

## Risk Summary - Costa Rica – Q2 2018

02 Mar 2018 Costa Rica Economy

### **POLITICAL RISK - Policymaking A Drag**

Costa Rica's 'policymaking' sub-score, which is slightly below the Latin American and Caribbean average, weighs on Costa Rica's Short-Term Political Risk Index (STPRI) score of 60.2. A recent downgrade to the 'policymaking' component reflects increased legislative gridlock as the government struggles to push through fiscal reforms. Costa Rica's strong security position and the high likelihood of policy continuity following February 2018's general elections bolster the country's overall STPRI score, ensuring that it remains above the Latin American and Caribbean average.

Costa Rica's Short-Term Political Risk Index score is 60.2.

### **ECONOMIC RISK - Fiscal Deterioration Weighs On Score**

Costa Rica receives a score of 56.5 out of 100 in our Short-Term Economic Risk Index. Costa Rica's score is weighed down in part by a weak performance in the 'fiscal' sub-component of the index. Indeed, Costa Rica has run nominal budget deficits in excess of 4.0% of GDP since 2013, owing to elevated levels of government spending. We do not expect the government to pull back considerably in the years ahead, forecasting a fiscal shortfall of 4.5% in 2018 and 4.0% in 2019.

Costa Rica's Short-Term Economic Risk Index Score is 56.5.

### **OPERATIONAL RISK - Strong Security Environment A Boost**

We give Costa Rica a score of 53.8 in our Operational Risk Index, and rank the country in the top five in Latin America and the Caribbean in both 'trade' and 'logistics' due to less red tape than in other Central American countries and relatively well-developed infrastructure. Furthermore, security risk remains less of a concern than in most of the country's Central American peers due to relatively low gang activity.

Costa Rica's Operational Risk Index Score is 53.8.