

COSTA RICA

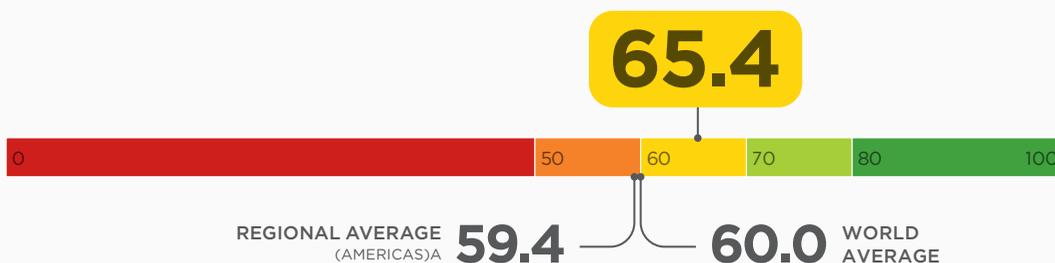
Costa Rica's economic freedom score is 65.4, making its economy the 55th freest in the 2022 *Index*. Costa Rica is ranked 10th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Costa Rica's economy has rebounded from its negative growth in 2020 and has recorded a five-year compound annual growth rate of 1.6 percent. Economic freedom has been relatively stable over the past five years with a 0.4-point gain since 2017. Improvements in the rule of law that would have driven the score higher have been offset by a steep decline in **fiscal health**, and Costa Rica remains in the middle ranks of the "Moderately Free" countries. Scores for **tax burden** and **government spending** are good, but weakness in **fiscal health** will have to be addressed if Costa Rica is to gain additional economic freedom.

IMPACT OF COVID-19: As of December 1, 2021, 7,305 deaths had been attributed to the pandemic in Costa Rica, and the government's response to the crisis ranked 49th among the countries included in this *Index* in terms of its stringency. The economy contracted by 4.8 percent in 2020.



ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -2.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
5.1 million

GDP (PPP):
\$102.5 billion
-4.8% growth in 2020
5-year compound annual growth 1.6%
\$19,990 per capita

UNEMPLOYMENT:
17.1%

INFLATION (CPI):
0.7%

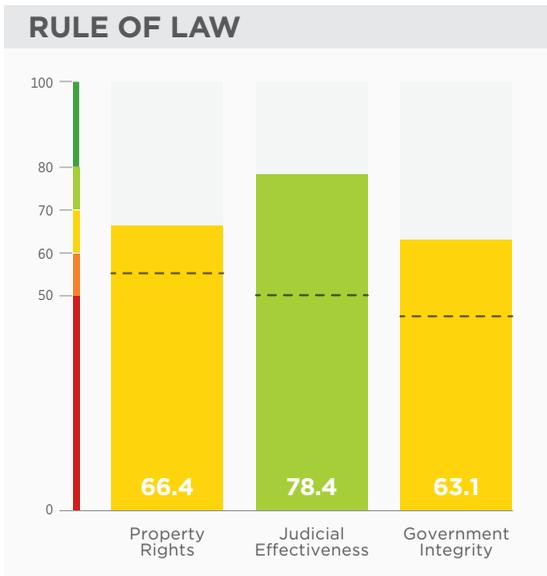
FDI INFLOW:
\$1.7 billion

PUBLIC DEBT:
68.3% of GDP

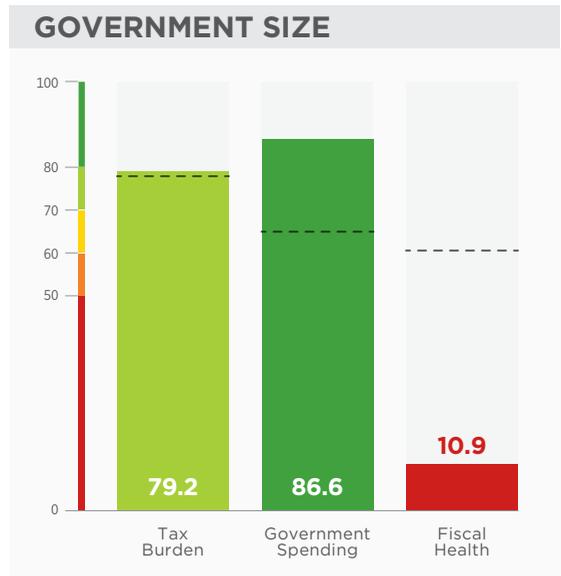
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The most prosperous of the Central American Common Market's five countries, Costa Rica has a long history of democratic stability and one of Latin America's highest levels of foreign direct investment per capita. Nearly half of the labor force is employed in the informal economy. President Carlos Alvarado of the center-left Citizen Action Party will finish his single four-year term in May 2022. The government is negotiating with the IMF to reschedule its debt. Costa Rica is one of the three Central American countries to have joined China's Belt and Road Initiative and is completing its remaining requirements to become the first Central American member of the OECD. Costa Rica has welcomed more than 100,000 refugees who have fled from Nicaragua's brutal Ortega-Murillo dictatorship.

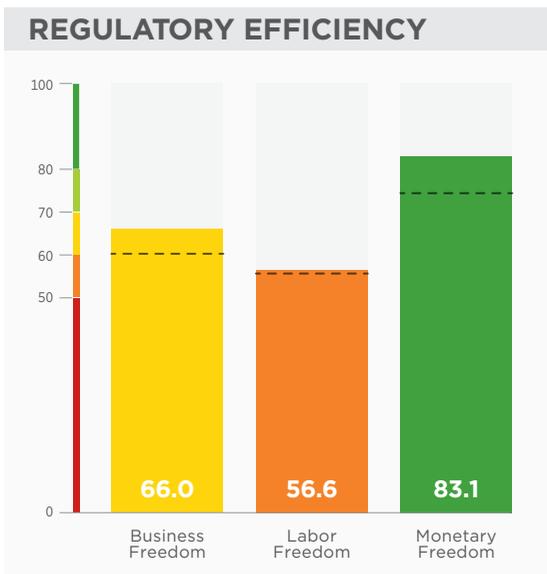
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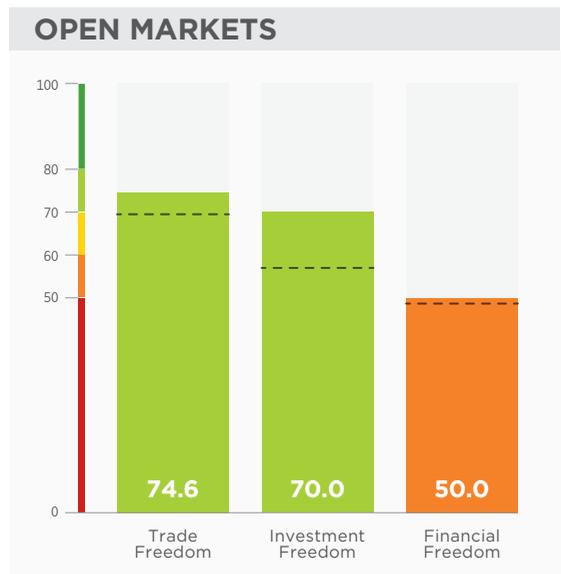
Secured interests in both chattel and real property are recognized and enforced. Mortgage and title recording are mandatory, and the vast majority of land has clear title. The courts are independent and impartial, and their authority is respected. Anticorruption laws are generally well enforced. However, despite the government's functioning anticorruption mechanisms, nearly every president since 1990 has been accused of corruption after leaving office.



The top individual income tax rate is 25 percent, and the top corporate tax rate is 30 percent. The overall tax burden equals 23.6 percent of total domestic income. Government spending has amounted to 21.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.1 percent of GDP. Public debt is equivalent to 68.3 percent of GDP.



A new company in Costa Rica must register with six or more government agencies. Legal fees are the most expensive start-up cost. In the fourth quarter of 2020, unemployment, at 20 percent, was 7.6 percentage points higher than it was in 2019, and the informal sector employed 43.3 percent of the non-agricultural workforce. Subsidies from the IMF have allowed the government to borrow from global capital markets at below-market interest rates.



Costa Rica has 15 preferential trade agreements in force. The trade-weighted average tariff rate is 5.2 percent, and 65 non-tariff measures are in effect. In general, foreign and domestic investors are treated equally under the law. Credit is generally allocated on market terms. Despite increased market competition, state-owned financial institutions dominate the sector and influence lending.