COSTA RICA

Costa Rica's growth moderated to 4.3 percent in 2024 and is expected to ease to 3.6 percent in 2025, affected by external headwinds. Fiscal consolidation advanced, anchored in spending discipline and efficiency gains. Ongoing reforms are strengthening fiscal sustainability and reducing public debt, while safeguarding the poor and vulnerable. Poverty rates declined to 12.6 percent in 2024.

Population[1] million **5.1**	Poverty[2] millions living on less than $8.30/day **0.6**
Life expectancy at birth[3] years **80.8**	School enrollment[4] primary (% gross) **107.6**
GDP[5] current US$, billion **95.4**	GDP per capita[6] current US$ **18587.5**

Sources: WDI, MFMod, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

Key conditions and challenges

Over the past two decades, Costa Rica has doubled its per capita income through an outward-oriented growth model, investments in human capital, and strong governance. The country diversified exports and reinforced its green identity through sustainable resource management and reforestation. However, rising expenditures without matching revenues from 2008 to 2018 created fiscal pressures, prompting reforms. Tax reforms and the fiscal rule introduced in 2018 helped increase revenues and control spending, but implementation was delayed by the COVID-19 pandemic and commodity price shocks. As a result, public debt rose from 24 percent of GDP in 2008 to 68 percent in 2021.

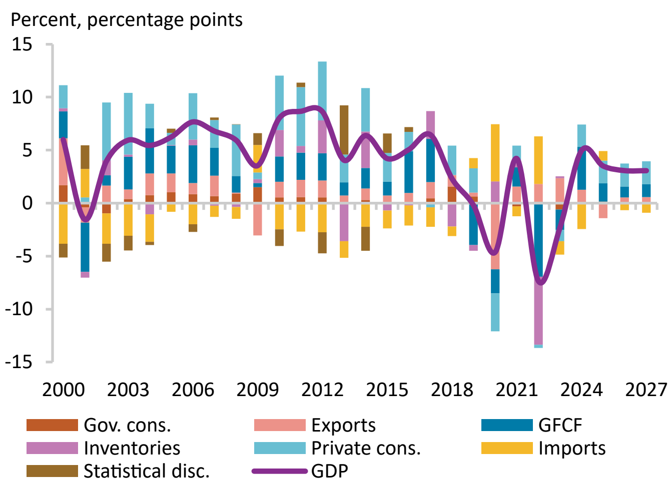
Despite accessible healthcare and education, weak integration between export-oriented and domestic sectors has contributed to income and territorial disparities. Social outcomes have lagged, with monetary poverty declining slightly from 18.8 percent in 2010 to 17.1 percent in 2022, then falling more rapidly to 12.6 percent by 2024 (US$8.30/day 2021PPP). Inequality remains high, with a Gini index of 45.8 in 2024, and vulnerable groups—including Afrodescendants, indigenous populations, migrants, and women—face disproportionate challenges, reflected in low female labor force participation (51.8 percent in 2024).

Following the pandemic-induced downturn, Costa Rica's economy rebounded strongly. The government advanced its reform agenda, while public finances stayed on a consolidation path, restoring market confidence. The monetary policy framework—anchored in a floating exchange rate and inflation-targeting regime—is managed by an independent, credible Central Bank. The recovery was supported by a diversified export base, low external debt, and stable reserves. Inclusive and sustainable growth demands continued fiscal efforts, as well as effective policies that protect and create opportunities for vulnerable groups and non-central regions.

Recent developments

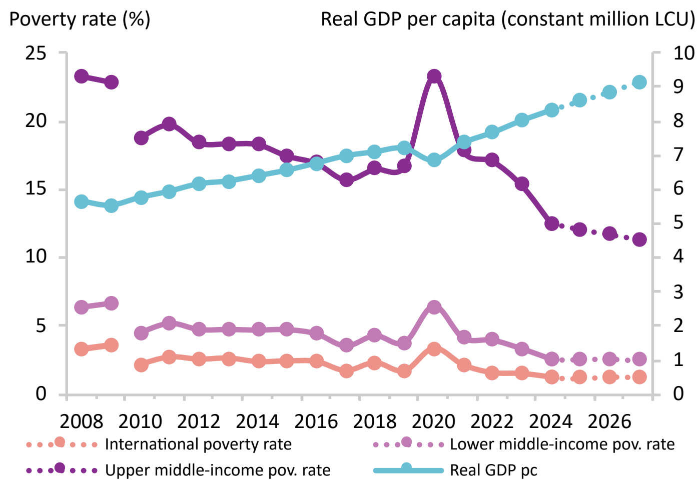
Costa Rica's economy grew 4.3 percent in 2024, due to strong domestic demand despite weaker demand from key trading partners. In H1-2025, activity grew 3.6 percent y/y (down from 4.3 percent in H1-2024), driven by private consumption and investment. On the production side, manufacturing, transport, business services, and finance led the expansion. Inflation returned to negative territory

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Central Bank of Costa Rica and World Bank staff calculations.

FIGURE 2 / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

(-0.2 percent y/y in Jun 2025) driven by low expectations and international prices, despite continued monetary easing (to a neutral policy rate of 3.75 percent). Labor market conditions remain solid, leading to poverty reduction. Unemployment reached 7.4 in Q2-2025, the lowest since 2010, though with decreasing labor force participation (below 60 percent since 2022). Average wages increased by 5.8 percent y-o-y, mainly driven by services.

Costa Rica's current account deficit (CAD) narrowed to 0.1 percent of GDP in H1-2025, supported by stronger exports, particularly medical devices under the special regime, and moderate imports growth. Foreign direct investment (FDI) inflows remained strong, aligned to historical averages. As of June 2025, net international reserves reached USD 14. 6 billion (14.3 percent of GDP), covering approximately 8.3 months of goods imports.

Fiscal consolidation advanced in H1-2025 y/y, with a narrower fiscal deficit (1.2 percent of GDP), larger primary surplus (1 percent of GDP), lower interest payments (2.2 percent of GDP), and reduced public debt (57.4 percent of GDP). Tax revenues declined by 0.2 p.p. of GDP to 6.5 percent of GDP due to lower income tax revenues, while spending fell drop by 0.4 p.p. of GDP to 6.3 percent of GDP driven by reduced interest payments and capital investment. Ongoing implementation of efficiency-enhancing reforms is helping mitigate fiscal risks and maintaining public debt on a downward trajectory. The Emerging Markets Bond Index (EMBI) spread stood at 197 bps, well below regional and global averages.

Outlook

GDP growth is projected to slow to 3.6 percent in 2025, reflecting weaker external demand, trade policy changes, and moderated private consumption and investment. Growth is expected to stabilize near potential (3.7 percent) over the medium term, as global conditions and trade policies normalize.

The poverty rate is projected to decline below 12 percent for 2025-2027. Improving targeting in social programs, with better coverage among the lowest income levels, could further reduce poverty and vulnerability.

The CAD is projected to remain moderate around 1.5 percent of GDP and supported by Costa Rica's strong external financing anchored in steady FDI inflows. Inflation is expected to return to BCCR's 3 percent target by 2027 as monetary policy normalizes.

Fiscal consolidation will continue, supported by spending controls, efficiency reforms, and improved tax administration. Additional reforms under discussion could further strengthen fiscal adjustment. Public debt is considered sustainable, projected to decline to 58.2 percent of GDP by 2027, supported by ongoing fiscal consolidation and responsive policy measures.

Downside risks amount amid persistent global uncertainty. The country remains vulnerable to external shocks, including reduced demand from key trading partners, lower FDI, and tighter global financial conditions that raise borrowing costs for both public and private sectors. Geopolitical tensions, trade policy disruptions, and oil prices volatility further compound these risks. On the domestic front, political uncertainty associated with the election year and vulnerability to natural disasters add to the risk landscape.

Recent history and projections	2022	2023	2024	2025e	2026f	2027f
Real GDP growth, at constant market prices	4.6	5.1	4.3	3.6	3.6	3.7
Private consumption	2.6	5.0	4.0	3.7	3.9	3.9
Government consumption	2.4	0.1	0.7	0.9	1.1	0.8
Gross fixed capital investment	1.5	8.6	4.3	3.3	3.5	3.6
Exports, goods and services	18.5	10.0	5.8	5.2	5.4	6.1
Imports, goods and services	8.1	5.2	6.0	4.9	5.2	5.7
Real GDP growth, at constant factor prices	4.6	5.1	4.3	3.6	3.6	3.7
Agriculture	-2.3	3.5	2.0	2.1	2.5	3.3
Industry	2.1	8.3	4.1	3.2	3.5	4.1
Services	5.8	4.3	4.5	3.8	3.7	3.7
Employment rate (% of working-age population, 15 years+)	53.3	54.5	57.5	57.9	58.4	58.8
Inflation (consumer price index)	8.3	0.5	-0.4	0.7	2.5	3.0
Current account balance (% of GDP)	-3.3	-1.4	-1.4	-1.6	-1.5	-1.4
Net foreign direct investment inflow (% of GDP)	4.4	4.3	4.5	4.0	4.1	4.2
Fiscal balance (% of GDP)	-2.5	-3.3	-3.8	-3.2	-3.4	-3.1
Revenues (% of GDP)	16.4	15.3	15.0	15.1	15.2	15.2
Debt (% of GDP)	63.0	61.1	59.8	59.2	59.0	58.2
Primary balance (% of GDP)	2.1	1.5	1.2	1.4	1.2	1.4
International poverty rate ($3.00 in 2021 PPP)[1,2]	1.6	1.5	1.3	1.3	1.3	1.3
Lower middle-income poverty rate ($4.20 in 2021 PPP)[1,2]	4.0	3.4	2.6	2.6	2.6	2.6
Upper middle-income poverty rate ($8.30 in 2021 PPP)[1,2]	17.1	15.3	12.6	12.1	11.7	11.4
GHG emissions growth (mtCO2e)	4.2	-7.9	4.8	3.0	3.5	5.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.
1/ Calculations based on SEDLAC harmonization, using 2024-ENAHO. Actual data: 2024. Forecasts are from 2025 to 2027.
2/ Projections using microsimulation methodology.