new loans declined by 13% in nominal terms in the case of operating credits,

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and by 41% in the case of investment credits. A third factor was the suspension of export credits during part of the year, which restricted exports and made them more expensive. Fourthly, the lower tariffs in the first months of the year, especially for imports of consumer goods, both increased the competition from foreign manufactured goods and gave rise in some spheres of the industrial sector to the fear that these measures might be extended to other goods. And finally, in the last quarter the rates of selective tariffs on imports of motor vehicles were reduced, which somewhat discouraged the activity of assembly plants.

Countering these negative factors were some favourable ones, however, outstanding among which were the entry on stream of the expansions in some industries (paper and paperboard products and containers, staves, wooden parquet and particle board) as well as the opening of a polyester fibre factory and a second ammonium nitrate plant. Furthermore, Panama, the Caribbean and some countries outside the region increased their demand for manufactures, so that industrial exports (excepting sugar, chilled meat, raw, roasted or ground coffee and shrimp) increased from US\$ 225 million in 1978 to US\$ 256 million in 1979.

Although overall data on industrial employment are not available, estimates on its increase in 1979 range from 1.6% to 2.8%.<sup>2/</sup> Furthermore, industrial consumption of electricity seems to have increased by nearly 5%.

The industrial policy followed in 1979 had some outstanding aspects. Firstly, although the country continued to take part in the process of Central American integration, at the same time it attempted to increase the expansion of its productive capacity in the agro-industrial sector with a view to extending exports of manufactures to non-traditional markets. For example, in 1979 a body named DAISA was set up as a branch of the Development Corporation (CODESA) to carry out a programme of agro-industrial projects involving investments equal to approximately US\$ 4.5 million in the first phase, and the Ministry of Economic Affairs, too, has directed

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<sup>2/</sup> Index of industrial employment on the basis of a survey by the Central Bank of Costa Rica and estimates by the Sectoral Industrial Planning Office of the Ministry of Economic Affairs, Industry and Commerce, respectively.

its efforts towards stimulating agro-industrial development, especially the cultivation of tropical fruit, as a means of decentralizing economic activity and increasing exports and domestic consumption. The Export and Investment Promotion Centre, for its part, continued to explore opportunities for exports to the Caribbean and other nearby countries, including those in the Andean Group; however, maritime transport problems continued to prevent progress from being made in the development of such exports with the necessary rapidity.

A second important element in the industrial policy was the modification of the rates of duty levied on a number of tariff items and the elimination of the economic stabilization tax on them with a view to increasing the efficiency of industrial production. A third factor was the increased promotion of handicraft exports with a view to the opening up of new markets abroad through the creation of distribution centres in various countries and the dissemination of information on exportable products. Finally, although the bulk of industrial investment continued to be directed towards the manufacture of consumer goods, considerable progress was also made in 1979 in the implementation of projects to produce other goods which would reinforce the country's productive structure (polyester fibre, cotton, cement, salt, fuel alcohol, coffee pulp for manufacturing animal food, chemical products, etc.). For the same purpose, various industrial contracts were granted in 1979 on the basis of the fiscal incentives law, and as of October about 70 such contracts had been signed, involving investments of just over US\$ 80 million.<sup>3/</sup>

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<sup>3/</sup> Of these investments, 47% were destined for machinery and equipment, 12% for land and buildings and 41% for other categories. The principal investments went to the food and plastics industries, which received 34% and 41%, respectively, and the rest to the paper and paper products, non-metallic minerals and textile products industries. It should be noted that in 1979 the full impact had not yet been felt of a number of new industrial establishments, including a factory packing ham, sausages and meat for export, factories producing metal sinks, herbicides and ceramics, a cement plant, a sugar mill and fuel alcohol distillery, a second cotton ginning plant, and a coffee pulp processing plant. To these should be added a project in execution since 1977 for the production of finished and semi-finished aluminium products.

(iii) Construction. The available partial indicators and various qualitative estimates indicate that in 1979 construction performed satisfactorily, which had a favourable effect on employment.

In private building activity the dynamism of residential construction for relatively high-income strata, in some cases combined with commercial premises, was noteworthy. Financial support was available for this purpose, since new loans from the banking system for the construction or purchase of housing increased by 25% and facilities for importing some inputs required for construction were also available. It is likely, however, that the rise in construction costs prevented the sector from developing more, especially because of the effect of this rise on the demand for housing from lower-income groups.

Public construction also developed favourably. Public projects were basically concentrated on the infrastructure, noteworthy progress being made in Puerto Caldera and in road projects. At the same time, the upward trend in public investment in energy and communications was maintained.

(iv) Electricity. The consumption of electricity continued to rise in 1979, increasing more than 5% with respect to the year before (according to the Costa Rican Electricity Institute, residential consumption increased by 4.2%, industrial consumption by 4.8%, and other types by 7.2%). However, the situation during the year was not entirely normal due to some unexpected obstacles which had to be overcome in order to maintain an adequate rate of generation. These obstacles included problems arising from the unforeseen postponement from February to December of the inauguration of the Arenal hydroelectric plant, whose capacity of 156 MW will make it possible to meet the expected increase in demand for electricity over the next three years. As a result of this delay, drastic measures had to be taken to restrict energy consumption during the year and the country was forced to import on an urgent basis greater volumes of fuel, especially diesel fuel, to operate the thermal power plants which normally back up the hydroelectric power plants. These events increased the construction costs of the Arenal plant as well as the cost of generation and the price of electricity.

/(v) Other

(v) Other sectors. Separate official estimates were not available on other activities, except for commerce and the public administration and defence sector, which grew by 4.5% and 3%, respectively. In the former, the sale of imported goods became more prevalent, whereas the latter was partially affected by the central government's policy of restricting current expenditure, so that the growth rate of previous years slackened. Finally, the value added by financial intermediation probably grew, in accordance with the policy of raising interest rates which has been applied since the last quarter of 1978.

(c) Employment and unemployment trends

When the results of the household survey on employment and unemployment which has been carried out in Costa Rica every four months since 1976 are examined, the sharp seasonal variation of levels of employment becomes obvious. The same phenomenon is repeated every year: in July, employment is somewhat greater than in March; in November, at the height of the crop-harvesting period, the index is significantly higher than in July and, finally, employment drops sharply in March of the following year. In view of these characteristics it is more useful to analyse the variation shown in each survey with respect to the one for the same month of the preceding year. When this is done, one observes that in 1979 the growth of employment decreased, since it averaged only 2% more than the figure for 1978 <sup>4/</sup> when employment increased by 5.8% (see table 6).

Despite this lower growth of employment, the rate of open unemployment slightly declined. However, the decrease was entirely due to the lower rate of unemployment recorded in November, when the figure was barely 2.6%. It is likely that this exceptionally low rate was due to the decline in the labour force during that month with respect to the same month of the preceding year caused by the fact that, in contrast to the usual pattern, in the last crop year Costa Rica could not contract Nicaraguan manpower to pick coffee and cotton.

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<sup>4/</sup> Considering the growth of employment over the twelve preceding months, both in 1978 and in 1979, the results are as follows: in March, 5.7% and 2.8%, respectively; in July, 5.2% and 2.8%, respectively; and in November, 6.7% and 0.7%, respectively.

### 3. The external sector

Since 1978 Costa Rica has been suffering from a growing external imbalance which has become one of the principal obstacles to the country's development. After the cycle of excellent coffee prices which ended in 1977, the country continued to expand its imports intensively, relying increasingly on foreign credit to finance both the external imbalance and that of the public sector's accounts. These trends, which already seemed critical in 1978, became still worse in 1979 when the value of imports rose substantially due to the stimulus provided by the reduction of tariffs on imports of durable consumer goods, the increased importance of external supply in many other categories, and especially the significant increases in international fuel prices.

Moreover, the efforts made over many years to open new markets and diversify exports have not yet had the full success desired, since they have encountered obstacles at both the domestic (limitations in domestic supply) and foreign (international crisis) levels.

If to the above are added the foreign commitments arising from the servicing of the external debt, despite the efforts made to refinance this adequately, the critical situation in the external sector will be readily understood. Under these circumstances, in 1979 it was again necessary to seek more foreign loans, which nevertheless were insufficient to finance the current account deficit. Consequently, the net international reserves had to be used, and they decreased by US\$ 75 million - three times the amount of their drop in 1978.

#### (a) Merchandise trade

(i) Exports. The value of exports of goods rose by 8% in 1979, more than double the 1978 rate, but less than the exceptionally high figure (25%) recorded on average in the period 1974-1977. Exports could have grown more if it had not been for certain unfavourable factors. On the one hand, 1979 was a critical year in the production of some of the most important exportable crops and, on the other, the turbulent situation prevailing in several Central American countries also affected Costa Rican exports, especially those for the Nicaraguan market, which were paralyzed for an extensive period and only began to recover in the final months of the year.

/These phenomena

These phenomena had a differential impact on the performance of the various categories. Thus, for example, the value of exports of traditional products increased less than 3% during the year, whereas other exports grew by more than 16%, particularly worthy of note being those to countries outside Central America, which jumped by nearly 42%. In contrast, sales within the Central American market completely stagnated (see table 7).

Despite the fact that in 1979 coffee sales decreased somewhat, this continued to be the principal export product. Since the volume of coffee exported increased by nearly 12%, the slight decrease in the value of sales was obviously due to the lower international price for coffee in the first months of the year, which coincided with increased volumes exported from the 1978-1979 harvest and the reduction of the stocks accumulated up to the end of 1978. This trend changed in the second half of the year in that the percentage exported from the 1979-1980 harvest was higher.<sup>5/</sup>

The value of banana exports also decreased slightly in 1979. The reason for the drop in this case, however, was the lower volume exported, partly due to a labour conflict which paralyzed exports by the principal producing company for nearly two weeks.

Exports of cocoa decreased by over 30% despite the fact that the output grew slightly. The sharp drop in cocoa exports was partly due to the lowering of its international price, but mainly to the lower volume exported, which allowed the increase in domestic demand to be met more easily. Sugar exports, however, increased by over 7%, stimulated by the rise in international prices.

As in the three preceding years, the value of meat exports continued to grow at a rapid pace (35%), entirely due to the better prices received on the international market, since the volume exported declined. In order partially to meet obligations contracted with the United States, sales to other markets had to be reduced and domestic consumption somewhat limited.

Non-traditional exports also developed favourably in 1979, their value increasing by over 16% due to the dynamic behaviour of exports of manufactures outside Central America, which grew by 53% and totalled US\$ 95 million. This

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<sup>5/</sup> Normally, 20% of each harvest is exported in the first year and the remainder in the following year; in 1979, however, 40% was exported and only 60% left for 1980.

fact augurs well, since the opening of new markets may greatly stimulate manufacturing output. Exports of manufactures to the Central American Common Market, however, remained nearly stagnant at around US\$ 160 million, basically due to the events in Nicaragua which obstructed trade with that country. Manufacturing exports as a whole, excluding sugar, chilled meat, raw, roasted or ground coffee and shrimp, increased from US\$ 225 million in 1978 to US\$ 256 million in 1979, and at the same time the trend of increased diversification in exports of manufactured goods continued.

(ii) Imports. During the three years 1976-1978, imports of goods increased considerably in almost all categories, both in value (70%) and in volume (60%). In 1979 this trend continued, with the value of imports increasing by nearly 20% (see table 8).

Among the various causes of this increase, the following should be noted: (i) the sizeable rise in international petroleum prices contributed to the 54% increase in the value of fuel imports in 1979, which meant that their share in total imports (which had already climbed from less than 4% in 1970 to nearly 10% in 1978) grew to 13%; (ii) the intensification of the import liberalization policy manifested in the tariff reductions during the year; (iii) the need to fill deficits in the supply of certain basic grains; and (iv) the increase in public investment, which meant greater imports of machinery for construction and equipment for the energy sector and communications.

In addition to fuel imports, imports of capital goods for industry and construction (whose value rose by nearly 42%) and imports of durable consumer goods (which increased by nearly 37%) also grew vigorously (see table 8).

(iii) The terms of trade and the purchasing power of exports. In 1979, the volume exported grew more slowly than the volume of imports, and the situation was not alleviated by a favourable evolution of the terms of trade. Thus, whereas export prices grew by just over 4%, average import prices increased by 14%, so that the terms of external trade deteriorated again, although less intensively than in 1978. As a result, the terms of trade index dropped to a level 4% lower than at the start of the decade and 20% less than in 1977. At the same time, the purchasing power of exports of goods diminished by approximately 5% with respect to 1978 (see table 9).

(b) Services trade and factor payments

From 1978 to 1979, the deficit on the services account increased from just over US\$ 80 to US\$ 110 million, mainly because of the increased cost of freight as a result of higher international fuel prices (see table 10).

Service payments for the use of foreign capital grew by nearly 47% to US\$ 140 million, nearly double the amount of only two years before. Almost all of this rise was caused by interest payments, which increased by 80%, whereas payments of profits increased very little, as a result of the loss of dynamism in manufacturing and agricultural activities. Among these activities, the share of foreign capital is particularly important in banana-growing, which was affected by labour conflicts and the stagnation of exports during the year.

(c) The current account balance, its financing and the evolution of external indebtedness

In 1979, the current account deficit rose to US\$ 580 million, 55% greater than the deficit for the previous year and nearly three times that recorded in 1977. This meant that the ratio of the current account deficit to the value of exports of goods and services increased from 37% in 1978 to 53% in 1979, thus exceeding the previous peak of 49% which had been recorded during the international crisis in 1973. Moreover, the ratio of the current account deficit to the gross domestic product climbed from 11% in 1978 to nearly 16% in 1979.

The country thus had to face a deficit situation of unprecedented magnitude: additional external indebtedness was around US\$ 500 million and net international reserves fell by US\$ 75 million to the lowest level of recent years. It was estimated that at the end of 1979 they equalled only one month of imports.

The public external debt contracted for a period of more than one year increased from just over US\$ 1,040 million in 1978 to nearly US\$ 1,380 million in 1979. The banking system's debt grew especially rapidly (56%), whereas the central government's indebtedness rose by 30%, and that of the rest of the public sector by 17% (see table 11). In the latter case, the additional indebtedness which had to be incurred to meet targets in the energy sector was partly responsible for the increase.

/Servicing of

Servicing of the public external debt absorbed 22% of the value of exports of goods and services in 1979, a slightly lower proportion than the 26% recorded in 1978. This decline was influenced by the relatively successful management of refinancing, which allowed some amortization payments to be postponed. As a result, disbursements for amortization payments diminished from nearly US\$ 190 million in 1978 to just over US\$ 150 million in 1979. Interest payments, however, rose from around US\$ 70 million to nearly US\$ 90 million, partly because of the increase in recent years in the relative share of loans from private sources, which normally have higher interest rates and shorter amortization terms.

#### 4. Prices and wages

##### (a) Prices and anti-inflation policies

In 1979, the inflationary process revived, but to an extent which may be considered moderate if the world inflationary situation and the high degree of openness of the Costa Rican economy are kept in mind. Consumer prices increased by 13% from December 1978 to December 1979, while their annual average grew by just over 9%. In 1978 the corresponding variations were 8% and 6%, respectively. The acceleration of the inflationary process was more clearly reflected in the growth rate of the wholesale price index, which climbed by 24% in 1979: more than double the 1978 increase (see table 12).

In contrast to 1978, the greatest upward pressure took place in the second half of the year. The monthly variation in the consumer price index for the first four months of 1979 averaged only 0.3%, whereas during the second four months it was 1%, and in the final four months it increased to 1.8%. Thus, certain anti-inflationary measures apparently were successful in the first months of the year, but little by little, and especially after September, wage pressures and other factors made effective price controls impossible and the year ended with price rises for numerous articles.

Both in the consumer price index and the wholesale price index, the food category increased faster than the general, especially if the annual averages are considered.<sup>6/</sup> It is therefore likely that the budget of the lower-income strata, for which food expenditure is heaviest, was eroded.

<sup>6/</sup> From 1976 to 1979, the general consumer price index increased by 20.6%, and that of food by 30.3%. From December 1976 to December 1979, the general index increased by 28.9%, whereas that of food rose by 44%.

Among the principal anti-inflationary measures taken in 1979 were the following: (i) the granting of wage increases was restricted, which contributed to intensifying certain labour conflicts; (ii) the agricultural support prices of the year before were maintained; (iii) subsidies were granted to ICE (the national electricity company) and collective passenger transport in respect of gasoline and diesel fuel, whose prices more than doubled in the first eight months of the year; (iv) the growth rate of public spending was reduced; (v) a moderate money issue policy was followed; and (vi) a substantial change was made in the structure of banking liabilities, greatly increasing time deposits at the expense of sight deposits and thus helping to generate a decrease in liquidity.

These factors which restricted inflation were countered by others of an expansionary nature, among which should be mentioned the freeing of certain prices, a process which was already evident at the end of 1978 both in the setting of bank interest rates according to the trends in the LIBOR rates and in other items of generalized demand. The raising of the domestic price of gasoline by more than the increase in the cost of imported petroleum, with the exceptions mentioned in the previous paragraph, also tended to raise the rate of inflation. During the last few months of the year, tariffs were also increased for public services such as electricity, whose price rose by 14% in two months, partly due to an increase in costs because of the delay in the opening of the Arenal plant. Moreover, in the final months of the year prices were raised for some mass-consumption manufactures such as soaps, detergents, etc., and there was a generalized rise in the price of imported products as the rate of international inflation accelerated.

(b) Wages and salaries

The official estimates on the evolution of wages and salaries are based on the remunerations of employees participating in the Costa Rican Social Security Fund which, although it does not represent the entire universe of the labour force, nevertheless covers a large portion of it. They are also based on minimum wages, which give some idea of the effects of the wages policy on the lower-income strata, but are limited by the fact that they only cover the formal labour force. In 1979, these indicators showed contradictory results: the remunerations of workers participating in the

/social security

social security fund improved in real terms, although less than in 1978, whereas among the workers receiving the minimum wage, only those at the lowest level enjoyed an increase (which was less than that for the social security participants), while workers at the higher levels suffered a real loss (see table 13).

The average nominal wages and salaries of participants in the Costa Rican Social Security Fund increased by 15% in the public sector and 14% in the private sector, which represented a real improvement of 5.4% and 4.5%, respectively. Thus, despite the reduction in the growth rate of economic activity, the upward trend in real remunerations was continued in 1979 and there were no major disparities between the increases for the public sector and for private activity.

Minimum wages declined in real terms by 3% at the highest level but grew by 2.6% at the lowest level. Nevertheless, keeping in mind the fact that among workers receiving the minimum wage, the share of food in total spending is relatively high, and that food prices increased more than the general average, it is likely that the purchasing power of these groups deteriorated more than the figures indicate.

In general, these results demonstrate the effects of the restrictive policy applied to wage increases, which was partially responsible for the intensification of labour conflicts in 1979, both in the public and the private sector. These conflicts arose not only in the principal urban centres but also in smaller towns such as Puerto Limón, where the conflict was very significant because several trade unions combined to bring it about. Furthermore, these conflicts became increasingly political in nature.

## 5. Monetary and fiscal policy

### (a) Monetary policy

The principal events of the year in the monetary and financial field were connected with the measures adopted at the end of 1978 designed to give greater flexibility to the money and capital market, within the framework of the gradual liberalization of the economy announced at the start of the current administration.

/In broad

In broad terms, this policy included the setting of interest rates in the light of those prevailing in the London market (LIBOR), as well as the elimination of controls on private financial institutions so that they might operate in an atmosphere which more faithfully reflected the conditions of supply and demand in those markets.

These and other measures in the same direction affected the principal variables of the monetary system. On the one hand, the rise in interest rates and the preference that was shown for financial investments continued to stimulate an increase in funds attracted by the banking system and especially affected the composition of its liabilities, since part of the funds previously kept in current accounts were transferred to time deposits.

Because of this, money increased by only just over 9% in 1979 and its growth rate was accordingly the lowest of recent years. In contrast, savings and time deposits grew by 34% which, combined with the 63% increase in foreign long-term loans, meant that monetary absorption rose by 43%, more than double the increase of the preceding year (see table 14).

Credit increased by nearly 39%, but the rise was not distributed equally between the public and the private sector. Taken as a whole, credits granted to the central government and to official entities expanded by the large amount of nearly 90%, which was largely used to finance the heavy fiscal deficit. The increase in loans to the private sector was much smaller (20%), although similar in nominal terms to that recorded for the two preceding years. Increased financing costs, as well as the decline in investment, especially in industry and export agriculture, played a role in this behaviour. In fact, in 1979 the amount of new bank investments in manufacturing decreased by around 20% as a result of a reduction in investment credits of nearly 40% and an approximately 12% drop in operating capital credits. Credits for primary activities developed slowly, despite stimulation by preferential interest rates. On the other hand, credits for commercial activities grew by just over 100% with respect to the investments of 1978, while services, transport and storage were able to expand the financing they obtained by just over 30%.

/The monetary

The monetary expansion generated by the increase in credit was partially offset by the 40% drop in international reserves due to increased purchases of goods abroad and growing service payments on the external debt. The reserves, which had reached a level of nearly US\$ 360 million in May 1978, pursued their downward trend and reached their lowest level (US\$ 50 million) in August 1979, subsequently rising to US\$ 120 million in December due to new foreign loans that were contracted.<sup>7/</sup> Some measures were taken as a result of this decrease in reserves, the most important of them being the provision requiring a 100% cash reserve for deposits in foreign currency.

The greater availability of credit and the reduction of the international reserves made the factors of expansion as a whole grow more slowly than monetary absorption and played a role in the increase of the money supply by only 9%. Since this growth was lower than that of the product in nominal terms and the non-banking financial institutions increased their passive interest rates, thus absorbing a larger share of deposits, a state of inadequate liquidity arose during certain months of the year. Furthermore, the reduction in the growth rate of money in circulation and the small share of the private sector in the credit increase combined to force employers in some cases to resort to secondary credit markets, thus causing their operating costs to increase accordingly.

(b) Fiscal policy

In 1979, the fiscal imbalance grew considerably worse, reaching nearly 2,800 million colones or 39% of central government expenditure. This behaviour was principally due to the low growth of current income, which increased by less than 6% and consequently decreased in real terms, and the much faster growth of total expenditure (see table 15).

Within tax revenue, indirect taxes increased at an especially slow pace (less than 1%), whereas revenue from direct taxes grew by 3.5% and

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<sup>7/</sup> The external indebtedness of the country's banking system, which had been approximately US\$ 380 million in December 1978, remained at a similar level until August 1979 but jumped abruptly in September to total US\$ 550 million in December of that year. Two loans especially influenced the increase in the final months: a US\$ 26 million compensatory loan granted by the International Monetary Fund for the purpose of restoring the level of reserves, and another granted by a group of European banks in the amount of US\$ 80 million for the same purpose.

duties on foreign trade expanded by over 14%. This increase was largely due to the growth of revenue from import duties, which rose from 380 million colones in 1978 to 550 million in 1979 because of the increased imports stimulated by the lowering of duties on durable consumer goods.

Public spending grew more slowly than in previous years because of the deceleration of current expenditure, which should have decreased even more drastically according to the new fiscal policy, one of whose goals was to reduce fiscal expenditure by one-seventh. However, this effort encountered obstacles in the form of previously contracted commitments as well as the increase in the wages of public employees and the need for extraordinary expenditure due to the events in Nicaragua, which made necessary more outlays of funds both to support the refugees from that country and to furnish equipment for frontier security services.

Capital expenditure grew by 25% as a result of the sharp increase in real investment, which rose by 65%.

As regards the fiscal deficit, 80% of this was financed from domestic sources, which thus increased their share with respect to previous years. The remainder was covered by external financing, although the amount declined by 36% with respect to 1978.



Table 1

## COSTA RICA: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
<b>A. Basic economic indicators</b>						
Gross domestic product at factor cost (millions of dollars at 1970 prices)	1 496	1 528	1 612	1 755	1 856	1 936
Population (millions)	1.92	1.96	2.01	2.06	2.11	2.16
Per capita gross domestic product (dollars at 1970 prices)	780	777	801	851	879	895
<b>B. Short-run economic indicators</b>						
<u>Growth rates</u>						
Gross domestic product	5.5	2.1	5.5	8.9	5.7	4.3
Per capita gross domestic product	3.0	-0.3	3.0	6.3	3.3	1.8
Gross income (b)	2.1	3.3	9.3	14.2	2.4	2.1
Terms of trade	-12.5	3.9	19.0	21.3	-11.9	-8.6
Current value of exports of goods and services	28.8	11.3	19.0	34.7	4.7	8.1
Current value of imports of goods and services	55.4	-1.3	12.1	31.5	14.9	18.6
Consumer prices						
December - December	30.6	20.5	4.4	5.3	8.1	13.2
Variation between annual averages	30.1	17.4	3.5	4.2	6.0	9.2
Money	17.7	23.4	30.5	25.9	22.0	9.4
Wages and salaries (c)	...	...	12.7	9.4	8.8	5.7
Rate of unemployment (d)	...	...	6.2(e)	4.7	4.6	4.0
Current income of government	39.6	16.8	19.1	29.5	17.9	5.7
Total expenditure of government	23.1	26.3	35.2	17.0	27.2	20.3
Fiscal deficit/total expenditure of government (d)	16.9	23.1	32.3	25.1	30.5	39.0
<u>Millions of dollars</u>						
<b>C. External sector</b>						
Trade balance (goods and services)	-237	-166	-146	-168	-292	-452
Balance on current account	-267	-217	-203	-226	-372	-579
Variation in net international reserves	-50	18	39	96	-25	-75
External debt (f)	376	508	634	832	1 043	1 376

(a) Preliminary figures.

(b) Gross domestic product plus terms-of-trade effect.

(c) General real wage index.

(d) Percentages.

(e) In July.

(f) Disbursed public external debt.

Table 2

## COSTA RICA: TOTAL SUPPLY AND DEMAND

	Millions of colones at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
<u>Total supply</u>	<u>13 941</u>	<u>14 851</u>	<u>15 504</u>	<u>135.0</u>	<u>139.9</u>	<u>12.8</u>	<u>6.5</u>	<u>4.4</u>
Gross domestic product at market prices	10 052	10 628	11 085	100.0	100.0	8.9	5.7	4.3
Imports of goods and services (b)	3 889	4 223	4 419	35.0	39.9	24.3	8.6	4.6
<u>Total demand</u>	<u>13 941</u>	<u>14 851</u>	<u>15 504</u>	<u>135.0</u>	<u>139.9</u>	<u>12.8</u>	<u>6.5</u>	<u>4.4</u>
Domestic demand	11 032	11 652	12 214	106.8	110.2	14.0	5.6	4.8
Gross domestic investment	2 808	3 000	3 410	20.5	30.8	22.8	6.8	13.7
Gross fixed investment	2 529	2 892	3 288	19.5	29.7	12.4	14.3	13.7
Public	705	801	...	4.5	...	7.9	13.7	...
Private	1 825	2 091	...	15.0	...	14.3	14.6	...
Changes in stocks	279	108	122	1.0	1.1			
Total consumption	8 224	8 652	8 804	86.3	79.4	11.2	5.2	1.7
General government	1 400	1 460	1 535	12.6	13.8	8.7	4.3	5.1
Private	6 824	7 192	7 269	73.7	65.6	11.8	5.4	1.1
Exports of goods and services (b)	2 909	3 199	3 290	28.2	29.7	8.6	9.9	2.9

Source: CEPAL calculations on the basis of figures supplied by the Central Bank of Costa Rica.

(a) Preliminary figures.

(b) The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were converted to constant 1970 values, using price indexes calculated by CEPAL for the purpose.

Table 3

## COSTA RICA: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of colones at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Agriculture	1 760	1 825	1 823	25.0	18.5	2.2	3.7	-0.1
Manufacturing (b)	1 605	1 701	1 772	15.1	18.0	12.7	6.0	4.2
Construction	580	614	...	4.7	...	5.9	5.8	...
<u>Subtotal goods</u>	<u>3 945</u>	<u>4 140</u>	<u>...</u>	<u>44.9</u>	<u>...</u>	<u>6.5</u>	<u>4.9</u>	<u>...</u>
Electricity, gas and water	195	215	226	2.0	2.3	6.9	10.0	5.1
Transport, storage and communications	572	638	...	4.8	...	12.0	11.5	...
<u>Subtotal basic services</u>	<u>767</u>	<u>853</u>	<u>...</u>	<u>6.8</u>	<u>...</u>	<u>10.6</u>	<u>11.1</u>	<u>...</u>
Commerce, restaurants and hotels	1 487	1 558	1 628	17.2	16.6	17.9	4.8	4.5
Financial institutions, insurance and real estate	1 227	1 308	...	13.6	...	7.8	9.6	...
Community, social and personal services	1 491	1 578	...	17.5	...	5.7	5.9	...
<u>Subtotal other services</u>	<u>4 205</u>	<u>4 444</u>	<u>...</u>	<u>48.3</u>	<u>...</u>	<u>9.6</u>	<u>5.7</u>	<u>...</u>
<u>Total gross domestic product (c)</u>	<u>8 935</u>	<u>9 447</u>	<u>9 853</u>	<u>100.0</u>	<u>100.0</u>	<u>8.9</u>	<u>5.7</u>	<u>4.3</u>

Source: CEPAL calculations on the basis of figures supplied by the Central Bank of Costa Rica.

(a) Preliminary figures.

(b) Including mining activity.

(c) As the individual activities and the totals were calculated independently, the sum of the former does not correspond exactly with the latter.

Table 4

## COSTA RICA: INDICATORS OF AGRICULTURAL PRODUCTION

	1976	1977	1978	1979(a)	Growth rates (b)		
					1977	1978	1979(a)
Index of agricultural production (base 1970 = 100)	122.0	125.7	131.9	131.0	3.0	4.9	-0.7
Crop farming	121.7	123.7	130.4	129.1	1.6	5.4	-1.0
Stock-raising	122.8	130.5	135.5	135.4	6.3	3.8	-0.1
Production of principal crops (thousands of tons)							
Export							
Coffee	81.8	87.2	98.5	97.3	6.6	13.0	-1.2
Bananas (c)	1.2	1.1	1.2	1.1	-5.2	5.2	-4.9
Sugar cane (c)	2.3	2.5	2.6	2.6	9.9	2.4	1.4
Cocoa	5.9	7.7	10.4	10.5	31.4	34.9	1.6
Cotton	1.6	7.0	2.7	1.2	337.1	-61.5	-57.6
Domestic consumption							
Rice	105.9	110.0	123.6	134.9	3.9	12.4	9.1
Maize	114.0	84.7	62.3	67.7	-25.7	-26.5	8.6
Beans	16.2	14.1	14.0	8.6	-13.3	-0.3	-38.3
Sorghum	30.9	41.0	52.6	34.6	32.8	28.3	-34.1
Indicators of stock-raising production (thousands of tons)							
Animals slaughtered							
Cattle	125.0	134.1	145.1	137.1	7.3	8.8	-6.1
Pigs	11.5	12.5	14.9	18.8	8.5	18.9	26.4
Poultry	5.4	5.4	5.6	5.5	0.2	3.0	-1.3
Milk (d)	272	290	301	307	6.6	3.8	2.0
Eggs (e)	359	369	376	369	2.8	1.9	-1.9
Fish	15.9	12.7	21.0	24.4	-20.0	64.8	16.6

Source: CEPAL, on the basis of data supplied by the Central Bank of Costa Rica and the Agricultural Sector Planning Office (OPSA).

- (a) Preliminary figures.
- (b) The growth rates refer to the real figures, not the rounded ones.
- (c) Millions of tons.
- (d) Millions of litres.
- (e) Millions of units.

Table 5

## COSTA RICA: INDICATORS OF MANUFACTURING PRODUCTION

	1976	1977	1978	1979(a)	Growth rates (b)		
					1977	1978	1979
<u>Index of value added</u>							
Food, beverages and tobacco		100.0	109.4	116.6		9.4	6.6
Textiles, leather and footwear		100.0	97.4	93.1		-2.5	-4.5
Wood and furniture		100.0	84.9	97.7		-15.0	15.1
Paper and paper products		100.0	105.3	116.8		5.6	10.8
Printing, publishing and related industry		100.0	110.3	112.4		10.0	1.7
Chemical products and rubber		100.0	112.8	121.7		12.7	8.0
Petroleum refining		100.0	107.8	104.7		8.0	-2.8
Non-metallic minerals		100.0	101.6	103.3		1.4	1.6
Metal manufactures and machinery		100.0	108.9	114.7		9.0	5.4
Other		100.0	105.6	100.0		2.8	-3.3
<u>Total</u>		<u>100.0</u>	<u>106.0</u>	<u>110.7</u>		<u>6.0</u>	<u>4.4</u>
<u>Other indicators of manufacturing production</u>							
Employment (1968 = 100)	177.5	185.4	186.8	190.1(c)	4.5	0.8	1.6(d)
Industrial consumption of electricity (1970 = 100)	219.6	243.0	279.7	291.3(e)	10.7	15.1	4.8(f)

Source: CEPAL, on the basis of data supplied by the Central Bank of Costa Rica and the Costa Rican Ministry of Economic Affairs, Industry and Commerce.

(a) Preliminary figures.

(b) The growth rates refer to the real figures, not the rounded ones.

(c) Average for the period January-September.

(d) Variation for the period January-September 1979 with respect to January-September 1978.

(e) Average for the period January-November.

(f) Variation for the period January-November 1979 with respect to January-November 1978.

Table 6

## COSTA RICA: EVOLUTION OF EMPLOYMENT AND UNEMPLOYMENT(a)

	1977			1978			1979		
	March	July	November	March	July	November	March	July	November (b)
<u>Rates of unemployment (c)</u>									
Total	5.2	4.6	4.4	4.8	4.5	4.4	4.5	4.9	2.6
Rural	5.2	4.1	3.9	3.7	3.6	3.4	4.0	3.0	2.0
Urban	5.2	5.2	4.9	6.1	5.6	5.7	4.9	5.7	3.4
Urban Central Valley	4.7	5.1	4.4	6.1	5.3	5.9	4.3	5.6	3.1
<u>Rate of participation (d)</u>	32.6	33.1	35.6	33.4	34.0	37.1	33.5	34.3	35.9
<u>Indexes (e)</u>									
Labour force	146.0	149.5	161.9	153.2	157.1	172.8	156.9	162.2	170.9
Employment	144.1	149.0	161.7	152.3	156.7	172.5	156.6	161.1	173.7
Unemployment	190.3	172.3	177.2	184.9	179.1	192.3	176.0	198.7	113.7

Source: Ministry of Labour and Social Security, and Ministry of Economic Affairs, Industry and Commerce.

(a) Figures obtained from the household surveys on employment and unemployment carried out every four months from July 1976 onwards.

(b) Preliminary figures.

(c) Unemployment as a percentage of the labour force.

(d) Labour force as a percentage of the total population.

(e) Base June 1967.

Table 7

## COSTA RICA: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown (a)		Growth rates (a)		
	1976	1977	1978	1979	1970	1979	1977	1978	1979
<u>Main traditional export products</u>	<u>375</u>	<u>546</u>	<u>575</u>	<u>591</u>	<u>73.5</u>	<u>63.7</u>	<u>45.8</u>	<u>5.2</u>	<u>2.8</u>
Coffee	154	319	314	313	31.6	33.7	107.4	-1.7	-0.3
Bananas	149	150	170	169	28.9	18.2	1.1	13.0	-0.3
Cocoa	7	17	15	10	0.8	1.1	146.5	-12.0	-32.5
Meat	40	44	60	82	7.8	8.9	8.9	36.7	35.2
Sugar	25	16	16	17	4.4	1.8	36.7	1.7	7.4
<u>Rest</u>	<u>218</u>	<u>282</u>	<u>290</u>	<u>337</u>	<u>26.5</u>	<u>36.3</u>	<u>29.2</u>	<u>2.9</u>	<u>16.2</u>
To Central America	131	174	177	177	19.9	19.1	33.0	1.8	-
To the rest of the world	87	108	113	160	6.6	17.2	23.5	4.7	41.6
<u>Total</u>	<u>593</u>	<u>828</u>	<u>865</u>	<u>928</u>	<u>100.0</u>	<u>100.0</u>	<u>39.7</u>	<u>4.4</u>	<u>7.3</u>

Source: CEPAL, on the basis of data supplied by the Central Bank of Costa Rica.

(a) The percentage breakdown and growth rates refer to the real figures, not the rounded ones.

Table 8

## COSTA RICA: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown (b)		Growth rates (b)		
	1976	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(c)
<u>Consumer goods</u>	<u>164</u>	<u>245</u>	<u>283</u>	<u>310</u>	<u>28.2</u>	<u>23.6</u>	<u>49.4</u>	<u>15.4</u>	<u>20.1</u>
Non-durable	76	104	119	129	...	9.8	36.8	14.3	17.8
Semi-durable	57	82	99	99	...	7.6	43.9	20.8	12.3
Durable	31	59	65	82	...	6.2	90.3	10.0	35.7
<u>Raw materials and intermediate goods</u>	<u>409</u>	<u>527</u>	<u>615</u>	<u>674</u>	<u>48.2</u>	<u>51.3</u>	<u>28.9</u>	<u>16.7</u>	<u>17.4</u>
For agriculture	52	66	63	74	44.6	5.6	26.9	-3.9	22.8
For industry	285	369	432	430		32.7	29.5	17.1	6.6
Fuels, lubricants and related products	72	92	121	170	3.6	13.0	27.8	31.2	54.2
<u>Capital goods</u>	<u>199</u>	<u>249</u>	<u>285</u>	<u>329</u>	<u>23.6</u>	<u>25.1</u>	<u>25.1</u>	<u>14.4</u>	<u>24.0</u>
For agriculture	31	41	38	35	2.0	2.7	32.3	-6.5	-3.9
For industry, telecommunications and construction	124	143	168	222	16.0	16.9	15.3	18.0	41.5
Transport equipment	44	65	79	72	5.6	5.5	47.7	22.8	-0.1
<u>Total</u>	<u>772</u>	<u>1 021</u>	<u>1 184</u>	<u>1 313</u>	<u>100.0</u>	<u>100.0</u>	<u>32.3</u>	<u>16.0</u>	<u>19.6</u>

Source: CEPAL, on the basis of data supplied by the Central Bank of Costa Rica.

(a) January-November.

(b) The percentage breakdown and the growth rates refer to the real figures, not the rounded ones.

(c) Variation between January-November 1978 and January-November 1979.

Table 9

## COSTA RICA: MAIN INDICATORS OF FOREIGN TRADE

	1974	1975	1976	1977	1978	1979(a)
<u>Growth rates</u>						
Exports of goods						
Value	27.6	12.0	20.1	39.7	3.7	8.2
Volume	6.3	-1.4	6.2	9.3	11.1	3.7
Unit value	20.0	13.7	13.1	27.8	-6.7	4.3
Imports of goods						
Value	57.5	-3.3	10.9	33.0	15.2	19.2
Volume	14.8	-11.6	16.6	26.3	8.8	4.5
Unit value	37.1	9.4	-4.9	5.3	5.9	14.0
Terms of trade	-12.5	3.9	19.0	21.3	-11.9	-8.6
<u>Indexes (1970 = 100)</u>						
Terms of trade	79.2	82.3	97.9	118.8	104.7	95.7
Purchasing power of exports of goods	108.5	111.2	140.5	186.4	182.6	173.1
Purchasing power of exports of goods and services	113.9	117.0	142.1	180.5	178.5	171.1

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 10

COSTA RICA: BALANCE OF PAYMENTS  
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
<u>Current account</u>						
Exports of goods and services	540	601	715	963	1 008	1 090
Goods FOB (b)	440	493	592	828	858	929
Services	100	108	123	135	150	161
Transport	28	31	37	41	44	45
Travel	49	52	55	62	71	71
Imports of goods and services	777	767	860	1 131	1 300	1 542
Goods FOB (b)	649	627	695	925	1 066	1 271
Services	128	140	165	206	234	271
Transport	84	84	98	126	145	170
Travel	27	35	42	51	59	63
Net payments of profits and interest on foreign capital	-39	-61	-69	-73	-96	-141
Profits	-14	-24	-26	-26	-33	-37
Interest	-25	-37	-43	-47	-63	-114
Net private transfer payments	9	10	11	15	16	14
Balance on current account	-267	-217	-203	-226	-372	-579
<u>Capital account</u>						
Net external financing (a+b+c+d+e)	267	217	203	226	372	579
a) Long-term capital	135	237	219	297	303	420
Direct investment (net)	46	69	62	63	66	46
Private sector	61	109	105	150	35	60
Loans	110	164	173	234	177	185
Amortization payments	-51	-73	-96	-121	-130	-125
Other liabilities and assets (net)	2	18	28	37	-12	-
Official sector	14	19	14	34	156	-
Loans	24	29	31	49	206	-
Amortizations payments	-8	-10	-13	-13	-47	314
Other liabilities and assets (net)	-2	-	-4	-2	-3	-
Monetary authorities	14	40	38	50	46	-
b) Short-term capital (net)	81	-2	21	25	44	-
Private sector	42	-34	33	37	22	-
Official sector	-8	1	1	6	-	-
Monetary authorities	-4	-3	3	-	-	-
Errors and omissions	51	34	-16	-18	22	84
c) Allocation of Special Drawing Rights (SDRs)	-	-	-	-	-	-
d) Official transfer payments (net)	1	-	2	-	-	-
e) International reserves (minus sign signifies an increase)	50	-18	-39	-96	25	75
Use made of IMF credit	23	13	3	-4	-6	-
Other liabilities	22	-20	3	11	56	-
Monetary gold	-	-	-	-9	-4	-
Special Drawings Rights	2	-2	3	-5	3	-2
IMF reserve position	-	-	-	-	-10	-
Foreign exchange and other assets	3	-9	-48	-89	-14	77

Source: 1974-1978: International monetary Fund, Balance of Payments Yearbooks, vol.30;  
1979: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including non-monetary gold.

Table 11

COSTA RICA: INDICATORS OF EXTERNAL INDEBTEDNESS(a)  
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(b)
Public external debt (c)	376	508	634	832	1 043	1 376
Central government	126	148	172	217	319	415
Banking system	109	171	232	317	325	506
Other	141	189	230	298	390	455
Servicing of public external debt	46	69	76	96	258	240
Amortization payments	25	40	40	52	189	153
Interest payments	21	29	36	44	69	87
Servicing of public external debt as a percentage of exports of goods and services	8.5	11.5	10.6	10.0	25.6	22.0

Source: CEPAL, on the basis of data supplied by the Central Bank of Costa Rica and the Costa Rican Ministry of Planning and Economic Policy.

- (a) End-year balance of debts contracted for more than one year.  
 (b) Preliminary figures.  
 (c) Disbursed.

Table 12

COSTA RICA: EVOLUTION OF DOMESTIC PRICES

	1974	1975	1976	1977	1978	1979
<u>Variation from December to December</u>						
Consumer price index (a)	30.6	20.5	4.4	5.3	8.1	13.2
Food (a)	29.1	20.0	-1.3	8.6	15.9	14.7
Wholesale price index	38.2	14.0	7.2	7.4	9.4	24.0
Imported products	39.6	6.9	6.9	4.9	5.8	17.2
Domestic products	38.1	15.3	6.9	8.0	10.5	26.1
<u>Variation between annual averages</u>						
Consumer price index (a)	30.1	17.4	3.5	4.2	6.0	9.2
Food (a)	29.3	16.4	-0.1	4.8	10.3	12.7
Wholesale price index	39.8	21.6	9.3	7.5	7.8	17.4
Imported products	42.1	20.0	5.1	5.0	4.9	11.6
Domestic products	38.9	21.8	9.7	7.9	8.7	19.2

Source: CEPAL, on the basis of data supplied by the Directorate-General of Statistics and the Central Bank of Costa Rica.

- (a) Price index for middle and low income consumers in the San José metropolitan area.

Table 13

## COSTA RICA: EVOLUTION OF WAGES AND SALARIES

	Indexes (1975 = 100)				Growth rates			
	1976	1977	1978	1979	1976	1977	1978	1979
Average wages and salaries (a)								
Total nominal	116.6	132.9	153.3	176.9(b)	16.6	14.0	15.3	15.4(c)
Public sector	116.5	132.3	153.7	176.9(b)	16.5	13.6	16.2	15.1(c)
Private sector	112.4	129.1	148.5	169.3(b)	12.4	14.9	15.0	14.0(c)
Total real (d)	112.7	123.3	134.1	141.7(b)	12.7	9.4	8.8	5.7(c)
Public sector	112.6	122.7	134.5	141.7(b)	12.6	9.0	9.6	5.4(c)
Private sector	108.6	119.8	129.9	135.7(b)	8.6	10.3	8.4	4.5(c)
Minimum wage (e)								
Nominal								
Highest level	108.0	116.7	126.0	133.3	8.0	8.0	8.0	5.8
Lowest level	118.0	133.3	157.3	176.2	18.0	13.0	18.0	12.0
Real (d)								
Highest level	104.3	108.3	110.2	106.8	4.3	3.8	1.8	-3.1
Lowest level	114.0	123.5	137.6	141.2	14.0	8.3	11.4	2.6

Source: CEPAL, on the basis of data supplied by the Costa Rican Ministry of Labour and Social Security.

- (a) Estimates based on tabulations of the Costa Rican Social Security Fund.  
 (b) Estimated on the basis of the variation of the average for the period January-June 1979 with respect to the average for the same period in 1978.  
 (c) Variation of the average for the period January-June 1979 with respect to the same period in 1978.  
 (d) Deflated by the consumer price index for middle and low incomes in the San José metropolitan area.  
 (e) From 1975 onwards, minimum wages have been readjusted annually on 1 January in three levels.

Table 14

## COSTA RICA: MONETARY POSITION

	Balance at end of year (millones de colones)				Growth rates (b)		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
Money	3 674	4 625	5 643	6 175	25.9	22.0	9.4
Currency outside banks	1 116	1 409	1 704	1 954	26.3	20.9	14.7
Demand deposits	2 558	3 216	3 939	4 221	25.7	22.5	7.2
Factors of expansion	8 645	11 507	13 866	17 934	33.1	20.5	29.3
Foreign assets (net)	1 065	1 986	1 639	1 003	86.5	-17.5	-38.8
Domestic credit	7 580	9 521	12 227	16 931	25.6	28.4	38.5
Government (net)	607	1 409	1 801	3 957	132.1	27.8	119.7
Official entities	920	970	1 560	2 334	5.4	60.8	49.6
Private sector	6 053	7 142	8 866	10 640	18.0	24.1	20.0
Factors of absorption	4 971	6 882	8 223	11 759	38.4	19.5	43.0
Quasi-money (savings and time deposits)	3 522	4 490	6 125	8 215	27.5	36.4	34.1
Bonds	215	563	792	712	161.9	40.7	-10.1
Long-term foreign borrowing	1 986	2 644	2 790	4 540	33.1	5.5	62.7
Other items (net)	-752	-815	-1 484	-1 708	8.4	82.1	15.1

Source: CEPAL, on the basis of data supplied by the Central Bank of Costa Rica.

- (a) Preliminary figures.  
 (b) The growth rates refer to the real figures, not the rounded ones.

Table 15

## COSTA RICA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of colones				Growth rates		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
1. <u>Current income</u>	2 693	3 487	4 111	4 344	29.5	17.9	5.7
Tax revenue	2 520	3 281	3 801	4 010	30.2	15.8	5.5
Direct taxes	612	781	959	993	27.6	22.8	3.5
Indirect taxes	1 170	1 495	1 734	1 750	27.8	16.0	0.9
Taxes on foreign trade	738	1 005	1 108	1 267	36.2	10.2	14.4
Non-tax revenue	173	206	310	334	19.1	50.5	7.7
2. <u>Current expenditure</u>	2 727	3 325	4 385	5 204	21.9	31.9	18.7
Consumption	1 667	2 006	2 432	2 805	20.3	21.6	15.3
Other current expenditure	1 060	1 319	1 953	2 399	24.4	47.5	22.8
3. Current saving (1-2)	-34	162	-274	-860	...	...	...
4. <u>Capital expenditure</u>	1 251	1 329	1 534	1 915	6.2	15.4	24.8
Real investment	625	696	593	983	11.4	-14.8	65.8
Amortization of debt	262	299	342	355	14.1	14.4	3.8
Other capital expenditure	364	334	599	577	-8.2	79.3	-3.7
5. <u>Total expenditure (2+4)</u>	3 978	4 654	5 919	7 119	17.0	27.2	20.3
6. <u>Fiscal deficit (1-5)</u>	-1 285	-1 167	-1 808	-2 775	-9.2	54.9	53.5
7. <u>Financing of the deficit</u>							
Domestic financing	1 034	857	915	2 208	-17.1	6.8	141.3
Central Bank	120	81	57	...	-32.5	-29.6	...
Placement of securities	436	548	561	...	25.7	2.4	...
Others	478	228	297	...	-52.3	30.3	...
External financing	251	310	892	567	23.5	187.7	-36.4

Source: CEPAL, on the basis of data supplied by the Central Bank of Costa Rica.

(a) Preliminary figures.



