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On July 3, government officials reported plans to intensify fiscal spending cuts during the second half of the year, result of failure to meet a fiscal deficit target for the January-June period contained in a stabilization agreement with the International Monetary Fund (IMF) concluded in April this year. Under the agreement, the annual fiscal deficit is to be reduced to a maximum $40 million, equivalent to 0.5% of GDP. In 1990, the deficit was equal to 7% of GDP. According to Treasury Minister Thelmo Vargas, during a recent evaluation of Costa Rican economic policy performance, an IMF mission recommended authorization of a 1% of GDP deficit target for the year. Officials attribute failure to meet the fiscal target to excessive spending in some sectors of state administration, and emergency expenditures in the wake of the April 22 earthquake. Among other conditions contained in IMF agreement, the government is committed to dismissing 7,000 of 153,000 public employees, privatization of state-run companies, and a maximum 12% inflation rate for the year. Consumer price inflation over the first half of the year surpassed 11%. (Basic data from AFP, 07/03/91)

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