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Nota di contenuto	Cover; CONTENTS; I. SELECTED REAL SECTOR ISSUES; A. Potential Output Estimates; TABLE; 1. Potential Output Growth and Output Gap Estimates; B. Estimating the Impact of Intel Exit; C. Labor Markets and Inequality; D. Electricity sector; BOX; 1. Methodologies for Potential Output Estimates; References; II. CROSS-BORDER LINKAGES AND SPILLOVERS; A. Trade Linkages; B. Real Growth Spillovers; C. Fiscal Spillovers; D. Financial Spillovers; E. Monetary Policy Spillovers (the Effect of U.S. Monetary Policy Normalization); TABLE; 1. Vulnerability Indicators; FIGURES; 1. Trade Linkages 2. Costa Rica and Selected Trading Partners-full title 3. United States: Three Scenarios of Tapering Off (FSGM simulations); 4. The Impact of U. S. Tapering Off (FSGM simulations); References; III. ASSESSING FISCAL VULNERABILITY AND MEDIUM-TERM SUSTAINABILITY; FIGURE; 1. Long-Term Fiscal Sustainability; References; IV. THE CENTRAL BANK NET'S WORTH; A. Introduction; B. Baseline Simulation Results; C. Sensitivity Analysis; FIGURE; 1. Central Bank of Costa Rica: Sensitivity Analysis; BOX; 1. Balance Sheet Equations; References; V. MONETARY POLICY AND INFLATION; A. Monetary Policy Stance B. Pass-through from Exchange Rate Depreciation to Inflation References; VI. TRANSITION TO A FLEXIBLE EXCHANGE RATE: LESSONS FROM PAST EXPERIENCE; A. Background; B. Dangers of Exchange Rate Inflexibility and the Advantages of Flexibility; C. Moving Toward Exchange Rate Flexibility: Experiences and Lessons from Other Countries; D. Assessing Costa Rica's Preparedness to Float; TABLE; 1. Extent of Preparedness for Transitioning to Greater Flexibility: Before the Full Float; FIGURE; 1. Historical Experiences with Transitions to Exchange Rate Flexibility; References; VII. FINANCIAL SECTOR ISSUES A. Strengthening Bank Capital and Liquidity in Central America: The Road to Basel III B. Balance Sheet Analysis; FIGURE; 1. Gross Financial Assets and Liabilities of Economic Sectors; TABLES; 1. External and Foreign Currency Positions; 2. Net Foreign Currency Debt Position and Exchange Rate Shocks; ANNEXES; I. Net Intersectoral Asset and Liability Positions; II. Bank Heat Maps; References
Sommario/riassunto	This Selected Issues paper examines several real sector issues, including estimates of potential output, the effect of Intel's withdrawal on gross domestic product (GDP), labor market and inequality and

electricity prices in Costa Rica. The production function approach shows that the main drivers of fluctuations in GDP growth are total factor productivity (TFP) and labor supply. These results on TFP, however, should be interpreted with caution. The TFP measure is a residual—the difference between output growth and the growth in the quantity (and quality) of inputs. Estimates suggest that potential GDP growth is about 4.3 percent, the output gap is broadly closed, and Intel's withdrawal will lower real GDP growth in about 1/2 percentage point. Significant wage premia are identified across public versus private sectors and some evidence of intergenerational inequality is also presented. Electricity tariffs are found to be regionally competitive albeit with inefficiencies in their determination.
