

Exchange rate

Economic perspective

The exchange rate in Costa Rica does not move by chance

Two major actors ultimately determine the supply and demand of dollars: the private sector, which, through exports, tourism, remittances, foreign direct investment, and imports, makes up the surplus side of the market; and the public sector, which is in deficit when it demands dollars for imports and repayment of domestic and external debt, but becomes surplus-generating when it turns to external debt to finance its deficit.

Our analyses show that, if we exclude external debt disbursements, the excess foreign currency generated by the private sector is very similar to the public sector's demand for foreign currency. In other words, the market would have been in equilibrium and without pressure toward appreciation if the public sector had not relied on external debt as a financing mechanism.