Costa Rica's economic freedom score is 64.2, making its economy the 72nd freest in the 2021 Index. Its overall score has decreased by 1.6 points, primarily because of a decline in fiscal health. Costa Rica is ranked 14th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Costa Rica’s economy has been trapped in the mid-range of the moderately free category since the inception of the Index in 1995. To begin a sustained trajectory toward greater freedom and prosperity, the government, while continuing its broadly orthodox economic policies, will need to find the will to undertake politically difficult reforms to liberalize labor policies and reduce budget deficits.

**IMPACT OF COVID-19:** As of December 1, 2020, 1,731 deaths had been attributed to the pandemic in Costa Rica, and the economy was forecast to contract by 5.5 percent for the year.

**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. Carlos Alvarado of the center-left Citizen Action Party was sworn in as president in 2018. Alvarado and senior administration officials are under investigation for allegedly unlawful data collection. Nearly half of working Costa Ricans are employed in the informal market. Costa Rica is one of three Central American countries to join China’s One Belt, One Road initiative. When it has completed all of the requirements of its accession process, begun in 2015, Costa Rica will become the first Central American member of the OECD.

**ECONOMIC FREEDOM SCORE**

- **Score:** 64.2
- **Change:** Down 1.6 points
- **Regional Average (Americas Region):** 59.5
- **World Average:** 61.6

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):** -3.8

**RECENT FREEDOM TREND**

- 2017: 65.0
- 2018: 65.6
- 2019: 65.3
- 2020: 65.8
- 2021: 64.2

**QUICK FACTS**

- **Population:** 5.0 million
- **GDP (PPP):** $92.1 billion
  - 2.1% growth in 2019
  - 5-year compound annual growth 3.3%
  - $20,434 per capita
- **Unemployment:** 11.9%
- **Inflation (CPI):** 2.1%
- **FDI Inflow:** $2.5 billion
- **Public Debt:** 73.9% of GDP

2019 data unless otherwise noted. Data compiled as of September 2020.

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Property rights are generally protected. Secured interests in both chattel and real property are recognized and enforced. Land registries are at times incomplete or even contradictory. The courts are independent and impartial, and their authority is respected. Laws against corruption are generally well enforced, but transnational organizations are able to exploit weak enforcement of laws against money-laundering and other financial crimes.

The top individual income tax rate is 25 percent, and the top corporate tax rate is 30 percent. The overall tax burden equals 22.0 percent of total domestic income. Government spending has amounted to 20.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 6.4 percent of GDP. Public debt is equivalent to 73.9 percent of GDP.

A more reliable supply of electricity with faster connections has improved the business environment, but not enough to improve Costa Rica’s business freedom relative to that of other countries. The labor force grew in 2019, but unemployment also increased. The government subsidizes hydroelectric power generated by the state-owned electric utility and funds large subsidies for the agricultural sector.

Costa Rica has 13 preferential trade agreements in force. The trade-weighted average tariff rate is 5.0 percent, and 64 nontariff measures are in effect. The government restricts investment in some sectors. The financial sector functions relatively well. In response to the pandemic, the central bank reduced the preferential interest rates that state-owned banks charge to firms across all sectors and eased regulations on the restructuring of loans.