

RADVA

MICROECONOMIC OUTLOOK COSTA RICA

IQ 2024



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Federal Reserve maintains tightening of monetary policy

In the first quarter, the Federal Reserve kept the interest rate range stable between 5.25% and 5.50%, its highest level since 2001. Inflation has stagnated at around 3%, as it closed March 2024 at 3.5% with a slight upward trend, and was above the stipulated target range (2%); despite this, the labor market remains strong. The interest rate is expected to stand at 4.6% by the end of 2024.

Trump wins Republican Party nomination

The former President of the United States, Donald Trump, secured his position as Republican candidate for the November presidential elections by obtaining the necessary delegates (1,228) after his victory in the primaries of Washington, Mississippi and Georgia. The formalization of his nomination will take place during the Republican National Convention between July 15 and 18.

Nayib Bukele's victory, extends his mandate until 2029

Nayib Bukele won reelection in El Salvador's presidential elections. Despite the fact that the constitution prohibits immediate reelection and stipulates that there cannot be two consecutive terms, in order to be reelected, he took a six-month leave of absence, becoming the first Salvadoran president to be reelected in almost 100 years.

Conflict and tension in the Red Sea increases freight rates

Attacks on commercial ships by the Houthis, Yemen's insurgent group, led to a 64% reduction in ship traffic through the Suez Canal via the Red Sea in the first two weeks of January compared to the same period last year, with ships taking alternate routes. "The WCI freight index has risen by 150% between December 14 and January 18, which means it increased five times more than the cost overruns that shipping lines are facing, which represent 21%."

Vladimir Putin Reelected in Russia

According to data from the Central Electoral Commission, Vladimir Putin obtained more than 87% of the votes, with an ample majority of the ballots counted. These results consolidate the position of the Russian president, who is preparing to start a new six-year term until 2030. In addition, the recent reform of the rules limiting his tenure in office allows him to opt for reelection until 2036.

Ecuador: between violence and international political polarization

Ecuador began 2024 with an internal armed conflict that provided waves of violence and with it, security measures such as a state of exception that allows military forces to patrol prisons and violent areas. This has led to the proposal of a referendum in April where security and economic issues will be addressed. However, President Daniel Novoa is facing tensions with Latin American governments that may lead to a break in political and commercial relations.



Central Bank reduced its monetary policy rate to 5.25%.

The Board of Directors of the Central Bank of Costa Rica (BCCR) agreed, in its March 21 session, to lower its monetary policy rate (TPM) to 5.25%, that is, a decrease of 50 basis points. This decision was based on the analysis of inflation in previous months, which has maintained a good dynamic, with 9 consecutive months of negative growth.

Electricity prices increase in Costa Rica

Due to the scarcity of rain caused by the El Niño weather phenomenon, the Costa Rican Electricity Institute (ICE) will have to turn on thermal plants, which need bunker fuel to produce electricity. According to analysts, this situation was foreseen, partly because of the additional expense involved in producing electricity with fuel or importing it in times of greater drought.

Global freight rate hike begins to be felt in Costa Rica

The 70% increase so far this year in freight rates for containerized goods has begun to impact Costa Rica's foreign trade operations, according to sources in the import sector who are beginning to show concern.

Costa Rica records high temperatures

An increase in heat and temperatures of up to 40 °C are expected in Guanacaste. At the same time, temperatures of up to 2 °C above average are expected throughout the country, especially in the northern zone and the northern Pacific. Several factors influence these high heat sensations in Costa Rica, such as the decrease in trade winds, the approaching zenithal sun phase, the El Niño phenomenon and the warming of the Caribbean Sea.

Concern over strong colón appreciation

Part of Costa Rica's economic activity faces significant challenges due to the depreciation of the Costa Rican colon against the U.S. dollar. This trend has generated concerns in key sectors such as tourism and coffee production, affecting both exporters and small producers. Despite the country's economic growth, the lack of measures to address this situation has generated uncertainty and concern among the sector's stakeholders..

Central Bank of Costa Rica reduces economic growth forecast for 2024 to 3.8%.

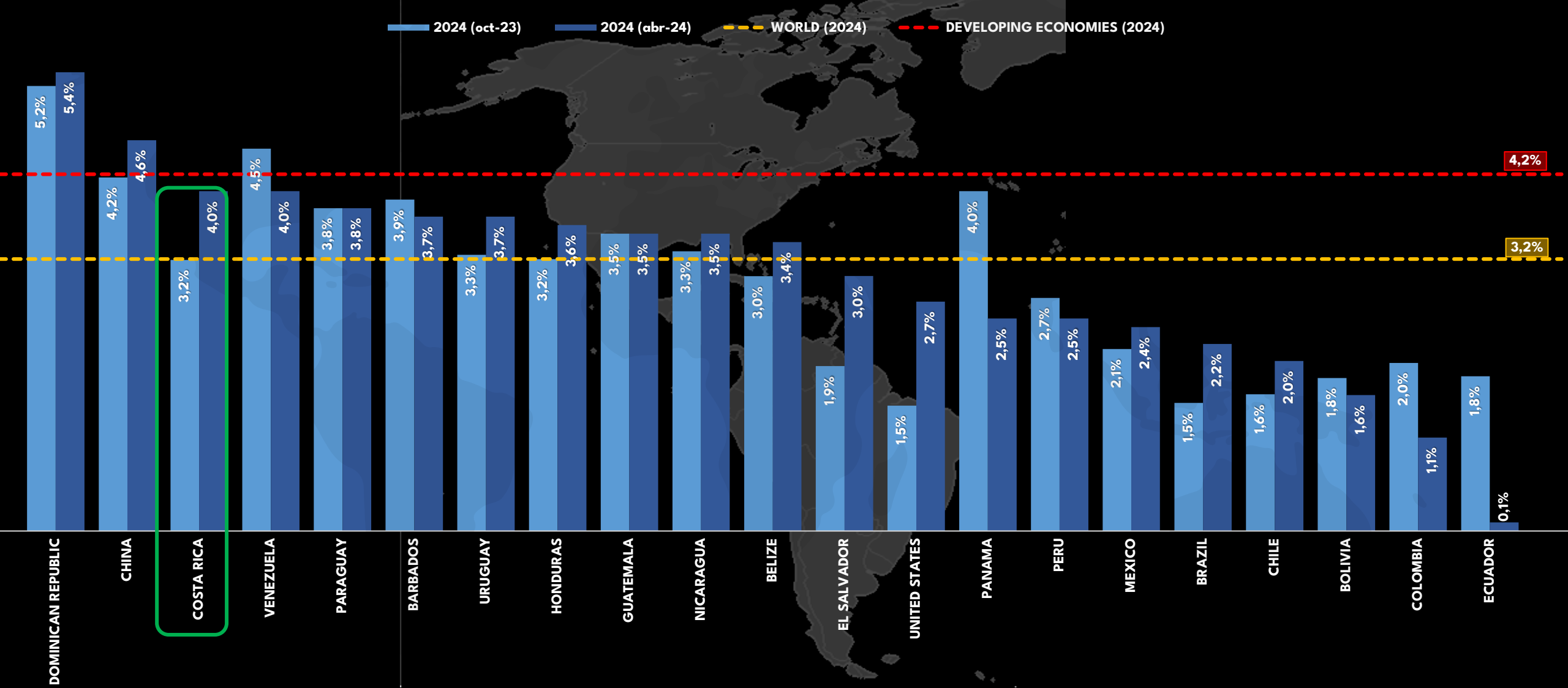
In a recent update to its Monetary Policy Report, the Central Bank of Costa Rica (BCCR) revised the nation's economic growth projections, noting a slight deceleration in the pace of economic expansion expected for 2024 and 2025. Initially projected at 4% for 2024, the growth forecast has now been adjusted to 3.8%, and the outlook for 2025 has been similarly reduced from 3.9% to 3.8%.

MACROECONOMIC CONTEXT

IQ 2024

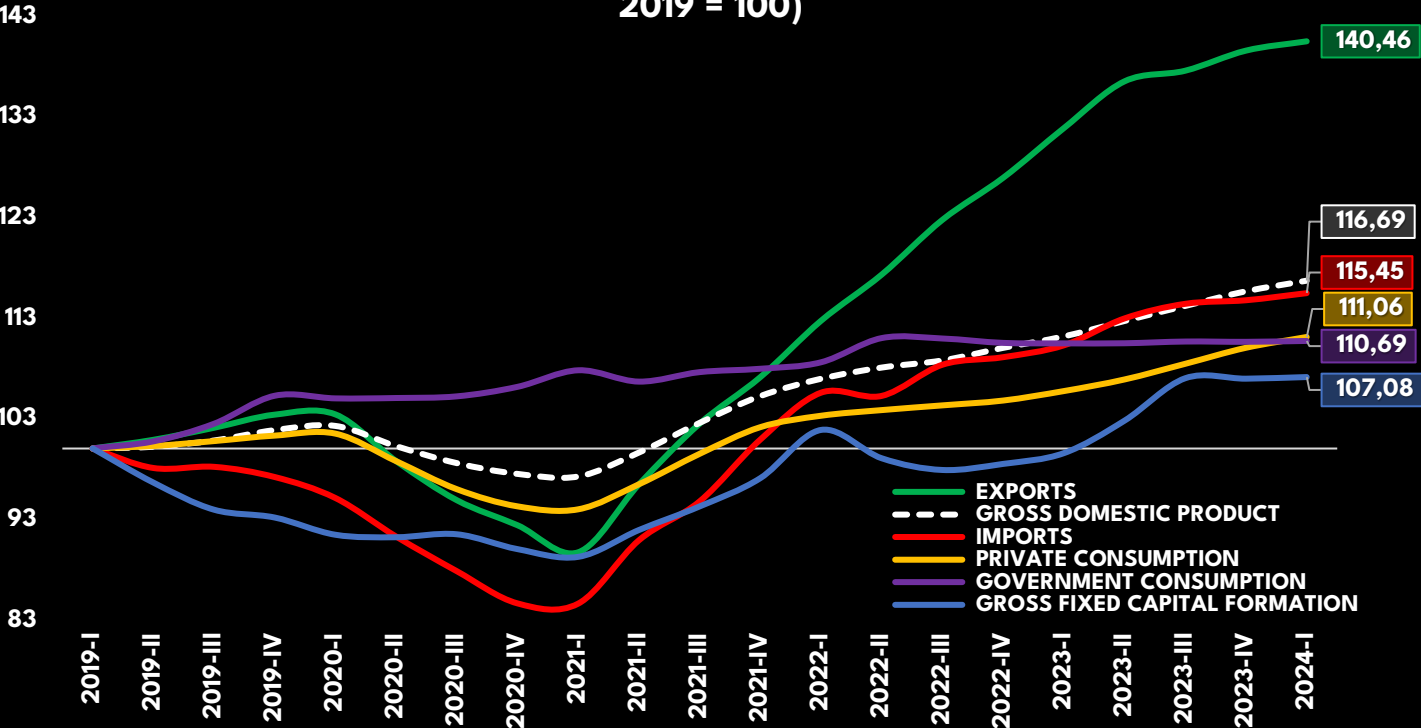
GLOBAL SLOWDOWN: CONTRASTS IN LATIN AMERICA AND THE CARIBBEAN

GROWTH PROJECTIONS FOR LATIN AMERICA - INTERNATIONAL MONETARY FUND



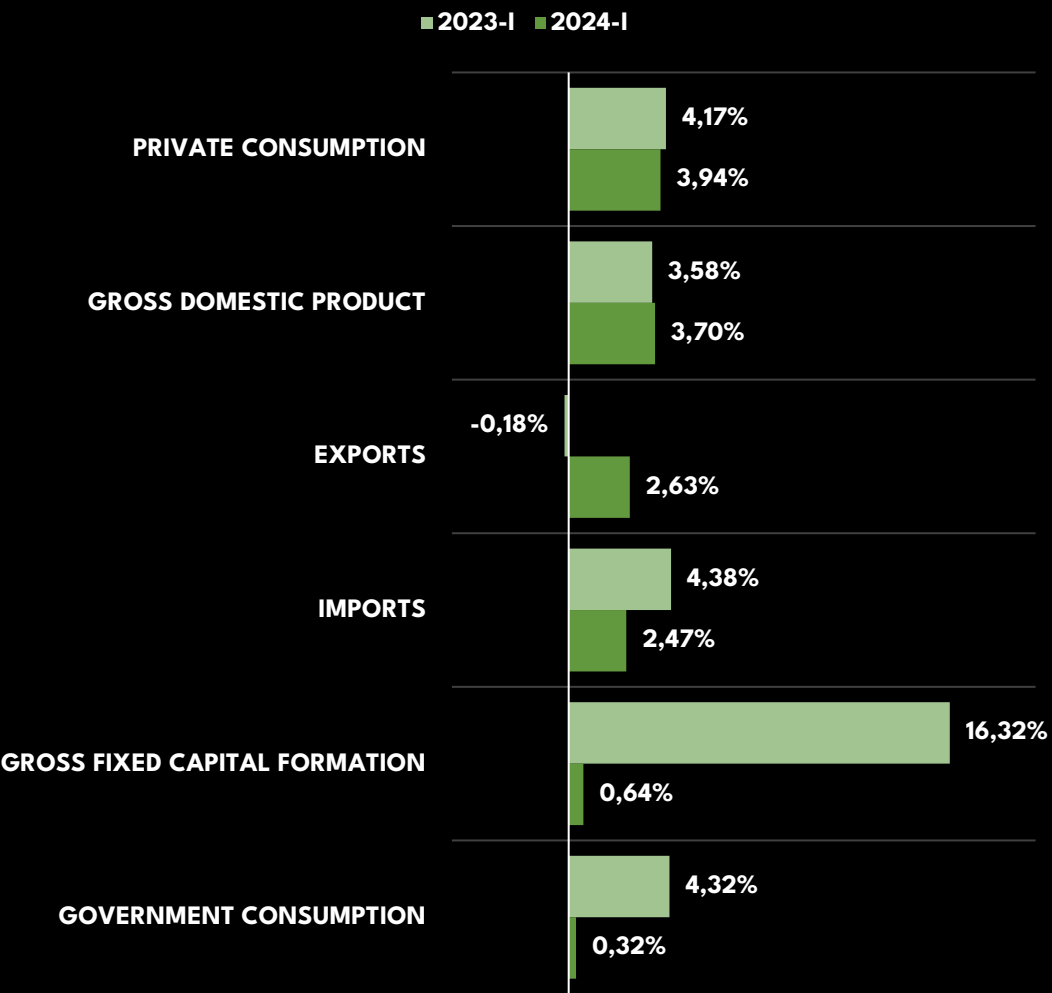
COSTA RICA'S ECONOMY: BETWEEN MODERATION IN EXTERNAL DEMAND AND RESILIENCE IN DOMESTIC DEMAND

GDP INDEX BY DEMAND COMPONENT CUMULATIVE 4 QUARTERS (IQ-2019 = 100)



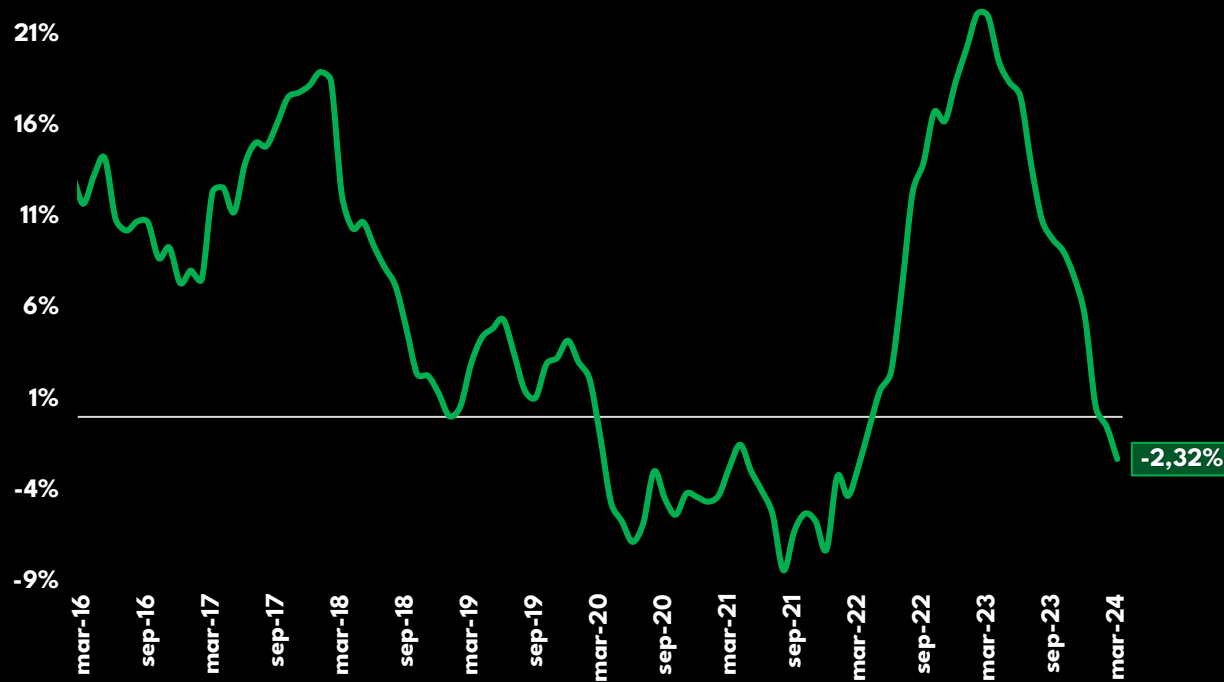
- For the first quarter of 2024, economic activity continued to show signs of moderation in its growth rate compared to the previous quarter.
- Government spending stagnated, related to a lower execution of road, electricity and hospital infrastructure projects.
- On the other hand, private consumption stood out as the main growth driver for this quarter, showing a similar pace to last year. This behavior was influenced by the improvement in consumer confidence, the growth in credit granted to households, as well as the increase in real wages. The latter was linked to the decrease in inflation and the appreciation of the colon.

YEAR ON YEAR SOURCE OF GROWTH BY DEMAND COMPONENT

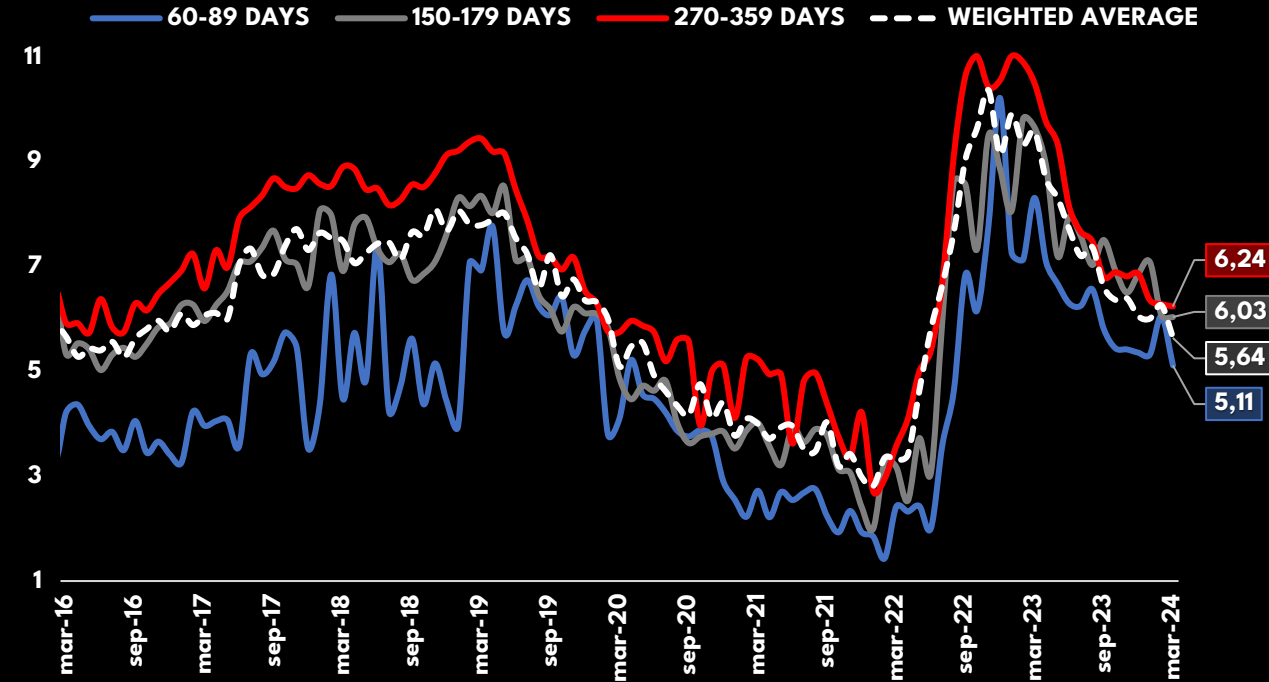


DISINCENTIVE TO SAVE: EFFECTS OF PASSING ON CUTS IN THE MONETARY POLICY RATE TO DEPOSIT RATES

ANNUAL DYNAMICS LONG-TERM DEPOSITS IN THE FINANCIAL SYSTEM



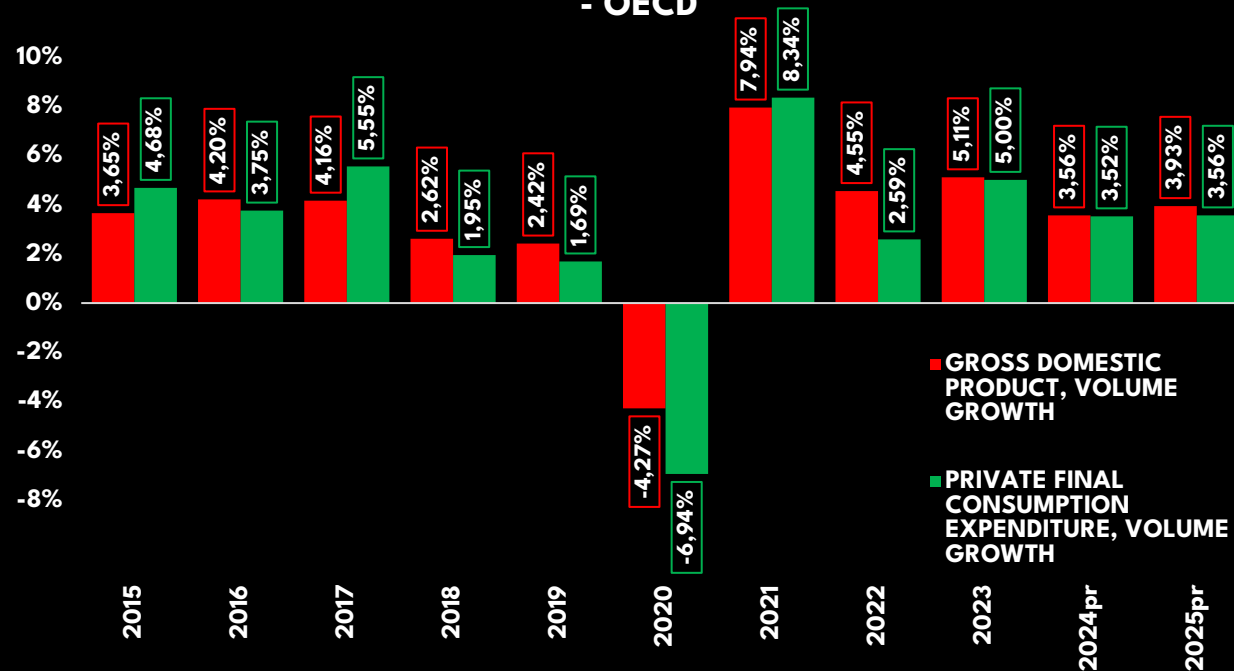
NEGOTIATED DEPOSIT RATE (NPR) BY MATURITY IN DAYS - PRIVATE BANKING



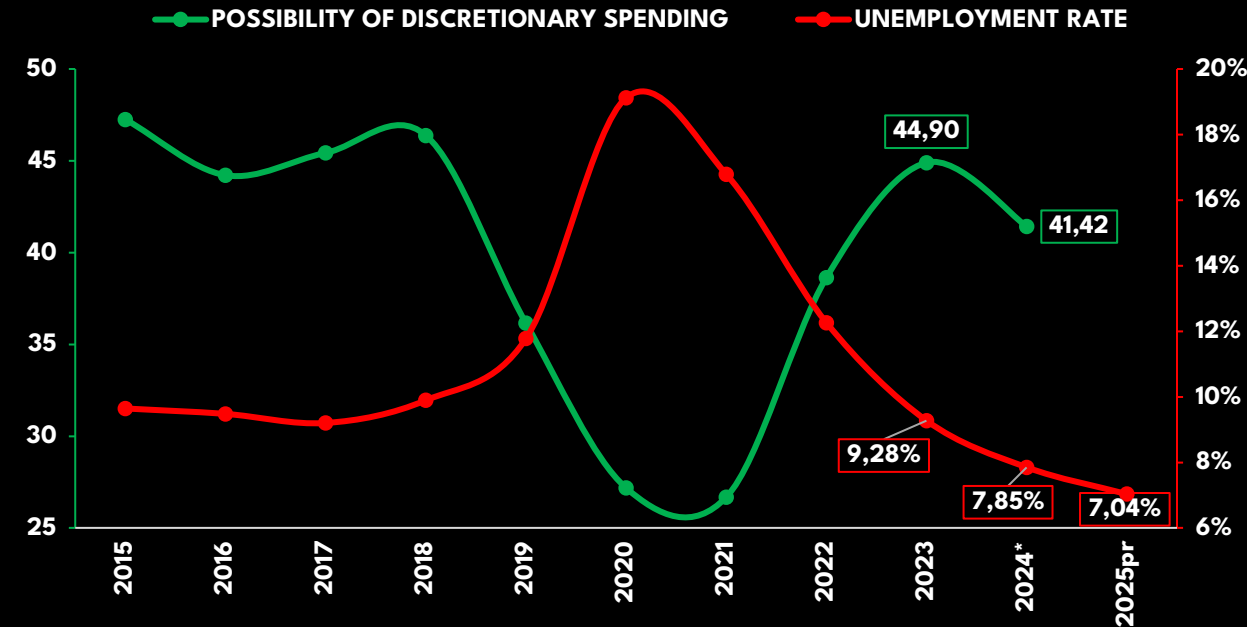
- Another factor that could be influencing the behavior of private consumption is the decrease in investment in time deposits, due to lower yields caused by reductions in negotiated deposit rates.
- This behavior in deposit interest rates is due to the cuts in the monetary policy rate since March of last year, which has reduced the incentive to save and increased the incentive to use credit, although at a lower rate.
- As a result, resources that were previously allocated to time deposits may be being redirected toward spending and investment decisions. This change in trend could primarily benefit the purchase of durable goods, as may be reflected in the strong sales of automobiles and appliances in the commercial sector, as well as the improved outlook for durable goods purchases according to the Consumer Confidence Index.
- This behavior is likely to intensify in the coming months as households begin to receive these additional resources.

DESPITE A BETTER OUTLOOK FOR PRIVATE CONSUMPTION, EXPECTATIONS OF A MODERATE IMPACT ON THE GROWTH OF THE COSTA RICAN ECONOMY REMAIN.

GDP GROWTH AND PRIVATE CONSUMPTION PROJECTIONS - OECD



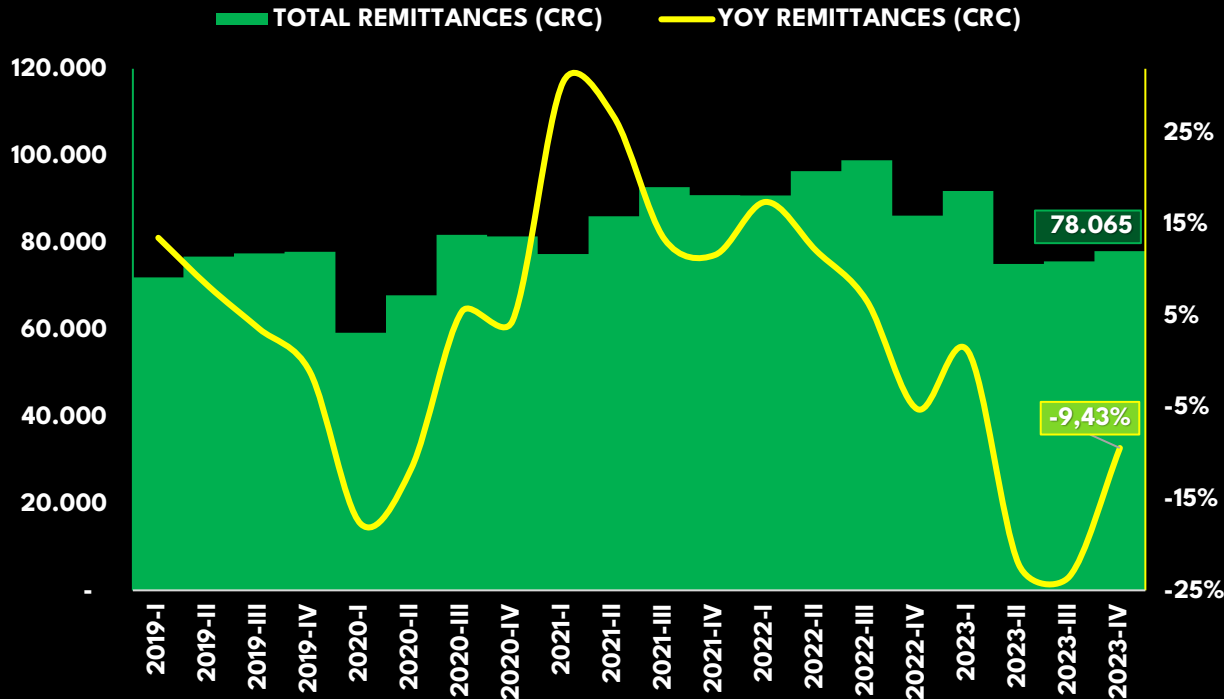
POSSIBILITY OF DISCRETIONARY SPENDING VS. UNEMPLOYMENT RATE DYNAMICS



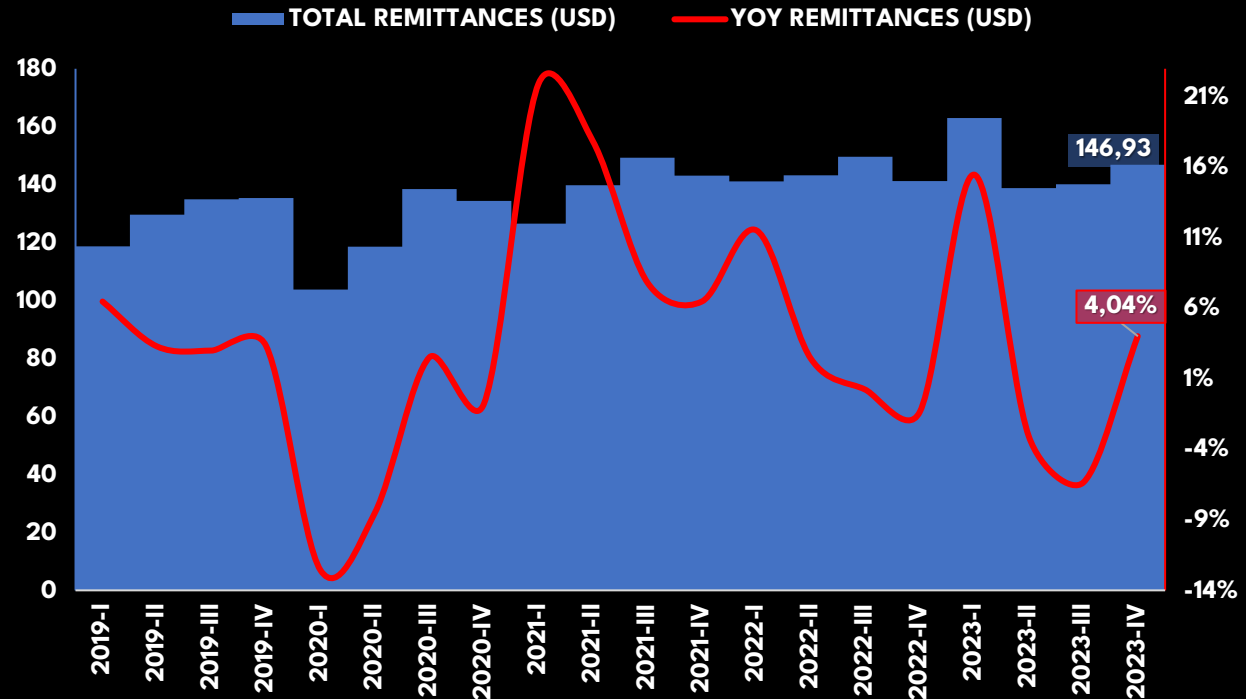
- Growth estimates for the years 2024 and 2025 are moderate, reflecting an international context of still restrictive monetary policies and where tensions generated by armed conflicts worldwide could further influence these estimates.
- Despite the positive momentum of private consumption in the first quarter, projections indicate that this will not be the main driver of economic growth in Costa Rica.
- Domestic demand will be limited by the expected economic slowdown and the slow transfer of adjustments in the Monetary Policy Rate (TPM) to the financial system's interest rates. Negatively impacting economic activity and household demand via credit.
- The inverse relationship between the unemployment rate and households' ability to engage in discretionary spending is expected to persist in 2024 and 2025. With a projected decline in the unemployment rate during these periods, the perception of household purchasing power is likely to improve slightly.

BETWEEN THE COLÓN AND THE DOLLAR: THE LARGE DOLLAR COMPONENT OF THE COSTA RICAN ECONOMY LIMITS GAINS IN INTERNATIONAL TERMS OF TRADE

REMITTANCES (CRC) AND YOY DYNAMICS

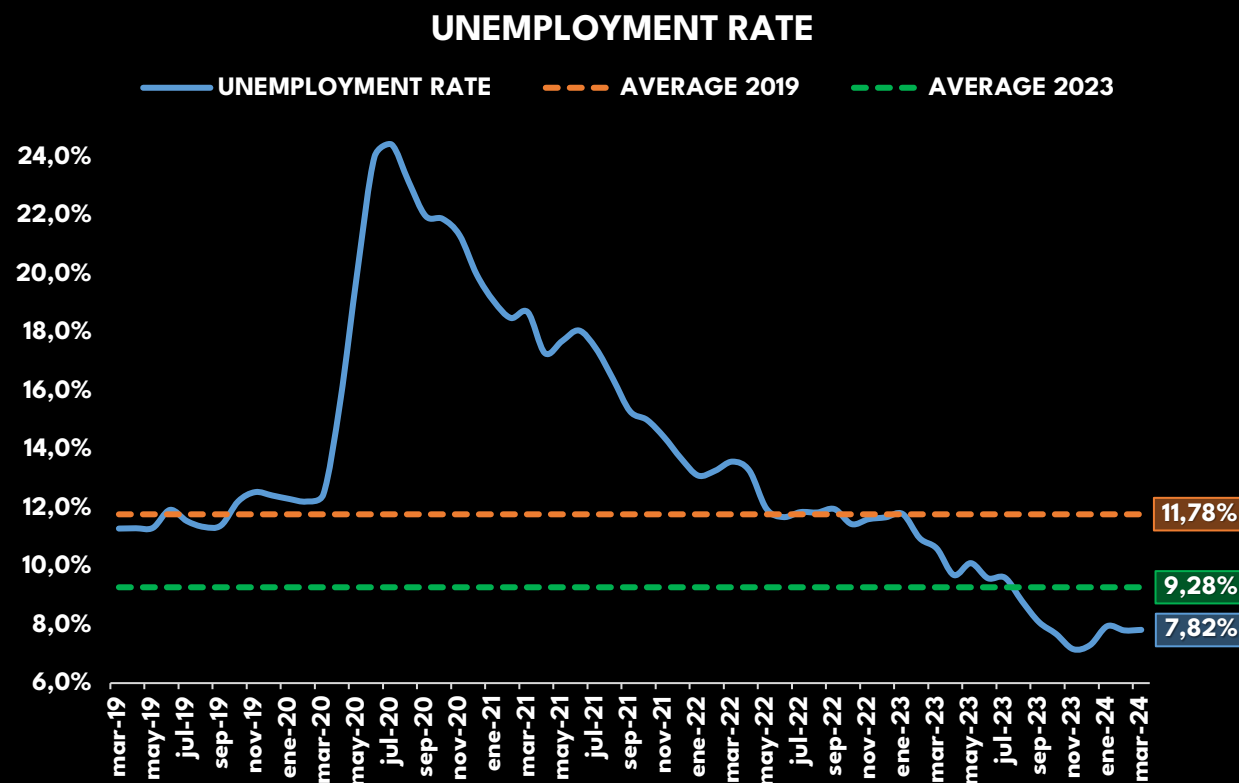
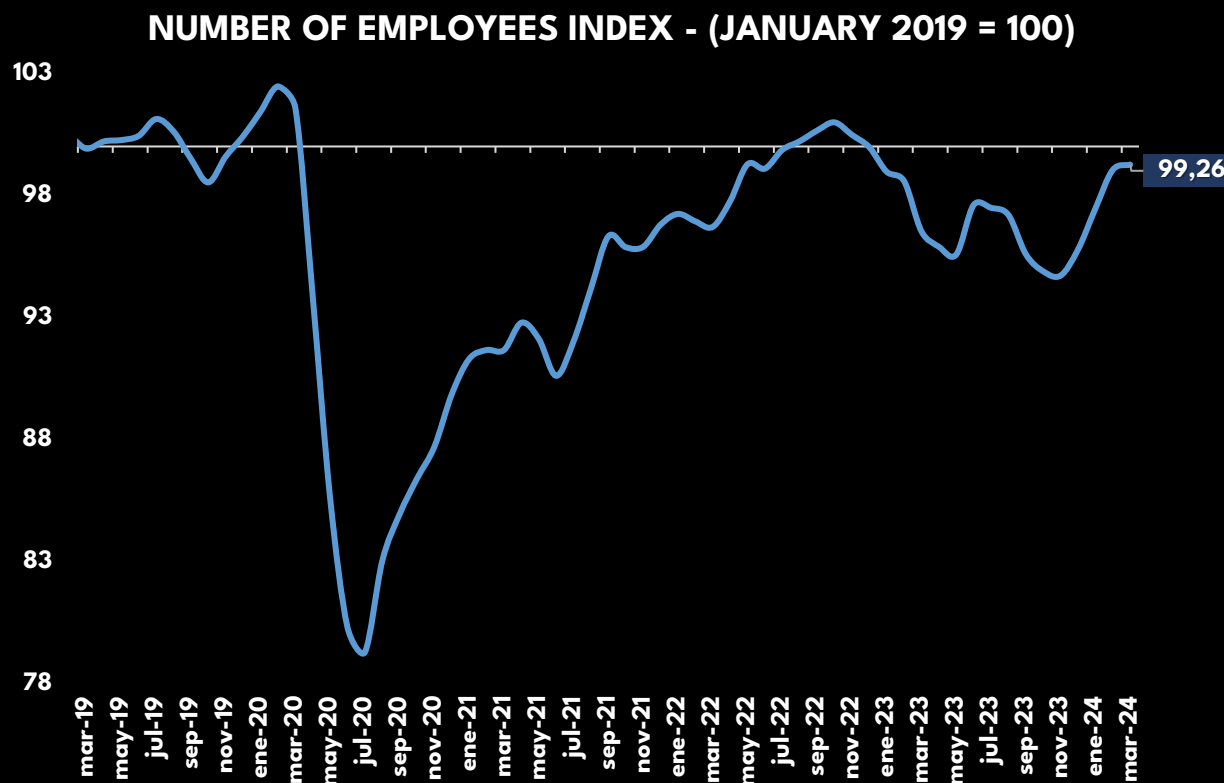


REMITTANCES (USD) AND YOY DYNAMICS



- For the last quarter of 2023, the receipt of remittances in dollars by households in Costa Rica showed significant growth, in line with the regional trend in Central America and possibly related to the strength of the labor market in the United States, the main source of this income.
- Despite this increase, there was no increase in the receipt of remittances in colons, due to the appreciation of the exchange rate, which still exhibits a notable change with respect to the previous year, but which has been less pronounced in recent months.
- The impact of the exchange rate is not only limited to the purchasing power of remittance recipient households but has also affected the earnings of the export and tourism sectors. It has also generated greater demand for credit in dollars due to the relative increase in the cost of credit in colons.

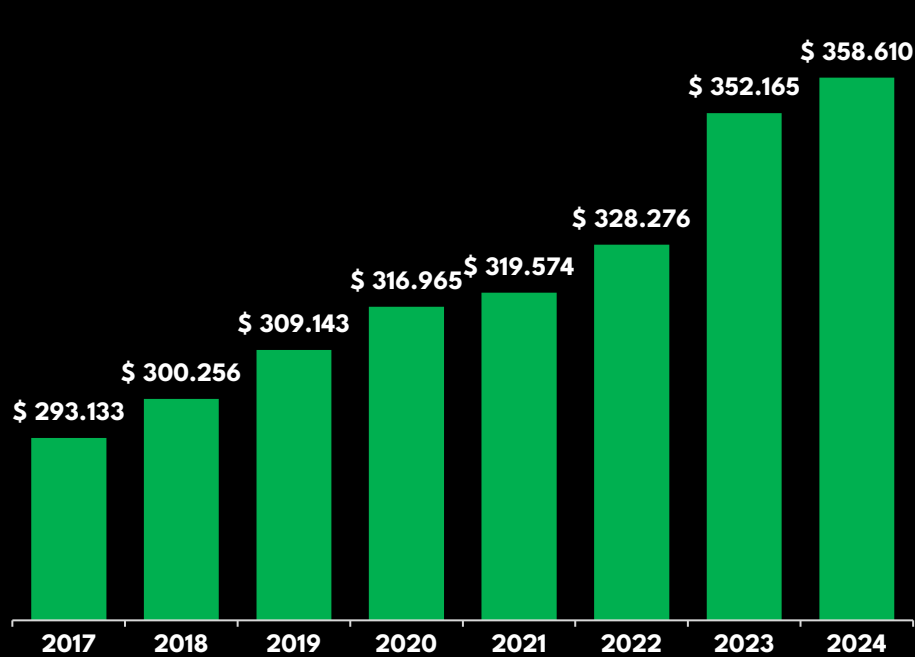
EMPLOYMENT IN COSTA RICA FACES MODEST RECOVERY AMID IMPROVED EXPECTATIONS FOR ECONOMIC PERFORMANCE



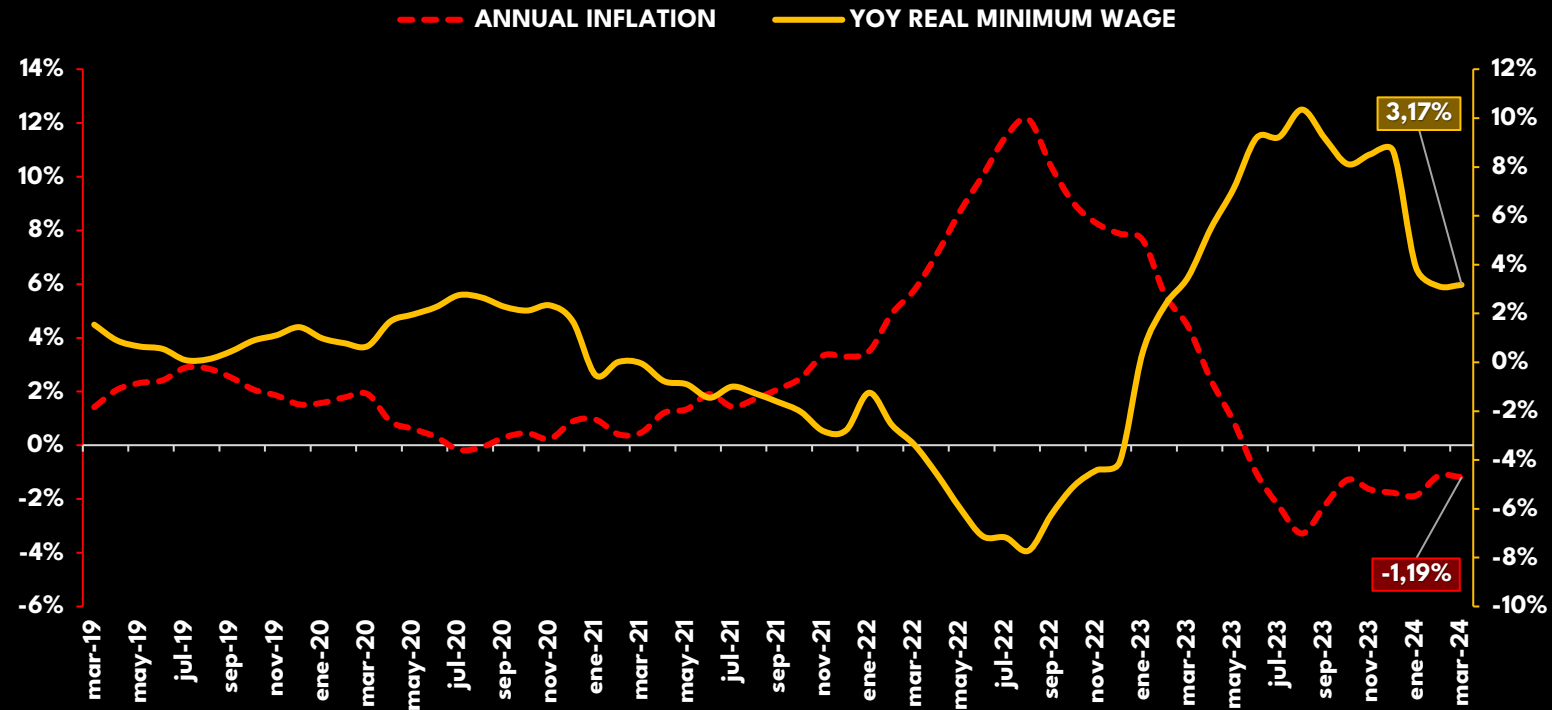
- The labor market evidenced a recovery in employment, maintaining unemployment rates below historical levels for nine consecutive months. In addition, the net participation rate has also recovered, although it remains below the levels recorded in 2023 and before the pandemic.
- The increase in labor participation is in line with improved expectations about the evolution of the economy.
- This recovery in employment is particularly noticeable in the 25 to 59 years age group, while in the 15 to 24 years and over 60 years age groups, the number of employed remains below the pre-pandemic level.
- Young people mainly mention studies and travel as reasons for not participating in the labor market, while people over 60 years of age cite retirement due to age. On the other hand, the 25 to 59 age group mainly cites family obligations, such as caring for children and the elderly, which has traditionally fallen on women, which could partly explain their lower labor market participation.

IMPROVEMENT IN HOUSEHOLD PURCHASING POWER: PROLONGED DEFLATION AND RECOVERING EMPLOYMENT

MINIMUM WAGE(CRC)



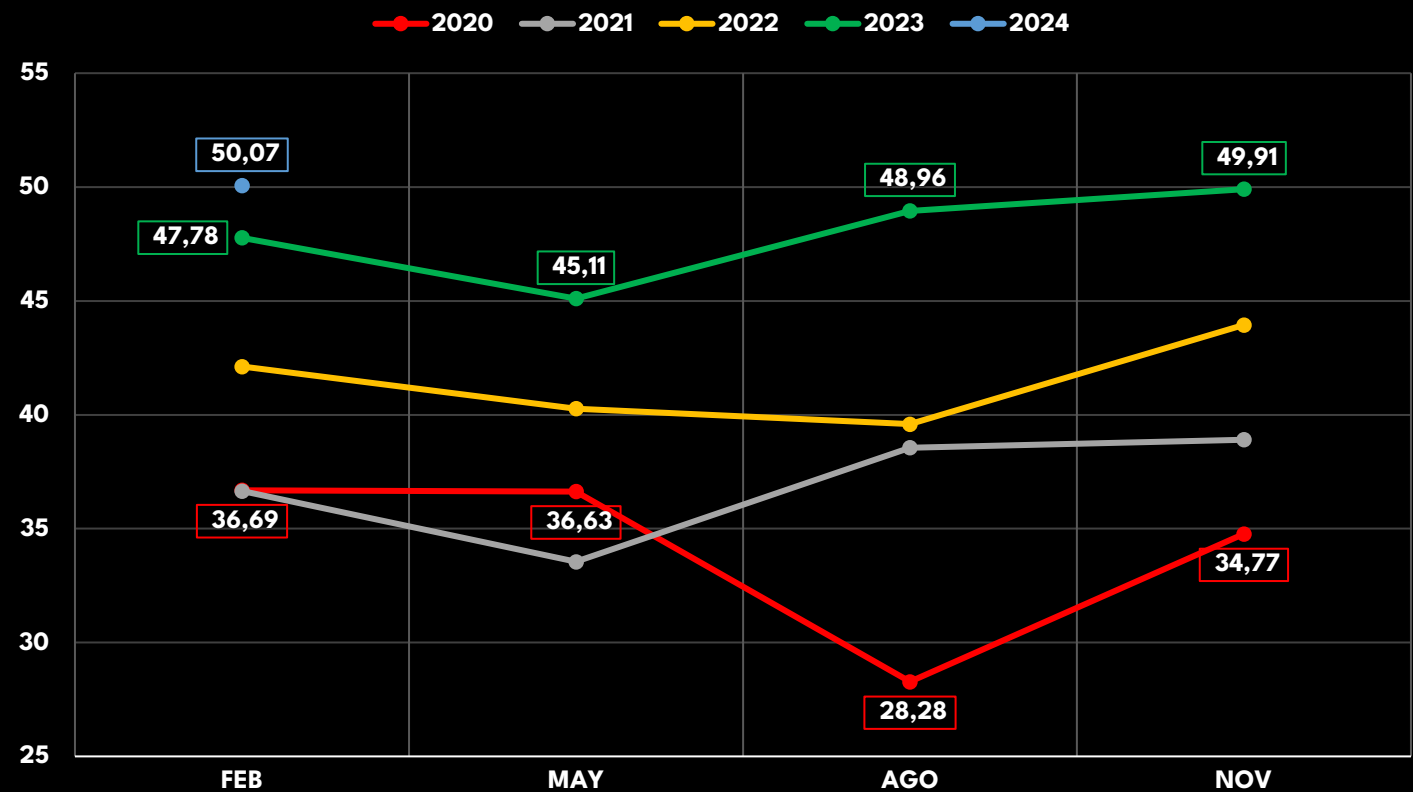
ANNUAL VARIATION REAL MINIMUM WAGE VS CPI



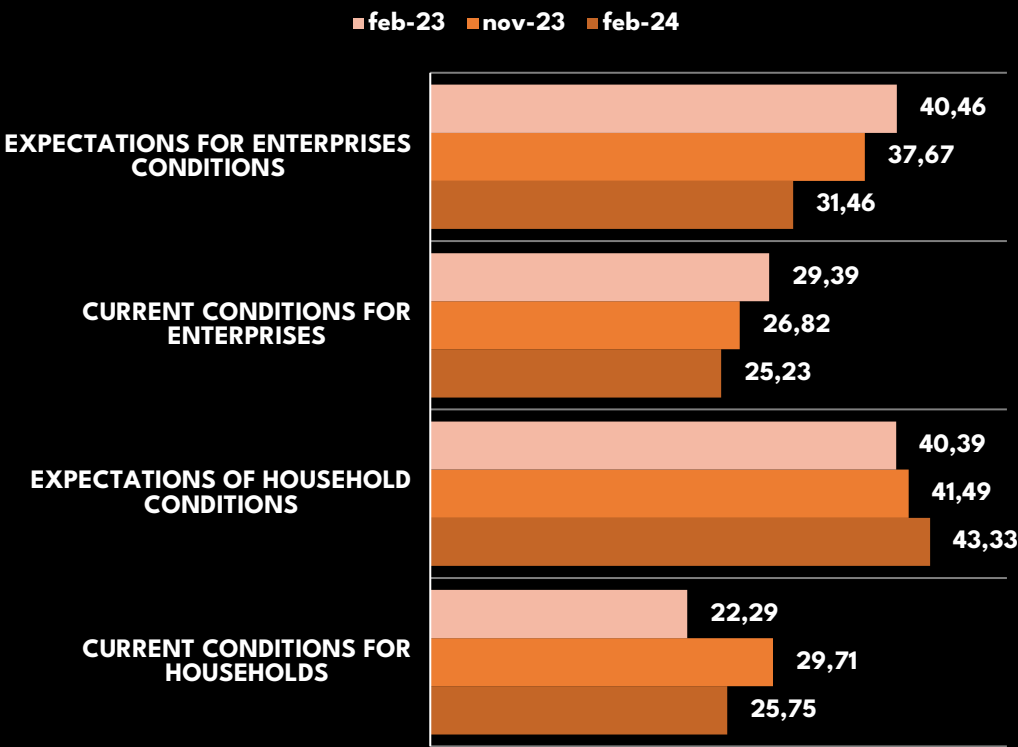
- Since December of the previous year, international oil prices have been moving upwards, although less rapidly than at the beginning of the Russia-Ukraine conflict. In line with this, annual inflation has shown some rebound, although it still remains in negative territory.
- Factors such as the appreciation of the local currency have also helped to mitigate upward pressures on the prices of goods, especially imported goods.
- However, in line with the improvement in the labor market, household income in the country may be experiencing greater purchasing power.
- Nevertheless, risks to household incomes remain. For example, a significant increase in inflation due to factors such as the prolongation of conflicts in the Middle East affecting international trade could raise the prices of imported products such as oil, which in turn could reduce the real minimum wage.
- On the other hand, in a context of negative inflation, the slow pass-through of monetary policy rate adjustments to financial system interest rates could have a negative impact on economic activity and affect household income sources as employment generation deteriorates.

CONSUMER CONFIDENCE PASSED THE 50-POINT MARK AND REMAINS ONE OF THE HIGHEST IN RECENT YEARS

ANNUAL COMPARISON OF CONSUMER CONFIDENCE



EVOLUTION OF CONSUMER CONFIDENCE BY COMPONENTS (% OF POSITIVE ANSWERS)



- For the month of February 2024, consumer confidence showed a slight improvement compared to the previous month.
- However, consumer opinion remains stagnant at a neutral position.
- When disaggregating the indicator with respect to consumers' assessment of the present situation (46.8) and future expectations (52.3), it stands out the fact that consumers continue to perceive that the future of the national economy continues to be more promising for the population than the current context, a trend that has been maintained in the last surveys.
- Despite this, in line with the positive performance of the economy, the stabilization of external shocks, the reduction of interest rates and the increase in purchasing power, consumers are beginning to show improvements in their perception of their ability to purchase durable goods, as well as to buy housing and automobiles.

IN SUMMARY

WHAT HAPPENED AT IQ 2024?



- ✓ Economic activity shows signs of moderation in the first quarter of 2024.
- ✓ Although private consumption shows a good performance, it is not expected to be the main driver of growth.
- ✓ Although consumer confidence shows a slight improvement, consumer sentiment remains neutral.

- Private consumption stands out as the item with the highest growth in the first quarter of the year, influenced by the stability in consumer confidence and the recovery of purchasing power.
- The decrease in investment in time deposits suggests a shift from savings to spending and investment.
- Growth estimates for 2024 and 2025 are moderate, influenced by tight monetary policies and global tensions. Domestic demand will be constrained by the expected economic slowdown and the slow pass-through of monetary policy rate adjustments to lending rates.
- The growth of remittances in dollars is not reflected in an increase in remittances in colones due to the appreciation of the exchange rate. This situation also affects the earnings of exporters and tourism.
- The economy shows negative inflation and a recovery in employment, which may be increasing household purchasing power.
- Consumer confidence remains stable, with consumers having higher expectations for the near future than under current conditions.

4,91%

Mar 24

Exports ↓**50,07**

Feb 24

Consumer confidence ↑**-1,40%**

IQ 2024

Inflation ↓**7,8%**

Mar 2024

Unemployment rate ↓

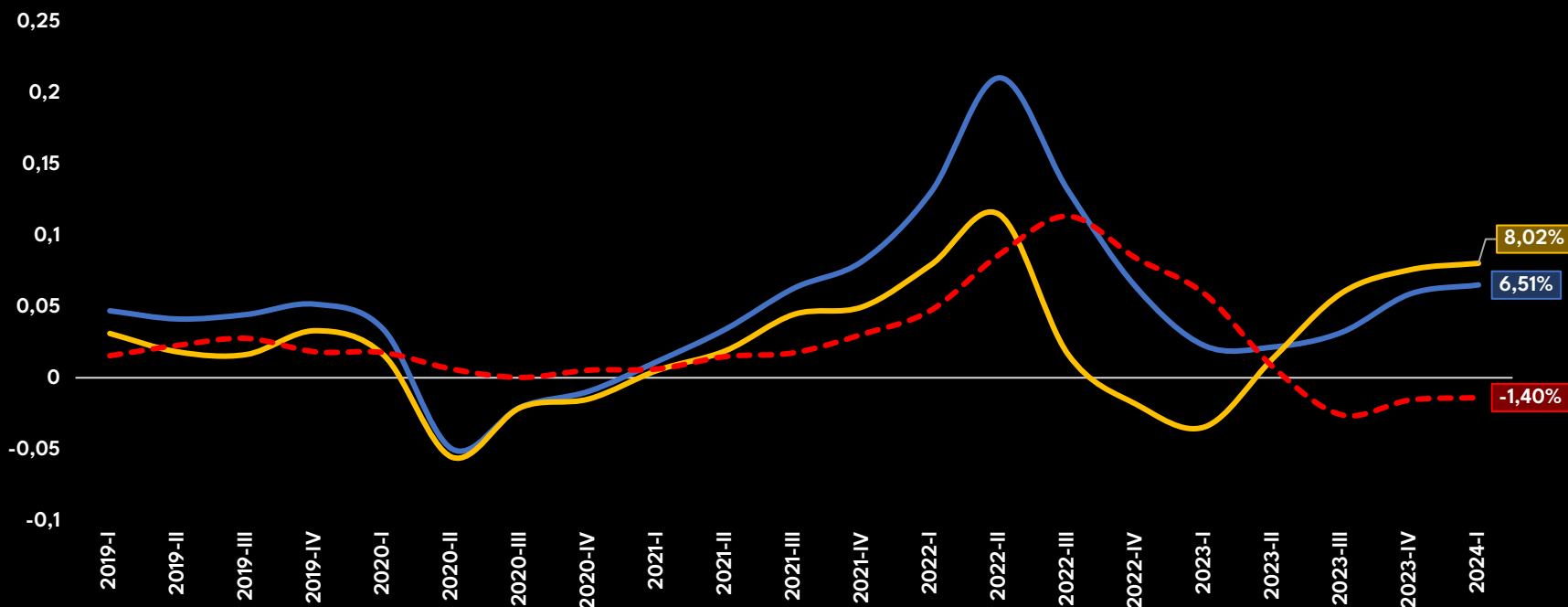
HOUSEHOLD SPEND

IQ 2024



QUARTERLY HOUSEHOLD EXPENDITURE IN COSTA RICA DYNAMICS

— YOY CURRENT EXPENDITURE — YOY REAL EXPENDITURE - - - QUARTERLY INFLATION



UPWARD FACTORS:

- ▲ Increase in the purchasing power of households, linked to a slight improvement in the number of employed, low inflation and the appreciation of the colon.
- ▲ Improvement in consumer confidence regarding consumers' perception of their ability to purchase durable goods, automobiles and housing.
- ▲ Growth in credit granted to households in the face of interest rate cuts.
- ▲ Redirection of resources previously destined to time deposits, possibly towards spending and investment decisions.

DOWNWARD FACTORS:

- ▼ Possible negative impact on economic activity and household spending sources given the slow adjustment in financial system interest rates.
- ▼ Strong appreciation of the exchange rate may restrict gains in international terms of trade, affecting remittance-receiving households and the export and tourism sectors.
- ▼ Low labor market participation, with levels below those recorded in 2023 and pre-pandemic.
- ▼ Stagnation of consumer confidence in a neutral position.

HOUSEHOLD SPEND IN THE
FOURTH QUARTER WAS

\$7,57

TRILLIONS OF COSTA RICAN
COLONS

WITH A CURRENT ANNUAL
GROWTH RATE OF

6,51%

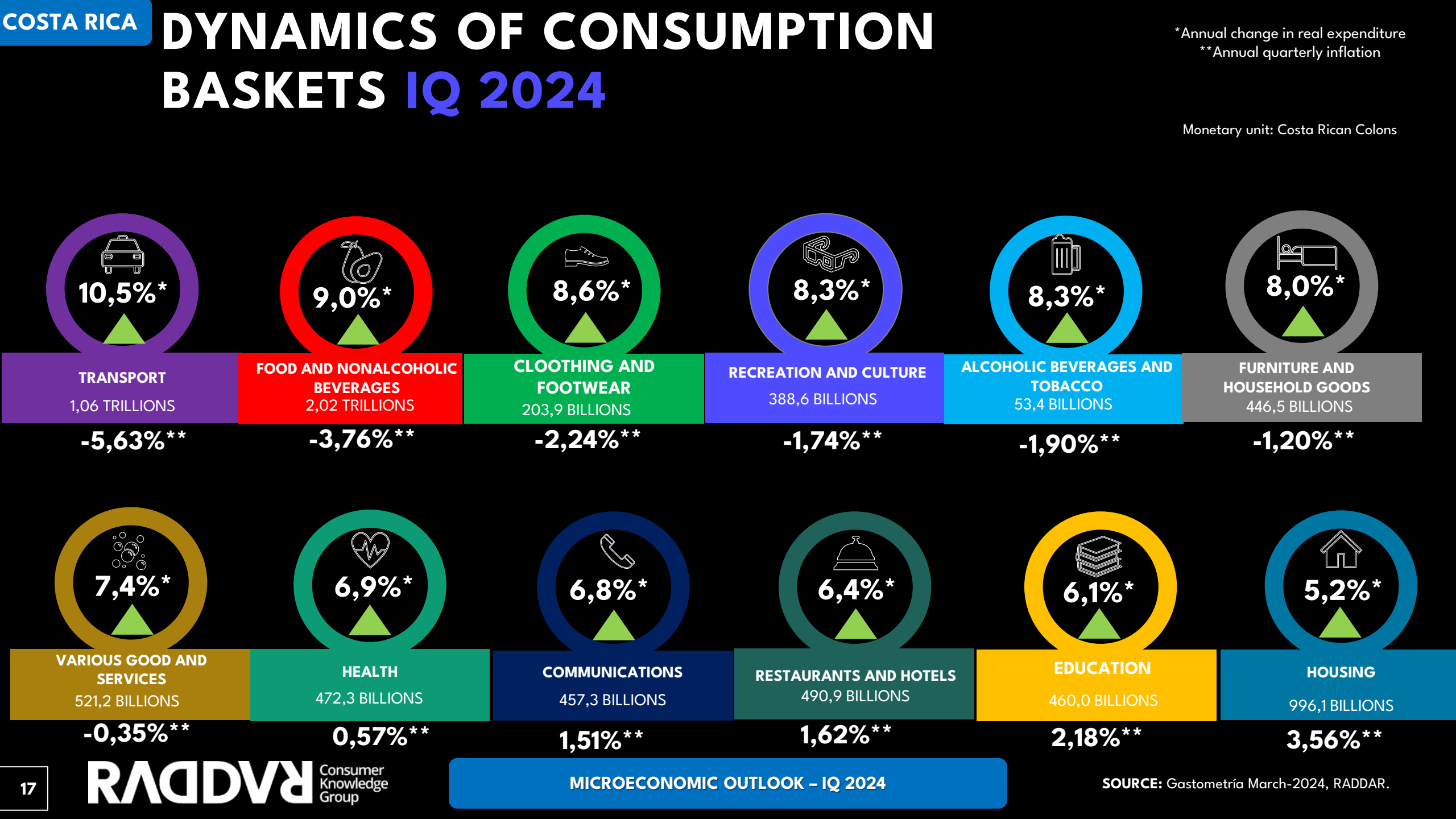
AN ANNUAL INFLATION OF

-1,40%

AND AN ANNUAL GROWTH IN
REAL EXPENDITURE OF

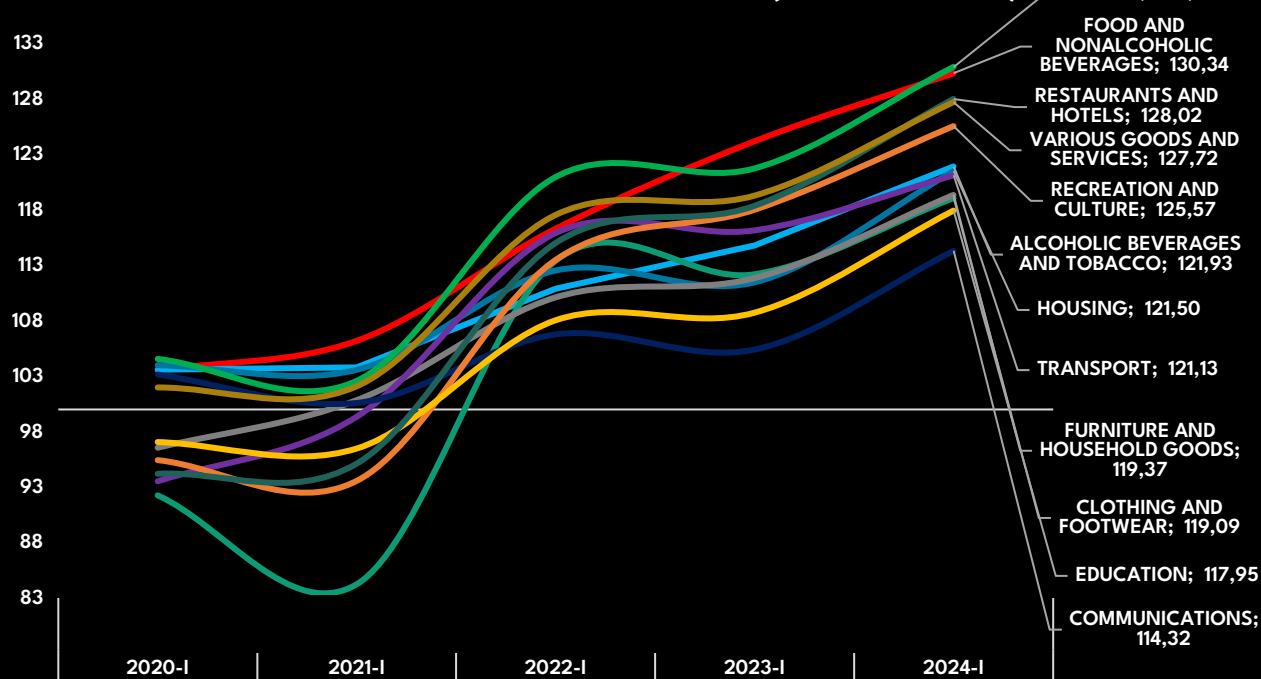
8,02%

SOURCE: Gastometría March-2024, RADDAR.

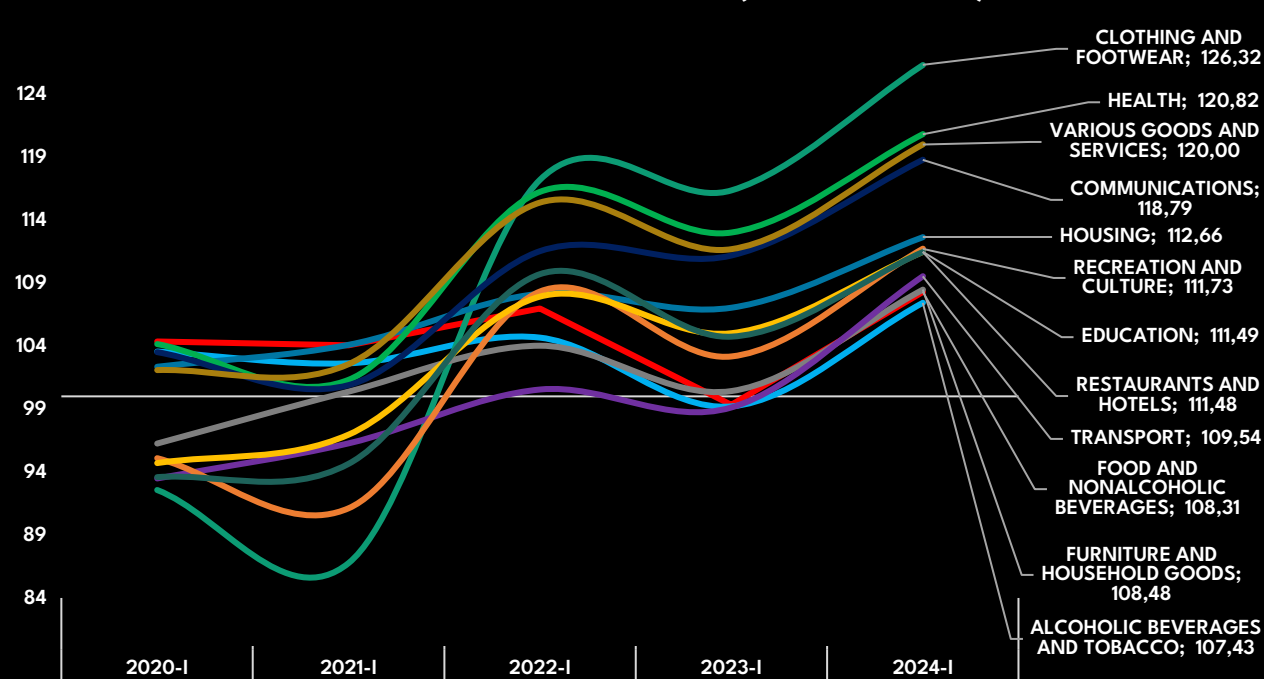


ALL SPENDING BASKETS MAINTAIN SPENDING LEVELS HIGHER THAN THOSE SEEN PRIOR TO THE PANDEMIC

CURRENT EXPENDITURE INDEX (IVQ-2019=100)



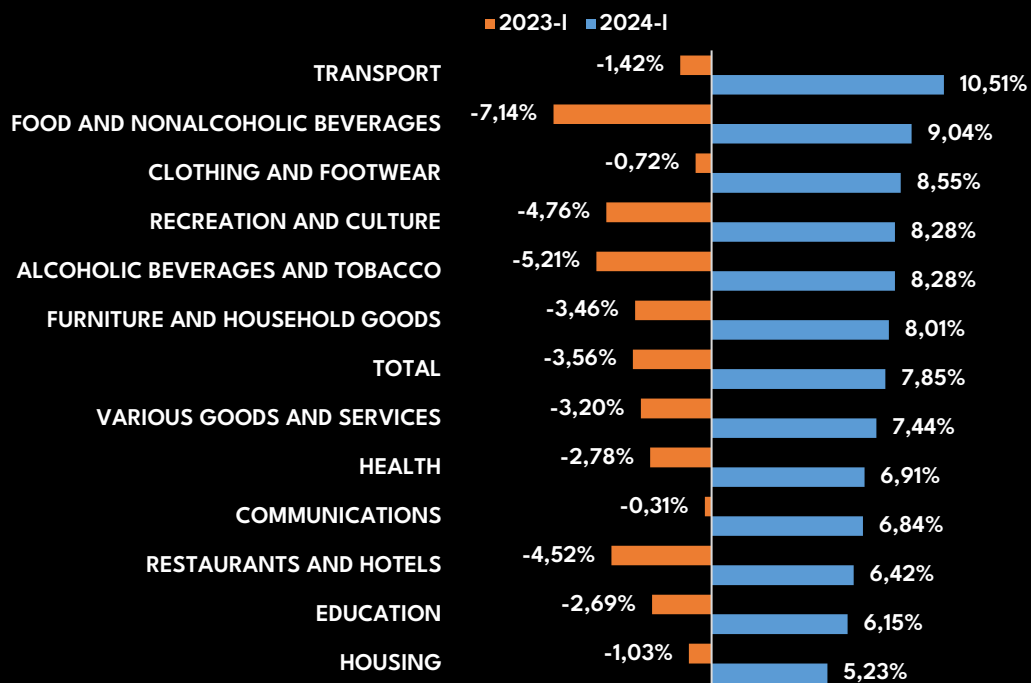
REAL EXPENDITURE INDEX (IVQ-2019=100)



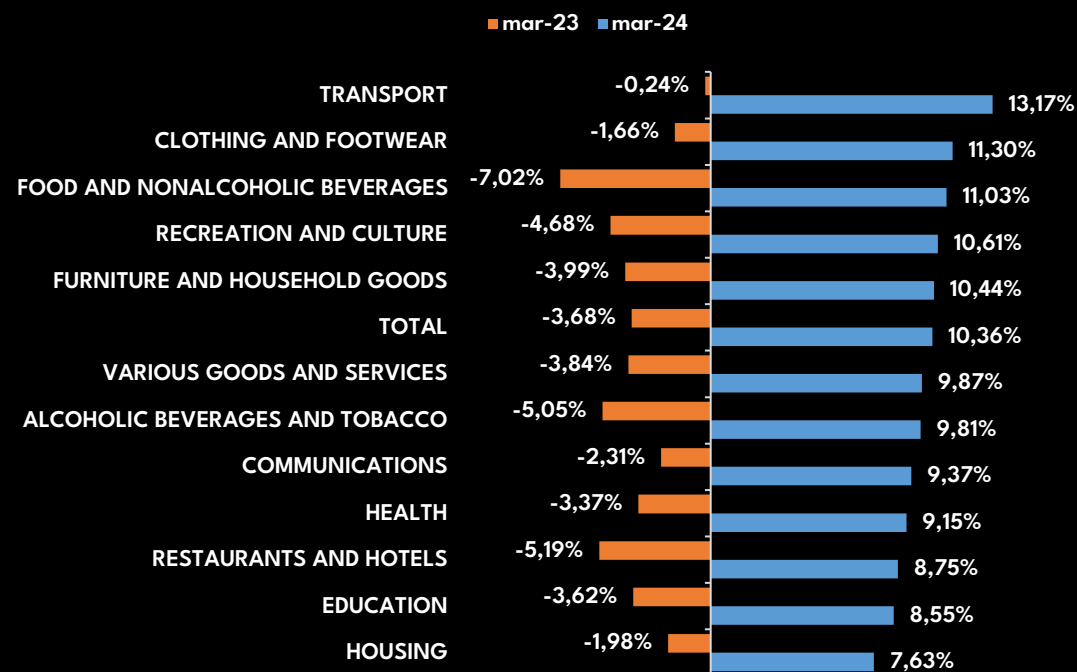
- Compared to the fourth quarter of 2019, a significant increase in household cash outlays was observed in several baskets, including Health, Food, Other miscellaneous goods, and Restaurants and hotels.
- In terms of volumes, the baskets that have shown the best performance are Clothing and footwear, Health, Other miscellaneous goods and Communications.
- The notable growth in the health basket in terms of units purchased is attributed to the normalization of drug prices, which had previously been high, and to the increase in formality, which allows more households to access health services.
- The baskets with the best dynamics are focused on services, possibly due to consumers' caution in the purchase of durable goods and their preference for experiences.
- The appreciation of the exchange rate has benefited baskets such as clothing and footwear, maintaining good dynamics.
- It is expected that with a more relaxed monetary policy and in line with evidence of consumer confidence, there will be a greater willingness to spend on durable goods, which would benefit baskets such as household goods.

THE CURRENT BETTER CONDITIONS OF HOUSEHOLDS ARE REFLECTED IN POSITIVE DYNAMICS IN ALL EXPENDITURE BASKETS

YEAR-ON-YEAR REAL EXPENDITURE



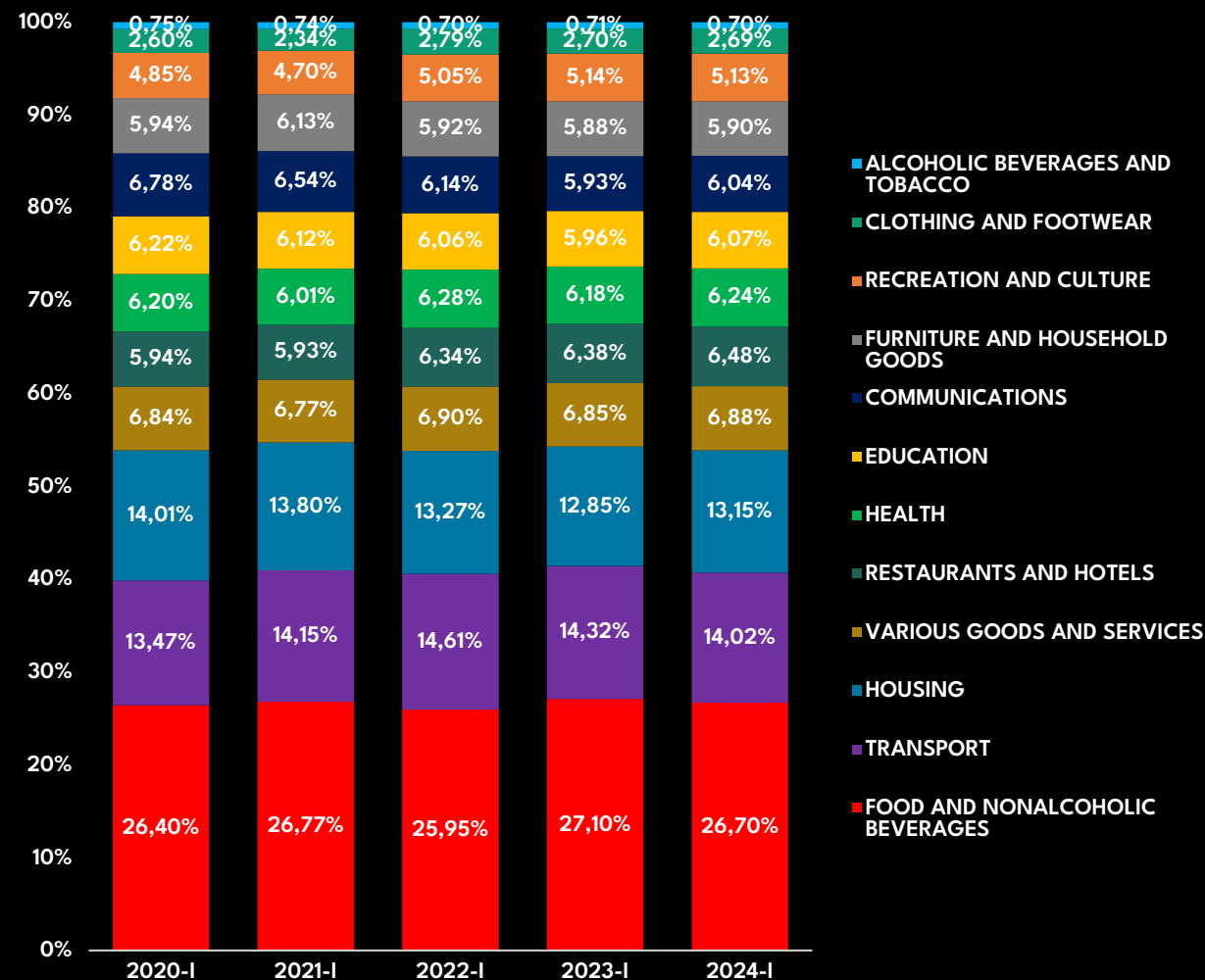
MONTH-ON-MONTH REAL EXPENDITURE



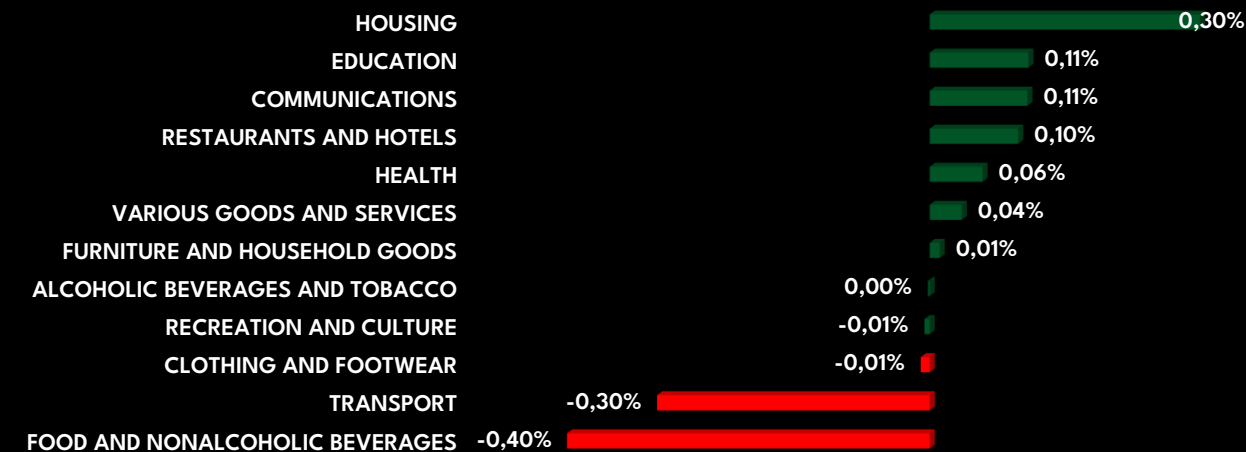
- For the first quarter of the year, real household spending in Costa Rica showed significant growth in all spending baskets, in line with low inflation and improved employment and credit dynamics, among other factors.
- Growth in the Transportation, Food and Non-alcoholic Beverages, Apparel and Footwear, and Recreation and Culture baskets stood out.
- As for the dynamics of the transportation basket, this could respond to the downward adjustment in some urban transportation services due to the lower cost of fuels, such as gasoline, in view of the international dynamics of oil prices, which have registered less marked increases than in other years.
- In the case of the Apparel and footwear basket, this could be benefiting from the favorable terms of trade that Costa Rica presents in terms of imports, due to the significant accumulated appreciation of the exchange rate.
- On the other hand, the presence of large-scale cultural events, such as concerts by artists like Luis Miguel and Karol G, among others, in this first part of the year, could partly explain the dynamics of household spending on Recreation and culture.

POCKETSHARE CHANGES: ALLOCATING LESS TO FUELS AND MORE TO UTILITIES IN THE FACE OF CLIMATE PRESSURES

COMPOSITION OF HOUSEHOLD EXPENDITURE IN COSTA RICA (CURRENT)



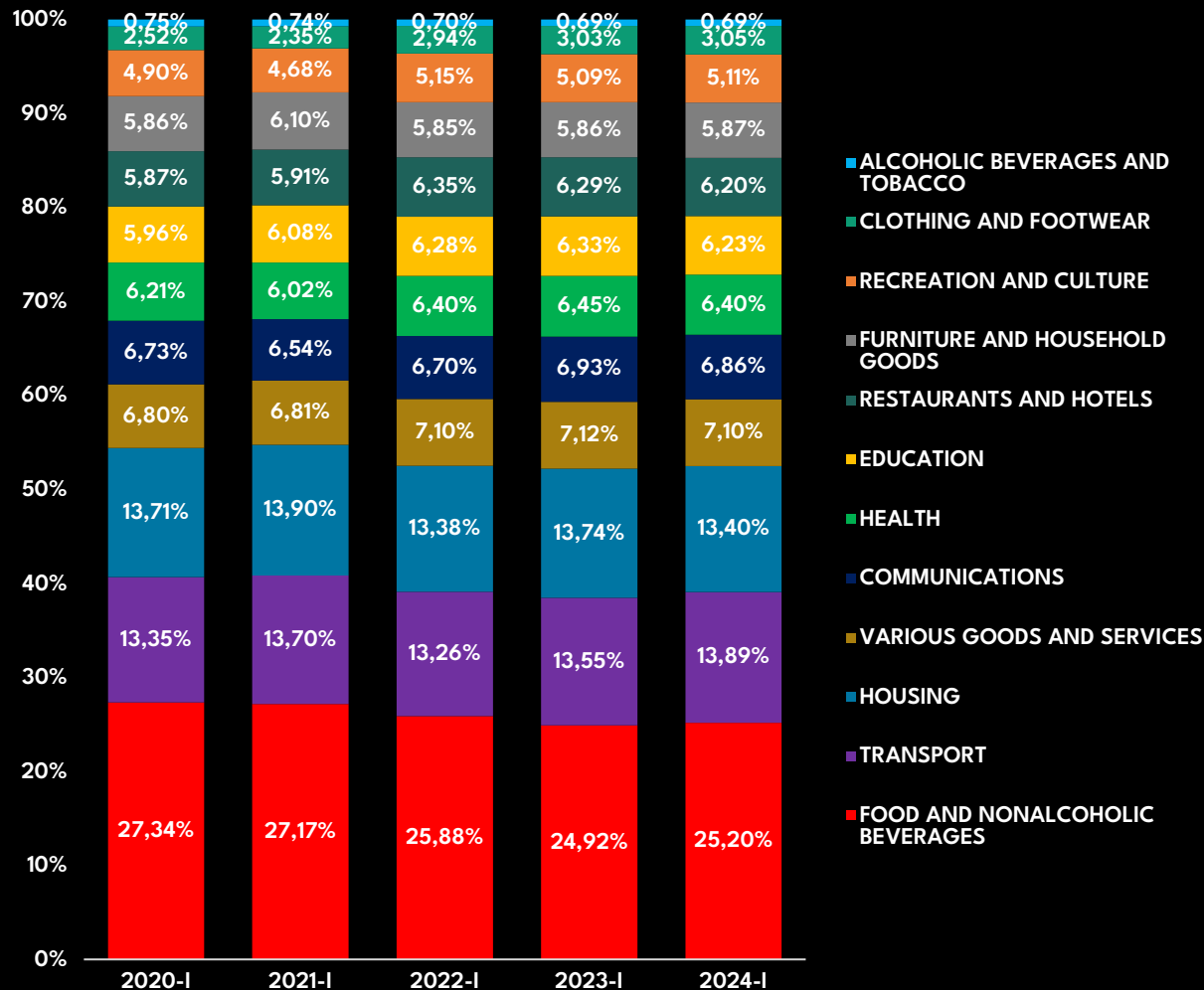
EXPENDITURE RESTRUCTURING 2024-I VS 2023-I



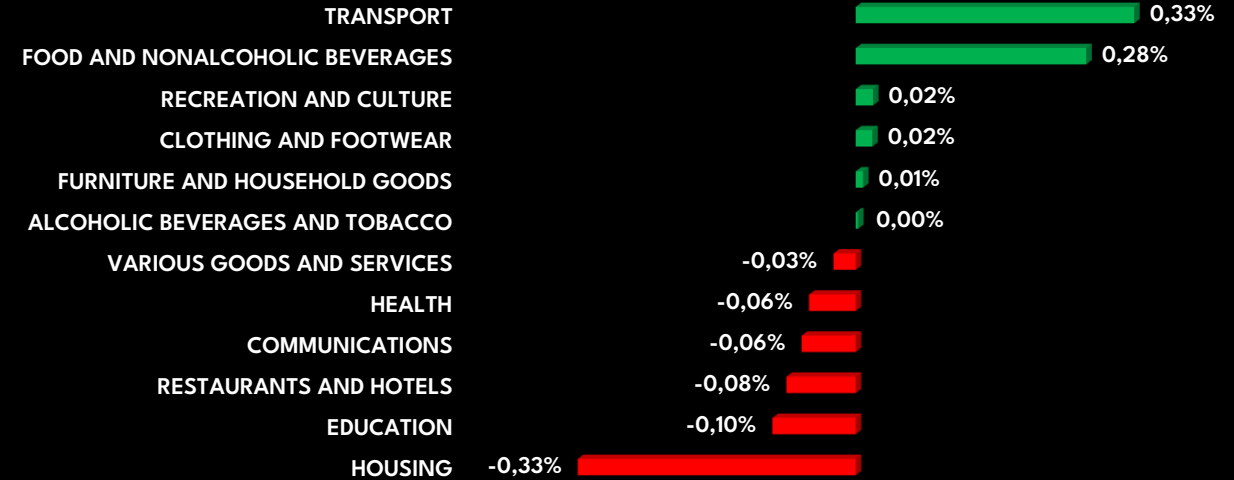
- At the beginning of the year, the Housing and basic services basket experienced the greatest restructuring of spending, mainly due to the increase in electricity prices, as a result of additional costs in energy production by the Costa Rican Electricity Institute (ICE) in thermal plants.
- This item is expected to continue to put pressure on households, especially during the months of March, April and May, when rainfall is expected to be scarcer.
- Despite the increased pressure on utilities, price reductions in some products in the Transportation and Food and non-alcoholic beverages baskets have allowed households to redistribute their spending to other areas such as Communications, Education, and Restaurants and hotels.
- Particularly in the case of tourism, households are showing a greater preference for vacationing outside the country, possibly influenced by the dynamics of the exchange rate.

LIMITATION IN TERMS OF VOLUME: HOUSING AND EDUCATION IMPACTED BY PRICE PRESSURES AND DETERIORATION IN QUALITY

COMPOSITION OF HOUSEHOLD EXPENDITURE IN COSTA RICA (REAL)



EXPENDITURE RESTRUCTURING 2024-I VS. 2023-I



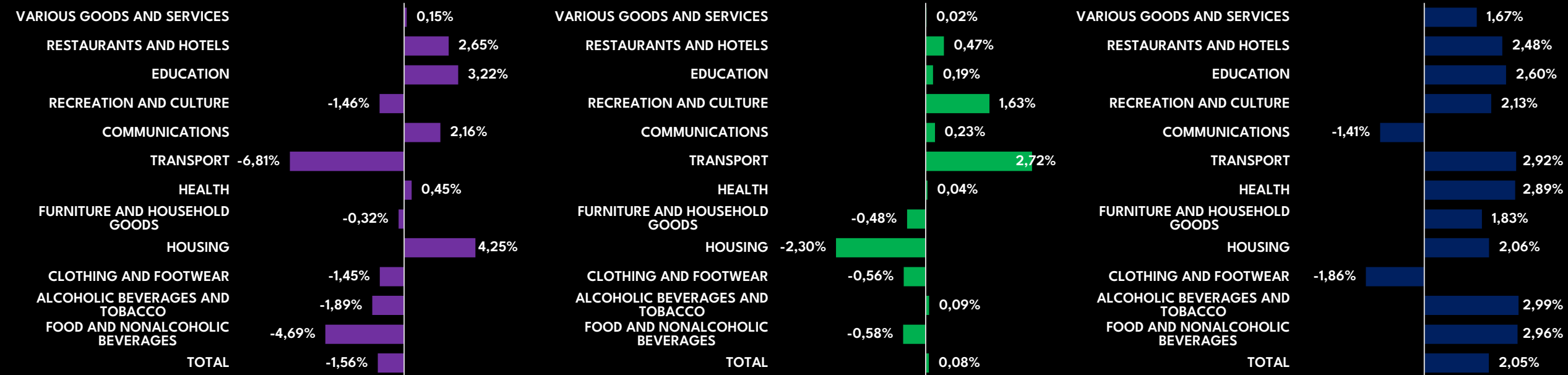
- Households have increased their share of spending in volume terms in baskets such as transportation and food for the home, thanks to the slowdown in commodity price increases.
- However, the Housing and basic services baskets, as well as Education, have lost ground in terms of volume within spending.
- In the case of Housing, households may be limiting their consumption of utilities due to high tariff prices, which could intensify in the coming months, including the possibility of rationing due to the El Niño phenomenon.
- Regarding Education, the crisis in the sector, aggravated by structural problems accentuated by the pandemic, has deteriorated the quality of institutions, in line with low levels of public investment and accompanied by significant increases in costs, especially in preschool education.

ELECTRICITY IS CONSOLIDATING ITS POSITION AS ONE OF THE GREATEST PRESSURES ON HOUSEHOLDS' POCKETS

YOY IQ-2024
INFLATION

QOQ IQ-2024
INFLATION

AVERAGE YOY INFLATION (IIIQ 2015-
2024 EXCLUDING 2020)



- For the first quarter of the year, 7 of the 12 expenditure baskets showed inflation below their historical averages, reflecting the significant impact on Costa Rica's economy due to the various external shocks registered in 2022. This highlights the sensitivity of the economy to international dynamics, given the size and openness of its economy.
- The dynamics observed in baskets such as Transportation, Furniture and Household goods, as well as in some food items, may be related to the international prices of some of these products. Added to this is the lower pressure on the prices of imported products due to the significant appreciation of the Costa Rican colon.
- On the other hand, the Housing and basic services basket is the one that is affecting household budgets the most. The adverse weather conditions caused by the El Niño phenomenon, with droughts and rainfall deficits, have resulted in a low level in the Arenales Lake reservoir, the largest reservoir in the country's electricity system. This has implied the need to generate electricity in thermal plants or import it, which has generated additional costs and sharp increases in energy prices for both households and companies.
- For the coming months, there are still upside risks related to the intensification of geopolitical conflicts in the Middle East, the fragmentation of world trade and the effects of climate change.



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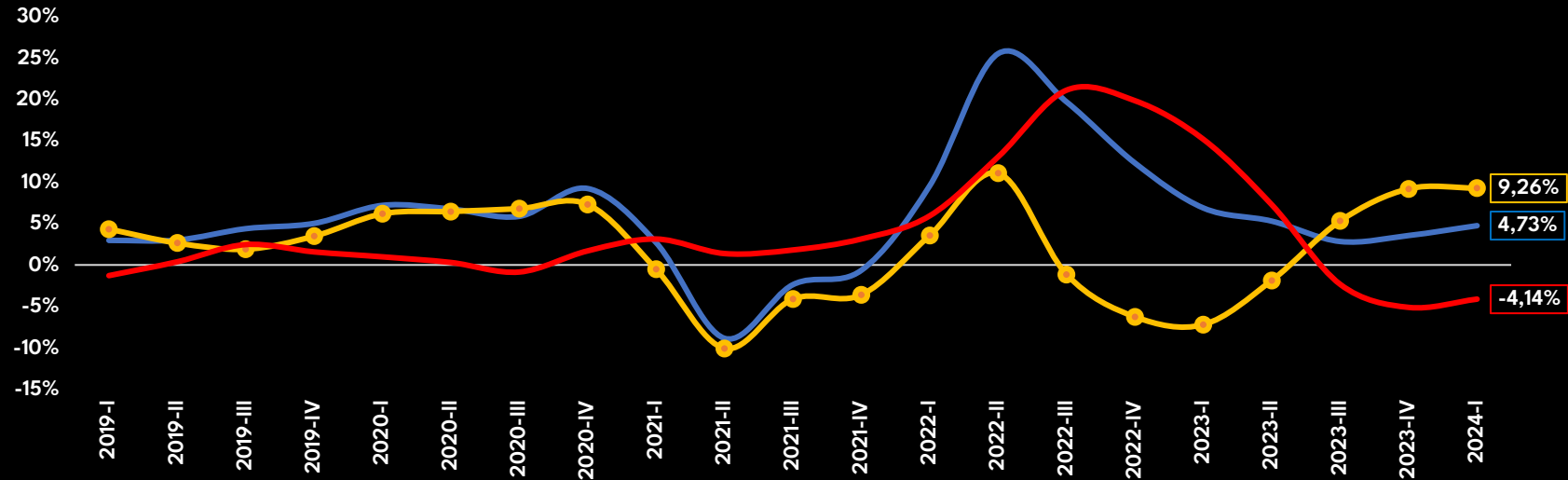
HOUSEHOLD SPEND FOOD

IQ 2024

BASKET PRICES CONTINUE TO FALL, HELPED IN PART BY LOWER EXCHANGE RATE PRESSURE

QUARTERLY HOUSEHOLD EXPENDITURE IN FOOD FOR THE HOME DYNAMICS

YOY CURRENT EXPENDITURE YOY REAL EXPENDITURE QUARTERLY INFLATION



- The variation in real food expenditure closed for the third consecutive quarter in positive territory as a result of a drop in inflation of around 4% not seen in the last four years, this result may be the consequence of an important reduction in the pressure of imported goods due to the appreciation of the exchange rate, in addition to a lower impact on transportation due to lower fuel costs.
- In addition to this, there was a stability in the growth of money disbursements. This resulted in a reduction of the burden on households' pockets in exchange for receiving more units. This opened up space for other types of products that can be considered as indulgences.

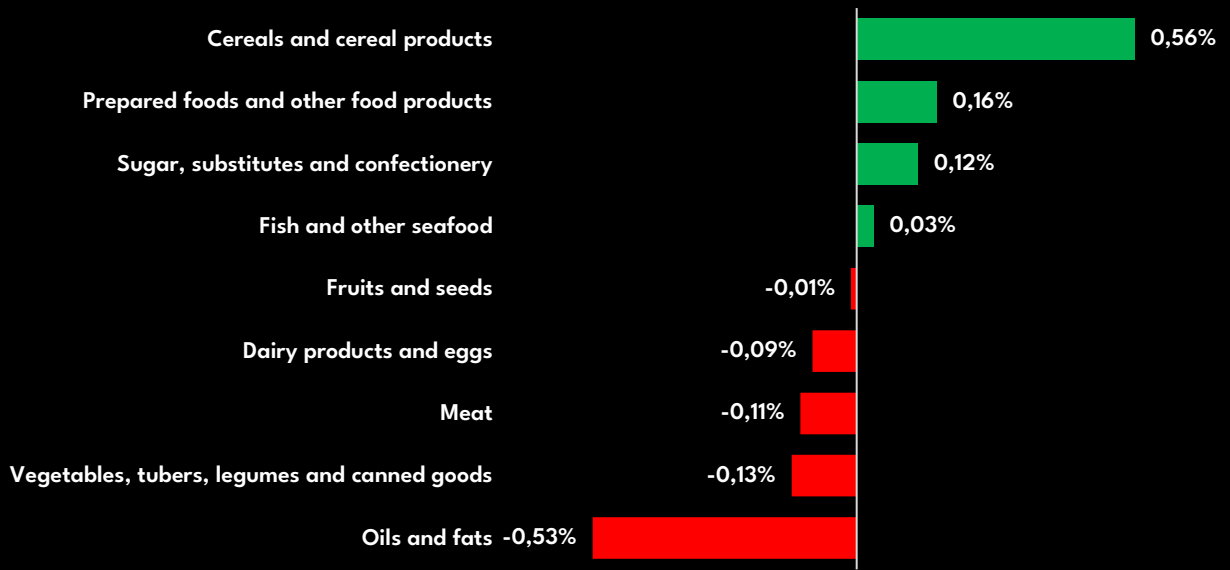
	MARKET SIZE	YEAR-ON-YEAR REAL EXPENDITURE	QUARTERLY INFLATION	POCKETSHARE
IQ 2024	1,85 TRILLIONS Of Colons	9,26%	-4,14%	24,49%
IQ 2023	1,77 TRILLIONS Of Colons	-7,22%	15,16%	24,89%

OILS AND FATS, PUTTING LESS PRESSURE ON HOUSEHOLDS' WALLETS AND ALLOWING FOR A GREATER ALLOCATION TO CEREALS

COMPOSITION OF HOUSEHOLD EXPENDITURE IN FOOD FOR THE HOME (CURRENT)



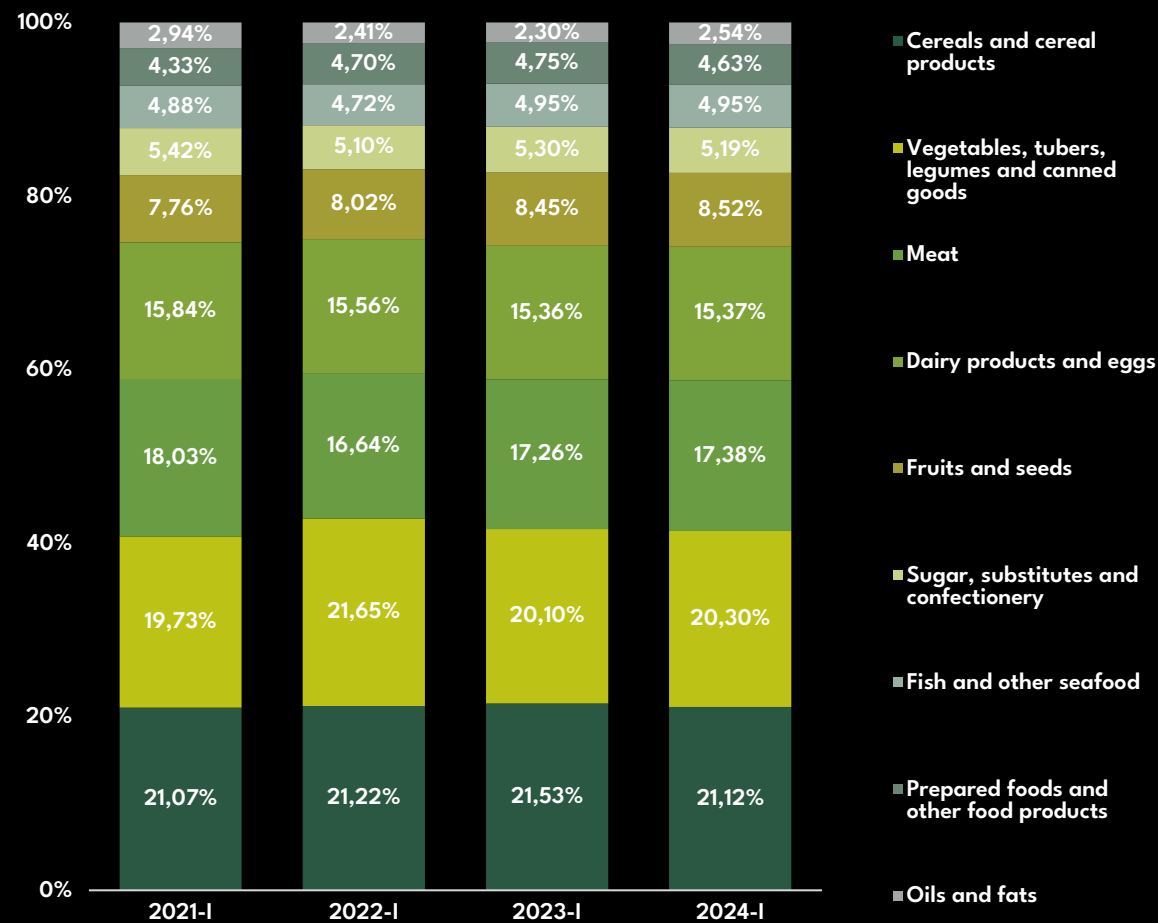
EXPENDITURE RESTRUCTURING 2023-I VS. 2024-I



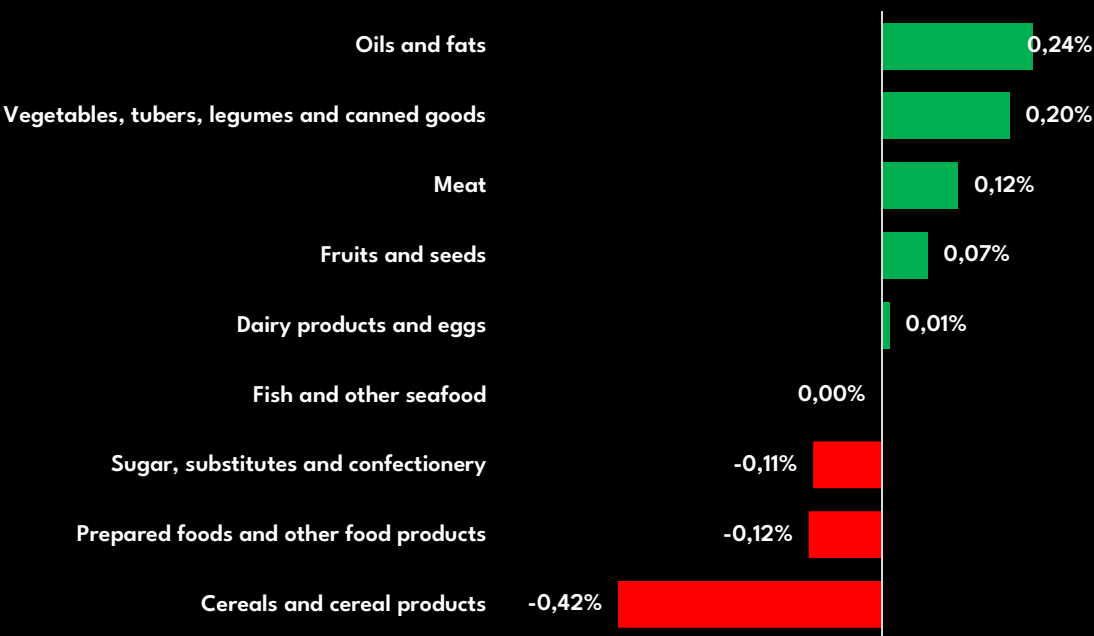
- In this first quarter, cereals and cereal products continued to be the leading category in household food spending.
- Despite the decline in international prices of cereals such as wheat according to FAO, in line with increased competition between the European Union, Russia and the United States, this category experienced a significant restructuring in spending.
- Rice, in particular, has exerted considerable pressure on households in terms of prices.
- This reflects that measures such as the well-known rice route that eliminated tariffs on imported rice, thus favoring the importation of the grain, have not had the desired impacts and on the contrary have affected local producers.
- Due to this, the Administrative and Civil Court took the precautionary measure to suspend the decree that reduced tariffs on imported rice.

OILS, FATS, VEGETABLES AND PULSES GAINING SPACE WITHIN THE MARKET CART

COMPOSITION OF HOUSEHOLD EXPENDITURE IN FOOD FOR THE HOME (REAL)



EXPENDITURE RESTRUCTURING 2023-I VS. 2024-I



- During this quarter, households have increased their purchases of products in the categories of oils and fats, vegetables, legumes and tubers in terms of volume. This behavior is mainly due to low inflation in these categories and the benefits derived from currency appreciation.
- In contrast, processed products that require more complex processing have experienced a reduction in the volume of household spending. This decrease could be related to greater pressure on production costs, especially due to higher energy prices.

THE FOOD DEFLATION TREND IS STARTING TO SHOW SIGNS OF REVERSAL

CATEGORY	ANNUAL CHANGE CURRENT EXPENDITURE	INFLATION	ANNUAL CHANGE REAL EXPENDITURE
Cereals and cereal products	7,36%	0,35%	6,99%
Meat	4,08%	-5,26%	9,86%
Fish and other seafood	5,49%	-3,29%	9,08%
Dairy products and eggs	4,16%	-4,61%	9,19%
Oils and fats	-10,06%	-25,27%	20,38%
Fruits and seeds	4,57%	-5,10%	10,03%
Vegetables, tubers, legumes and canned goods	3,99%	-5,69%	10,20%
Sugar, substitutes and confectionery	7,27%	0,38%	6,86%
Prepared foods and other food products	8,24%	1,68%	6,44%

- The oils and fats category was the one that registered the highest growth in real expenditure, being also the only category that required a lower cash outlay to increase purchases in volumes.
- On the other hand, it was the higher household demand for livestock products such as milk and eggs that accounted for most of the good performance of the agricultural sector of the national economy.
- Changes in the inflation trend of some categories may be due to factors such as increases in production costs, as well as a greater sensitivity to increases in global freight rates for commodities.

A close-up, artistic photograph of a bar scene. In the foreground, a clear glass is being filled with a golden-brown liquid, likely whiskey, over several ice cubes. The liquid is captured mid-pour, creating a dynamic splash. In the background, a red cup filled with a pinkish-red beverage and ice is visible, slightly out of focus. The lighting is warm and focused on the glass being filled, creating a sophisticated and inviting atmosphere.

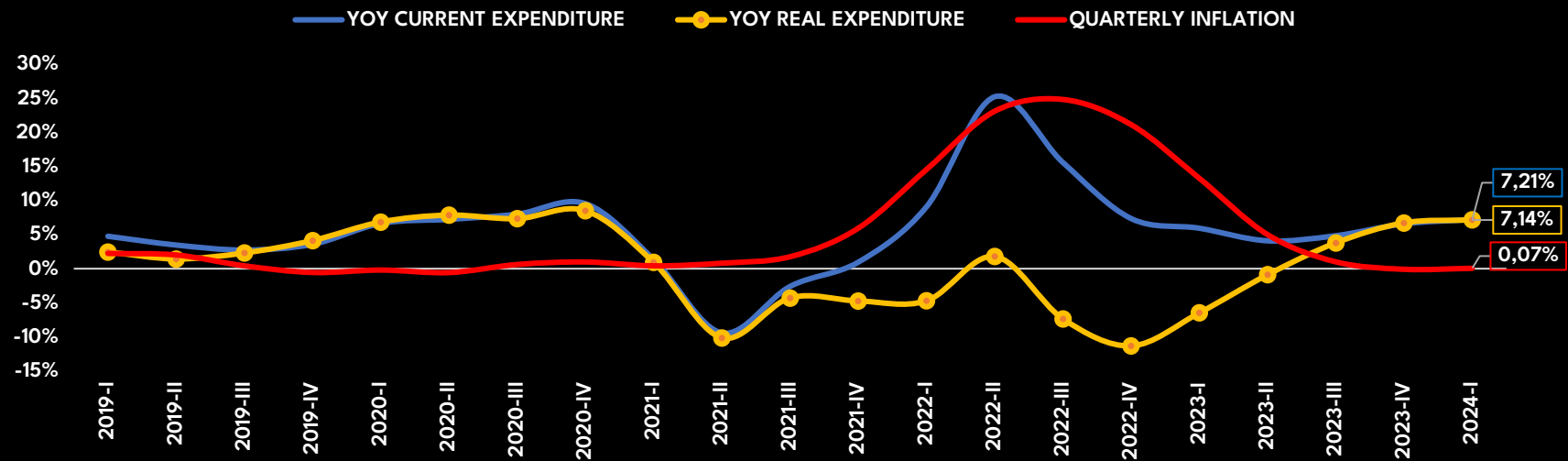
RADDVA

HOUSEHOLD SPEND BEVERAGES

IQ 2024

GOOD START TO THE YEAR FOR THE NON-ALCOHOLIC BEVERAGE SECTOR

QUARTERLY HOUSEHOLD EXPENDITURE IN NON-ALCOHOLIC BEVERAGES DYNAMICS

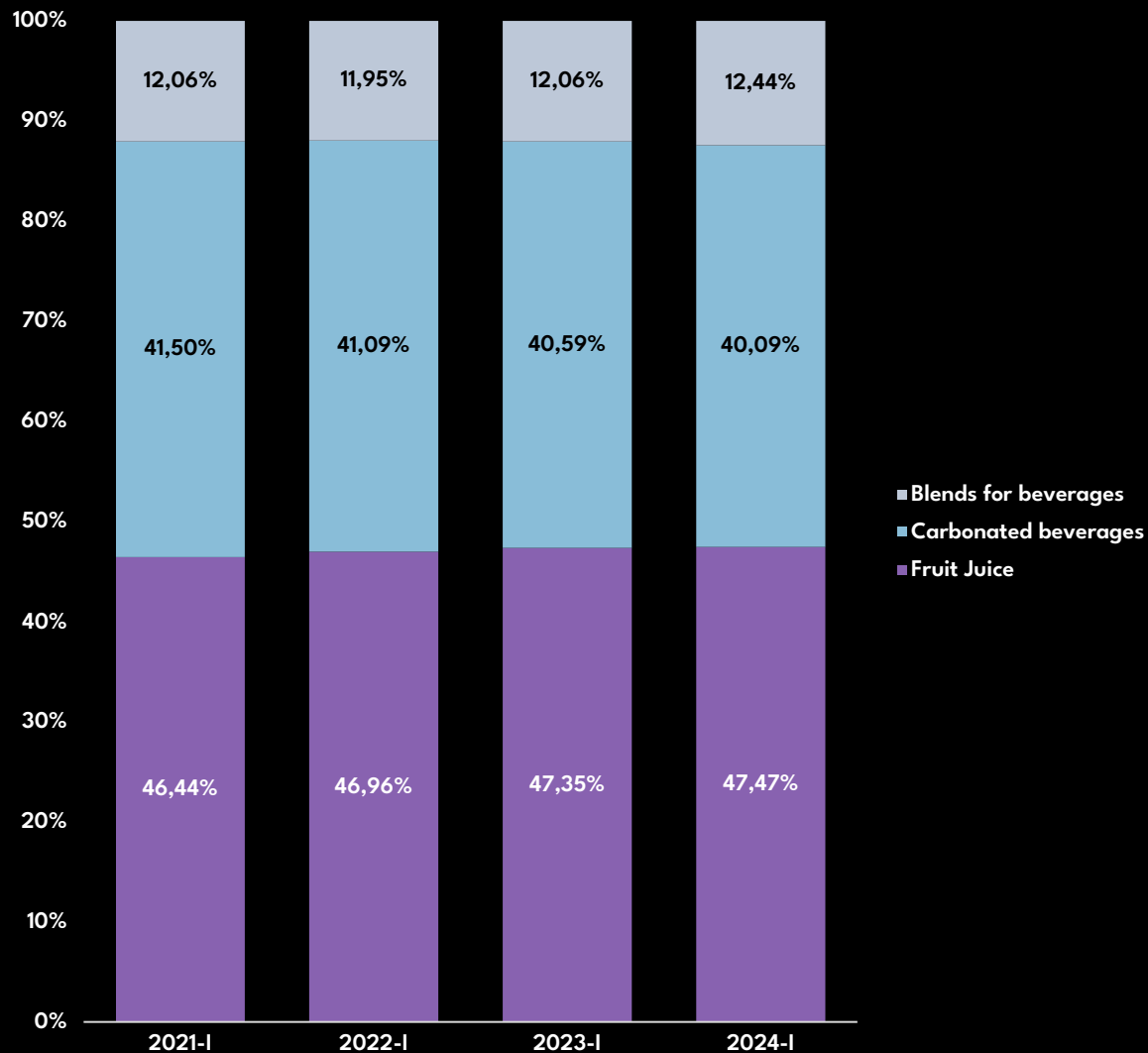


- Real household spending on the non-alcoholic beverage basket showed favorable dynamics at the beginning of the year.
- Cash outlays on the basket and its volume have followed a similar trend, thanks to low inflation.
- The importance of this basket has been highlighted by its higher share in total household spending.
- This increase could be attributed to the celebration of several entertainment events, such as fairs and concerts like the Picnic festival, which together with the high temperatures could have boosted spending in this category.

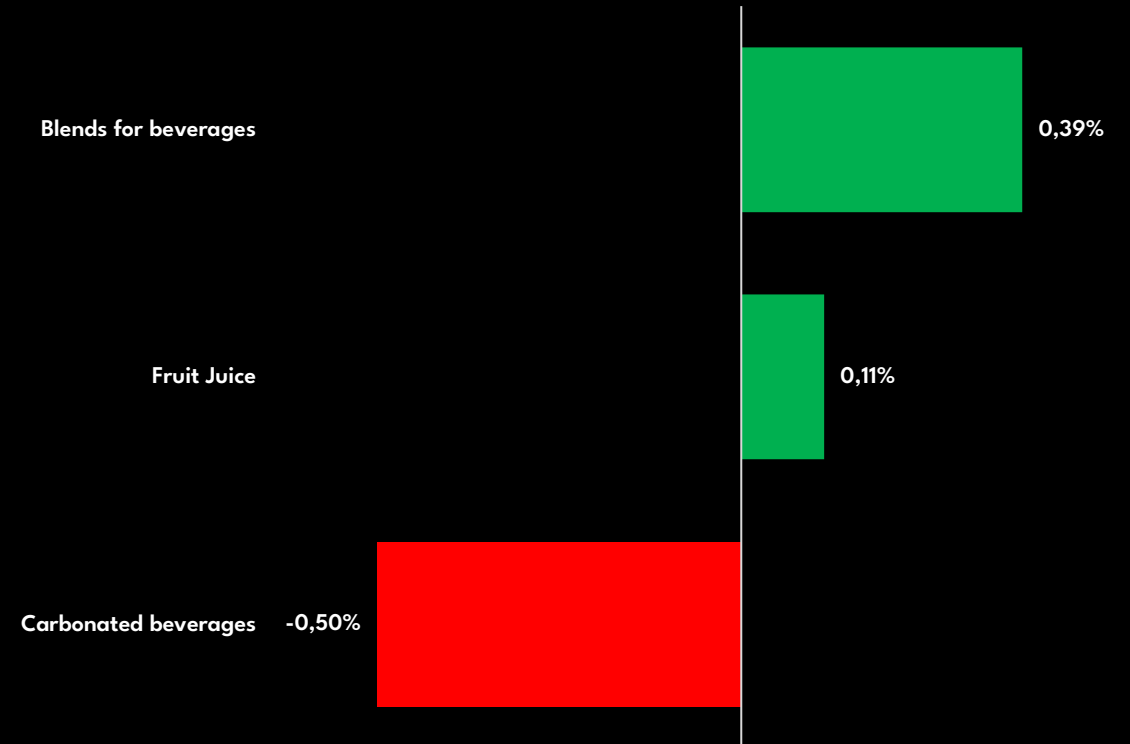
	MARKET SIZE	YEAR-ON-YEAR REAL EXPENDITURE	QUARTERLY INFLATION	POCKETSHARE
IQ 2024	56,05 BILLIONS of colons	7,14%	0,07%	2,34%
IQ 2023	50,86 Millions colons	-6,48%	13,24%	2,22%

FRUIT JUICES GAIN GROUND OVER CARBONATED BEVERAGES

COMPOSITION OF HOUSEHOLD EXPENDITURE IN NON ALCOHOLIC BEVERAGES (CURRENT)



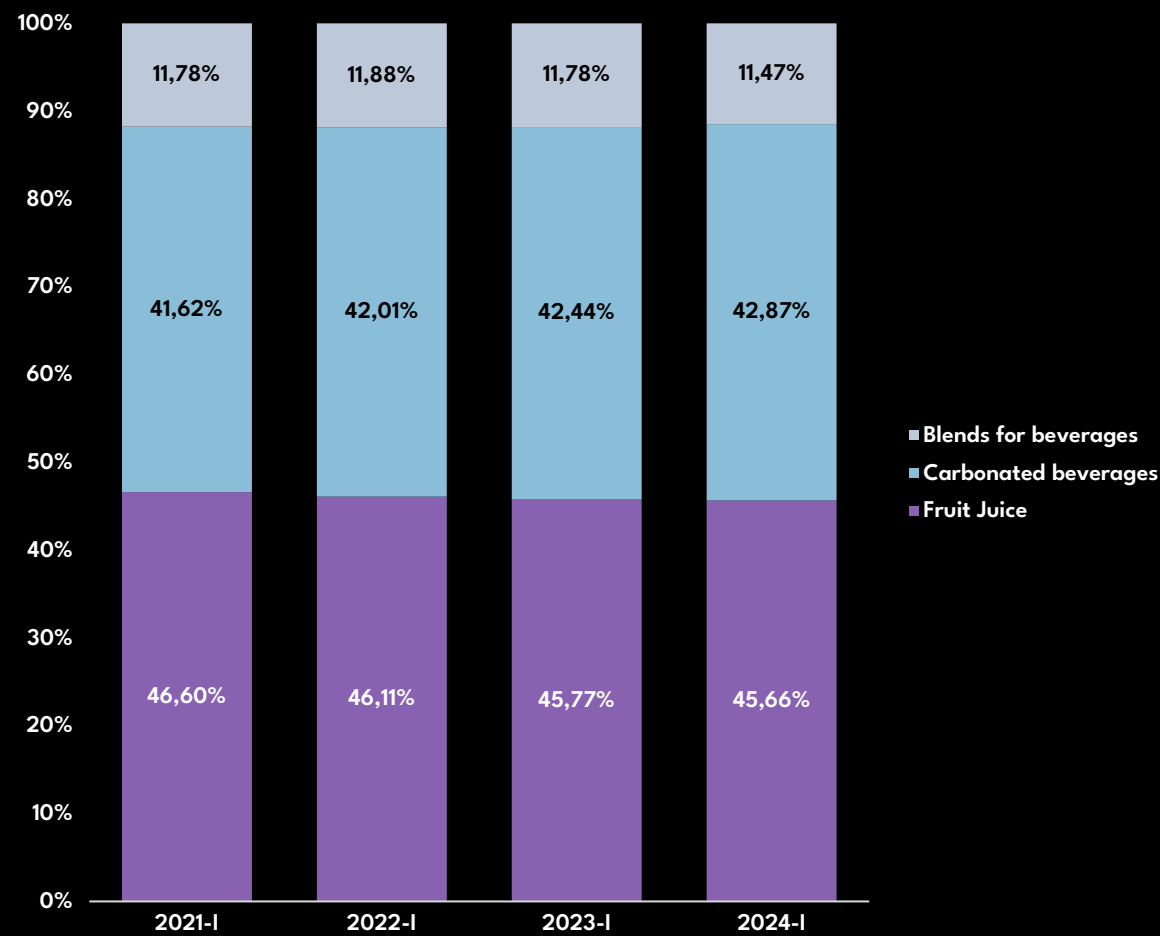
EXPENDITURE RESTRUCTURING 2023-I VS. 2024-I



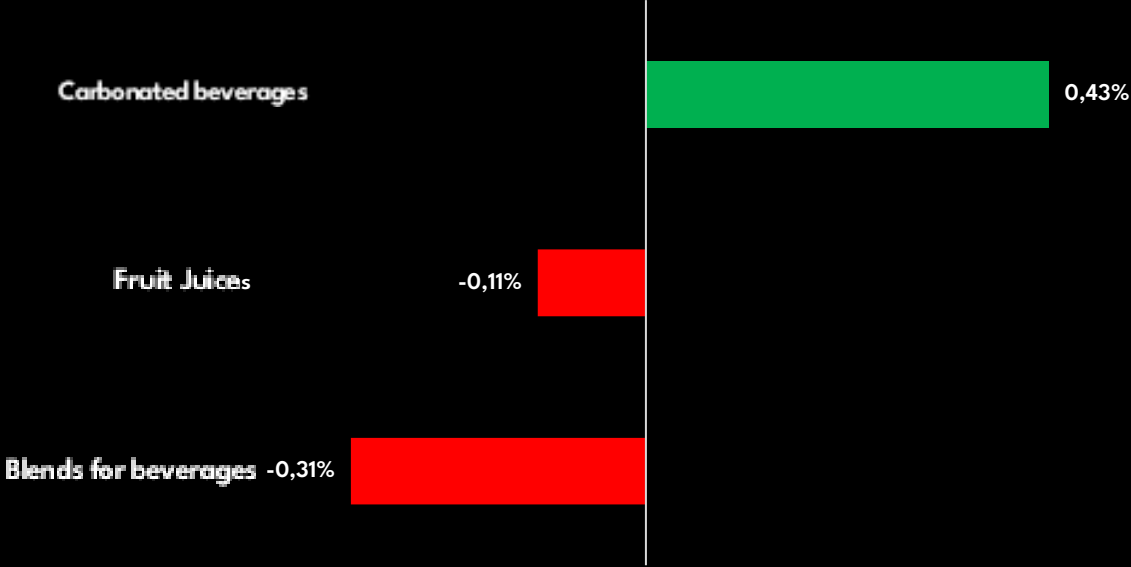
- Beverage mixes were the category that grew the most in terms of allocation, due to higher prices. This may be related to the international price dynamics of inputs such as sugar, where concerns about the harvest in Brazil and the rise in oil prices have affected world prices of this commodity.
- Carbonated soft drinks and fruit juices are the categories that completely dominate the basket, with a concentration of more than 80% of the basket.

FRUIT JUICES REMAIN THE CATEGORY WITH THE HIGHEST SHARE OF NON-ALCOHOLIC BEVERAGES

COMPOSITION OF HOUSEHOLD EXPENDITURE IN NON ALCOHOLIC BEVERAGES (REAL)



REESTRUCTURACIÓN DEL GASTO 2023-I VS 2024-I



- Carbonated soft drinks was the only category that showed growth in real expenditure restructuring compared to the first quarter of 2023, reaching an increase of 0.43%. This could be associated with lower price increases in this category.
- In contrast, due to the significant price increase in beverage mixes, households may have opted to purchase other types of products to satisfy this need. As a result, drink mixes continue to maintain a low share in real terms compared to fruit juices, which have also experienced a loss of share.

REAL HOUSEHOLD SPENDING ON NON-ALCOHOLIC BEVERAGES REMAINS STABLE

CATEGORY	CHANGE	INFLATION	ANNUAL CHA
Fruit Juice	8,98%	3,06%	5,73%
Blends for beverages	12,21%	8,75%	3,19%
Carbonated beverages	7,38%	0,29%	7,06%

- At the beginning of 2024, there has been an increase in household spending on the purchase of non-alcoholic beverages.
- Initially, this behavior could be attributed to significant price increases, especially in the beverage mix segment, which has led households to allocate a larger portion of their budget to maintain their level of purchases.
- However, in recent months, despite the slowdown in inflation, this trend has continued, suggesting a possible increase in the importance of these products in household purchases.
- Climatic conditions, such as the increase in temperatures due to the decrease in trade winds, the proximity of the zenithal sun phase, the El Niño phenomenon and the warming of the Caribbean Sea, could have influenced this spending dynamic.

RADVA

HOUSEHOLD SPEND RESTAURANTS

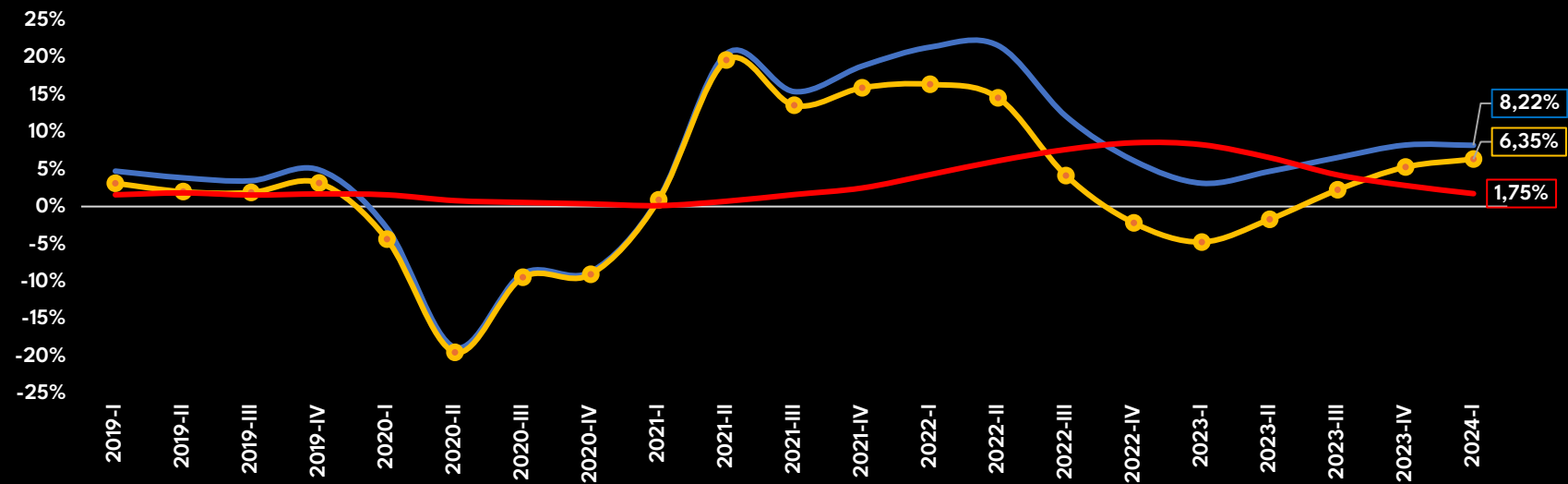
IQ 2024



RESTAURANTS AS A WAY OF SUPPLYING FOOD AND INDULGENCE NEEDS

QUARTERLY HOUSEHOLD EXPENDITURE IN RESTAURANTS DYNAMICS

YOY CURRENT EXPENDITURE YOY REAL EXPENDITURE QUARTERLY INFLATION

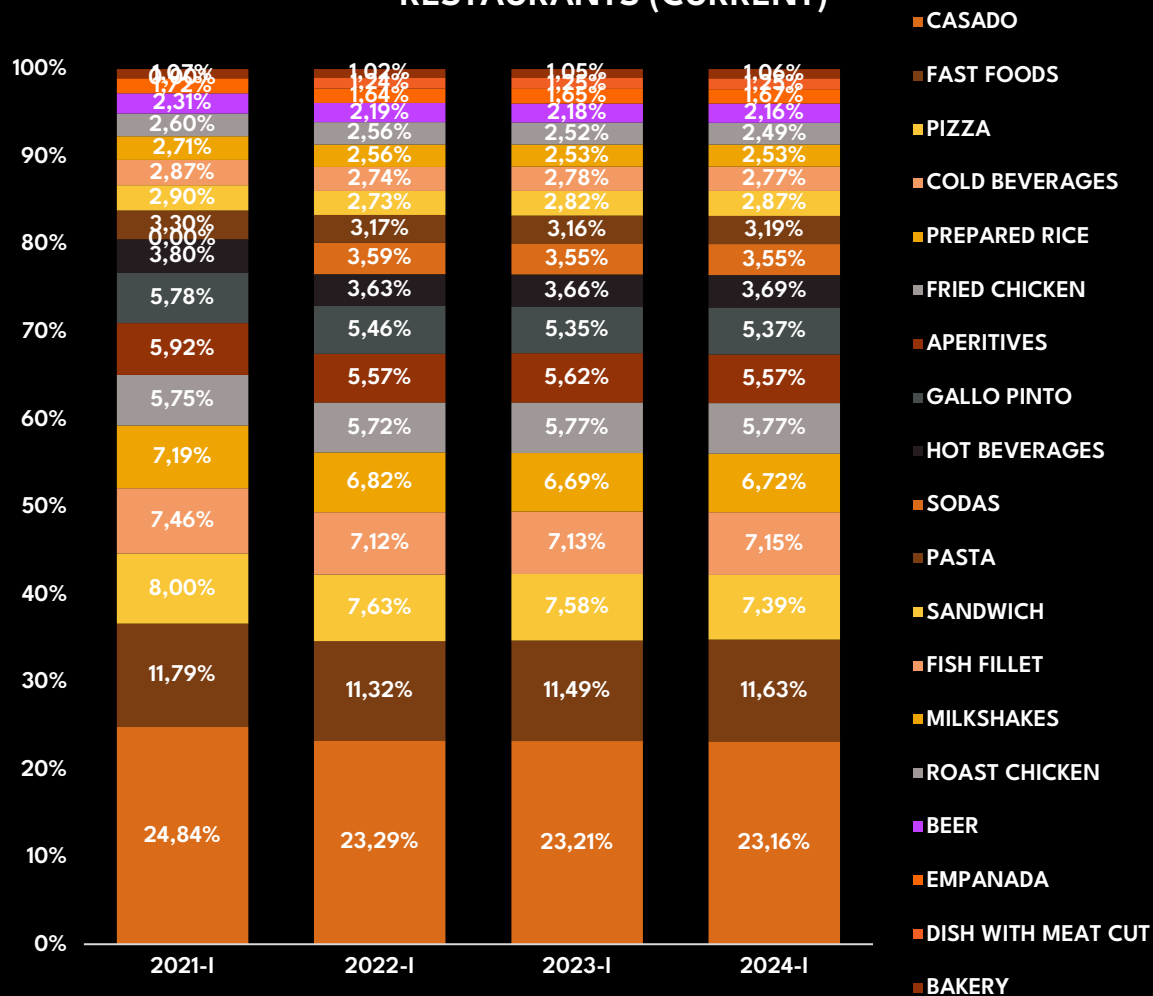


- Due to the inflationary situation in the household food basket, restaurants and fast food establishments became the solution in the search for low outlays, to meet the needs of food and indulgence during much of 2023.
- This trend seems to continue during this first part of the year, as could be indicated by the increase in the participation in the household pocket, however, it may not be as marked in the face of the relief in prices in the household food item.

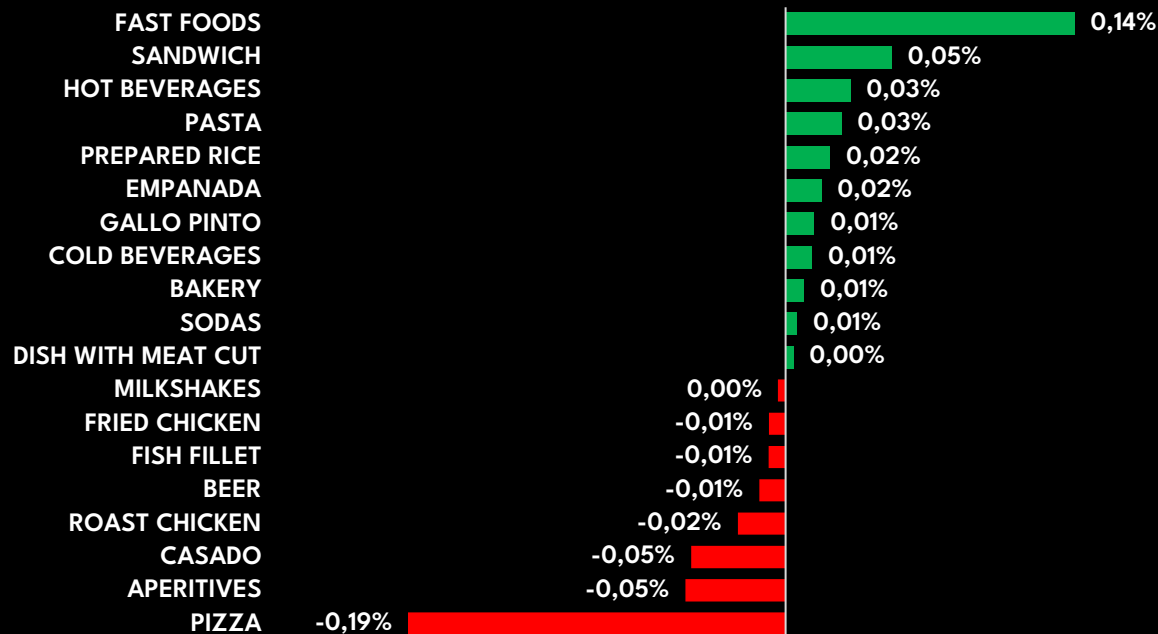
	MARKET SIZE	YEAR-ON-YEAR REAL EXPENDITURE	QUARTERLY INFLATION	POCKETSHARE
IQ 2024	455,4 BILLIONS of colons	6,35%	1,75%	6,03%
IQ 2023	420,8 BILLIONS of colons	-4,74%	8,27%	5,92%

FACED WITH HIGH COSTS, HOUSEHOLDS MAY SEE FAST FOOD AS A SOLUTION

COMPOSITION OF HOUSEHOLD EXPENDITURE IN RESTAURANTS (CURRENT)



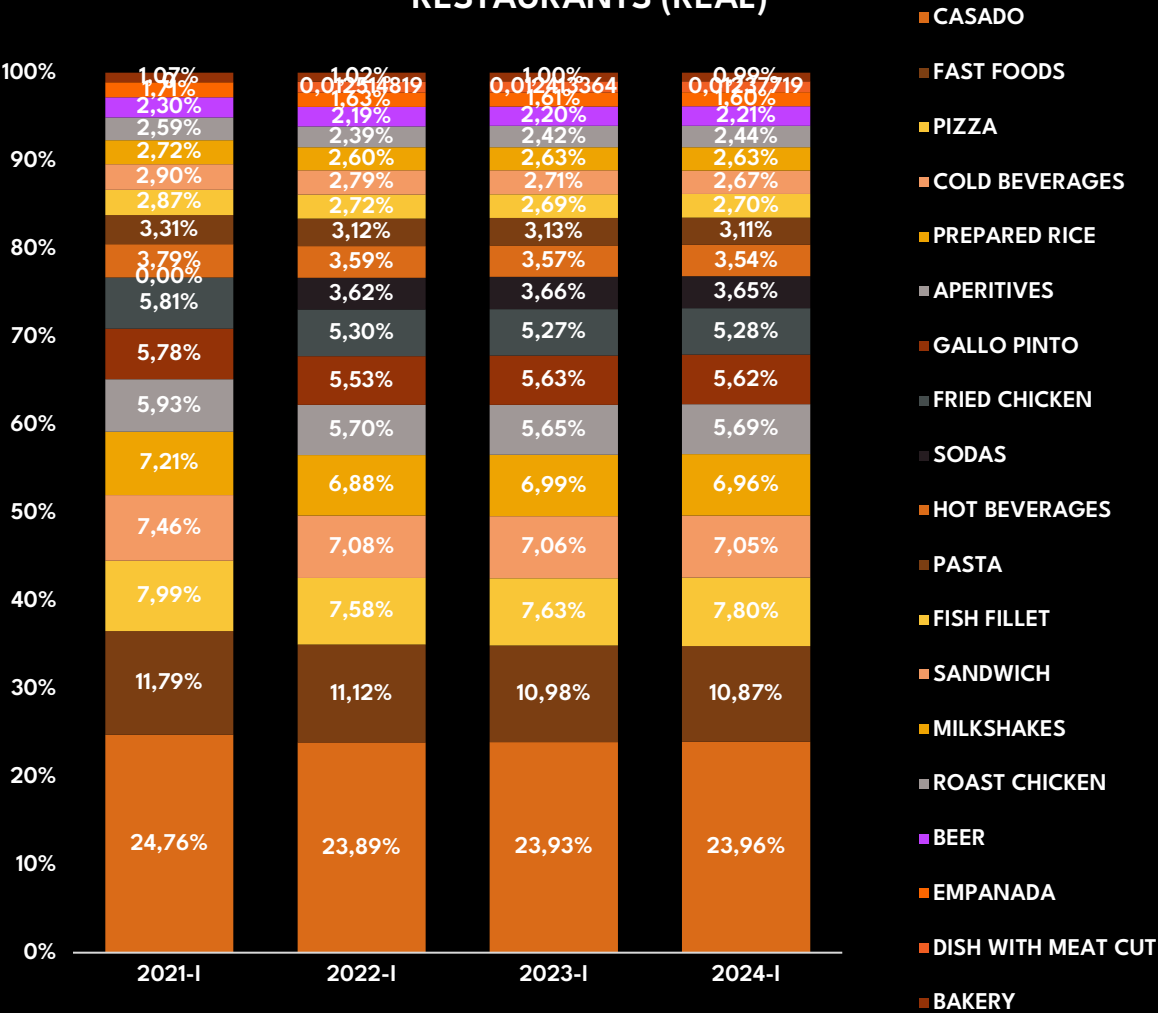
EXPENDITURE RESTRUCTURING 2023-I VS. 2024-I



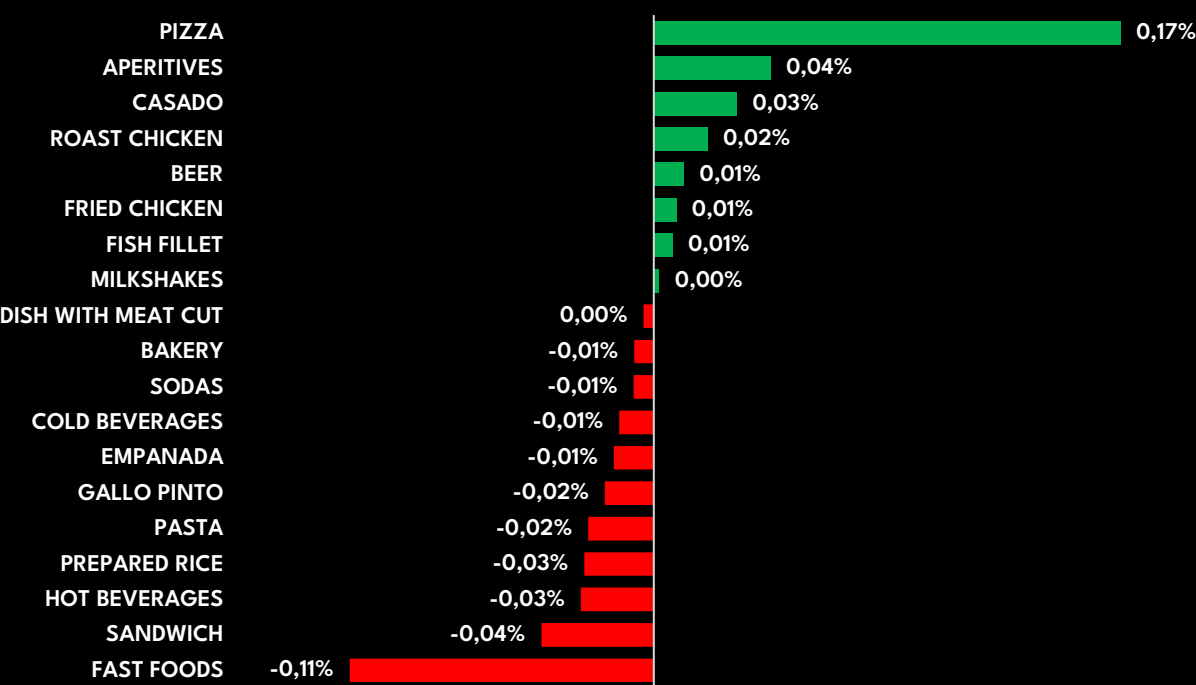
- Dishes such as fast food, sandwiches and hot beverages are gaining relevance in household spending.
- This trend could be associated with the significant increase in prices in the food basket, where these categories are experiencing higher inflation increases.
- In spite of this, households prefer to allocate more resources to these options, as they are more economical compared to more elaborate dishes such as tablecloth dishes, which usually require a greater outlay.
- In addition, these types of meals tend to benefit especially from events outside the home, such as concerts or festivals.

CASADO AND FAST FOOD CONTINUE TO BE THE DISHES WITH THE HIGHEST SHARE IN THE BASKET

COMPOSITION OF HOUSEHOLD EXPENDITURE IN RESTAURANTS (REAL)



EXPENDITURE RESTRUCTURING 2023-I VS. 2024-I



- Compared to 2023, households have increased the proportion of product volumes purchased, especially in the pizza category, which is the only one that continues to experience negative inflation.
- The reduction in prices in the pizza category could be related to lower costs of some ingredients, such as flour.
- Despite price fluctuations, casado and fast food dishes continue to be the most popular in the basket, highlighting the importance of casado as a traditional dish with a significant share of 23.96%.

DESPITE CATEGORY INFLATION LEVELS HIGHER CASH OUTLAYS BOOST REAL SPENDING

CATEGORY	ANNUAL CHANGE CURRENT EXPENDITURE	INFLATION	ANNUAL CHANGE REAL EXPENDITURE
CASADO	8,00%	1,39%	6,51%
PREPARED RICE	8,57%	2,42%	6,00%
GALLO PINTO	8,50%	2,31%	6,05%
FISH FILLET	7,89%	1,16%	6,65%
PASTA	9,16%	3,40%	5,57%
FRIED CHICKEN	8,06%	1,42%	6,54%
ROAST CHICKEN	7,20%	-0,05%	7,23%
FAST FOODS	9,56%	4,03%	5,31%
APERITIVES	7,26%	0,08%	7,18%
DISH WITH MEAT CUT	8,55%	2,34%	6,07%

CATEGORY	ANNUAL CHANGE CURRENT EXPENDITURE	INFLATION	ANNUAL CHANGE REAL EXPENDITURE
PIZZA	5,55%	-2,94%	8,74%
SANDWICH	10,23%	5,19%	4,78%
EMPANADA	9,37%	3,74%	5,43%
MILKSHAKES	8,05%	1,49%	6,46%
HOT BEVERAGES	9,16%	3,38%	5,59%
COLD BEVERAGES	8,41%	2,09%	6,19%
SODAS	8,39%	2,08%	6,17%
BEER	7,56%	0,61%	6,91%
BAKERY	9,15%	3,32%	5,63%

- Pizza stands out as the category with the highest real growth in spending, supported by lower market basket inflation, followed by rotisserie chicken, snacks and beers for meals away from home.
- Bakery products, sandwiches and pasta stand out as those with the lowest growth dynamics, despite the strong increase in outlays compared to last year.
- A constraint that may also be impacting the dynamics of the restaurant category may be related to the tourism sector, where the appreciation of the colon also encourages local tourists to vacation outside the country, spending in dollars and affecting small and medium scale restaurant businesses that usually benefit from local tourism.

IN SUMMARY

WHAT HAPPENED AT IQ 2024?

Household Food Spending:

- Real food spending has shown positive growth for the third consecutive quarter, due to a 4% drop in inflation, attributed to lower pressure on imported products due to the appreciation of the exchange rate and lower transportation costs due to lower fuel prices. This stability in the growth of cash spending has led to a reduction in its weight in household budgets, allowing more resources to be allocated to other products, possibly considered as indulgences.

Spending on Non-Alcoholic Beverages


- Real household spending on non-alcoholic beverages has experienced favorable growth at the beginning of the year, showing a positive relationship between cash outlay and purchase volume due to low inflation. This category has gained importance in total household spending, possibly driven by the celebration of entertainment events and festivals such as the Picnic festival, along with warmer weather conditions.

Spending on Restaurants

- Due to persistent inflation in the Food for the Home basket, restaurants and fast food outlets became an alternative to seek out lower-priced food and indulgence options for much of 2023. While this trend appears to continue in the early part of the year, reflected in an increase in the proportion of household spending going to the category, the impact may not be as significant due to the easing of Food for the Home prices.


9,26%
IQ 2024

Real spend Food

VS -7,22%
IQ 2023 

7,14%
IQ 2024

Real spend Beverages

VS -6,48%
IQ 2023 

6,35%
IQ 2024

Real spend Restaurants

VS -4,74%
IQ 2023 

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