

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings upgrades Costa Rica's ratings to Ba2; changes outlook to stable from positive**

---

24 Sep 2025

New York, September 24, 2025 -- Moody's Ratings (Moody's) has today upgraded the Government of Costa Rica's long-term local and foreign currency issuer and foreign currency senior unsecured debt ratings to Ba2 from Ba3. The outlook has been changed to stable from positive.

The upgrade reflects our view that prospects for the sovereign's fiscal and debt metrics have improved meaningfully, underpinned by continued progress on establishing a track record of fiscal discipline alongside robust economic growth. The government's adherence to expenditure ceilings and proactive policy management have accelerated the decline in the debt burden, even as the country approaches the February 2026 general election. Moreover, debt affordability will steadily improve as government interest payments have begun to decline even in nominal terms, buffering the sovereign's fiscal strength.

The stable outlook reflects a balance of upside and downside risks to Costa Rica's Ba2 rating. The sovereign is making progress to improve institutions and governance strength backed by stronger debt and liquidity management, and continued compliance with fiscal rules embedded in the medium-term fiscal framework. We expect that robust, albeit slower, economic growth will continue to support the decline in the government debt burden. However, Costa Rica's still-low tax base has seen limited benefits from the economy's robust growth, and as external growth drivers subside due to the impact of global tariffs on external demand, economic activity in Costa Rica will be subject to downside risks. Should economic activity decelerate more than we expect, this could have a negative impact on government revenue growth, posing challenges to the fiscal consolidation trajectory outlined in the medium-term fiscal framework. In addition, failure by the Legislative Assembly to approve external market financing, or the continued approval of new tax exemptions, would further complicate fiscal consolidation efforts and heighten financing risks.

Costa Rica's local and foreign currency country ceilings have been raised to Baa1 from Baa2 and to Baa3 from Ba1, respectively. The four-notch gap between the local currency ceiling and the sovereign rating reflects limited government intervention in the economy, high predictability and reliability of institutions, overall low political risk and relatively contained external imbalances. The Baa3 foreign-currency ceiling, two notches below the local currency ceiling, reflects the economy's moderate level of external indebtedness, open capital account and a low level of policy effectiveness.

#### RATINGS RATIONALE

##### RATIONALE FOR THE UPGRADE TO Ba2

##### STRONG COMPLIANCE WITH EXPENDITURE CEILINGS WILL HELP ACCELERATE THE DECLINE IN GOVERNMENT DEBT

Costa Rica's fiscal consolidation is anchored by a structural shift to sustained primary surpluses and robust real GDP growth, resulting in an eight percentage point decline in public debt from its 67.6% of GDP peak in 2021 to 59.8% in 2024. The authorities have raised the primary balance by over three percentage points of GDP, compared to pre-pandemic levels, through significant spending cuts and increased revenues from the 2018 tax reform.

Despite one-off effects that widened the fiscal deficit in 2024, debt fell below 60% of GDP owing to robust economic growth. The primary surplus narrowed in 2024 to 2.3% of GDP from 2.8% in 2023 at the general government level. Measures such as the public employment law that restricts wage increases and ongoing tax

administration efforts are in place to support a widening of primary surpluses, and 2025 fiscal results reflect substantial expenditure restraint. We forecast the general government primary surplus will widen to 2.6% of GDP in 2025 from 2.3% in 2024, implying a lower overall fiscal deficit of 2.2% of GDP in 2025 from 2.8% in 2024.

Medium term fiscal consolidation is mostly reliant on spending decreases that are likely to come from a slow reduction in the wage bill based on measures adopted in recent years and continued compliance with expenditure ceilings under the fiscal rule. As a result, we forecast that general government primary surpluses are likely to reach 3% of GDP in 2026-27. Public debt will fall below 55% of GDP by 2027, increasing the sovereign's ability to respond to negative shocks.

#### DEBT AFFORDABILITY WILL STEADILY IMPROVE, BUFFERING THE SOVEREIGN'S FISCAL STRENGTH

Costa Rica's borrowing costs have continued to decline and will support favorable debt and interest cost dynamics. Debt management reforms, including the unification of debt management functions and centralization of cash holdings, have helped reduce domestic borrowing costs. The new market makers program has increased liquidity in the sovereign debt market. There has been a marked downward shift in the sovereign's domestic yield curve that in 2024 allowed the sovereign to lengthen the average maturity of domestic debt to 7.0 years from 6.3 in 2023 without a significant increase in funding costs.

In 2025, the authorities have focused their liability management efforts on decreasing the overall cost of debt without shortening average maturities. The substantial decrease in domestic and external yields is supporting higher debt affordability. Consequently, interest payments on debt have begun declining this year both in absolute and relative terms. In the first six months of 2025, interest expenditure fell 4.2% in nominal terms compared to the same period in 2024. We forecast the general government interest-to-revenue ratio will decline to 17% in 2025 from 18.5% in 2024, and will ease further to 15.9% in 2026, supporting an improvement in Costa Rica's fiscal strength. Moreover, the approval of the constitutional reform enabling greater access to external financing would further reduce the sovereign's reliance on the domestic market, broaden the investor base, and potentially lower the sovereign's cost of funding by facilitating benchmark-sized issuances in international markets. This structural improvement would reinforce the downward trajectory of interest expenditures and support debt sustainability over the medium term.

#### ROBUST GROWTH IS SET TO SLOW BUT WILL REMAIN AMONG THE STRONGEST IN THE REGION, SUPPORTING BENIGN DEBT DYNAMICS

Real GDP grew 4.3% in 2024, driven by exports, inward FDI, and strong private consumption. Costa Rica remains one of the fastest-growing economies in Latin America and among 'Ba'-rated sovereigns globally. Through 2025, growth will have averaged 5.1% since 2021, outpacing regional and global peers even though Costa Rica has comparatively higher income levels. Entrenched macroeconomic stability, a well-educated and highly skilled labor force, the country's proximity to the US, and a pro-business regulatory framework that supports a benign business environment with an absence of political polarization, continue to make Costa Rica an attractive destination for FDI, and support the sovereign credit profile.

We forecast real GDP growth will converge with potential, slowing to 3.5% in 2025 and remain around that level in 2026–27. The slowdown reflects the impact of the 15% tariff imposed by the US and softer global demand that is likely to have a moderating effect on activity in the country's export-oriented sectors. Half of Costa Rica's exports of goods and services are bound to the US, which is also the source of about two-thirds of Costa Rica's FDI. Even so, economic growth will remain supportive of a gradual but steady decline in debt ratios that is likely to accelerate as the fiscal deficit narrows.

#### RATIONALE FOR STABLE OUTLOOK

The risks around the baseline scenario that supports a Ba2 rating are balanced.

On the upside, robust economic growth and the authorities' continued commitment to expenditure restraint could lead to a faster decline in the government debt burden, improving fiscal strength more than we currently envision. Stronger debt and liquidity management and continued compliance with fiscal rules embedded in the medium-term fiscal framework could support a more rapid decrease in funding costs that enhances debt affordability. Should political support grow for revenue-increasing tax reforms, fiscal performance could strengthen more than we forecast.

On the downside, softer economic activity could result in revenue decreases, jeopardizing the fiscal consolidation plan. Costa Rica's still-low tax base has seen limited benefits from the economy's robust growth and as external growth drivers subside due to the impact of global tariffs on external demand, economic activity in Costa Rica will be subject to downside risks. Since the pandemic in 2020, Costa Rica's growth has been led by stronger economic activity in the free trade zones than in the broader economy. This has led to a two-speed economy that has not resulted in a material improvement in tax revenues, which at around 13.5% of GDP lag behind the tax burden in countries with similar income levels. Moreover, should economic activity decelerate more than we expect, this could have a detrimental impact on government revenue growth, making the fiscal consolidation push more reliant on expenditure cuts, rather than limiting expenditure growth as is currently planned.

## ESG CONSIDERATIONS

Costa Rica's ESG Credit Impact Score of CIS-3 reflects the country's moderate exposure to environmental and social risk. Its governance profile remains moderately weak due to its track record of slow policymaking process that at times limits policy effectiveness and reforms.

The E-3 issuer profile score on environmental risk is related to physical climate risk. Lower crop yields because of weather events can harm the agricultural export sector and tourism revenues may be affected by wildfires, floods and increased storm severity.

The S-3 issuer profile score on social risk reflects labor and income, housing, and health and safety risks. Social considerations historically were not material to Costa Rica's credit profile given a long history of stable governments and democratic institutions but attempts to reduce fiscal deficits have encountered significant social resistance in prior years. Popular demands to reduce perceived inequalities and high rates of violence will continue to constrain domestic policy choices.

The G-3 issuer profile score on governance risk is related to the political inability of several administrations to address a fiscal crisis that led to substantial debt accumulation. Although budget management was weak, the authorities are slowly building a track record of credibility as fiscal deficits narrow. Governance risks are tempered by a very favorable institutional structure that safeguards democratic processes and upholds the respect for contracts.

GDP per capita (PPP basis, US\$): 29,892 (2024) (also known as Per Capita Income)

Real GDP growth (% change): 4.3% (2024) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 0.8% (2024)

Gen. Gov. Financial Balance/GDP: -2.6% (2024) (also known as Fiscal Balance)

Current Account Balance/GDP: -1.3% (2024) (also known as External Balance)

External debt/GDP: 40.7% (2024)

Economic resiliency: baa2

Default history: At least one default event (on bonds and/or loans) has been recorded since 1983.

On 22 September 2025, a rating committee was called to discuss the rating of the Costa Rica, Government of. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have not materially changed. The issuer's institutions and governance strength, have not materially changed. The issuer's fiscal or financial strength, including its debt profile, has materially increased. The issuer has become less susceptible to event risks.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Policy continuity under a new administration that maintains the current fiscal trajectory by preserving primary surpluses and existing consolidation measures, as well as the current debt management strategy to improve debt affordability, could lead to an upgrade. Additionally, progress on reforms that enhance external financing flexibility and complement establishing a track record of low fiscal deficits could exert upward pressure on the

ratings.

Costa Rica's ratings could face downward pressure if liquidity and financing constraints re-emerge, or if a reversal of fiscal policy leads to wider fiscal deficits that deviate significantly from the medium-term fiscal framework, resulting in an upward debt trajectory. Given the country's history of political gridlock hindering reforms and the prompt adoption of corrective fiscal measures, downward pressure on the sovereign's credit profile could also result from legislative deadlock, lack of timely approval of external financing, or political inability to support measures that have led to continued improvements in debt metrics.

The principal methodology used in these ratings was Sovereigns published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/395819>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and UK and is(are) endorsed for use in the EU and UK in accordance with the EU and UK CRA Regulation.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on <https://ratings.moodys.com> for additional regulatory disclosures for each credit rating.

Jaime Reusche  
VP - Senior Credit Officer

Ariane Ortiz-Bollin  
Associate Managing Director

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

---

© 2025 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR

MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [ir.moody.com](http://ir.moody.com) under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V, I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Calificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the

Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.