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International

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## IMF Executive Board Concludes 2016 Article IV Consultation with Costa Rica

On May 11th, 2016 the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Colombia.

- According to the IMF, Costa Rica recovered quickly from the 2008-09 global crisis but growth has stayed below trend while the fiscal position has deteriorated.
- The fiscal deficit rose to 6% of GDP in 2015-16 due to the rising interest bill and the failure of the government to reverse the counter-cyclical budgetary stimulus imparted in 2009.
- Inflation has been on a downward trend and turned negative in 2015 mainly as a result of the lower oil prices. However it is expected to return to the 2-4% target range of the Banco Central de Costa Rica (BCCR) by the end of 2016.
- The external current account deficit fell to 4% of GDP in 2015, benefiting from the positive terms-of-trade shock and is entirely financed by FDI.
- Growth is expected to accelerate to 4.25% in 2016 owing to the dissipation of one-off effects of Intel's manufacturing operations, further terms-of-trade improvement and accommodative monetary policy stance.
- The central government's overall deficit is expected to decline moderately to 5.25% of GDP and the current account is likely to widen slightly to 4.25% of GDP as the government implements measures to increase tax collections and reduce current expenditures and a gradual recovery in international

commodity prices takes hold.

- The main near-term risks stem from Costa Rica's persistent large fiscal deficits, continued real exchange rate appreciation which reduces external competitiveness especially with regards to its Latin American neighbors and extreme bouts of market volatility. Tempering this is the positive outlook on the U.S which will have filter down effects into Costa Rica's economy.

<b>Name</b>	<b>Bid Price</b>	<b>Ask Price</b>	<b>Ask Yield to Maturity</b>	<b>Bid Yield to Maturity</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Outstanding Amount</b>
Costa Rica Government International Bond	91.158	91.956	5.72	5.87	4.25	1/26/2023	1000000000
Costa Rica Government International Bond	88.185	89.116	5.96	6.11	4.38	4/30/2025	500000000
Costa Rica Government International Bond	78.295	79.305	7.41	7.51	5.63	4/30/2043	500000000
Costa Rica Government International Bond	91.013	92.014	7.70	7.79	7.00	4/4/2044	1000000000
Costa Rica Government International Bond	91.895	92.68	7.80	7.87	7.16	3/12/2045	1000000000

Source: Bloomberg

<b>Costa Rica: Selected Economic Indicators</b>			
		Estimated	Projected
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>(Annual percentage changes, unless otherwise indicated)</b>			
Real GDP	3.0	3.7	4.2
Consumer price index (end of period)	5.1	-0.8	3.0
GDP deflator	4.7	2.2	3.4
Monetary policy rate (%; end of period)	5.3	2.3	
Credit to private sector	17.5	11.8	12.1
<b>(In percent of GDP, unless otherwise indicated)</b>			
External Sector			
Current Account Balance	-4.7	-4.0	-4.2
Net international reserves (USD mill)	7,211	7,834	8,834
Public finances			
Central government balance	-3.1	-3.0	-2.4
Consolidated public sector overall balance	-5.6	-6.0	-6.2
Consolidated public sector debt	43.2	46.0	47.9

**Source: IMF**



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