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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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CURRENT ECONOMIC POSITION AND PROSPECTS  
OF  
COSTA RICA

August 29, 1961

Department of Operations  
Western Hemisphere

CURRENCY EQUIVALENTS

Official Exchange Rate:

U.S. \$1.00	=	Colones 5.615 (¢)
¢1.00	=	\$ 0.178
¢ 1 million	=	\$178,000

Free Market Exchange Rate:

U.S. \$1.00	=	¢ 6.65
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TABLE OF CONTENTS

	<u>Page No.</u>
BASIC DATA	
SUMMARY AND CONCLUSIONS . . . . .	i
I. <u>INTRODUCTION</u> . . . . .	1
II. <u>RECENT ECONOMIC DEVELOPMENTS</u> . . . . .	2
Production and Exports . . . . .	2
Financial Developments . . . . .	4
Fiscal Developments . . . . .	7
Devaluation and Related Measures. . .	8
III. <u>FUTURE PROSPECTS</u> . . . . .	11
Prospects for Production and Exports.	11
Public Sector Development Plans, . . .	13
Conclusion . . . . .	15
IV. <u>CREDITWORTHINESS</u> . . . . .	16
 <u>APPENDIX I</u> - Prospects for Foreign Exchange Earnings.	
<u>APPENDIX II</u> - Statistical Tables 1 - 29.	

BASIC DATA

<u>Area:</u>		19,700 square miles
<u>Population:</u>	1960	1.20 million
<u>National Income:</u>		
(at current prices)	1960	U.S.\$ 393 million
<u>Per Capita Income:</u>	1960	U.S.\$ 328
<u>Balance of Payments:</u>		<u>U.S.\$ millions</u>

	<u>1959</u>	<u>1960</u>
Exports (f.o.b.)	76.0	85.0
Imports (f.o.b.)	-93.5	-96.7
Other current items	- 8.5	-11.6
	<hr/>	<hr/>
Current Balance	-26.0	-23.3
Donations	6.8	5.3
Capital inflow	10.3	13.4
Errors and omissions	4.9	2.0
	<hr/>	<hr/>
Surplus/Deficit	- 4.0	- 2.6
	<hr/>	<hr/>

Composition of Exports by Value:

	<u>Coffee</u>	<u>Bananas</u>	<u>Cacao</u>
		(per cent)	
1959	53	25	10
1960	49	28	7

Foreign Exchange Reserves (net):

	<u>U.S.\$ millions</u>
December 1960	11.5
Ratio to imports (f.o.b.)	
1960	12%

Government Revenues and Expenditures:

	<u>1960</u>	<u>Budget</u>
		<u>1961</u>
	(millions of colones)	
Current Revenues	335.6	367.9
Extraordinary revenues	35.4	23.4
	<hr/>	<hr/>
Total revenues	371.0	391.3
Expenditures	376.1	391.3
	<hr/>	<hr/>
Surplus	- 5.1	-
	<hr/>	<hr/>

Cost of Living Index (1953 = 100):

1960 : 114

## SUMMARY AND CONCLUSIONS

1. The last economic report on Costa Rica (WH 93a of March, 1960) noted that Costa Rica had the highest per capita income in Central America and one of the highest in Latin America. The country has a favourable climate and fertile soils, large land resources awaiting development, and a relatively even distribution of land ownership and income, a largely literate population with a highly trained professional class, and a group of enterprising business leaders. The economy is, however, greatly dependent on two major exports -- coffee and bananas -- and, with declines in the prices of both products, the slow-down in Costa Rica's economic growth after 1955, noted in the last report, has continued in the past two years. The prospects for coffee prices remain highly uncertain and the prospects for banana production are much less favourable than they were two years ago.

2. In an effort to maintain the pace of economic expansion and to diversify the economy in the face of declines in traditional exports, the authorities have continued in the past two years to encourage new exports, especially of meat and sugar, and to stimulate both agricultural and manufacturing production for the domestic market. In particular, the authorities have channelled some of the government's savings as well as external loans to the private sector to increase the credit available for agriculture and manufacturing. The results so far have been quite encouraging.

3. The measures taken by the government to stimulate the growth of the economy included a more expansionist monetary policy, particularly in 1959. While some part of the increase in credit to agriculture and manufacturing was financed from non-inflationary sources, including new loans from abroad, monetary expansion in both 1959 and 1960 led to increasing balance of payments pressures. The fall in exchange earnings in 1959 and possibly some capital flight in 1960, together produced a 37% drop in foreign exchange reserves in the face of a continued small rise in imports. In an effort to strengthen the balance of payments position of the country while pursuing a policy of economic diversification, the Costa Rican authorities are now proposing to introduce a partial devaluation of the colon, which will provide modest additional incentives to export producers and will damp down the demand for imports. Simultaneously, new tax measures have been proposed to help close a fiscal deficit which, while not the major source of past monetary expansion, could get out of hand in view of the large investment plans of the public sector in the years ahead.

4. Taking into account the effects of the proposed devaluation, the growth of exports over the next 4 or 5 years is likely to be between 3% and 4% a year but might be lower if coffee prices were to decline rapidly. Production for the domestic market is likely to continue to increase at a faster rate. To meet this expansion provision must be made for expanding basic economic services, particularly power and transport, and the social services, such as education, health and housing. Considerable progress has been made in the past 18 months in the preparation of plans to expand public investment, and foreign loans are now being actively sought to help finance power, highways, port facilities, housing, sewerage and agricultural and industrial credit. There are good prospects that public investment over the next few years will increase very substantially, perhaps even doubling

the rate of investment of the recent past. The contribution of the central government alone to the financing of public development projects in the next few years seems unlikely to be less than \$10 million a year and the contribution of state entities will also probably be substantial. Disbursements on foreign loans already arranged or in prospect may be between \$9 and \$10 million a year. The Costa Rican contribution towards financing development projects in the public sector will thus probably be not less than one half. In addition, some government savings should continue to be available to help finance investment in the private sector, particularly if the tax measures proposed are adopted.

5. Given the prospects for production and exports and the fairly substantial increase projected in public investment, it should be possible to maintain over the next several years a rate of growth of output in excess of the very fast rate of growth of population, now almost  $4\frac{1}{2}\%$  a year. However, Costa Rica's long-term economic growth prospects will not be assured until efforts to develop new exports and to strengthen the competitive position of local producers bear fruit and can be adequately assessed.

6. Servicing on the existing public debt, which has increased by 50% over the past two years, will be equivalent to about 9% of foreign exchange earnings in 1962, the peak year. Borrowing plans of the public sector, including new foreign loans for channeling to the private sector, would almost double Costa Rica's external debt within two years. With service on the existing debt falling quite rapidly in the next few years, a substantial part of the new external obligations could be serviced on conventional terms in view of Costa Rica's prospects for economic growth. If, however, all the new loans were to be on conventional terms debt service would rise to about \$14 million by 1965, equivalent to 11% of estimated foreign exchange earnings in that year and almost 40% above the 1962 peak. Such a sharp increase in debt service within a brief period would be imprudent in view of the uncertainty surrounding Costa Rica's longer-term economic outlook, including the continuing uncertainty in the outlook for coffee. Some part of Costa Rica's external capital requirements might thus be appropriately supplied on special terms.

## I. INTRODUCTION

1. The most recent economic report on Costa Rica (WH-99a) reviewed the progress of the economy from the end of the Second World War to the early months of 1959. The report noted that Costa Rica had the highest per capita income in Central America and one of the highest in Latin America. The country has a favourable climate and fertile soils, large land resources awaiting development, a relatively even distribution of land ownership and of income, a largely literate population with a highly trained professional class, and a group of enterprising business leaders. Agriculture provides about 90% of exports and 40% of the national income. Bananas and coffee account for about 90% of agricultural exports. The economic wellbeing of Costa Rica is therefore, largely dependent on these two crops. This dependence was no disadvantage during the period to the middle 1950's, for with a doubling in the volume of banana exports and the great rise in coffee prices after 1949 the value of exports almost quadrupled. The accompanying growth of the internal market provided the opportunity for the expansion of domestic production; the output of staple food crops increased and new manufacturing industries were established. Government revenues expanded rapidly, making possible an expansion in government services, particularly in health and education, and in public investment, especially in transportation, electric power and housing. During these years of prosperity, the real national income is estimated to have risen by rather more than 6% a year, which with an annual growth of population of approximately  $3\frac{1}{2}\%$  permitted a steady rise in average per capita income.

2. The great dependence on coffee and bananas was a disadvantage after 1955. A sharp decline in the volume of banana production and the fall in coffee and banana prices after 1956 brought the period of rapid economic expansion to an end. By 1958 the prices of bananas and coffee were 23% and 26% respectively below the levels of 1956. In spite of these price falls the value of exports rose to a peak in 1958, principally because of a great increase in the volume of coffee shipments which, in that year, were almost double the level of the mid-1950's. This increase in volume was not, however, sufficient to maintain the rate of growth in export values, and, with a slower growth in the export sector, production for the domestic market also grew more slowly. Thus, despite the maintenance of a high rate of investment at about 20% of the gross national product, the impact of the decline in export prices was to reduce the rate of growth of real national income to less than 3% annually between 1955 and 1958, only half the growth rate from 1950 to 1955 and less than the rate of growth of population.

## II. RECENT ECONOMIC DEVELOPMENTS

### Production and Exports

3. During the past two years the unfavorable marketing conditions for Costa Rica's principal exports have continued. The average price of Costa Rican coffee declined by a further 13% between 1958 and 1960; the price of cacao, the third principal export, fell by 35%, and although there was a modest recovery in banana prices the latter were still substantially below the levels of the mid-1950's. Despite the price fall, coffee production continued to increase: rising yields resulted from the adoption of improved techniques and there was an increase in output from new plantings made during the years of high prices. In 1960 production at 1.2 million quintals was 100,000 quintals greater than the previous peak reached in 1958. This increase in production has not, however, been accompanied by an equivalent increase in exports as retentions have been necessary under the terms of the international coffee agreements. Cocoa production responded to the sharp price rise of 1958 and output increased by 50% to 11,500 tons in 1959. In 1960 there was a further slight increase despite the drop in prices over the past two years. Banana production was sharply reduced in 1959 as a result of severe "blow-downs" at the plantations of the United Fruit Company, but with the new plantations of the Standard Fruit Company coming into production there was some recovery in 1960 and exports last year were only moderately below the 1958 level. This was, however, still 20% less than the 1950/1955 average.

4. Faced with a continuing decline in coffee prices and reduced earnings from the country's traditional exports, the Costa Rican authorities have endeavored to encourage new exports, with attention being focused principally on the expansion of the cattle industry and, more recently, of sugar production. With large areas of the country suitable for livestock production, a program to expand cattle herds was started about eight years ago. It developed slowly at first, but in the past two years bank loans for investment in the cattle industry have more than doubled and production has increased by approximately one third. Exports of cattle and meat have risen rapidly in recent years, though until now this trade has been based mainly on cattle imported from Nicaragua and Honduras for slaughter in Costa Rica.

5. Sugar exports had been very small until 1960, but the interruption of supplies from Cuba provided the opportunity for expanding exports to the United States. With the help of additional bank credit, sugar mill capacity has been expanded and the area under cane increased. Exports which totalled only 1,200 tons in 1958 rose to 17,600 tons in 1960 and are expected to reach 23,000 tons this year.

6. The total value of exports fell sharply in 1959, mainly as the result of the decline in banana production, but with increases in exports of meat, sugar and some minor items and a recovery in banana output, the value of exports in 1960 was 16% greater than in 1959, though still below the 1958 level, as shown in Table I.

TABLE I: Composition of Exports

(millions of U.S. dollars)

Year	Coffee	Bananas	Cocoa	Cattle and Meat	Other	Total
1957	40.6	32.2	4.0	2.2	4.4	83.4
1958	50.5	26.5	5.8	3.2	5.9	91.9
1959	40.0	19.1	7.4	3.6	6.6	76.7
1960	43.4	25.0	5.8	4.7	9.6	88.5

7. With a relative stagnation of export incomes and a rapidly growing population, increased efforts have been made in the past two years to promote the expansion of production for the domestic market. In agriculture the raising of the support prices for rice and beans and the provision of greater agricultural credit has since 1958 stimulated increases of 57% and 33% respectively in the production of these two crops. Production of corn has also risen substantially in the past two years and small surpluses of corn and beans were exported in 1960, while production of rice in that year was fully sufficient for domestic requirements. In 1958 and 1959 large quantities of rice had been imported.

8. The authorities have put equal emphasis, however, on stimulating the growth of manufacturing industry. A program to finance through the banking system imports of capital goods for industry was started by the Costa Rican government almost ten years ago. After a modest beginning, the program was gradually expanded, partly with the help of three IBRD loans. The program has been further stepped up in the past two years when the banks increased investment credits to industry by 28% and 35% in 1959 and 1960 respectively, and total bank credit to industry increased by 54%. In September 1959 new legislation was enacted to provide greater tariff protection and exemptions from import and export duties and from direct taxation for specified periods to new and expanding industrial enterprises. The benefits of the law have been accorded to about 140 firms so far.

9. Expansion has been most rapid in the industries producing food-stuffs, beverages, textiles, clothing and footwear. No comprehensive statistics of industrial production are available but some indicators of the growth of production are shown in Table II.

TABLE II : Indicators of Industrial Growth

	October 1957	1st Quarter		
		1959	1960	1961
Industrial employment	100	110.9	113.3	123.9*
Wages paid by industry	100	115.5	126.5	141.0*
Electric power consumed by industry	100	141.9	170.9	198.5

\* Preliminary

10. The increases in agricultural and industrial production and in the output of service industries made possible a further growth in real national income in the past two years. In 1959, with a substantial inflow of capital, gross investment continued to represent almost 20% of the gross national product in spite of a decline in domestic savings to 14% of GNP from almost 20% in 1954. Although investment remained at a high level, the further adverse change in the terms of trade in 1959, meant that the increase in real income in that year was only 2.4%, and, with a growth in population of almost 4½%, average per capita income continued its slow decline. In 1960, with a 16% recovery in exports, no change in the terms of trade, and substantial increases in the production of goods and services for the domestic market, it is likely that the increase in real income was considerably higher than in 1959, and for the first time in five years average per capita income may have increased.

#### Financial Developments

11. After pursuing conservative monetary policies during most of the 1950's, the monetary authorities adopted a more liberal policy in 1959 and 1960 in an effort to offset the effect of the decline in exports on income and employment. In each of these two years the credit expansion exceeded 100 million colones, by comparison with an annual average of 37 million in the preceding eight years. Credit to the Government accounted for only a small part of this expansion; by far the greater part consisted of new credit to the private sector. These changes are shown in Table III.

TABLE III: Changes in Domestic Credit 1950 - 1960

(millions of colones)

Changes in Period	<u>Annual Average</u> 1950 - 1958	1959	1960
<u>Domestic Credit</u>			
To public sector	- 1.2	14.9	7.7
To private sector	33.3	91.4	98.1
Other assets (net)	4.6	- 3.7	6.1
TOTAL	36.7	102.6	111.9

12. More than four-fifths of the expansion of credit to the private sector in 1959 and 1960 was directed to agriculture, livestock production and manufacturing industry. Credit extended to finance the coffee crop in particular showed a substantial increase in 1960, partly because of a record crop in the 1960/61 season and partly because coffee growers made fuller use than in earlier years of the credit facilities available to them (c.f. Table 20). A substantial part of the additional credit advanced to the private sector was used to finance investment, 51% in 1959 and 46% in 1960, with investment credits being directed mainly to cattle raising and manufacturing industry (c.f. Table 21).

13. About 10% of the resources for additional credits were provided from drawings on foreign loans in 1959 and more than 50% in 1960, when the Banco Central contracted a \$10 million loan from the Chase Manhattan Bank. Additional non-inflationary resources originated in increases in bank capital, time and savings deposits and from the sale by the banks of bonds to the public. These resources together were not, however, sufficient to finance the whole of the increased lending, and, in 1959 particularly, the effort to stimulate output by expanding credit from inflationary sources at a time of sharply declining exports brought a growth in imports and a drop in foreign exchange reserves of 28%. With the continuation of the monetary expansion in 1960, imports rose again; speculation against the colon developed, the public's cash holdings increased very little; and, notwithstanding the recovery in exports and the drawing of the whole of the Chase Manhattan Loan, foreign exchange reserves fell by a further 18%. Prices, however, increased very little. The monetary movements are shown in Table IV.

TABLE IV: Financing of Credit Expansion 1950 - 1960

(millions of colones)

<u>Changes in Period</u>	<u>Annual Average 1950 - 1958</u>	1959	1960
<u>Increase in Domestic Credit</u>	<u>36.7</u>	<u>102.6</u>	<u>111.9</u>
<u>Financed by:</u>			
Increases in bank capital	11.2	11.2	6.6
Increases in time and savings deposits	9.2	16.3	9.6
Increases in bond sales	2.9	15.5	9.1
Drawings on foreign loans	1.9	10.0	59.1
TOTAL	25.2	53.0	81.4
<u>Increase in Money Supply</u>	<u>24.7</u>	28.2	6.4
<u>Increase in Exchange Reserves (-)</u>	<u>-13.2</u>	21.4 *	21.1 *
TOTAL	36.7	102.6	111.9

\* These figures are not quite consistent with those shown in Table 16; a reconciliation is not yet available.

Fiscal Developments

14. As the growth of the economy slowed after 1955, so also did the growth of Central Government revenues, and in the past three years, Government revenues increased very little, as shown in Table V.

TABLE V: Central Government Current Revenues and Total Expenditures

(millions of colones)

	1956	1957	1958	1959	1960
1. Direct taxes: Income	32.5	42.7	46.1	38.0	37.1
Capital	8.6	10.5	11.2	13.0	14.8
2. Indirect taxes: Import duties	145.1	160.5	173.8	179.6	189.6
Other indirect taxes	42.4	51.3	59.3	60.6	53.6
3. Other Revenues	32.8	38.7	34.7	32.4	40.5
Total Current Revenues	262.4	303.6	325.1	323.6	335.6
4. Total Expenditures	291.0	328.7	342.1	351.6	376.1
Balance	-28.6	-25.1	-17.0	-28.0	-40.5

15. A procedural change was made in 1960 by which the proceeds of a tax yielding about 10 million colones were assigned directly to the Social Security Fund and were not recorded in the budget. Even after an adjustment for this, the increase in revenues was still smaller than in the years preceding 1959. Tax collections from the United Fruit Company's subsidiary were reduced from 16 million colones in 1958 to 4 million in 1959 and zero in 1960, mainly as a result of production losses due to "blowdowns" and of low banana prices. On the other hand, revenues from customs duties rose with the continuing rise in imports.

16. On the side of expenditures, the growth of population has necessitated increased outlays on the social services, particularly on education, where spending grew by 20% between 1958 and 1960. Despite efforts to hold down expenditures, costs of administration have also risen.

The Government has been committed by law to make predetermined contributions to the capital of state enterprises, notably the Electricity Institute and the National Housing Institute, and the demand has grown for new capital works, especially schools and highways. Nevertheless, investment expenditures have declined in recent years, and the rate of growth of total expenditures has fallen, though not as fast as the rate of growth of revenues, so that the deficit has widened, reaching 40 million colones or 12% of current revenues in 1960.

17. To cover these deficits, the Government has resorted to borrowing and other non-tax sources of income. Bond issues have averaged 18 million colones a year in the past four years, but reached a peak of 35 million in 1959. In that year, only 15 million colones of new bonds were issued, but some 20 million of bonds were re-issued, most of which had been bought by the Central Bank with its exchange profits during 1958 and 1959 and returned to the Treasury. These issues, which coincided with a large refunding operation of the Government, greatly depressed the bond market, and by the year's end the discount on typical issues had reached almost 20%. In 1960, by directly appropriating the exchange profits of the Central Bank and part of the profits of some other state institutions, the Government was able to limit the bond issue to 20 million colones.

18. Although bond issues have been substantial in recent years, there has been little inflationary financing of fiscal deficits. Bonds have been issued to state enterprises as part of the Government's capital contributions and to suppliers in place of cash payments. In 1957 and 1958 the banking system did not subscribe to bond issues, but in each of the next two years, the commercial banks bought 15 million colones of the new Government issues. However, only the bonds bought in December 1959 were held by the banks, for the 1960 purchases were completely repaid by the end of March 1961. Net borrowings for the banks, after taking account of changes in Treasury deposits and of sales and redemptions of government securities held by the banks, were less than bond placements in the two years, amounting to 9.8 million colones in 1959 and 7.8 million colones in 1960.

19. The budgets for 1961 provide for total expenditures of 391 million colones, 15 million colones more than in 1960. The major increases are for debt service, education and public health, thus continuing the trend of a rising proportion of expenditures on the social services. The revenues in the ordinary budget were estimated at 346 million colones, up by 19 million over collections in 1960 as a result mainly of an expected resumption of tax payments by the Banana Company and of expected increases in revenues from other income taxes and customs duties. The "extraordinary" budgets provide for the use by the Government of the Central Bank's exchange profits, for a bond issue of 20 million colones, which is to be taken up by the banks and for 22 million colones of additional revenues from new taxes, which the Government has proposed in connection with its project for a partial devaluation of the colon as a means of rectifying the short-term disequilibrium in Government finances. This project and the considerations leading up to it are considered in the next section.

#### Devaluation and Related Measures

20. The serious decline in the prices of Costa Rica's exports in recent years has greatly reduced the returns to producers and, as mentioned above, has brought the growth of exports to a halt. The effort to maintain the pace of income growth in these circumstances has been accompanied by

a continued growth of imports and a fall in foreign reserves to a level which at the end of 1960 was equivalent to only six weeks imports. The loss of reserves in 1960 was sustained, notwithstanding the drawing of the \$10 million loan from the Chase Manhattan Bank. This loan had originally been expected to be disbursed over two years but with the seasonal pressure on the reserves during the second half of 1960 it became necessary to draw the whole amount over a period of only five months.

21. As a result of slower coffee sales from the 1960/61 crop and possibly of speculation against the colon, exchange reserves recovered hardly at all in the first part of 1961 and, by the end of April, normally at or close to the high point, were only \$12.8 million. On the normal seasonal pattern this level of reserves would be almost exhausted by the end of the year. Faced with this prospect the Costa Rican authorities have taken steps to arrange standby credits of \$15 million with the IMF and \$6 million with the U.S. Treasury, and a short-term loan of \$2 million from the Federal Reserve Bank of New York. At the same time they have proposed various measures designed to correct, at least in part, some of the more basic disequilibria in the economy.

22. The most important of these measures is a partial devaluation of the colon which would take the form of a unification of the present official and free market rates of exchange (¢5.61 and ¢6.65 to US.\$1.00) at the free market rate. This change would benefit mainly the banana companies and the producers of coffee and sugar, products which have been exported at the official rate in the past. Producers of a variety of minor exports including some manufactures, which have until now received 65% of exchange earnings at the free market rate, would also benefit, though to a lesser extent. While assistance in some form has been considered necessary for the coffee industry after the long period of declining prices and rising costs, the Government believes that the industry should not benefit to the full extent of the devaluation and has proposed new taxes which would allow producers to retain about 50% of the benefit. The same rule would apply to the sugar industry and an exchange tax of 10% would be imposed on the banana companies. The net benefit to producers of coffee and sugar would be an increase in receipts of about 10%; the returns to the banana companies would increase by less than 5%, and the return to exporters of items which have been receiving 65% of exchange earnings at the free market rate by approximately 6%.

23. The unification of exchange rates, if adopted, will affect the costs of about 60% of imports, which until now have been accorded the official rate. These imports have been essential commodities and producers' goods, and the change in the exchange rate would increase the costs of these items by approximately 20% in the absence of compensatory measures. A reduction in import duties on many essential imports has been proposed, however, and although the costs of some of the more essential producers' and consumers' goods would rise, the devaluation has been calculated to increase the cost of living of the poorer classes by no more than 3%.

24. The reductions in duties on essential imports are expected to reduce customs revenues by about ¢14 million a year. This loss will be more than compensated by the increased revenues from the additional export taxes and from tariff surcharges of 15% and 30% to be imposed on a range of less essential and luxury imports. The surcharges are proposed as a temporary

measure pending the revision of the customs tariff. The net improvement in the fiscal position, after allowing for the additional cost in colones of servicing the Government's external debt and meeting other Government expenditures abroad, is estimated at \$40 million, which would probably enable the Government in the next fiscal year to meet its obligations without resorting to a bond issue.

25. The Government's proposals are now before the Costa Rican Congress and a decision is expected in the near future. If these proposals are adopted, they would modestly assist the major export producers, provide some stimulus to the expansion of minor exports, damp down demand for imports and through the associated taxation proposals do much to reduce, if not eliminate, the imbalance in Government finances. It has been recognized that some of the benefits of these measures could be offset if the credit expansion in the future were to be as rapid as in the past two years, and the Costa Rican authorities have agreed with the IMF on the limits to be imposed on credit increases over the next twelve months, subject to an upward adjustment in the event that new foreign credits of not less than five years maturity are obtained. The Central Bank is seeking additional loans from abroad to help maintain the flow of credit to the private sector.

### III. FUTURE PROSPECTS

#### Prospects for Production and Exports

26. The structure of the Costa Rican economy is unlikely to change radically in the foreseeable future and the progress of the economy will be closely geared to the progress of the export sector. Notwithstanding the prospective growth of minor exports, export earnings will continue to depend mainly on coffee and bananas. The marketing prospects for both commodities are at present poor: coffee prices in the absence of an effective international price stabilization agreement are expected to decline further, though at a slower rate than in the past, and the weakness of the market for Costa Rican bananas in the United States is likely to continue in view of the volume of shipments coming from Ecuador.

27. Nevertheless, the devaluation of the colon may stimulate a further expansion of coffee production and of export volumes provided that such an expansion is not precluded under any new international coffee agreements. At present the banana companies, while anticipating a rise in production in the short term, do not plan to plant additional acreage, and, with the spread of disease on the Pacific Coast, the volume of banana exports may decline. Price prospects for cacao are poor and a more stringent quality control on imports into the U.S. market is to be imposed early in 1963. These two factors are likely to result in a decline in the volume of cacao exports. The expected decline in exports of bananas and cacao is in sharp contrast to the prospects of two years ago when the last economic report was written. At that time it appeared likely that banana production would recover to the high levels of the early 1950's and that the production of cacao, after a dramatic rise in 1959, would subsequently continue to increase.

28. To offset the probable slow decline in earnings from coffee, bananas and cacao, exports of sugar are expected to increase, provided that the United States market continues to be open to Costa Rican exporters, and, with the expansion of the cattle industry, it should be possible to maintain and gradually raise the level of meat exports, in spite of a drop in the availability of imported cattle.

29. Exports of manufactures are likely to increase though the opportunities for expansion will be quite limited as long as Costa Rica remains outside the Central American Common Market. The Government has until now believed that integration would damage some Costa Rican industries, established with the assistance of substantial tariff protection, more than it would benefit other industries which would gain access to neighboring markets. For this reason, Costa Rica has not been a party to the agreement of El Salvador, Guatemala, Nicaragua and Honduras to establish free trade in domestic products within five years. Nevertheless selected industries are likely to be established in Costa Rica to serve the whole Central American market, even if Costa Rica does not participate fully in the integration movement. One of these is the fertilizer industry, which is expected to be established within the next eighteen months and which will make a substantial contribution to

Costa Rica's export earnings. All raw materials will, however, have to be imported.

30. At a later stage, bauxite may be exported, but the Aluminium Company of America which holds the rights to the known deposits does not expect to exploit them during the next few years. Former hopes of oil discoveries have not been realized despite extensive exploration.

31. On present expectations, therefore, it seems probable that Costa Rica will be able to increase foreign exchange earnings over the next five years at an average rate of approximately 3% - 4% annually. This rate of growth would be higher than that achieved during the past five years but less than half the growth rate from 1950 to 1955.

32. At the same time, it will be possible to expand production for the domestic market. Although manufacturing industry has grown rapidly in the past few years, there remain favorable opportunities for expanding the production of a range of manufactures for the local market: textiles, clothing, soap, paints, fertilizers, cement and concrete products are some of the items for which the demand is now largely or wholly met from imports and of which a major part could be produced in Costa Rica. Mention has been made of the fertilizer project; a cement project is now in its initial stages; the textile and clothing industries are in process of expansion; and new investments are being made or planned in expanding the production of paints, soaps and detergents. A small oil refinery is also likely to be established.

33. In agriculture, the experience of recent years has shown that the output of staple food crops can be rapidly increased, and with ample land still undeveloped, Costa Rica should be able to increase production both of export crops and of food crops, meat and dairy products to meet the needs of the expanding population, growing by almost  $4\frac{1}{2}\%$  a year, for some time to come.

34. The exploitation of existing opportunities to increase exports and to expand domestic production may provide sufficient new jobs for the growing labor force and some increase in per capita income over the next several years. Nevertheless, the growth of exports will be modest and the smallness of the market sets a limit to the expansion of domestic production. This limit could quite quickly be reached, and the expansion of the economy would then depend primarily upon the further growth of exports. It is important, therefore, that, while existing opportunities are being exploited, efforts should be made to discover and develop new exports, to determine whether greater returns can be obtained from existing exports, and to strengthen the competitive position of local producers for the time when the benefits of access to the larger Central American market make it worthwhile for Costa Rica to join fully the integration movement.

### Public Sector Development Plans

35. The expansion and diversification of production now in prospect will necessitate the further development of basic economic services. A growth in production of food crops and cattle will require the opening up of new lands, the construction of penetration roads and the improvement of existing highways. The expansion of manufacturing industry will bring increased demands for electric power and necessitate the further expansion of generating capacity. The development of manufacturing will bring larger concentrations of population in urban centers and particularly in the metropolitan area of San Jose. This will in turn require increased provision of services such as power, water, sewerage and housing. In addition, the growth of population will require an expansion of the social services, particularly of health and education.

36. The responsibility for providing basic economic and social services rests mainly on the State or its agencies. The public sector embraces, inter alia, part of the railway system, one of the two major ports, the highway system, the major electricity undertaking, urban water and sewerage services, some housing and most health and education services.

37. While Costa Rica has not yet formulated a development program for the whole public sector, the organizations responsible -- Government Ministries or autonomous agencies -- are implementing or preparing development plans. In formulating their plans the Costa Rican authorities have in general been realistic and have paid due regard to priorities. The greatest progress has been made in recent years in expanding power supplies and educational services. The construction of the Inter-American Highway through Costa Rica has opened up new areas of the country but there has been little other major road construction in the past ten years. Both the publicly-owned and privately-owned railways have added to their capacity in order to handle traffic offered. Major improvements to the two principal ports have not, however, been made for many years, and an expansion of port capacity will probably soon be necessary. The development of water supplies and sewerage services in urban centers, particularly in the metropolitan area of San Jose has been relatively neglected, but a start is now being made on a new water scheme for the capital.

38. In the past few years, investment in the public sector has declined, partly in response to a decline in public sector savings and partly because, with the completion of the most urgent development projects, the planning of new projects, particularly in highways, power, and water supplies, has taken time. Plans for a number of major projects have now been prepared, but Costa Rica at present is less able than formerly to finance them from her own resources. During most of the 1950's savings in the public sector, which covers both the Central Government and also autonomous agencies and Government enterprises, exceeded public investment expenditures and the balance was channeled to the private sector. With the decline in coffee prices during the past five years, savings in the private sector have fallen increasingly short of investment needs, and the surplus of savings in the public sector has been insufficient to fill the gap. The Government and state entities have borrowed from abroad, and have channeled the bulk of these borrowings

through the banks to the private sector. With the prospect of an increase in public investment, it is likely that the surplus of public sector savings available to the private sector will diminish, but it is unlikely that the needs of the private sector will decline. In these circumstances, the Government might step up the rate of saving in the public sector from the present level of about  $4\frac{1}{2}\%$  of GNP or borrow more from abroad. Various steps have already been taken or are proposed to increase savings of the Government and of state enterprises, but it is likely that Costa Rica will have to rely on official capital imports to a greater extent than in the recent past in financing its development programs,

39. A loan of \$8.8 million from the IBRD is helping to finance the first stage of the development program of the Electricity Institute; the IBRD is being asked by the Government for \$11.0 million towards the first stage of the new highway plan, which comprises principally the betterment of the existing highway network; loans of \$4.5 million and \$3.5 million from the Eximbank and the DLF respectively have recently been made to finance the new water supply system for San Jose, and \$3.5 million has been loaned to the National Housing Institute by the IDB. The IBRD has received a preliminary request for a loan to expand the port of Puntarenas, and additional foreign loans will be sought within the next eighteen months or two years to assist in financing the later stages of the power and highway development program, as well as for the completion of the Costa Rican section of the Inter-American Highway.

40. While Costa Rica is endeavoring to borrow substantial sums from abroad to finance the expansion of basic services, she will make major contributions from domestic savings. The Government is continuing to subscribe almost \$3.0 million annually to the capital of the Electricity and Housing Institutes, and the new Water Service will receive a capital contribution from the State of well over \$1.0 million a year. The Government is also spending each year about \$3.0 million on highways and almost \$2.0 million on school buildings. The Electricity Institute is intending to finance from retained earnings about 45% of the capital costs of its expansion program for which the IBRD has made one loan. To help finance the local currency costs of the new highway plan the Government has assigned tax revenues of more than \$1.0 million annually, in addition to the \$3.0 million mentioned above. The Water Service is required by law to charge consumers 15% more than the costs of operation in order to provide for future expansion. New hospitals and clinics will be financed mainly by the Social Security Fund. Under legislation extending the social security coverage, the Fund expects a substantial increase in contributions and hence in the resources available to it for investment. These at present exceed \$3.0 million a year, a substantial part of which may be made available for investment in the public sector.

41. In summary, the contribution of the central government alone to financing government development projects in the next few years seems unlikely to be less than \$10 million a year, and the contributions of state entities will also probably be substantial. Against this the rate of disbursement of new foreign loans and of those now in prospect for projects in the public sector seems likely to be between \$ 9 million and \$10 million a year. Thus, Costa Rica's contributions towards financing public

sector development projects will probably be not less than one half. In addition, some public sector savings should continue to be available to help finance investment in the private sector, which may also absorb new foreign credits through the banking system at the rate of \$6-7 million a year.

### Conclusion

42. To sum up, with the prospects for production and exports outlined above and given the very substantial increase projected in public investment, it should be possible to maintain a rate of growth of output in excess of the very fast rate of growth of population. This will, however, require an intensification of the efforts of the Costa Rican authorities to diversify the economy, and will depend on an increase in foreign capital inflows in the years immediately ahead.

#### IV. CREDITWORTHINESS

43. As of December 30, 1960, the external public debt of Costa Rica totalled \$56 million. Since then, new loans repayable in foreign exchange totalling \$13.3 million have been obtained. The service on the existing debt reaches a peak of \$10.2 million in 1962, equivalent to 9.1% of estimated foreign exchange earnings. Service payments are scheduled to decline rapidly to \$6.5 million in 1966, equivalent to only 5% of estimated foreign exchange earnings in that year. While the service on the external public debt is quite high in 1962 so that it would be prudent for Costa Rica to avoid incurring new short-term obligations at this time, the country should be able to support substantially more long-term external debt.

44. Costa Rica might find it difficult, however, to support an increase in her external debt of the size implied by her tentative borrowing program over the next eighteen months or two years, if all loans were to be made available on conventional terms. In addition to the loans required for the expansion of basic services in the public sector, the Costa Rican authorities expect to seek new foreign loans to finance imports of capital goods, agricultural and industrial credit and farm colonization. It is possible that new external borrowings over the next two years could amount to approximately \$60 million, which would permit disbursements on foreign loans to reach the levels projected in paragraph 41.

45. Although the total of prospective new foreign borrowings is large, the loans would finance projects of high priority and would help Costa Rica maintain the relatively high rate of investment of recent years. Until 1956, Costa Rica was able to finance about five-sixths of gross investment from domestic savings, but subsequently, with declining profit margins and smaller budget surpluses, capital imports financed a larger share, approximately one-fifth of gross investment. With modest export prospects in the next few years and a continuing rapid growth of population, Costa Rica will need to attract substantial capital imports in the future if investment is to be high enough to support an increase in per capita income.

46. If all loans were to be made available on conventional terms, the annual service payments on prospective new external borrowings would be between \$6 and \$7 million. Without taking account of possible new borrowings after 1963, the total service on the external debt in 1966 would be of the order of \$14 million, 40% above 1962 level and equivalent to approximately 11% of estimated gross foreign exchange earnings in 1966.

47. Costa Rica's longer term prospects may improve sufficiently, as a result of the development efforts now under way, to justify the assumption of such an increased debt service burden. There are, however, considerable uncertainties in the picture, including the continued uncertainty in the outlook for coffee. Until efforts to develop new exports and to strengthen the competitive position of local producers bear fruit and can be adequately assessed, such a sharp increase in debt service would seem imprudent. Some part of Costa Rica's external capital requirements might thus be appropriately supplied on special terms.

APPENDIX I

## APPENDIX I

### PROSPECTS FOR FOREIGN EXCHANGE EARNINGS

#### Merchandise Exports

1. Earnings from Costa Rica's three principal exports -- coffee, bananas and cacao -- are likely to constitute not less than 70% of total export earnings in the foreseeable future. Nevertheless, with the expansion of the newer exports, particularly meat, sugar and fertilizers, the share of the three principal products in total export earnings will slowly decline.

2. Prospects for banana production have been discussed in Chapter III. Price prospects in the United States, the principal market, are rather unfavourable and no recovery from the present levels has been assumed. Production prospects for coffee and cacao have also been referred to in Chapter III. The average export price of Costa Rican coffee is expected to decline gradually to about 35 U.S. cents a lb (f.o.b.) by 1965/66. In estimating future export earnings, it has been assumed that production will be sufficient to allow a rise in the volume of exports during the next five years at an average rate of 3% per annum in line with the expected annual increase in Free World demand. For cacao, an average New York price round about 19 -- 22 cents a lb. has been assumed for the next five years. Costa Rica's export prices are about 25% to 30% less than New York prices.

3. Of the remaining exports, the most important are meat and sugar. At a later stage exports of fertilizers will be substantial. Meat exports have until now been based mainly on cattle imported from Nicaragua and Honduras for slaughter in Costa Rica and re-export. The numbers of Nicaraguan cattle available for export to Costa Rica are fewer this year than in 1960 and with the expansion of processing capacity in Nicaragua, it is expected that the numbers will continue to decline. The surplus of Costa Rican cattle is not expected to be large enough to maintain meat exports at the 1960 level in the immediate future, but the surplus should rise quite quickly. Sugar exports depend primarily on access to the U.S. market, and, if this remains open, a considerable increase in exports should be possible. Production of fertilizers is scheduled to start towards the end of 1961, and as the capacity of the plant is gradually developed, exports are expected to rise to approximately \$10 million a year.

4. For minor exports, a small annual increase of \$0.5 million has been assumed for the period 1962-1966.

ESTIMATED VOLUME OF EXPORTS

Year	Bananas		Coffee	Cacao
	(Stems)	(Boxes)*	(Quintals)	(metric tons)
	(millions)		(thousands)	(thousands)
1961	6.4	2.5	1,100	10.0
1962	6.3	2.5	1,130	9.0
1964	5.6	3.0	1,180	8.0
1966	5.0	3.2	1,200	8.0

\* The Standard Fruit Company is boxing its fruit for export.

ESTIMATED EXPORT PRICES IN COSTA RICA

Year	Bananas		Coffee	Cacao
	Gros Michel	Cavendish		
	U.S. \$ per stem	U.S. \$ per box	U.S. cents per lb.	
1961	3.20	3.10	40	15
1962	3.20	3.10	39	15
1964	3.20	3.10	37	15
1966	3.20	3.10	35	15

ESTIMATED VALUE OF EXPORTS

U.S. \$ millions

Year	Bananas	Coffee	Cacao	Meat	Sugar	Other*	Total
1961	28.2	44.4	3.3	4.0	3.4	6.0	88.5
1962	27.9	44.5	3.0	4.5	4.2	6.5	99.8
1964	27.2	44.1	2.8	5.5	5.6	12.0	96.7
1966	25.9	42.4	2.8	7.0	6.2	20.0	103.7

\* Including fertilizers.

Invisibles

5. The most important single source of foreign exchange earnings on non-merchandise account in recent years has been tourism. With improved communications both within Costa Rica and between Costa Rica and other countries, a continued rise in tourist receipts seems probable. Some increase in receipts from transport and insurance services is likely with the growth of foreign trade and a further rise in expenditures by foreign governments and missions in Costa Rica is probable. Investment income from abroad has been small and no substantial increase seems likely. Miscellaneous receipts, including migrants' remittances, have not risen in recent years and no growth has been assumed.

ESTIMATED RECEIPTS ON NON-MERCHANDISE ACCOUNT

U.S. \$ millions

Year	Tourism	Transport and Insurance	Investment Income	Expenditures by Foreign Governments	Misc.	Total
1961	7.0	3.6	0.5	2.4	6.0	19.5
1962	7.5	3.7	0.6	2.5	6.0	20.3
1964	8.5	3.9	0.6	2.7	6.0	21.7
1966	9.5	4.2	0.7	2.9	6.0	23.3

ESTIMATED TOTAL CURRENT EARNINGS OF FOREIGN EXCHANGE

U. S. \$ millions

Year	Merchandise	Invisibles	Total
1961	88.5	19.5	108.0
1962	89.8	20.3	110.1
1964	96.7	21.7	118.4
1966	103.7	23.3	127.0

APPENDIX II

## LIST OF TABLES

### Table No.

#### External Public Debt

1. Summary of External Public Debt
2. Service on External Public Debt, 1961 - 1975

#### Population Growth

3. Population Growth, 1950 - 1960

#### National Income and Production Trends

4. National Income Trends, 1950-59
5. Expenditures on Gross National Product, 1950-1959
6. Industrial Origin of Gross Domestic Product, 1950-1959
7. Composition of Gross Domestic Capital Formation, 1950-1959
8. The Finance of Gross Domestic Capital Formation, 1950-1959
9. Agricultural and Pastoral Production, 1950/51-1960/61
10. Power and Transport Statistics, 1948-1960

#### Trade and Balance of Payments Statistics

11. Composition of Exports, 1950-1960
12. Composition of Imports, 1950-1959
13. Exports and Imports by Regions, 1937, 1953-1960
14. Export and Import Prices and Terms of Trade, 1937, 1948, 1950-1960
15. Balance of Payments, 1950-1960
16. Foreign Exchange Reserves, 1950-1961

#### Financial, Fiscal and Price Statistics

17. Summary Accounts of the Banking System, 1951-1960
18. Changes in the Money Supply, 1951-1960
19. Credit Ceilings for Commercial Banks, Loans Outstanding and Central Bank Rediscounts, 1951-60
20. Commercial Bank Loans by Purpose, 1956-1960
21. Bank Loans to Agriculture, Livestock and Industry by Purpose, 1958-1960
22. Government Ordinary Revenues, 1954-1961
23. Government Extraordinary Revenues, 1954-1961
24. Government Expenditures by Purpose, 1954-1961
25. Government Revenues and Expenditures, 1954-1961
26. Internal Public Debt, 1951-1960
27. Domestic Price Indices, 1950-1961
28. Indices of Minimum Wages, 1950-1962
29. Prices of Costa Rican Bonds in New York and London

TABLE 1:  
COSTA RICA: SUMMARY OF EXTERNAL PUBLIC DEBT  
OUTSTANDING PLUS UNDISBURSED AS OF DEC. 31, 1960

National and Government Guaranteed Debt  
(In thousands of U.S. dollar equivalents)

Item	Debt Outstanding Plus Undisbursed December 31, 1960	Major Reported Additions Jan. 1 - August 3 1961
TOTAL EXTERNAL PUBLIC DEBT	<u>56,009</u> <sup>1/</sup>	<u>13,300</u>
Outstanding	47,241	-
Undisbursed	8,768	13,300
Publicly-issued Bonds	<u>10,553</u>	-
U.S. Dollar Bonds	5,751	-
Pound Sterling Bonds	4,802	-
Privately-placed Debt (Suppliers' Credits) <sup>Including</sup>	<u>18,442</u>	-
Outstanding	18,442	-
Undisbursed	-	-
IBRD Loan (including Participation)	<u>6,956</u>	<u>8,800</u>
Outstanding	5,022	-
Undisbursed	1,934	8,800
U.S. Government Loans (Export-Import Bank)	<u>20,058</u>	<u>4,500</u>
Outstanding	13,224	-
Undisbursed	6,834	4,500

<sup>1/</sup> Does not include an ICA Loan to Costa Rica of \$2,000,000 repayable in U.S. dollars or colones at Costa Rica's option.

Source: IBRD - Economic Staff

TABLE 2:

COSTA RICA: SUMMARY OF ESTABLISHED CONTRACTUAL INTEREST AND AMORTIZATION  
PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING PLUS UNDISBURSED AS OF  
DECEMBER 31, 1960 WITH MAJOR REPORTED ADDITIONS TO AUG. 3, 1961

National and Government Guaranteed Debt  
(In thousands of U.S. dollar equivalents)

Year	T o t a l				Service Payments by Type of Loan			
	Debt outstanding Plus Undisbursed January 1	Payments During Year			Publicly-issued Bonds	Privately Placed debt	IBRD Loans	U.S. Govt. Loans
		Amortization	Interest	Total				
1961	56,009	6,806	2,590	9,396	1,227	4,913	1,642	1,614
1962	62,347	7,241	2,969	10,210	937	4,862	1,956	2,455
1963	54,945	6,312	2,661	8,973	937	3,321	2,209	2,506
1964	48,465	5,675	2,349	8,024	935	2,856	1,777	2,456
1965	42,615	5,920	2,043	7,963	910	2,590	1,763	2,700
1966	36,514	4,794	1,747	6,541	910	2,002	1,000	2,629
1967	31,533	3,929	1,499	5,428	910	986	987	2,545
1968	27,411	3,031	1,331	4,362	910	-	973	2,479
1969	24,178	3,094	1,188	4,282	910	-	961	2,411
1970	20,874	2,708	1,045	3,753	433	-	948	2,372
1971	18,079	2,136	919	3,055	394	-	935	1,726
1972	15,856	2,261	811	3,072	589	-	823	1,660
1973	13,515	1,924	701	2,625	324	-	710	1,591
1974	11,551	1,673	605	2,278	44	-	710	1,524
1975	9,872	1,676	517	2,193	26	-	710	1,457

Source: IBRD - Economic Staff

TABLE 3:  
COSTA RICA: POPULATION GROWTH 1950-1960

Year	Population		Births per 1000 of the Population	Deaths per 1000 of the Population
	Total	% Increase		
1950	812,056	2.94	46.5	12.2
1951	838,084	3.20	47.6	11.7
1952	868,741	3.66	49.8	11.6
1953	898,329	3.40	48.5	11.7
1954	933,033	3.86	52.6	10.6
1955	969,640	3.92	51.4	10.5
1956	1,014,170	4.59	52.1	9.6
1957	1,052,474	3.77	50.1	10.1
1958	1,099,962	4.51	50.1	9.0
1959	1,148,441	4.41	49.6	9.0
1960	1,199,114	4.41	50.7	8.6

Source: Office of Census and Statistics: Annual Reports

TABLE 4:  
COSTA RICA: NATIONAL INCOME TRENDS, 1950-59

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Export income <sup>1/</sup> (mill. colones)	348	388	467	505	537	531	477	596	658	556
Domestic income (mill. colones)	778	821	829	924	999	1,163	1,293	1,289	1,367	1,544
National income at current prices (mill. colones)	1,126	1,209	1,296	1,429	1,536	1,694	1,770	1,885	2,025	2,100
National income at 1953 prices (mill. colones)	1,161	1,163	1,296	1,429	1,491	1,598	1,654	1,714	1,792	1,834
Year to year change (%)	-	0.2	11.4	10.3	4.3	7.2	3.5	3.6	4.6	2.3
Per capita in- come at 1953 prices (colones)	1,430	1,388	1,491	1,591	1,598	1,647	1,631	1,629	1,629	1,597
Year to year change (%)	-	-2.9	7.4	6.7	0.4	3.1	-1.0	-0.1	-	-2.0

<sup>1/</sup> Includes f.o.b. value of banana exports

Sources: Central Bank of Costa Rica, National Income and Product 1950-57 and 1955-59 (San Jose); and International Monetary Fund, International Financial Statistics (Washington).

**TABLE 5:**  
**COSTA RICA: EXPENDITURE ON GROSS NATIONAL PRODUCT 1950-59**

At current market prices  
(millions of colones)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
1. Private consumption expenditure	977.4	1,076.7	1,135.8	1,239.4	1,333.4	1,483.8	1,542.3	1,676.9	1750.6	1883.5
2. General government consumption expenditure	94.4	107.9	125.1	126.3	158.4	193.2	251.7	256.3	296.7	291.2
3. Gross domestic fixed capital formation	205.2	239.1	279.1	344.0	359.2	394.1	417.8	434.8	404.0	451.4
4. Increase in stocks	16.8	22.0	30.8	25.3	29.7	31.4	37.6	32.8	33.4	41.5
5. Exports of goods and services )		387.8	467.0	505.2	537.4	531.4	476.9	596.4	658.4	555.9
6. Less imports of goods and services )	39.9	391.3	461.8	500.9	538.7	582.6	613.5	694.1	678.1	693.7
Expenditure on gross domestic product	1,333.7	1,442.2	1,576.0	1,739.3	1,879.4	2,051.3	2,112.8	2,302.7	2,465.0	2,529.8
7. Net factor income from abroad	- 35.5	- 33.0	- 60.0	- 40.4	- 33.2	- 19.6	9.0	- 15.5	- 15.0	0.2
Expenditure on gross national product	1,298.2	1,409.2	1,516.0	1,698.9	1,846.2	2,031.7	2,121.8	2,287.2	2,450.0	2,530.0

Source: United Nations Year Books of National Accounts Statistics 1957, 1958, 1960

TABLE 6:  
COSTA RICA: INDUSTRIAL ORIGIN OF GROSS DOMESTIC PRODUCT<sup>1/</sup> 1950-59

At current factor cost  
(millions of colones)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
1. Agriculture, forestry, hunting, fishing <sup>4/</sup>	549.8	589.5	650.0	704.2	732.8	789.9	712.5	799.4	873.0	807.5
2. Mining and quarrying )	137.8	148.5	162.2	175.8	186.5	201.1	220.1	233.8	244.5	260.4
3. Manufacturing )										
4. Construction	39.3	42.1	46.1	50.0	53.2	57.3	62.8	67.1	71.8	75.6
5. Electricity, gas, water and sanitary services <sup>2/</sup>										
6. Transportation, storage and communication	41.1	45.8	50.6	55.3	59.4	63.4	68.6	74.2	79.8	90.1
7. Wholesale and retail trade	106.9	115.2	125.1	134.9	142.1	154.2	169.4	184.6	197.7	213.5
8. Banking, insurance and real estate <sup>3/</sup>										
9. Ownership of dwellings <sup>4/</sup>	54.8	58.8	63.7	68.6	73.0	78.4	85.0	88.0	90.0	93.0
10. Public administration and defence <sup>5 &amp; 2/</sup>	71.7	83.9	99.0	117.1	139.6	158.2	184.5	205.3	229.3	251.1
11. Services <sup>2/</sup>	143.0	156.7	170.3	184.0	195.2	210.4	231.1	245.5	256.1	275.9
12. Other <sup>1 &amp; 3/</sup>	61.3	65.3	71.1	78.5	95.7	117.4	152.3	133.5	138.6	156.4
Gross domestic product at factor cost <sup>1/</sup>	1,205.7	1,305.9	1,438.1	1,568.4	1,676.5	1,830.3	1,886.2	2,031.4	2,220.5	2,266.4

<sup>1/</sup> Product originating in the industries classified under items 1-9 and Item 11 refer to the private sector only. Item 12 comprises the total product of State enterprises, e.g., public utilities, State banks, railways, postal and telegraph.

<sup>2/</sup> Electricity included in Item 11, water and sanitary services in Item 10.

<sup>3/</sup> State financial services only; included in Item 12.

<sup>4/</sup> Item 9 includes urban dwellings only; rent of rural dwellings and buildings is included in Item 1.

<sup>5/</sup> All services of general government.

Source: United Nations Year Books of National Accounts Statistics 1957/1960

TABLE 7

## COSTA RICA: COMPOSITION OF GROSS DOMESTIC CAPITAL FORMATION 1950-59

(millions of colones)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
	By type of purchaser									
1. Fixed Capital Formation	205.2	239.1	279.1	344.0	359.2	394.1	417.8	434.8	404.0	451.4
(a) Private sector	184.4	211.4	227.4	254.8	276.9	304.7	318.3	343.1	330.0	386.2
(b) Government Enterprises <u>1/</u>	6.3	4.1	6.2	19.5	22.4	27.4	41.8	35.3	36.6	20.7
(c) General Government <u>2/</u>	14.5	23.6	45.5	69.7	59.9	62.0	57.7	56.4	37.4	44.5
2. Increase in Stocks	16.8	22.0	30.8	25.3	29.7	31.4	37.6	32.4	33.4	41.5
(a) Private sector	17.3	21.1	22.7	25.5	27.7	30.5	31.8	34.3	29.0	38.5
(b) Government Enterprises <u>1/</u>	- 0.5	0.9	8.1	- 0.2	2.0	0.9	5.8	- 1.9	4.4	3.2
(c) General Government <u>2/</u>	-	-	-	-	-	-	-	-	-	-
Gross domestic capital formation	222.0	261.1	309.9	369.3	388.9	425.5	455.4	467.2	437.4	492.9

1/ Including the State Banks, the National Insurance Institute, the National Production Council, the Electricity Institute, the Pacific Railway, Postal Telegraph and Radio Services, the National Press, and other smaller bodies.

2/ Including the Central Government, Municipalities, the Social Security Fund, Social Assistance Boards, the University of Costa Rica, Education Boards, the National Coffee Office, and other smaller bodies.

Source: United Nations Year Books of National Accounts Statistics 1957-60

TABLE 8

COSTA RICA: THE FINANCE OF GROSS DOMESTIC CAPITAL FORMATION, 1950-59

(millions of colones)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
1. Provisions for the consumption of fixed capital	55.1	63.9	82.1	99.3	107.7	117.1	125.5	130.9	140.8	123.7
2. Saving:										
a. General government	56.3	83.2	71.1	107.5	102.0	93.2	35.2	78.1	63.7	94.5
b. Government Enterprises	13.1	14.3	16.0	16.4	20.2	19.4	41.9	22.8	15.4	22.1
c. Private corporations	30.7	32.5	36.2	38.7	33.5	38.0	36.9	38.4	37.8	39.1
d. Household and private non-profit institutions	32.0	30.7	49.7	71.3	91.0	87.0	88.3	83.8	145.0	75.9
3. Balance of payments deficit (surplus - )	34.8	36.5	54.8	36.1	34.5	70.8	127.6	113.2	34.7	137.6
Gross domestic capital formation	222.0	261.1	309.9	369.3	388.9	425.5	455.4	467.2	437.4	492.9

Source: United Nations Year Books of National Accounts Statistics 1957/1960.

**TABLE 9:**  
**COSTA RICA: AGRICULTURAL AND PASTORAL PRODUCTION 1950/51-1960/61**

Crop Years		1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61 <sup>1/</sup>
<b>Export Crops</b>												
Coffee	000 quintals	437.3	459.1	719.1	509.7	738.4	523.1	735.1	992.3	1,115.0	1,002.6	1,247.4
Cacao <sup>2/</sup>	000 metric tons	3.2	3.4	6.8	9.4	9.5	6.2	7.4	7.7	11.5	11.7	-
Bananas <sup>2/</sup>	million stems	10.0	11.6	10.1	10.1	9.1	6.4	8.7	8.6	6.1	7.9	-
Cotton	000 quintals	n.a.	3.6	3.0	5.1	5.5	5.9	19.9	29.0	33.9	22.7	30.0
<b>Food Crops</b>												
Corn	000 quintals	1,112.5	1,295.3	1,366.6	1,222.5	1,024.9	1,224.9	1,316.5	1,156.3	1,592.0	1,720.0	-
Beans	000 quintals	219.3	327.1	363.8	307.4	234.5	111.0	291.2	311.0	301.5	411.7	-
Rice	000 quintals	456.7	512.8	555.0	487.0	378.2	436.4	528.6	476.2	584.3	748.7	-
Sugar	000 quintals	463.0	613.1	677.1	720.1	697.5	511.5	656.6	887.8	1,101.0	1,046.5	1,200.0
<hr/>												
Calendar Years		1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
<b>Pastoral Products</b>												
Cattle slaughtered	000 head	67.9	75.1	73.3	81.8	85.1	92.0	97.3	98.7	102.4	124.4	135.0
Pigs slaughtered	000 head	61.0	55.0	53.3	63.2	61.2	60.9	61.4	61.4	74.5	77.0	70.0
Milk production Index:	1955 = 100	n.a.	n.a.	n.a.	n.a.	n.a.	100.0	116.0	127.6	137.1	163.0	170.0

<sup>1/</sup> Preliminary  
<sup>2/</sup> Exports in calendar years 1951-59

N.B. Quintals are Spanish quintals of 101 lbs.  
n.a. Not available

Sources: Central Bank of Costa Rica: Annual Reports; International Financial Statistics; Direccion General de Estadistica: Anuario Estadistico, 1958 and Censo Agropecuario 1955; Consejo Nacional de Produccion, Departamento de Investigaciones Economicas: direct information; International Cotton Advisory Committee.

TABLE 10:  
COSTA RICA: POWER AND TRANSPORT STATISTICS

	1948	1950	1954	1955	1956	1957	1958	1959	1960
<u>Electric Power</u>									
Generation (mill. of k.w.h.)	-	-	231.9	265.1	294.0	309.0	329.8	347.5	403.0
% increase	-	-	-	14.3	10.9	5.1	6.7	5.4	16.0
<u>Road Transport</u>									
Kilometers of all- weather highways	1,560	-	1,970	-	-	-	2,400	-	3,245
Number of motor vehicles (000's)	-	7.0	14.1	16.7	18.6	21.3	22.2	23.6	25.0 <sup>1</sup>
% increase	-	-	19.1*	18.4	11.4	14.5	4.2	6.3	6.0
Consumption of gas (mill. gallons)	-	8.0	15.4	14.2	16.2	19.4	20.2	21.2	22.4 <sup>1</sup>
% increase	-	-	17.4*	- 7.1	14.1	19.7	4.1	5.0	5.7
<u>Railway Transport</u>									
Northern and Pacific Railways: Freight traffic (000 metric tons)	-	439.3	550.2	630.9	633.5	648.7	694.5	709.9	826.5
% increase	-	-	5.9*	14.7	0.4	2.6	7.1	2.2	16.4
<u>Port Traffic</u>									
Freight moving through Limon & Puntarenas (000 metric tons)	-	225.9	332.6	389.2	429.1	439.2	461.1	481.7	539.6
% increase	-	-	10.2*	17.0	10.3	2.4	5.0	4.5	12.0

<sup>1</sup>/ estimated

\* average annual increase over four-year period

Sources: Instituto Costarricense de Electricidad  
Ministerio de Obras Publicas: Plan Vial, 1959-1960  
Ferrocarril Electrico al Pacifico: Informe Anual, 1958  
Northern Railway Company: direct information  
Direccion General de Estadistica y Censos.

TABLE 11:  
COSTA RICA: COMPOSITION OF EXPORTS, 1950-60

(Value in millions of U.S. dollars)

	Coffee		Bananas		Cacao		Cattle & meat	Other Products	Total Value
	Value	Volume <sup>1/</sup>	Value	Volume <sup>2/</sup>	Value	Volume <sup>3/</sup>	Value	Value	
1950	17.8	415.0	31.5	10.2	2.0	3.6	- <sup>4/</sup>	4.3	55.6
1951	22.2	413.0	34.4	10.0	1.9	3.2	- <sup>4/</sup>	4.9	63.4
1952	24.3	461.0	38.4	11.6	4.2	8.4	0.1	6.4	73.4
1953	33.5	611.2	35.8	10.1	4.0	6.8	0.3	6.5	80.1
1954	35.1	510.4	35.8	10.1	8.3	9.4	0.4	5.1	84.7
1955	37.4	616.0	33.2	9.1	5.9	9.5	1.0	3.4	80.9
1956	33.8	495.7	25.7	6.4	2.9	6.2	1.0	4.1	67.5
1957	40.6	640.1	32.2	8.7	4.0	7.4	2.2	4.4	83.4
1958	50.5	1003.6	26.5	8.6	5.8	7.7	3.2	5.9	91.9
1959	40.0	941.1	19.1	6.1	7.4	11.5	3.6	6.6	76.7
1960*	43.4	1000.0	25.0	7.9	5.8	11.7	4.7	9.6	88.5

\* Preliminary

- <sup>1/</sup> Thousands of Spanish quintals of 46 kgm., i.e. approx. 101 lbs.  
<sup>2/</sup> Millions of stems  
<sup>3/</sup> Thousands of metric tons  
<sup>4/</sup> Included under "Other products"

Sources: Central Bank of Costa Rica; Direccion General de Estadistica

TABLE 12:

## COSTA RICA: COMPOSITION OF IMPORTS 1951-1959

(c.i.f.)  
(millions of U.S. \$)

	1951	1952	1953	1954	1955	1956	1957	1958	1959
1. Foodstuffs	7.6	8.2	9.1	10.0	11.8	14.3	11.4	11.8	15.3
2. Beverages and tobacco	0.4	0.6	0.7	0.7	0.7	0.8	0.7	0.8	0.9
3. Raw Materials	1.0	1.1	0.6	0.7	0.7	0.7	0.6	0.6	0.6
4. Fuel and Lubricants	3.7	4.2	4.5	5.4	5.3	5.9	7.2	6.8	6.0
5. Fats and Edible Oils	0.3	0.5	0.4	0.6	0.5	0.6	0.6	0.6	0.5
6. Chemical Products	8.4	10.7	9.6	11.5	13.2	13.4	16.3	15.2	15.7
7. Principal Manufactured articles	20.9	22.8	24.8	24.5	24.8	25.7	30.6	30.6	29.7
8. Machinery and Transport Equipment	9.2	13.1	16.4	18.7	23.2	22.1	27.3	24.8	26.2
9. Other Manufactured Articles	3.9	6.2	6.9	7.9	7.1	7.6	7.9	8.0	7.8
10. Other Merchandise	0.4	0.5	0.7	0.6	0.1	0.1	0.1	0.2	-
TOTAL	55.7	67.9	73.6	80.7	87.5	91.2	102.8	99.3	102.7

Source: Direccion General de Estadistica, Comercio Exterior de Costa Rica

TABLE 13

## COSTA RICA: EXPORTS AND IMPORTS BY REGIONS - 1937, 1953-1960

(Percentages)

	Exports									Imports							
	1937	1953	1954	1955	1956	1957	1958	1959	1960 <sup>/1</sup>	1937	1953	1954	1955	1956	1957	1958	1959
U.S. and Canada	44	74	69	59	56	60	56	53	56	42	63	62	63	57	58	53	51
Other Western Hemisphere	3	5	6	6	5	7	8	7	8	6	8	8	8	11	9	11	13
U.K.	20	--	--	1	--	1	1	1	1	8	8	7	7	7	5	6	6
Other Western Europe	29	20	25	34	38	32	34	37	35	31	18	20	19	22	23	23	22
Rest of World	4	1	--	--	1	--	1	2	--	13	4	3	3	3	5	7	8

<sup>/1</sup> Preliminary.

Sources: 1937 and 1953 - IBRD Current Economic Position and Prospects of Costa Rica, August 10, 1954.  
 1954 - 1960 - Comercio Exterior de Costa Rica; Banco Central de Costa Rica.

TABLE 14:

COSTA RICA: EXPORT AND IMPORT PRICES AND TERMS OF TRADE1937, 1948 AND 1950-1960

( 1953 = 100 )

Year	Export Prices <sup>1/</sup>	Bananas	Coffee	Cacao	Import Prices <sup>2/</sup>	Terms of Trade
1937	33	47	19	32	51	65
1948	64	69	51	132	98	65
1950	86	91	78	108	88	98
1951	98	97	98	102	101	97
1952	94	94	96	83	100	94
1953	100	100	100	100	100	100
1954	114	100	125	148	99	115
1955	106	103	110	102	100	106
1956	116	113	124	78	103	113
1957	109	105	116	90	107	106
1958	91	87	92	128	106	86
1959	84	88	78	107	106	79
1960	85	90	79	83	108	79

<sup>1/</sup> Includes prices of bananas, coffee and cacao combined with 1953 value weights using Laspeyre's index. The export price data are unit values derived from quantity and dollar value after adjustment of the banana values to estimated f.o.b. values.

<sup>2/</sup> The U.S. index of export prices.

Source: IFS

TABLE 15:  
COSTA RICA: BALANCE OF PAYMENTS 1950-1960  
(in millions of U.S. dollars)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	Prelim. 1960
A. <u>Goods and Services</u>	<u>2.5</u>	<u>0.1</u>	<u>-5.8</u>	<u>-1.6</u>	<u>-0.3</u>	<u>-8.2</u>	<u>-19.6</u>	<u>-20.0</u>	<u>-9.1</u>	<u>-26.0</u>	<u>-23.3</u>
Exports, f.o.b.	56.3	61.2	72.1	79.4	85.7	80.8	64.7	82.7	93.1	76.0	85.0
Imports, f.o.b.	-41.1	-47.7	-59.2	-64.8	-71.1	-77.7	-81.6	-92.0	-88.9	-93.5	-96.7
Transportation & Insur.	-4.4	-4.8	-6.1	-6.8	-7.2	-8.3	-8.1	-9.9	-9.7	-9.7	-9.8
Investment Income	-13.5	-12.1	-14.7	-11.0	-11.7	-7.6	-1.2	-6.9	-8.9	-3.7	-6.8
Other (net)	5.2	3.6	2.1	2.5	4.0	4.6	6.6	6.1	5.3	4.9	5.0
B. <u>Private Donations</u>	<u>-0.2</u>	<u>0.1</u>	<u>-</u>	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	<u>0.9</u>	<u>1.2</u>	<u>1.2</u>	<u>0.9</u>	<u>1.1</u>
C. <u>Private Capital</u>	<u>-9.9</u>	<u>-2.8</u>	<u>-0.6</u>	<u>2.7</u>	<u>1.0</u>	<u>13.5</u>	<u>2.5</u>	<u>2.7</u>	<u>0.1</u>	<u>7.2</u>	<u>3.2</u>
Long-term capital (net)	0.6	2.4	1.1	0.1	1.0	9.5	5.4	0.4	0.6	7.8	3.2
Short-term capital (net)	-10.5	-5.2	-1.7	2.6	-	4.0	-2.9	2.3	-0.5	-0.6	-
D. <u>Official Donations</u>	<u>0.3</u>	<u>0.5</u>	<u>1.4</u>	<u>0.6</u>	<u>1.9</u>	<u>2.5</u>	<u>2.3</u>	<u>6.1</u>	<u>8.5</u>	<u>5.9</u>	<u>4.2</u>
E. <u>Official Long-term capital</u>	<u>-0.1</u>	<u>-0.1</u>	<u>-0.1</u>	<u>-0.3</u>	<u>-1.0</u>	<u>1.0</u>	<u>1.8</u>	<u>3.6</u>	<u>1.7</u>	<u>3.1</u>	<u>10.2</u>
Foreign loan drawings	-	-	-	-	-	1.6	4.2	6.2	5.0	6.5	14.4
Foreign loan repayments	-0.1	-0.1	-0.1	-0.3	-1.0	-0.6	-2.4	-2.6	-3.3	-3.4	-4.2
F. <u>Net Errors and Omissions</u>	<u>6.3</u>	<u>6.4</u>	<u>11.9</u>	<u>1.1</u>	<u>-4.3</u>	<u>-6.1</u>	<u>-4.0</u>	<u>8.5</u>	<u>7.0</u>	<u>4.9</u>	<u>2.0</u>
G. <u>Reserve Movements (=increase)</u>	<u>1.1</u>	<u>-4.3</u>	<u>-6.8</u>	<u>-3.0</u>	<u>2.3</u>	<u>-3.1</u>	<u>8.1</u>	<u>-2.1</u>	<u>-9.4</u>	<u>4.0</u>	<u>2.6</u>
Short-term liabilities	-	-	-	-0.3	1.4	1.5	-0.1	-1.9	-0.6	-1.1	-
Short-term assets (=increase)	-	-	-	-	-	-	-	-	-	-	-
Government	-	-0.2	0.2	-	-	-	-0.1	0.2	-0.2	0.1	-
Central Bank	1.0	-4.5	-6.4	-3.1	2.0	-3.9	7.8	-	-7.8	6.2	1.4
Commercial banks	0.1	0.4	-0.6	0.4	-1.1	-0.7	0.5	-0.4	-0.8	-1.2	1.2

Source: IMF, Balance of Payments Yearbooks; Central Bank of Costa Rica

TABLE 16:

COSTA RICA: FOREIGN EXCHANGE RESERVESNet International Monetary Reserves of the Banking System, 1950-61

End of Year	U.S. \$ Millions	Ratio of Reserves to Imports (f.o.b.) Per Cent
1950	4.6	11.2
1951	8.7	18.2
1952	15.7	26.6
1953	18.4	28.4
1954	16.9	23.7
1955	20.7	26.6
1956	11.6	14.2
1957	12.4	13.5
1958	19.9	21.8
1959	14.1	15.1
1960	11.5	11.9

End of Month	1958	1959	1960	1961
January	14.8	21.0	13.8	11.4
February	14.8	22.9	17.4	12.5
March	16.1	25.2	17.8	12.7
April	19.2	26.3	17.4	12.8
May	20.6	26.5	15.3	12.1
June	21.6	24.5	14.2	
July	20.6	24.0	14.4	
August	17.2	21.6	14.1	
September	15.8	18.0	13.2	
October	15.3	15.5	12.1	
November	18.3	13.9	11.4	
December	19.9	14.1	12.5	

Source: Central Bank of Costa Rica - Annual Report and Monthly Statistical Bulletins.

TABLE 17:  
COSTA RICA: SUMMARY ACCOUNTS OF THE BANKING SYSTEM 1950-1960  
(million of colones)

End of year	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
<u>I. CENTRAL BANK</u>											
A. <u>Foreign Assets (Net)</u>	20.9	48.8	82.0	98.9	84.7	103.4	59.6	64.9	109.3	74.6	67.6
B. <u>Domestic Credit (Net)</u>	78.9	65.1	48.9	45.3	77.6	57.0	99.9	123.5	96.7	146.4	222.0
1. To Government	17.3	- 8.9	- 19.8	- 25.2	- 4.8	3.3	19.8	10.3	6.2	11.4	10.2
2. To official agencies	- 4.1	- 4.4	- 4.7	-	0.6	- 2.5	1.5	7.9	9.4	14.5	14.4
3. To commercial banks	34.0	41.7	37.3	44.1	49.7	22.1	46.8	78.8	54.2	95.2	170.2
4. Unclassified	31.7	36.7	36.1	26.4	32.1	34.1	31.8	26.5	26.9	25.3	27.2
C. <u>Non-monetary Liabilities</u>	5.0	5.5	5.6	6.3	6.9	7.6	8.4		25.3	35.6	96.0
1. Capital and Reserves	5.0	5.5	5.6	6.3	6.9	7.6	8.4	9.3	9.9	10.2	11.5
2. IBRD Loan	-	-	-	-	-	-	-	10.0	15.4	25.4	28.5
3. Chase Manhattan Bank Loan	-	-	-	-	-	-	-	-	-	-	56.0
D. <u>Currency in Circulation</u>	94.8	108.4	125.3	137.9	155.4	152.8	151.1	169.1	180.7	185.4	193.6
<u>II. COMMERCIAL BANKS</u>											
A. <u>Foreign Assets (Net)</u>	6.3	6.1	9.3	8.8	13.8	14.4	12.0	19.6	23.9	30.5	16.4
B. <u>Bank Reserves</u>	47.3	33.5	42.5	46.0	48.0	55.3	58.5	63.3	69.5	73.1	79.8
C. <u>Domestic Credit</u>	2.3	257.3	284.6	316.1	348.6	385.1	435.8	499.1	530.0	623.9	735.2
1. To Government (Net)	12.1	3.4	0.8	- 0.4	- 0.4	0.4	3.9	0.2	- 0.6	14.0	13.0
2. To private sector <u>1/</u>	224.3	234.8	264.1	293.1	322.7	356.2	397.8	463.4	491.2	582.6	680.7
3. Unclassified (Net)	- 2.1	19.1	19.7	23.4	26.3	28.5	34.1	35.5	39.4	37.3	41.5
D. <u>Indebtedness to Central Bank</u>	81.3	75.2	79.8	90.1	97.7	77.4	105.3	142.1	123.7	168.3	250.0

COSTA RICA: SUMMARY ACCOUNTS OF THE BANKING SYSTEM 1950-1960  
(million of colones)

End of year	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
II. <u>COMMERCIAL BANKS</u> (Continued)											
E. <u>Non-monetary Liabilities</u>	100.6	105.9	117.2	128.2	142.8	190.8	210.1	239.2	282.3	318.3	342.3
1. Time, savings and foreign exchange deposits	28.2	29.1	36.1	41.5	47.5	60.8	70.7	82.4	102.0	118.3	127.9
2. Capital and reserves	72.4	76.8	81.1	86.7	95.3	116.7	129.3	142.6	157.2	161.4	166.7
3. Development bonds	-	-	-	-	-	13.3	10.1	14.2	23.1	38.6	35.8
4. Revalidated bonds	-	-	-	-	-	-	-	-	-	-	11.9
F. <u>Demand Deposits</u>	106.0	115.8	139.4	152.6	169.9	186.6	190.9	200.7	217.4	240.9	239.1
III. <u>BANKING SYSTEM CONSOLIDATED</u>											
A. <u>Foreign Assets</u> (Net)	27.2	54.9	91.3	107.7	98.5	117.8	71.6	84.5	133.2	105.1	84.0
B. <u>Domestic Credit</u>	279.5	283.2	298.5	320.8	377.5	420.0	468.9	543.8	572.5	675.1	782.0
1. To Government (Net)	29.4	- 5.5	- 19.0	- 25.6	- 5.2	3.7	23.7	10.5	5.6	15.4	23.2
2. To official entities (Net) <sup>2/</sup>	- 4.1	- 4.4	- 4.7	-	0.6	- 2.5	1.5	7.9	9.4	34.5	14.4
3. To private sector	224.3	234.8	264.1	293.1	322.7	356.2	397.8	463.4	491.2	582.6	680.7
4. Unclassified (Net)	29.9	58.3	58.1	53.3	59.4	62.6	65.9	62.0	66.3	62.6	68.7
C. <u>Non-monetary Liabilities</u>	105.9	113.9	125.1	138.0	150.7	198.4	218.5	258.5	307.6	353.9	438.2
1. Time, savings and foreign exchange deposits	28.5	31.6	38.4	45.0	48.5	60.8	70.7	82.4	102.0	118.3	127.9
2. Bonds	-	-	-	-	-	13.3	10.1	14.2	23.1	38.6	47.7
3. Capital and reserves	77.4	82.3	86.7	93.0	102.2	124.3	137.7	151.9	167.1	171.6	178.2
4. IBRD Loan	-	-	-	-	-	-	-	10.0	15.4	25.4	28.5
5. Chase Manhattan Bank Loan	-	-	-	-	-	-	-	-	-	-	56.0
D. <u>Monetary Liabilities</u>	200.8	224.2	264.7	290.5	325.3	339.4	342.0	369.8	398.1	426.3	432.7
1. Currency in Circulation	94.8	108.4	125.3	137.9	155.4	152.8	151.1	169.1	180.7	185.4	193.6
2. Demand deposits	106.0	115.8	139.4	152.6	169.9	186.6	190.9	200.7	217.4	240.9	239.1

Source: Central Bank of Costa Rica; I.M.F.

1/ Includes official agencies  
2/ Central Bank only

TABLE 18:  
COSTA RICA: CHANGES IN THE MONEY SUPPLY 1951-1960  
 (millions of colones)

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
<u>Changes in the Money Supply</u>	<u>23.4</u>	<u>40.5</u>	<u>25.8</u>	<u>34.8</u>	<u>14.1</u>	<u>2.6</u>	<u>27.8</u>	<u>28.3</u>	<u>28.2</u>	<u>6.4</u>
Of which: changes in currency in circulation	13.6	16.9	12.6	17.5	- 2.6	- 1.7	18.0	11.6	4.7	8.2
changes in demand deposits	9.8	23.6	13.2	17.3	16.7	4.3	9.8	16.7	23.5	- 1.8
<u>Changes in Assets of the Banking System:</u>	<u>31.4</u>	<u>51.7</u>	<u>38.7</u>	<u>47.5</u>	<u>61.8</u>	<u>22.7</u>	<u>67.8</u>	<u>77.4</u>	<u>81.2</u>	<u>90.8</u>
Foreign Assets (Net)	27.7	36.4	16.4	- 9.2	19.3	-46.2	12.9	48.7	-21.4	-21.1
Domestic Assets	3.7	15.3	22.3	56.7	42.5	68.9	54.9	28.7	102.6	111.9
Of which: Credit to Government (net)	-34.9	-13.5	- 6.6	20.4	8.9	20.0	-13.2	- 4.9	9.8	7.8
Credit to Official Agencies (net)	- 0.3	- 0.3	4.7	0.6	- 3.1	4.0	6.4	1.5	5.1	- 0.1
Credit to Private Sector	10.5	29.3	29.0	29.6	33.5	41.1	65.6	27.8	91.4	98.1
Other assets (net)	28.4	- 0.2	- 4.8	6.1	3.2	3.8	- 3.9	4.3	- 3.7	6.1
<u>Changes in Banks Non-Monetary Liabilities</u>	<u>8.0</u>	<u>11.2</u>	<u>12.9</u>	<u>12.7</u>	<u>47.7</u>	<u>20.1</u>	<u>40.0</u>	<u>49.1</u>	<u>53.0</u>	<u>84.4</u>
Time, savings and foreign exchange deposits	3.1	6.8	6.6	3.5	12.3	9.9	11.7	19.6	16.3	9.6
Development Bonds	-	-	-	-	13.3	- 3.2	4.1	8.9	15.5	9.1
I.B.R.D. Loans	-	-	-	-	-	-	10.0	5.4	10.0	3.1
Chase Manhattan Bank Loan	-	-	-	-	-	-	-	-	-	56.0
Capital and reserves	4.9	4.4	6.3	9.2	22.1	13.4	14.2	15.2	11.2	6.6

Source: Derived from Table 17

TABLE 19:  
COSTA RICA - CREDIT CEILINGS FOR COMMERCIAL BANKS AND CENTRAL BANK DISCOUNTS: 1951-1960  
(millions of colones)

End of year	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
<u>Credit Ceilings for Commercial Banks</u>										
1. General ceilings for loans and investments	252.0	257.0	280.0	282.0	282.0	320.0	320.0	320.0	333.8	331.9
Specific ceilings:										
2. Rural credit boards	23.0	25.0	36.0	36.0	47.5	55.0	57.5	57.5	63.0	68.0
3. Capital goods imports	-	16.5	16.5	15.7	15.2	15.2	10.6	7.4	-	-
4. Loans against IBRD credits	-	-	-	-	-	-	17.0	35.5	32.8	39.9
5. Loans against development bonds	-	-	-	5.0	18.0	20.0	20.0	30.0	38.6	37.1
6. Loans for economic development	-	-	-	-	-	-	-	13.5	44.6	48.9
7. Temporary ceiling for coffee	5.5	-	12.5	18.8	19.5	41.5	78.0	71.0	-	-
8. Loans against Chase Manhattan Bank credit	-	-	-	-	-	-	-	-	-	56.0
9. Other	3.0	10.0	10.0	18.7	19.2	19.2	8.2	6.6	29.7	53.4
10. TOTAL	<u>283.5</u>	<u>308.5</u>	<u>355.0</u>	<u>376.2</u>	<u>401.4</u>	<u>470.9</u>	<u>511.3</u>	<u>556.5</u>	<u>542.5</u>	<u>635.2</u>
11. Operations outside the ceilings	n.a.	n.a.	n.a.	5.6	7.6	6.3	11.4	13.2	78.6	127.0
12. Total Authorization	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>381.8</u>	<u>409.0</u>	<u>477.2</u>	<u>522.7</u>	<u>569.7</u>	<u>621.1</u>	<u>762.2</u>
13. Total loans outstanding	<u>216.0</u>	<u>257.5</u>	<u>292.3</u>	<u>341.2</u>	<u>381.5</u>	<u>428.5</u>	<u>483.2</u>	<u>505.5</u>	<u>605.5</u>	<u>715.0</u>
<u>Loans from Central Bank to Commercial Banks</u>										
Agricultural	48.0	57.3	60.5	64.4	48.4	68.6	97.0	72.7	96.5	131.0
Industrial	9.6	3.4	5.3	9.9	4.7	10.9	6.7	6.3	3.5	4.3
Commercial	0.9	-	2.9	1.9	0.2	1.8	0.9	1.2	0.2	1.8
Rural Credit Boards	15.3	19.1	19.9	21.5	24.0	24.0	27.5	28.0	41.8	42.9
Other	<u>1.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10.0</u>	<u>15.5</u>	<u>26.3</u>	<u>70.0</u>
TOTAL	<u>75.2</u>	<u>79.8</u>	<u>88.6</u>	<u>97.7</u>	<u>77.4</u>	<u>105.3</u>	<u>142.1</u>	<u>123.7</u>	<u>168.3</u>	<u>250.0</u>

Source: Central Bank of Costa Rica

TABLE 20:

COSTA RICA: COMMERCIAL BANK LOANS, BY PURPOSE, 1956-60

(in millions of colones)

End of Year	1956	1957	1958	1959	1960
Coffee	105.7	144.4	138.9	148.7	197.6
Other crops	53.8	71.0	77.2	103.2	99.1
Cattle	54.4	54.3	65.8	89.9	112.8
Industry	49.1	48.3	53.8	68.5	82.6
Commerce	52.4	52.6	60.8	62.6	58.7
Services and Transport	32.5	43.2	36.9	42.1	40.8
Other	80.6	69.4	72.1	90.5	123.4
Total	428.5	483.2	505.5	605.5	715.0
Of which:					
Investment finance	95.2	101.0	128.7	187.6	242.5
Financing of current operations	333.3	382.2	376.8	417.9	472.5

Source: Central Bank of Costa Rica

TABLE 21:

COSTA RICA: BANK LOANS TO AGRICULTURE, LIVESTOCK AND INDUSTRY BY PURPOSE

(in millions of colones)  
1958-1960

	1958		1959		1960	
	Amount	%	Amount	%	Amount	%
<b>1. <u>AGRICULTURE:</u></b>						
a) Credits for Investment	44.9	9.2	61.2	10.5	68.8	10.1
b) Credits for working capital	170.2	34.7	190.7	32.7	227.9	33.5
<b>TOTAL</b>	<b>215.1</b>	<b>43.9</b>	<b>251.9</b>	<b>43.2</b>	<b>296.7</b>	<b>43.6</b>
<b>2. <u>LIVESTOCK:</u></b>						
a) Credits for Investment	38.5	7.8	57.9	9.9	80.9	11.9
b) Credits for working capital	27.3	5.6	32.0	5.5	31.9	4.7
<b>TOTAL</b>	<b>65.8</b>	<b>13.4</b>	<b>89.9</b>	<b>15.4</b>	<b>112.8</b>	<b>16.6</b>
<b>3. <u>INDUSTRY:</u></b>						
a) Credits for Investment	25.5	5.2	32.7	5.6	44.2	6.5
b) Credits for working capital	28.3	5.8	35.8	6.1	38.4	5.7
<b>TOTAL</b>	<b>53.8</b>	<b>11.0</b>	<b>68.5</b>	<b>11.8</b>	<b>82.6</b>	<b>12.2</b>

Source: Central Bank of Costa Rica

TABLE 22

COSTA RICA: CENTRAL GOVERNMENT ORDINARY REVENUE 1954-1961  
(millions of colones)

	1954	1955	1956	1957	1958	1959	1960	Budget 1961
<b>A. <u>Income and Capital Taxes</u></b>								
Income Taxes (excl. Banana Co.)	18.7	20.5	26.6	26.9	33.5	34.1	37.1	40.2
Income Tax paid by Banana Co.	12.3	22.1	5.9 <sup>/1</sup>	15.8	12.6	3.9	0.0	9.4
Capital Taxes	8.2	8.8	8.6	10.5	11.2	13.0	14.8	15.7
<b>B. <u>Export, Import and Consumption Taxes</u></b>								
Export Taxes <sup>/2</sup>	12.5	14.0	11.3	15.1	18.3	15.1	15.3	18.3
Import Taxes	126.6	138.5	145.1	160.5	173.8	179.6	189.6	193.0
Consumption Taxes	29.7	29.8	31.1	36.2	41.0	45.5	38.3 <sup>/3</sup>	39.2 <sup>/3</sup>
<b>C. <u>Receipts from Govt. Enterprises</u></b>	14.2	14.6	15.5	17.6	14.0	14.3	13.0	13.5
<b>D. <u>Other Revenue</u></b>	11.2	13.5	13.1	15.4	15.9	15.2	18.7	16.5
TOTAL	233.5	261.8	257.2	297.9	320.3	320.7	326.8	345.8

<sup>/1</sup> The greater part of the tax on the profits of the Banana Company in 1956 was paid in advance in 1955.

<sup>/2</sup> Including the tax on coffee paid by processing plants and a small production tax on bananas.

<sup>/3</sup> In these two years the proceeds of the cigarette tax were transferred direct to the Social Security Fund and were not recorded in the Budget. They amount to approximately 12 million colones.

Source: Min. of Economy and Finance: Annual Reports, 1952-60. Budget Laws for 1961.

TABLE 23:

COSTA RICA: CENTRAL GOVERNMENT EXTRAORDINARY REVENUES, 1954-1961

(millions of colones)

	1954	1955	1956	1957	1958	1959	1960	Budget 1961
Treasury surpluses and unused appropriations from preceding years	19.3	15.7	23.4	1.4	16.6	0.3	1.7	--
Bond issues authorized	-	29.0	-	31.0	-	15.0	20.0	20.0
Other loans received	-	-	6.4	-	-	-	-	--
Exchange profits trans- ferred to the Govern- ment	-	-	-	5.7	-	12.8	13.7	3.4
Other revenue	5.3	18.4*	5.2	5.7	4.8	2.9	8.8	22.1
<b>TOTAL</b>	<b>24.6</b>	<b>63.1</b>	<b>35.0</b>	<b>43.8</b>	<b>21.4</b>	<b>31.0</b>	<b>44.2</b>	<b>45.5</b>

\* Includes ₡17.1 million tax paid by the Banana Company  
in advance for 1956.

Sources: Ministry of Economy and Finance: Annual Reports  
Central Bank of Costa Rica

TABLE 24:

COSTA RICA: CENTRAL GOVERNMENT EXPENDITURES BY PURPOSE: 1954-1961  
(in millions of colones)

	1954	1956	1957	1958	1959	1960	Budget 1961
<u>ORDINARY BUDGETS:</u>							
1. General Administration <sup>1/</sup>	60.4	71.6	81.7	85.7	92.5	100.7	99.2
2. Social and Economic Development:							
a) Agriculture, industry, public works and grants to state enterprises	55.7	55.1	63.2	69.3	74.7	64.4	63.3
b) Health, education and social welfare	74.7	92.6	104.7	119.8	127.5	129.6 <sup>2/</sup>	135.4 <sup>2/</sup>
3. Debt Service	28.4	36.8	40.8	46.5	41.7	40.6	47.9
4. Total	219.2	256.1	290.4	321.3	336.4	335.3	345.8
<u>EXTRAORDINARY BUDGET:<sup>3/</sup></u>							
1. General Administration <sup>1/</sup>	3.3	3.1	4.8	5.4	1.8	3.3	4.8
2. Social and Economic Development:							
a) Agriculture, industry, public works and grants to state enterprises	14.2	24.9	18.1	12.3	8.6	26.9	27.5
b) Health, education and social welfare	4.2	2.9	5.3	2.3	4.1	9.6	12.2
3. Debt Service	4.1	4.0	10.1	0.8	0.7	1.0	1.0
4. Total	25.8	34.9	38.3	20.8	15.2	40.8	45.5
<u>TOTAL EXPENDITURES:</u>							
1. General Administration <sup>1/</sup>	63.7	74.7	86.5	91.1	94.3	104.0	104.0
2. Social and Economic Development:							
a) Agriculture, industry, public works and grants to state enterprises	69.9	80.0	81.3	81.6	83.3	91.3	90.8
b) Health, education and social welfare	78.9	95.5	110.0	122.1	131.6	139.2	147.6
3. Debt Service	32.5	40.8	50.9	47.3	42.4	41.6	48.9
4. Total	245.0	291.0	328.7	342.1	351.6	376.1	391.3
<u>AS PER CENT OF TOTAL:</u>							
1. General Administration	26.0	25.6	26.3	26.6	26.8	27.6	26.6
2. Social and Economic Development:							
a)	28.5	27.5	24.7	23.9	23.7	24.3	23.2
b)	32.2	32.8	33.5	35.7	37.4	37.0	37.7
3. Debt Service	13.3	14.1	15.5	13.8	12.1	11.1	12.5
4. Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1/</sup> Residual

<sup>2/</sup> In these two years, the transfers to the Social Security Fund were not recorded in the Budget.

<sup>3/</sup> 1954 figures tentative owing to discrepancies in source material.

Source: Ministry of Economy and Finance: Annual Reports 1952-58  
Informe de la Oficina del  
Presupuesto 1952-58

TABLE 25:

COSTA RICA: CENTRAL GOVERNMENT REVENUES AND EXPENDITURES: 1954-1961

(in millions of colones)

	1954	1955	1956	1957	1958	1959	1960	Budget 1961
1. Ordinary revenues	233.5	261.8	257.2	297.9	320.3	320.7	326.8	345.8
2. Other current revenues	5.3	18.4 <sup>1/</sup>	5.2	5.7	4.8	2.9	8.8	22.1
Total Revenues	238.8	280.2	262.4	303.6	325.1	323.6	335.6	367.9
3. Expenditures	245.0	306.4	291.0	328.7	342.1	351.6	376.1	391.3
Balance	- 6.2	-26.2	-28.6	-25.1	-17.0	-28.0	-40.5	-23.4
4. Bond issues authorized	-	29.0	-	31.0	-	15.0	20.0	20.0
5. Other loans received	-	-	6.4	-	-	-	-	-
6. Exchange profits di- verted to the Treasury	-	-	-	5.7	-	12.8	13.7	3.4
7. Treasury surpluses and unused appropriations from preceding year <sup>2/</sup>	19.3	15.7	23.4	1.4	16.6	0.3	1.7	-
Surplus	13.1	18.5	1.2	13.0	- 0.4	0.1	-5.1	-

<sup>1/</sup> Including  $\text{Q}17.1$  million tax paid in advance by the Banana Company in respect of the year 1956.

<sup>2/</sup> Including unissued portions of authorized bond issues.

Source: IBRD on basis of Tables 22, 23, and 24

TABLE 26:

COSTA RICA: INTERNAL PUBLIC DEBT

(millions of colones)

End of Year or Month	Consolidated		Floating	Total
	Bonded Redeemable	Other		
1951	172.2	15.7	14.6	202.5
1952	162.2	15.9	22.2	200.2
1953	151.8	17.4	22.7	192.0
1954	149.9	17.4	25.0	192.3
1955	176.8	17.4	28.9	223.1
1956	180.6	17.4	21.9	219.9
1957	203.2	17.5	38.7	259.4
1958	188.8	17.5	31.9	238.2
1959 <u>1/</u>	254.9	17.6	29.4	301.9
1960	259.8	11.9	41.7	313.4

1/ The increase in the total in 1959 reflects both new bond issues and the revalidation of 57 million colones of bonds held by the banks and previously withdrawn from circulation.

Source: Central Bank of Costa Rica.

TABLE 27:  
COSTA RICA: DOMESTIC PRICES: 1950 - 1961

1953 = 100

Year	<u>Wholesale Price Indices</u>		Cost of Living Index
	Home and Import Goods <u>1/</u>	Home Goods	
1950	113	100	97
1951	116	108	104
1952	105	103	100
1953	100	100	100
1954	104	106	103
1955	107	108	106
1956	108	109	107
1957	108	109	110
1958	108	109	113
1959	107	109	113
1960	109	108	114
1961 (April)	115	114	116

1/ From 1950-1952, import prices in colones declined as a result of a reduction in the effective average exchange rate for imports from approximately 7.5 to 6.2 colones per dollar.

Source: International Financial Statistics

TABLE 28:

COSTA RICA: INDICES OF MINIMUM WAGES

(Dec. 1, 1950 - Sept. 30, 1952 = 100)

	Laborers on Banana and Cacao Plantations	Laborers on Coffee Farms	Unskilled Industrial Workers
1950-52	100	100	100
1952-54	154	171	110
1954-56	154	171	125
1956-58	-	( 171 <u>1/</u> ( 182 <u>2/</u> ( 193 <u>3/</u>	( 125 <u>4/</u> ( 138 <u>5/</u>
1958-60	153	193	167
1960-62	153	193	167

1/ Minimum wage fixed for period: October 1, 1956 to March 31, 1957  
2/ April 1, 1957 to September 30, 1957  
3/ October 1, 1957 to September 30, 1958  
4/ October 1, 1956 to June 30, 1957  
5/ July 1, 1957 to September 30, 1958

Source: Central Bank of Costa Rica

TABLE 29:

COSTA RICA: PRICES OF COSTA RICAN BONDS IN NEW YORK AND LONDON

	<u>NEW YORK</u>		<u>LONDON</u>	
	<u>1½-3%</u> at 100	<u>1953-1972</u> <sup>1/</sup> Low	<u>1½-3%</u> at 100	<u>1911/56-78</u> <sup>1/ 2/</sup> Low
1957	62	49.1/4	91	69.1/2
1958	61.3/4	50.1/4	110.1/2	73
1959	77	61.1/8	118.3/8	105
1960	78.3/4	65	109.1/8	97
1961	73	65	99	90.1/4

<u>End of</u> <u>1961</u>	<u>Price</u>	<u>Yield to Maturity</u>	<u>Price</u>	<u>Yield to Maturity</u>
January	68	7.05	94.1/2	8.18
February	67.13/16	7.10	94.1/2	8.25
March	63.1/2	7.02	91.1/2	8.61
April	68	7.12	95.1/2	8.27
May	67	7.40	97.1/2	8.15
June	68.3/4	7.00	96.1/2	8.30

<sup>1/</sup> Under the Settlement Plan interest was payable at gradually increasing rates, starting at the lower rate shown here and increasing to the higher rate.

<sup>2/</sup> Bonds are redeemable at £174 but quotations are in percentage of old par value of £100.

Source: IBRD