



Decide with Confidence

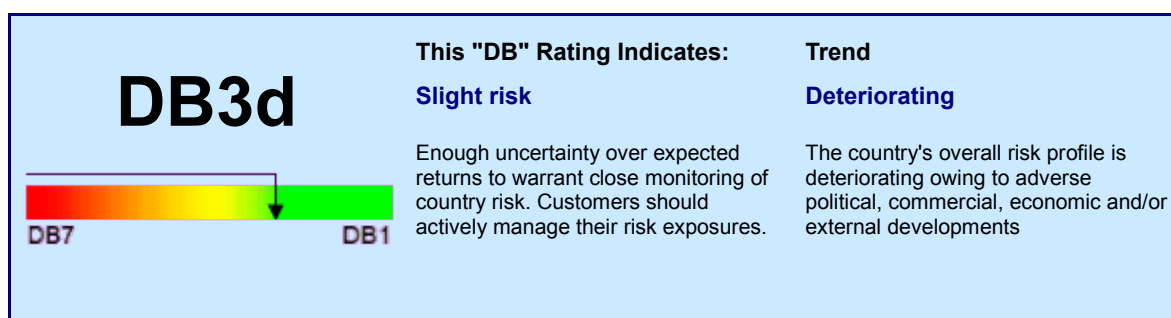
D&B Country RiskLine Report

COSTA RICA

Region : The Americas

Edition : June 2013

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	4.7m
Surface area (sq km):	51,100
Capital:	San Jose
Timezone:	GMT -06:00
Official language:	Spanish
Head of state:	President Laura CHINCHILLA
GDP (USD):	44.9bn
GDP per capita (USD):	8,696
Life expectancy (years):	79
Literacy (% of adult pop.):	94.9

Country Overview:

Costa Rica is situated in Central America, between the Pacific Ocean and the Caribbean Sea. It has land borders with Nicaragua in the north and Panama in the south.

The country abolished its military in 1948 and has no recent history of the type of authoritarianism that afflicted the region in past decades. Costa Ricans enjoy a relatively high standard of living and are well educated, which has been an essential factor underpinning the development of its successful high-technology export industry. Its tropical climate also supports thriving agricultural and tourism sectors.

Costa Rica has a healthy democratic environment with a robust system of checks and balances. While this often results in legislative paralysis and slow progress in implementing government policy, the consensus-based model (and the country's comparatively egalitarian society) grants Costa Rica a degree of political stability that is uncharacteristic of many other Latin American countries.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	LC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	CLC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	30-60 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	0-1 month
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

Merchandise exports performed relatively well in Q1, growing by 4.0% in value terms year on year. By contrast, imports posted a modest decline of 0.3%, which resulted in a reduction of Costa Rica's trade deficit for the first time since 2009. The exchange rate has continued to be strengthened by the recent trade performance, therefore there is a risk that export competitiveness may suffer. Furthermore, there are also risks to the trade environment from a weak US (Costa Rica's main trade partner) recovery in 2013. Consequently, the export sector could come under pressure, with a negative impact on payment performance and increased bankruptcy risk. Our recommended terms remain CLC, with LC as minimum terms.

Export Credit Agencies

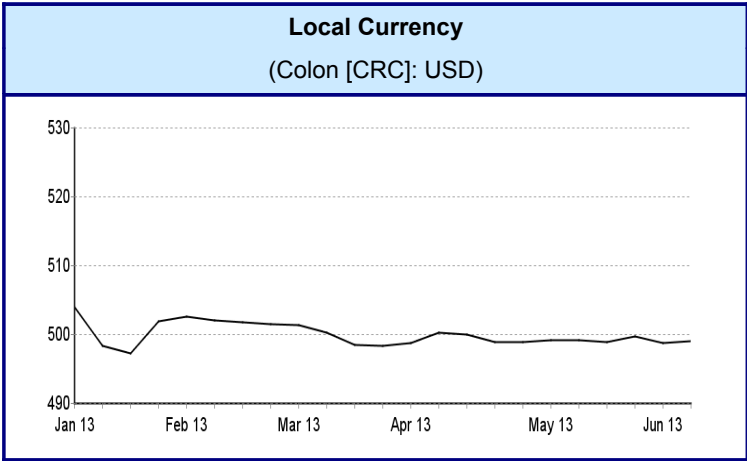
US Eximbank	Full cover available
Atradius	Full ST cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	5.0	4.4	5.1	4.0	4.4
Inflation, annual ave, %	5.7	4.9	4.5	5.0	4.8
Govt balance, % GDP	-5.4	-4.3	-4.9	-5.1	-5.5
Trade balance, % GDP	-9.5	-12.6	-12.0	-12.3	-13.4
C/A balance, % GDP	-3.5	-5.4	-4.7	-4.6	-5.3

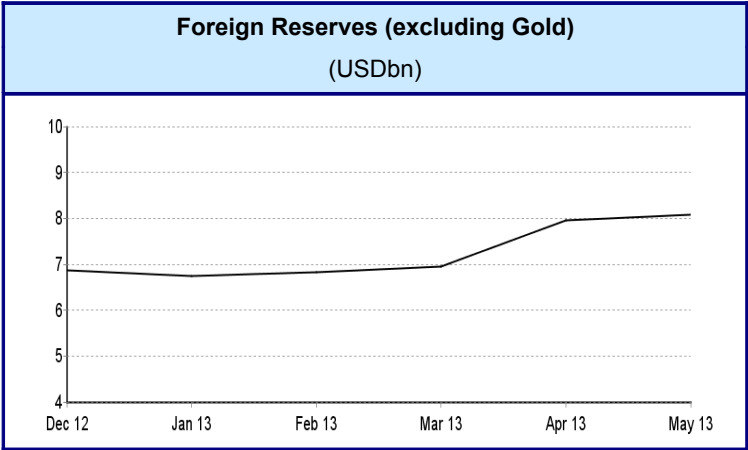
Currency Information

Exchange Rates	
(London, 10 Jun 13)	
EUR	659.677
GBP	775.341
JPY*	512.379
USD	498.98
*(x 100)	



Local Currency (Colon [CRC]: USD)						
	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13
Week 1	503.920	502.490	501.235	498.685	499.055	498.710
Week 2	498.225	501.975	500.245	500.185	499.120	498.980
Week 3	497.225	501.765	498.395	499.905	498.890	
Week 4	501.865	501.455	498.280	498.890	499.625	
Week 5				498.805		

Foreign Reserves (excluding Gold)



Data Table					
Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13
6.86	6.75	6.82	6.94	7.96	8.08

Risk Factor

Political developments are exerting increasing pressure on Costa Rica's short-term risk outlook. The recent revelations that President Laura Chinchilla used a private jet owned by a Colombian with alleged links to drug trafficking is expected to further discredit an administration that has already been embroiled in a number of corruption scandals and faces low public support. Indeed, the disclosure has been particularly embarrassing for the Costa Rican president who has made fighting organised crime a priority and added to a series of political blunders by her government in recent months, with potentially significant political and economic implications. While Chinchilla will not face charges of violating the illicit enrichment law, the ongoing inquiry against her and the government officials accompanying her for failure to inform Congress about the trip (as mandated by the Constitution) is going to fuel simmering tensions and further strain relations with the opposition. In addition, the knock-on effect on her centrist Partido Liberación Nacional (PLN) could also be considerable and may well see it (as well as the parties that support the government in Congress) distance themselves from the president, further complicating her administration's ability to pursue its policy agenda up to the end of its term in 2014. Moreover, a potential narrow victory for the PLN in the 2014 general election would fail to break the legislative gridlock that has afflicted the current administration and hinder the passage of much-needed economic reforms.

Meanwhile, after a moderation of economic activity in H1, the Costa Rican economy is set to start gaining momentum as the global (and in particular the US) economy begins to recover (bolstering export growth) and domestic demand conditions strengthen on the back of largely accommodative policies. The economy is also expected to receive a boost from the recent signing of nine co-operation agreements with China totalling USD1.5bn (equivalent to around 3.3% of GDP) which, among others, will provide resources for implementing infrastructure and energy projects, including upgrading the country's main oil refinery on the Caribbean coast. Crucially, an agreement on sanitary standards was also formalised, allowing Costa Rica to export pork and dairy goods to China, with San Jose aspiring to trade more agricultural and industrial products in the future.

Positively, the government continues to make strides in diversifying Costa Rica's export markets, a strategy that will greatly reduce its vulnerability to external shocks: the country recently joined the Pacific Alliance, a trade bloc also comprising Colombia, Peru, Chile and Mexico, as a full member. The bloc seeks to strengthen the development of trade between its member countries and to design a common approach to new Asian markets; in May, it agreed to remove tariffs on 90% of the goods traded among members and eliminate the remaining duties in the medium term.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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