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INTERNATIONAL MONETARY FUND

NICARAGUA

Recent Economic Developments

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Approved by the Western Hemisphere Department

July 19, 1996

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Nicaragua: Basic Data

I. Social and Demographic Indicators

Area	130 thousand sq. kilometers
Population density (1985)	31.4 per sq. kilometers
Population (1985)	4.1 million
Income distribution (highest 20 percent) (1983-LSMS)	55.2 percent
Annual rate of population growth (1985)	3.1 percent
Life expectancy at birth (1983)	67 years
Infant mortality rate (1983)	51.0 per thousand
Child death rate (1983)	72 per thousand
Population per physician (1983)	1,480
Population per hospital bed (1980)	673.4
Population with access to safe water (1985)	68.6 percent
Population with access to electricity (1985)	52.4 percent
Calorie intake as percent of requirements	86 percent
Adult literacy rate	87.0 percent
Primary school enrollment rate (gross-1983)	103 percent

II. Economic Indicators

GDP (1985)	US\$ 1,912 million C\$ 14,427 million
GDP per capita (1985)	US\$ 462
Unemployment rate (1985)	18.2 percent

	1981	1982	1983	1984	Prel. 1985
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(Percent of GDP)

Origin of GDP at 1980 prices

Agriculture, livestock, forestry, and fishing	23.8	24.4	25.0	26.8	27.0
Commerce and finance	21.4	21.5	21.1	20.7	20.9
Manufacturing	23.7	22.4	22.4	21.9	21.7
Government	11.2	11.2	11.0	10.0	9.5
Construction, transportation and communications	7.9	8.2	8.1	8.3	8.8
Other	12.0	12.3	12.4	12.3	12.1

Ratios to GDP

Exports of goods and nonfactor services	20.1	16.8	19.7	24.6	33.9
Imports of goods and nonfactor services	48.4	49.9	46.0	52.0	56.0
Current account of the balance of payments	-48.9	-59.3	-48.0	-54.1	-36.2
Nonfinancial public sector revenues	25.0	28.6	29.6	29.6	29.3
Nonfinancial public sector expenditures	32.7	37.1	38.3	42.0	40.6
Nonfinancial public sector saving	-2.5	1.4	3.1	2.4	3.9
Nonfinancial public sector overall balance before grants, (deficit -)	-7.7	-8.4	-8.8	-12.4	-11.2
Central bank operational losses	-0.7	-1.1	-1.4	-0.6	0.1
External public debt	582.4	584.6	607.7	634.2	541.0
Debt service payments (accrued, in percent of exports of goods and nonfactor services)	321.6	401.8	273.7	345.0	140.4
Gross domestic investment	20.1	18.0	20.2	25.0	26.5
Money and quasi-money (end of year) 1/	17.1	17.9	19.1	27.4	33.0

(Percent)

Annual changes in selected indicators

Real GDP	-0.2	0.4	-0.2	3.3	4.2
GDP at current prices	375.5	24.1	19.9	12.5	15.9
Domestic expenditure (at current prices)	402.7	28.8	13.8	13.4	11.1
Investment	389.8	11.0	35.0	39.1	23.0
Consumption	405.2	32.1	10.5	8.5	8.2
GDP Deflator	376.2	23.7	20.1	8.8	11.3
Consumer prices (end of period)	865.6	3.5	19.5	12.4	11.1
(period average)	7,755	40.5	20.4	7.7	11.2
Nonfinancial public sector revenues	551.5	42.0	23.8	12.7	14.8
Nonfinancial public sector expenditures	201.9	40.7	23.9	23.3	11.9
Liabilities to private sector 1/	233.3	29.9	13.9	53.6	29.1
Money and local currency quasi-money 1/ 2/	191.4	15.0	1.0	27.0	8.2
Foreign currency deposits 2/	41.9	14.9	12.9	26.6	20.9

	1991	1992	1993	1994	Prel. 1995
Net domestic assets of the financial system 2/	137.0	94.8	41.4	49.0	34.3
Credit to the public sector (net)	-10.5	-59.0	4.8	-0.1	14.3
Credit to private sector	225.0	136.5	36.2	34.1	15.5
Merchandise exports (f.o.b., in U.S. dollars)	-17.6	-18.1	19.6	31.6	49.4
Merchandise imports (f.o.b., in U.S. dollars)	18.0	15.3	-13.1	17.2	8.6
Terms of trade (deterioration -)	-0.1	-12.6	11.9	28.7	12.4
Nominal effective exchange rate (e.o.p.; depreciation -)	-85.4	17.3	-2.6	-	-6.1
Real effective exchange rate (e.o.p.; depreciation -)	-62.3	-	-6.8	-7.1	-4.5

(In millions of cordobas)

Nonfinancial public sector finances					
Revenues	1,862	2,644	3,272	3,686	4,233
Expenditures	2,433	3,423	4,242	5,229	5,851
Savings	-189	129	339	293	557
Overall balance before grants (deficit -)	-571	-779	-971	-1,543	-1,618
Overall balance after grants (deficit -)	317	-327	-35	-736	-776

(In millions of U.S. dollars)

Balance of payments					
Merchandise exports (f.o.b.)	272	223	267	351	525
Merchandise imports (f.o.b.)	-669	-771	-670	-785	-852
Nonfactor services (net)	-96	-63	-73	-71	-95
Official interest due	-373	-490	-412	-538	-336
Other current transactions (net)	13	6	20	47	66
Balance on current account	-852	-1,095	-868	-996	-693
Official capital (net)	75	-36	-162	-437	-140
Private capital, including errors and omissions	-49	-19	58	186	157
Overall balance	-826	-1,152	-972	-1,246	-676
Change in arrears	-1,184	1,081	779	1,273	-1,109
Change in reserves (increase -)	-16	5	100	-69	63
Exceptional financing need	2026	66	92	43	1,722

International reserve position and external debt

Central bank (net) 3/	111	106	6	-1	-64
Financial system (net) 3/	124	129	39	101	54
Gross official reserves (months of imports of goods and nonfactor services)	2.4	2.3	1.2	1.8	1.2
External public debt	10,313	10,792	10,987	11,695	10,344

IMF data (as of April 30, 1996)

Article VIII status					
Intervention currency and rate (cordoba oro)				U.S. dollar at C\$ 8.27 per U.S. dollar	
Quota				SDR 96.1 million	
Fund holdings in local currency				SDR 100.4 million	
From Fund resources					
Credit tranche purchases				SDR 24.3 million	
EAR purchases				None	
CCFF purchases				None	
From Supplementary and Enlarged Access Resources				None	
Fund holdings in percent of quota				104.4	
Special Drawing Rights Department					
Cumulative SDR allocation				SDR 19.48 million	
Net acquisition or utilization (-) of SDR's				SDR-19.23 million	
Holdings of SDR's				0.26 million	
Share of profits from gold sales				None	

1/ Includes foreign currency deposits and central bank certificates (CENIs) held by the private sector.

2/ In relation to the stock of liabilities to the private sector at the beginning of the period.

3/ Starting in 1994, the definition of net international reserves is changed to include as reserve liabilities the legal reserve requirements of foreign currency deposits, short-term Central Bank bonds denominated in foreign currency, and non reschedulable debt arrears.

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I. Overview

During the 1980s Nicaragua experienced a marked deterioration in its economic and financial position as a result of inadequate economic policies, adverse external developments, and the civil war. In this period the public sector overexpanded (state-owned companies controlled financial intermediation, most foreign trade and a large part of the domestic output) and private sector activity narrowed and became over regulated. Widespread price controls, multiple exchange rates, and exchange restrictions together with expansionary fiscal and monetary policies stifled economic growth and led to hyperinflation and large external imbalances. By 1990 real GDP had dropped to two thirds and export volume to one half of the pre-1980 levels, while external debt multiplied tenfold to US\$10.7 billion (700 percent of GDP) (Chart 1).

During 1990-95 Nicaragua made substantial progress in policy implementation to reduce macroeconomic imbalances and to transform to a market-based economy. Fiscal and monetary policies were strengthened, most price controls were eliminated, and the foreign exchange and trade systems were liberalized. A program of public asset divestment was implemented and public employment and military outlays were cut substantially. An extensive reform of the banking system was initiated by allowing private sector participation in financial intermediation, interest rates were liberalized, and banking supervision was established. In addition, Nicaragua began normalizing relations with external creditors.

Nicaragua's economic performance improved significantly in 1991-95. Inflation was reduced drastically and output--after more than a decade of decline--gained momentum since 1993 with real GDP rising at an annual average of about 4 percent in 1994-95. Investment began to recover in 1993 and rose rapidly in 1994-95 because of higher public and private capital formation. National savings which had been negative for many years started to recover in 1993, and became positive at about 2 percent of GDP in 1995. While economic growth in 1994-95 was broad based, it reflected mainly the strong performance of the agricultural and construction sectors. After rising to a peak of 22 percent in 1993, the unemployment rate declined to 18 percent in 1995 (Section II).

The accounts of the public sector recorded a remarkable turnaround beginning 1990-91. Public savings shifted from a highly negative level to a positive 4 percent of GDP in 1995 while investment expenditure rose--including for related social programs--and the overall deficit narrowed by more than 20 percentage points of GDP to 11 percent in 1995. Most of the fiscal improvement took place in the early 1990s and stemmed from a substantial reduction of public employment--particularly in the military--and other current outlays, an increase in tax revenue, and more flexible pricing policies for the public utilities. Public sector savings rose throughout the period and the Central Bank shifted its operational results from a deficit to a balanced position in 1995. During most of the period,

net external grants and loans more than covered the overall deficit, and the net domestic financing of the public sector declined (Section III).

Nicaragua's financial system improved its efficiency and depth during this period. Financial savings--as measured by a broad aggregate of money and quasi-money--dropped to 17 percent of GDP following the high rates of inflation in 1990-91, but recovered to more than 30 percent in 1994-95. This recovery was accompanied by a strong increase in both local currency and dollar denominated deposits and reflected in part, large private capital inflows from abroad. Credit allocation improved as a result of the shift to market-oriented interest rates and the increased participation of private banks in financial intermediation. At the same time, the Central Bank strengthened monetary management by phasing out direct credit controls and adopting indirect instruments of monetary policy. The reserve requirement system was simplified and enhanced, open-market operations were implemented, and the role of the Central Bank as on-lender of external resources to the state banks was phased out. In late 1995 the Government stepped up efforts to reform the state banks with a program to downsize their operations and divest a large part of their financial and physical assets (Section IV).

The external position improved in 1990-95 as Nicaragua became more integrated into the world market but the overall balance of payments remained fragile because of the narrow export base and large debt service obligations. The trade account balance improved in 1993-95 and capital inflows rebounded. Imports rose rapidly early in the period but growth moderated subsequently, while exports expanded markedly during 1993-95 particularly agricultural crops and nontraditional commodities. In addition, tourism revenue and remittances from abroad increased steeply particularly in 1994-95. Capital inflows increased substantially in 1990-95, first because of higher official grants and credits in support of the Government's adjustment efforts, and since 1993 because of a marked rise in private capital inflows.

The Government began to normalize relations with external creditors in 1990 and several debt and debt-service reduction operations were completed, involving a high degree of concessionality. Nicaragua reduced most of its debt with commercial creditors and part of its debt with some Latin American countries, while Paris Club creditors provided a flow rescheduling in 1991 (London terms) and in 1995 (Naples terms). A preliminary agreement was reached with the Russian Federation in April 1996, debt service negotiations were advanced with other non-Paris Club bilateral creditors and with the Central American Bank for Economic Integration. Nicaragua's external debt as of end-1995 amounted to 540 percent of GDP, of which 45 percent was on arrears (Section V).

CHART 1
NICARAGUA
HISTORIC ECONOMIC INDICATORS 1975-1995

Source: Central Bank

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II. The Domestic Economy

Structural reforms have been implemented since 1990 to increase the utilization of resources and encourage private participation in the economy. The Government liberalized prices and the exchange and trade systems, streamlined the public sector and began to address the property rights issue. In 1990-93, macroeconomic conditions improved as inflation was brought under control, but real GDP continued to stagnate and unemployment increased. In 1994-95 economic activity gained momentum and real GDP rose at an average annual rate of 3.7 percent, unemployment began to decline, and inflation continued to fall. With the continued fiscal adjustment and economic recovery, national savings and investment increased on account of both the public and private sectors (Tables 1 and 2, and Chart 2).

1. Domestic expenditure and savings

Domestic expenditure and the resource balance gap (measured by the balance of exports and imports of goods and nonfactor services), as a proportion of GDP, rose in the early 1990s as consumption increased; in 1993-95 expenditure and the resource balance gap declined as national savings strengthened and exports recovered significantly.

From 1990 to 1992 domestic expenditure rose in terms of GDP because of a rapid growth in private consumption, reflecting the increase in real wages as well as higher food aid received from abroad. In this period, investment remained at about 20 percent of GDP but with a larger share of public investment associated with the Government's reconstruction program, as private investment declined. National savings were negative and--as output stagnated and consumption rose--savings declined further during 1991-92. In this period, the country's resource balance gap widened to 33 percent of GDP, as export of goods and nonfactor services fell (in relation to GDP) and imports remained about constant.

In 1993-95 domestic expenditure declined in terms of GDP while the composition of demand shifted toward higher investment and lower consumption. In this period, private investment rose by 2.5 percentage points of GDP to 11 percent in 1995 and much of it was oriented toward the tradable goods sector and housing construction. National savings rose on the strength of the fiscal effort and turned positive in 1995 for the first time in the decade. In 1993-95, exports rose faster than imports and the country's resource gap fell to 22 percent of GDP.

2. Production by sector

Real GDP remained about unchanged during 1990-93 with uneven performance across sectors: agriculture increased slightly, commerce expanded and government services fell. Real GDP grew by 3.3 percent in 1994 and by 4.2 percent in 1995; growth was broad-based, with agriculture and construction being the most buoyant sectors (Table 3).

a. Agriculture

In 1990-95 the agricultural sector--the largest sector in the economy--accounted for about one quarter of nominal GDP, employed about 35 percent of the labor force, and generated about 80 percent of export revenue (Table 4 and Statistical Appendix Table 21).

Agricultural output started to register substantive growth in 1992-93 (annual average of 2.6 percent) helped by the liberalization of prices and trade. A boom in livestock and fishing more than offset a fall in the production of export crops. Agricultural crops, including coffee--Nicaragua's main export--were affected by declining international prices and adverse weather conditions.

In 1994-95 the recovery in agriculture production accelerated at an accumulated rate of more than 16 percent on the strength of export crops, despite a severe drought in 1994. Production for export increased by an annual average of 16 percent because of high international prices and improved investor confidence. In particular, the production of coffee and nontraditional products was spurred by a gradual re-incorporation of land to production and increased yield associated with new technologies. Among other traditional export crops, the production of sugarcane rebounded as cultivation practices improved. Cotton output began to recover in 1995 although from a very low base (in 1993-94 its contribution to export was almost nil).

Fishing production continued to rise in 1994-95 because of higher production resulting from new investments--including foreign investment--in shrimp and lobster farms following privatization of the sector and deregulation. Nicaragua gained access to new shrimp markets and secured high prices because of a cyclical shortage of shrimp larvae that affected other suppliers in late 1993. Livestock production fell in 1994-95 from the high levels reached in 1993 because of a reduction in the livestock that resulted from overslaughter in the early 1990s, and problems associated with lack of working capital.

b. Other sectors

Manufacturing represented about 22 percent of the Nicaraguan GDP in 1990-95, of which agro-industrial, and machinery and metal products were the most important activities (Table 5 and Statistical Appendix Table 24). Performance of the manufacturing sector in the period was greatly influenced by trade liberalization and other reforms that opened the sector to competition--domestic and foreign--as these policies contributed to a restructuring of Nicaragua's industrial sector.

Manufacturing production stagnated in 1990-93 but started to recover in 1994-95. Agro-industrial products (food, beverage, and tobacco) advanced at a strong pace in 1994-95 and the good performance of most other products reflected the effect of quality and cost improvements resulting from the

DEVELOPMENTS IN THE REAL SECTOR 1990-1995

Source: Central Bank

1/ External current account balance (opposite sign), including cash interest payments.

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access to imported inputs. In addition, increased foreign investment helped to achieve an annual growth of 5 percent in production of machinery and metal products while a more intense use of existing capacity in the petroleum refinery allowed a rebound in production of petroleum derivatives. Textile and garments "maquila" (offshore assembly) for export also increased in 1994-95. As of December 1995 there were 18 maquila plants in Nicaragua exporting about US\$75 million and employing 7,000 persons, as compared with US\$3 million and 1,300 persons, respectively, in 1992 (the first year that offshore plants were established in Nicaragua).

After several years of decline, construction activity began to recover in 1992 and expanded rapidly in 1994-95. The expansion was mostly associated with investment in infrastructure, and private investment in real estate in response to pent-up demand that was released by the recovery in income and private capital inflows. Commercial activity rose throughout the period in response to trade liberalization and the rebound of the overall economic activity. The finance sector began to recover in 1994-95 with new opportunities for the private sector in financial intermediation, including the establishment of a stock exchange. Government services contracted throughout 1990-95 with the streamlining of public administration.

3. Prices, wages, and employment

a. Prices

Following the hyperinflation of the late 1980s and 1990, the Government's adjustment program and the exchange rate peg succeeded in stabilizing domestic prices in 1992. Inflation rose to 20 percent in 1993 following a 20 percent nominal devaluation of the Cordoba earlier in the year. Thereafter inflation fell to 12 percent in 1994 and 11 percent in 1995 (Table 6).

Most controlled prices were liberalized in the early 1990s and by end-1995 only prices of public utility services (electricity, water and sewerage, and telecommunications), some petroleum products, cement, and public transport remained under government control.

b. Wages and employment

Wages have been mostly determined through collective bargaining between employers and employees since mid-1988. Minimum wages are set by the Government but have remained unchanged since 1991 (except for coffee sector wages that were increased in 1995). Minimum wages do not appear to be binding since they have remained well below the minimum paid in each sector. Following a strong growth in 1991-92, real wages declined in 1993 but recovered partially in 1994-95. Salaries of most civil servants have been subject to a freeze since early 1994, but after a fall in 1993 real salaries of employees of the public enterprises recovered fully in 1994-95 to their peak level of 1992 (Statistical Appendix Tables 26 and 27).

Throughout 1990-95 the labor force grew faster than the population and labor force participation increased by 1.5 percentage points to 35 percent of total population in 1995 (Statistical Appendix Table 28). The open unemployment rate rose to nearly 22 percent in 1993, but fell to 18 percent in 1995 with the recovery in economic activity. In 1994-95 employment increased at an annual rate of more than 7 percent. Within this overall trend, the public sector employment fell by 6,000 employees while private sector employment rose by 150,000.

4. Property rights reforms and social sector policies

a. Property rights

The Government began addressing the problem of disputed property rights arising from the confiscation of urban and rural properties during the previous administration (1979-90). The resolution of property rights process is complex and involves administrative and judicial procedures. The process includes the review and decision on the appropriateness of: (i) claims submitted by current holders of properties received under adjudication laws before 1991; and (ii) claims submitted by former owners whose properties were confiscated. A provisional title (solvency) is issued to current holders of property who are determined to be in legal possession; provisional titles are substituted subsequently for full legal title. An offer of compensation or return of property is made to those former owners considered to be legally entitled. There is a process of appeal for rejected claims related to expropriation or confiscation, including recourse to the courts.

In order to strengthen the process of the resolution of disputes from property claims, in 1995 the Government created a new Vice Ministry of Finance to deal with property-related issues. In addition, the Government submitted its written consent to the International Center for Settlement of Investment Disputes (ICSID) of the World Bank Group, for arbitration in the valuation of expropriated property, in cases where the claimants are foreign nationals. In November 1995 the Assembly approved a new property law ("Ley de Estabilidad de la Propiedad") which strengthens the legal value of provisional titles, establishes limited periods for the presentation of claims, and for the hearing, decision, and revision of cases, and mandates prosecution for the fraudulent appropriation of property.

By end-March 1996 the review process had been completed for about 97 percent of cases (from a total of about 125,000) and about 70 percent of the cases reviewed received provisional titles (to be replaced by registered titles when the cadastring of properties is completed). In addition, about 80 percent of outstanding claims by former owners of confiscated properties were reviewed and compensation offers made. Owners of confiscated property have been compensated, when appropriate, with government bonds denominated in cordobas and indexed to the U.S. dollar. The bonds have a maturity of 15 years and interest rates of 3 to 5 percent, and can be used to settle past due accounts to public entities and taxes owed before June 1993. The

bonds are traded in the secondary market, currently at a discount of 75-80 percent of face value. These bonds will be guaranteed by, and redeemed in part with, proceeds from the privatization of public entities. During 1994-96 US\$290 million in compensation bonds were issued to previous owners, bringing the total to US\$390 million since 1993.

b. Social sectors and poverty alleviation

In 1990-95 the authorities improved basic services (in particular primary health care and education) and implemented a number of emergency social programs--mostly financed with grants and concessional loans--to mitigate the effects of the adjustment on the poor.

Expenditures on education and health reached 8-10 percent of GDP in 1994-95. In education, the Government began curricular reforms, continued training programs for teachers, improved pre-school programs in rural areas, rehabilitated infrastructure, and has transferred school management to the private sector and municipalities. In the health sector the Government emphasized preventive health care and is strengthening the primary health care by improving pre- and post-natal care, vaccination, and education in family planning and nutrition. Increase in social expenditure has been complemented by better allocation of resources through improved targeting of expenditure.

Emergency social programs amounted to the equivalent of 2.5 percent of GDP in 1994-95 and included (i) the Emergency Social Investment Fund (FISE) to rehabilitate infrastructure and provide temporary employment in rural areas, (ii) the National Reconciliation and Rehabilitation Program (PERN) to support vulnerable groups affected by the civil war, and (iii) the Community Employment Fund to provide temporary employment in local communities. These programs--executed primarily by ministries, including the Ministry of Social Assistance, municipalities, and NGOs--have created employment for about 27,000 people since 1990 (as compared with 36,000 people shed from the public sector under the conversion program, and the labor mobility program).

III. Public Finances 1/

1. Overall trends

Following a drastic shift in the fiscal policy stance, there was a marked improvement in 1991-95 in public savings and a substantial reduction in the overall public sector deficit and its recourse to domestic bank financing. The fiscal improvement resulted from expenditure reduction--particularly through employment reduction--and sizable revenue measures. In addition, several reforms to reduce the size of the public sector and increase its efficiency were implemented beginning in 1990-91 (Appendix I).

Most of the fiscal policy strengthening took place in the early 1990s when the Government implemented substantial cuts in military outlays and public employment and a major increase in tax revenue. The overall deficit of the nonfinancial public sector (NFPS) fell from about 33 percent of GDP in 1990 to 9 percent in 1993, while the current account shifted from a deficit of 31 percent of GDP in 1990 to a surplus of 3 percent in 1993 (Table 7 and Chart 3). 2/ At the same time capital expenditure rose from 2.4 percent of GDP in 1990 to 12.4 percent in 1993, associated with efforts to rehabilitate basic infrastructure, demobilize troops, and upgrade plant and equipment of the public utilities.

In 1994, the deficit rose to about 12 percent of GDP and public savings weakened somewhat because of increased expenditures and a deterioration in the financial position of the public utilities. The public finances strengthened again in 1995 because of lower outlays and increased revenues due to better tax administration and the recovery of the economy. Public savings rose to around 4 percent of GDP in 1995 while the overall deficit declined to 11 percent of GDP. Net external grants and loans more than covered the deficit in the period and the net stock of domestic credit to the public sector declined. In 1995, however, net external financing fell short of the overall deficit and there was a net use of domestic credit, particularly from the Central Bank.

1/ In this report, the nonfinancial public sector includes the General Government (comprising the Central Government, the Social Security Institute, and the Municipality of Managua) and the public enterprises (including the state power company, and the Nicaraguan Institute for Water and Sewerage). The Nicaraguan Bus Company was included until 1992, when this company was privatized, and the Telecommunications and Postal services company, was included until 1994, the last year before the Assembly approved its privatization.

2/ In this section, surplus or deficit will refer to results on a cash basis before grants, unless otherwise indicated. Also, current account balance and saving are used interchangeably.

CHART 3
NICARAGUA

NONFINANCIAL PUBLIC SECTOR 1990-1995
(In percent of GDP)

Source: Ministry of Finance and Central Bank.

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2. Central government operations

The performance of the public finances during 1990-95 reflected largely the financial operations of the Central Government. The central government current account shifted from a deficit of 31.5 percent of GDP in 1990 to a surplus of 1.6 percent in 1995 while the overall deficit declined from 33 percent of GDP in 1990 to 10 percent in 1995 despite a substantial increase in investment outlays (Table 8 and Chart 4).

a. Central government revenue

Central government current revenue rose by 5 percentage points of GDP (to 19.5 percent) between 1990 and 1993 owing to an increase in the VAT rate from 10 to 15 percent and an expansion in the base, price adjustments for the goods subject to the selective consumption tax, and the introduction in 1993 of a tax on imported luxury goods (Table 9). ^{1/}

In 1994-95 revenue performance continued to improve, albeit at a slower pace. Current revenue rose to 21.3 percent of GDP in 1995 because of additional tax measures, improved tax administration, and the recovery of economic activity. In 1994 the Government introduced a specific consumption tax (on about 950 items with tax rates ranging between 5 and 100 percent) and a temporary import surcharge (with rates of 5, 10 and 12 percent). In 1995 tax administration was strengthened as the authorities expanded the coverage of auditing, updated the registry of tax filers, and started to implement the closing of businesses that were in noncompliance with the tax laws.

b. Central government expenditure

Central government expenditure declined sharply between 1990 and 1993 because of a significant reduction in military and internal security outlays. In this period, cash interest payments rose from virtually nil to about 4 percent of GDP as Nicaragua became current in its debt service with multilateral institutions and Paris Club creditors (Table 10).

In 1994-95, central government outlays rose by 4 percentage points of GDP (to 31 percent in 1995) reflecting higher investment outlays. Current expenditure continued to decline on account of lower wages and purchases of goods and services. The lower wage bill reflected a wage freeze adopted in early 1994 on most government employees as well as the implementation of the public employment reduction program in 1994-95 (a reduction of 3,000 employees of the Central Government). Capital expenditure increased from about 7 percent of GDP in 1993 to 12 percent in 1995, mostly for infrastructure rehabilitation which was financed to a large extent with domestic resources as project-related foreign aid declined.

^{1/} Appendix II describes the tax reforms during 1990-95.

3. Operations of the rest of general government

The overall position of the rest of the general government during 1990-95 fluctuated between balance and surplus of up to 1 percent of GDP. This performance largely reflected developments of the social security system.

Up to 1994, pensions and health benefits as well as some welfare benefits (such as food aid, and programs to help the population displaced by the war) were provided by a single institution, the Social Security and Welfare Institute (INSSBI). In January 1995 INSSBI was split into the Nicaraguan Social Security Institute (INSS) and the Nicaraguan Fund for the Family and Children (FONIF), a welfare institution. 1/ INSS main sources of revenues are the social security contributions equivalent to 17 percent of earnings of employees, of which 12.5 percent is paid by the employer, 4 percent by the employee, and 0.5 percent by the Government. Previous transfers from the Central Government and the National Lottery are being allocated to FONIF.

Between 1990 and 1993 the current account of INSSBI and the overall surplus remained virtually unchanged at about 0.5 percent of GDP despite the heavy cost of special pension benefits that had been granted to people affected by the civil war (Table 11). In this period, INSSBI initiated a program to eliminate benefits which had been assigned without proper legal support. The Institute strengthened further its finances in 1994-95 because of improvements in the collection of contributions and some reduction in its wage bill. 2/ However, the overall surplus virtually disappeared in 1995 owing to an expansion of medical provisions (members could use both private and public medical facilities) and an increase in net capital lending (INSS lends to BAVINIC, a state-owned institution that provides mortgage credits for low and middle income housing).

The operations of the Municipality of Managua (ALMA) 3/ were maintained at near balance in 1990-95. ALMA's revenue comprises the proceeds from a 2 percent local sales tax, taxes on real estate, a number of fees and licenses, and some transfers from the rest of the NFPS. Revenue increased slightly to 1.5 percent of GDP in 1995 owing to higher tax revenues which reflected improvement in collection and the introduction of a new tax

1/ FONIF has a small size operation and is not included in the definition of NFPS being used in this report. In 1995 FONIF's current account and overall operations were in balance.

2/ The number of employees was reduced from 3,850 in 1990 to 2,140 in 1994 and to 850 in 1995 (1,680 including FONIF).

3/ In Nicaragua there are 143 municipalities of which ALMA is the largest. Because of problems with the information of the rest of municipalities, in this report the coverage of NFPS includes only ALMA.

CHART 4
NICARAGUA

CENTRAL GOVERNMENT 1990-1995
(In percent of GDP)

Source: Ministry of Finance and Central Bank

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of 1 percent of the cadastre value of real estate (IBI). 1/ ALMA's improved operating balance also reflected the privatization of the refuse collection in 1995.

4. Public enterprises

The overall deficit of the public utility enterprises increased from 0.5 percent of GDP in 1990 to 2 percent of GDP in 1995 owing to higher investment outlays which more than offset an increase in savings (Table 12).

Up to 1994 the Nicaraguan Energy Institute (INE) had regulatory functions in addition to the corporate activities of generation, transmission, and the sale of electricity. In early 1995, the corporate functions were transferred to a new enterprise, the Nicaraguan Electricity Company (ENEL), while INE remained with only its regulatory role.

Between 1990 and 1993 the operating results of INE/ENEL improved from virtual balance to a surplus of about 2 percent of GDP largely reflecting tariff increases and improved collection. In this period capital outlays increased by 1.5 percentage points of GDP to 2.2 percent of GDP (Chart 5). In 1994-95 ENEL's financial position weakened largely because of higher operating costs. The severe drought of mid-1994 led to substitution of hydro-generation by more expensive thermal generation. 2/ While there was a reduction in employment (from 3,670 employees in 1993 to 2,830 in 1995) the wage bill remained virtually unchanged in terms of GDP because of increases in wages. In this period, the increase in costs outpaced the rise in revenue 3/ and the operating surplus fell to 1.5 percent of GDP in 1995. Capital outlays declined somewhat and the overall deficit increased to 1 percent of GDP in 1995.

The operations of the Nicaraguan Institute of Water and Sewerage (INAA) shifted from a surplus of 0.5 percent of GDP in 1990 to a deficit of nearly 1 percent in 1993 largely because of an increase in capital outlays. INAA's operating surplus declined slightly in 1990-93 as tariffs did not keep up with the growth in costs. A reduction of the company's workforce from 2,720 employees in 1990 to 2,590 in 1993 was not reflected in the wage bill (as a proportion of GDP) because of increases in wages.

1/ The IBI tax is to substitute a net wealth tax (IPN), which was collected by the Government. IBI taxes could be paid in two equal installments (before end-March and before end-June of each year).

2/ The generation of power by hydroelectric plants declined from about 30 percent of total generation in 1993 to 23 percent in 1995 while the generation by thermo-electrical plants increased from 43 percent of total generation in 1993 to 52 percent in 1995.

3/ The average electricity tariff was raised by 9 percent in May and by 7 percent in September 1995. In addition, tariffs have been adjusted by one percent a month since early 1994.

Between 1993 and 1995 INAA's operating and overall balances as a percent of GDP remained virtually unchanged. Outlays on goods and services were trimmed and employment was reduced by an additional 500 employees to reach 2,090 by end-1995. Simultaneously, operating revenues (as a percent of GDP) declined as rates did not keep pace with inflation. Capital outlays as a proportion of GDP increased slightly in 1994-95 as the company made efforts to increase water supply and regional coverage of its services.

Up to 1995, the state telephone and postal service (TELCOR) performed both corporate and regulatory functions. Under the privatization bill approved by the Assembly in late 1995, the corporate functions were assigned to the new Nicaraguan Telephone Company (ENITEL) and were separated from the regulatory functions. At least 40 percent of the shares and management of this company are to be sold to an international corporation during 1996.

TELCOR's operating surplus increased from 0.2 percent of GDP in 1990 to 2 percent in 1993 largely reflecting tariff increases and improved collection while operating expenditures remained basically unchanged. The wage bill as a proportion of GDP declined slightly reflecting employment reduction (from 4,000 employees in 1990 to 3,450 in 1993) that offset significant wage increases. In 1994, TELCOR's operating surplus remained practically unchanged with respect to 1993 but the overall deficit increased to 0.5 percent of GDP in 1994 because of higher capital outlays. While in 1995 the operations of the telephone company are not included in the accounts of the public sector, additional information suggests that the company's operating and overall position as a proportion of GDP remained about unchanged with respect to 1994.

IV. Financial Intermediation

Financial sector reforms during 1990-95 included the development of a private banking sector, the introduction of bank supervision, the liberalization of interest rates, the elimination of credit controls, and the establishment of an interbank foreign exchange market. ^{1/} These reforms together with rising private capital inflows and the rebound of the economy after 1993 have resulted in a substantial deepening in financial intermediation and improvement in allocation of financial resources.

1. Structure of the financial system

Nicaragua's financial system consists of the Central Bank, 14 commercial banks (of which 11 are privately owned), and a nonbank financial intermediary (the Nicaraguan Investment Finance Company (FNI) which is a second-tier public institution involved in long-term lending). As part of the financial system reform, private commercial banks began to operate in

^{1/} Appendix III describes the reforms of the financial system during 1991-95.

CHART 5
NICARAGUA

ELECTRICITY COMPANY (ENEL) 1990-1995
(In percent of GDP)

Source: Ministry of Finance and Central Bank.

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1991 and since then have expanded their operations rapidly. By end-1995, private banks accounted for about one half of commercial bank assets and credit to the private sector, and received almost two thirds of private sector deposits.

2. Overall developments

Financial intermediation deteriorated significantly during the 1980s. Monetary control was weak as the Central Bank was the main source of financing for the public sector and the state-owned banks; bank credit and interest rates were controlled; and the structure of the banking system became rudimentary with a state monopoly in financial intermediation. Private financial savings fell sharply in response to hyperinflation and negative real interest rates.

The process of liberalization and reform which started in 1991, resulted in a substantial strengthening of financial intermediation. Both financial savings and bank credit to the private sector as a proportion of GDP doubled during 1991-95. In addition, the increase in the participation of private banks (which rose to one half of private sector credit and three fifths of deposits in 1995) led to a sectoral recomposition of credit in line with market signals rather than political criteria which had dominated state bank lending practices in the past (Table 13).

During 1990-93 overall financial system credit growth was reduced sharply, reflecting fiscal strengthening and the improved allocation of credit to the private sector. However, the increase in overall bank credit outpaced the growth in private financial savings, as the Central Bank continued to support the state banks' credit operations, albeit at much reduced levels.

In 1994 private financial savings grew rapidly (by 55 percent) with general improvement in economic activity and large private capital inflows, and with slower overall credit growth the net foreign assets of the financial system rose by US\$60 million. In 1995, overall financial system credit growth accelerated reflecting an increase in the domestic borrowing requirements of the nonfinancial public sector and a step-up in credit expansion to the private sector. Private sector credit rose rapidly in the first half of 1995 mostly because of a strong credit growth by the state banks, but this was reversed and credit slowed in the second half as the Central Bank tightened credit policy. For the year as a whole the net foreign assets of the financial system fell by US\$45 million.

3. Private sector financial assets

The hyperinflation of the late 1980s and 1990 resulted in a sharp decline in private financial saving to a low of 17 percent of GDP in 1991. In 1992-93 growth of private financial savings was sluggish reflecting continued stagnation of economic activity, and a cautious private sector response to new stabilization measures. The subsequent economic recovery,

full interest rate liberalization, and improved investor confidence were reflected in an increase of private financial savings to 27 percent in 1994 and 33 percent in 1995 (Table 14 and Chart 6).

In 1991-93 financial savings shifted from money toward quasi-monetary instruments, both in local and foreign currency. The decline in circulating currency was particularly sharp as inflation fell rapidly. Foreign currency deposits gained the most ground during this period, as their share in total private financial savings increased from 30 percent in 1990 to 44 percent in 1993.

From 1993 to 1995, as private financial savings recovered, the substitution from money toward quasi-money continued. The ratio of quasi-money to GDP more than doubled (to 24 percent) while the ratio of narrow money to GDP increased by only 1 percentage point to 9 percent. Foreign currency deposits grew at a particularly rapid pace (to 18 percent of GDP in 1995), increasing their share from 44 to 54 percent of total private financial savings. Local currency quasi-monetary deposits grew at a somewhat slower pace, reaching 6 percent of GDP in 1995, but also increased slightly its share in private financial savings.

4. Credit operations

Between 1990 and 1995 overall financial system credit expansion was reduced steadily with the decline in credit financing to the public sector. Growth of credit to the private sector also slowed considerably as private banks increased their participation in lending to 22 percent and market criteria in lending operations became more important (Table 15).

The sectoral distribution of financial system credit underwent significant changes between 1990 and 1993; agricultural, livestock, and commercial activities increased their share in total credit from 50 percent to over 80 percent while the share of industrial sector credit fell from 51 percent to 18 percent. Also, the share of short-term credit increased from 44 percent in 1990 to 60 percent in 1993 (Table 16). These changes in the composition of overall credit reflected sluggishness in manufacturing performance, the emergence of private banks (which have favored commercial and industrial sector and short-term lending), and the expansion of credit by state banks to the agriculture and livestock sectors.

During 1994-95 private bank participation in private sector credit continued at a rapid pace, reaching 35 percent in 1994 and 47 percent in 1995. This was reflected in the sectoral composition of credit, in which the share of agricultural and livestock activities decreased from 55 percent in 1993 to 53 percent in 1995, the commercial sector increased its share to 27 percent by end-1995, and the industrial sector increased its share

DEVELOPMENTS IN THE FINANCIAL SECTOR 1990-1995

Source: Central Bank

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from 18 percent in 1993 to 26 percent in 1995. ^{1/} By end-1995, the ratio of private sector credit to GDP had increased to 30 percent.

5. Instruments of monetary policy

a. Interest rate liberalization

The authorities liberalized deposit rates in September 1991 but continued to set floor rates on savings and 30-day time deposits, and maintained a mandatory maintenance of value clause which required the indexation of deposits and loans to the U.S. dollar. In 1992 the mandatory character of indexation was eliminated and lending rates were liberalized, and in 1993 floor interest rates for bank deposits were eliminated. In late 1993, central bank rates were increased and linked to market interest rates. ^{2/}

In 1993-95 banks continued to index interest rates to the U.S. dollar for both deposits and loans. Indexation may have been an effective mechanism for strengthening domestic financial savings, particularly in the early 1990s when there was uncertainty of the duration of the stabilization program. However, indexation may also have contributed to greater inflationary inertia in the system.

The levels of interest rates remained relatively stable throughout 1995, hovering--before indexation--at around 8-9 percent for savings deposits, 11-12 percent on 30-day deposits, and 13-15 percent for term deposits of over one year. From 1993 to 1995 yields of foreign currency deposits have been only slightly higher (by 0-2 percentage points) than comparable Libor-based rates abroad, but yields on local currency deposits have been significantly higher than those of foreign currency deposits, thus suggesting a rather high convertibility risk. The spread between yields on domestic and foreign currency deposits appears to have narrowed between 1993 and 1995, from 4.3 to 3.4 percentage points for savings deposits, from 6.4 to 5.2 percentage points for 30-day term deposits, and from 8.4 to 6.8 percentage points for 12-month term deposits. From 1993 to 1995 domestic currency lending rates before indexation ranged between 19 and 20 percent for short-term credits, and between 16 and 17 percent for long-term credits. Foreign currency lending rates were slightly lower overall, ranging from 15 to 17 percent in 1994 and 1995 (Statistical Appendix Table 42). ^{3/}

^{1/} By end-1995 private banks accounted for 72 percent of credit to the industrial sector.

^{2/} Central Bank lending rates were set quarterly on the basis of the average rate paid by commercial banks on 30-day deposits plus a spread of 1/4 of 1 percent.

^{3/} Commercial banks began to extend foreign currency loans in 1994, although it was legal to do so throughout the decade.

b. Central bank credit

In 1991-93 the Central Bank took several actions to contain the expansion of credit to the banking system, including setting rediscount ceilings by bank and by sector, and limiting the conditions to lend to the Government and to commercial banks. In this period the Central Bank also introduced auctions of rediscount funds for the industrial and export sectors and for public enterprises. The Central Bank still maintained its short-term and lender of last resort financing, on-lending of long-term external resources provided by donors and regional institutions, and provided resources to banks through purchasing Development Bonds (BOFOS) issued by private commercial banks. The increase of central bank credit to the commercial banks fell from C\$435 million (5 percent of GDP) in 1992 to C\$99 million (1 percent of GDP) in 1993 (Statistical Appendix Table 36).

In 1994-95 the Central Bank froze all but two lines of credit to the commercial banks: "extraordinary" assistance of up to 10 days, and overnight credit, and restructured the outstanding stock of rediscounts. State banks were particularly affected, having obtained over 90 percent of the short-term and seasonal rediscount funds provided by the Central Bank the year before. Furthermore, virtually no additional purchases of BOFOS were undertaken during 1995 (after a large purchase in 1994), and central bank credit to the commercial banks--mainly the state banks--contracted by nearly C\$217 million, or 1.5 percent of GDP. As of end-1995 central bank credit to the commercial banks was equal to US\$86 million, equivalent to 14 percent of private financial savings.

c. Legal reserve requirements

The authorities took actions to enhance the use of required reserves as a tool of monetary control. As a first stage the reserve requirement was simplified. In 1990 the reserve requirement on all domestic currency deposits was unified at 10 percent, previously the requirements ranged from 10 to 40 percent differentiated by bank. The marginal reserve requirement on foreign currency deposits was reduced from 100 to 25 percent in 1991, and the average reserve requirements on foreign currency deposits were unified at 25 percent in 1992. In June 1993, commercial banks were required to keep all reserves deposited at the Central Bank (with no option to keep a portion as cash in vault, as before). In April 1995, the Central Bank, aiming to absorb excess liquidity generated in part by rapidly increasing credit to the state banks, increased the reserve requirements on local currency deposits from 10 to 15 percent, but offered a positive real yield on a portion of the reserve requirement (Statistical Appendix Table 43). 1/

1/ The Central Bank started to offer 16 percent plus indexation on one third of the commercial bank reserves.

Banks have tended to hold reserves in excess of legal requirements. The size of this excess, however, dropped from an average of 14 percent of liabilities subject to reserve requirements in 1990 to 4 percent in 1993. In 1994 state banks reduced their excess reserves to less than 1 percentage point as they increased their holdings of dollar-denominated central bank securities (BOMEX), while private banks continued to maintain excess reserves of over 4 percentage points. In 1995, following the increase in legal requirement on local currency deposits, overall reserve deposits only increased from 20.3 to 21.5 percent of liabilities subject to reserve requirements, since the banking system used its excess reserves to comply with the new requirements. Excess reserves fell from almost 3 percent in 1994 to just under 1 percent of liabilities subject to reserves in 1995 for the banking system as a whole, however, state banks incurred reserve deficiency of almost 3 percent of deposits.

d. Open-market operations

The Central Bank introduced dollar-denominated certificates or bills (BOMEX) in 1993 and placed them mainly with commercial banks. In 1994 the Central Bank placed US\$11 million in BOMEX, 75 percent of which was by state banks. In 1995, the stock fell to US\$2 million but this had no monetary effect since it reflected a selling by state banks to repay their credit from the Central Bank.

In 1995 the Central Bank introduced the "negotiable investment certificate" (CENI), an open-market certificate in local currency. 1/ These bills have been placed with banks and with the general public, and as of end-1995 the outstanding amount was about C\$57 million (US\$7.5 million), most of which was at a maturity of 360 days; as of May 1996 CENIS amounted to C\$250 million (US\$30 million or 1.5 percent of GDP) (Statistical Appendix Table 38).

V. The External Sector

In 1990-95 Nicaragua introduced important reforms in the external sector. Foreign trade operations were returned to the private sector, nontariff barriers were eliminated and replaced with tariffs, and import tariffs and export subsidies were reduced substantially; multiple currency practices and exchange restrictions were phased out and an interbank foreign exchange market was established; and since 1993 a market-oriented exchange rate policy was implemented with a crawling peg system. In addition important progress was made in normalizing relations with external creditors.

1/ CENIS were issued at maturities of 28, 60, 91, 182, and 360 days, and their interest rate at end 1995 ranged from 15.5 to 20 percent before indexation.

1. Overall trends

Following an initial period of weakening in the early 1990s, the external position improved in 1993-95 as the economic reforms had their impact on economic activity. However, the balance of payments remained fragile because of the small export base and large debt obligations.

From 1990 to 1992 the external current account and the overall balance of payments deteriorated because of a strong increase in imports, sluggish exports and a rise in debt service obligations. The external position strengthened in 1993-95 with an improvement in the trade balance, resulting from a strong increase of exports, and a decline in interest obligations. Interest obligations (on an accrual basis) rose from 15 percent of GDP in 1990 to 27 percent of GDP in 1992 with the accumulation of interest on arrears, but fell to 18 percent in 1995 with the initiation of debt rescheduling operations. Official gross capital rose sharply in the early 1990s but moderated in 1993-95 while net private capital shifted from outflows to large inflows (Table 17 and Chart 7).

Throughout the period under review, the overall balance of payments deficits were financed with Paris Club debt rescheduling, exceptional assistance from donors, and the accumulation of arrears with other official bilateral creditors. Since 1990 the Government has been pursuing debt and debt-service reduction operations with Paris Club creditors, some Latin American countries, commercial creditors, and the Russian Federation.

2. Trade account

The trade account deficit fell from 30 percent of GDP in 1992 to 17 percent in 1995, reflecting a strong recovery in export volume while import growth moderated following a strong acceleration in the early 1990s. External trade increased from 57 percent of GDP in 1990 to 72 percent in 1995, as Nicaragua became more integrated into the world economy.

Exports in nominal U.S. dollars fell in 1991-92 but rebounded in 1993-95 (export rose from 12 percent of GDP in 1992 to 27 percent in 1995). The export recovery was mainly associated with nontraditional exports, agricultural crops (mainly coffee, sugar, and bananas), and seafood (Statistical Appendix Table 46). Nontraditional exports increased sharply since 1993 (annual average of 56 percent to reach US\$200 million in 1995) as external competitiveness improved, and investment and the use of existing capacity increased. Coffee exports grew at an annual average of 42 percent to US\$130 million in 1995 reflecting high international prices and volume increase from newly cultivated areas. Sugar exports rose at an annual average of 14 percent reflecting higher international prices. Seafood exports continued at a fast pace because of the higher production that resulted from investment in new shrimp and lobster farms. Despite the strong increase in the past three years, export revenues in 1995 (at US\$525 million) were about one half the amount of exports in the mid-1970s in real terms.

CHART 7
NICARAGUA

DEVELOPMENTS IN THE EXTERNAL SECTOR
1990-1995

Source: Central Bank

I/ External current account deficit including cash interest payments

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Imports expanded rapidly in 1991-92 with the liberalization of trade and exchange regimes but import growth slowed in 1993-95 with the strengthening of financial policies. Imports of consumer goods rose sharply in 1991-92 in response to pent-up demand after many years of import restrictions, but rose moderately in 1994-95. Imports of intermediate goods increased throughout the years (annual rate of 10 percent) while imports of capital goods fluctuated about US\$200 million a year with a slight upward trend (annual average growth of 3 percent) suggesting an increase in the use of existing capacity (Statistical Appendix Table 48).

Nicaragua's terms of trade improved between 1992 and 1995 reflecting mainly a strong rise in export prices. The increase in export prices reflected higher international prices of coffee, banana, and sugar (Table 18). From March 1991 to January 1993, the cordoba was pegged to the U.S. dollar at a rate of C\$5 per U.S. dollar. In 1993, the exchange rate was adjusted to C\$6 per U.S. dollar and a crawling peg system was adopted with a monthly rate of depreciation of 1 percent (November 1993). In real effective terms, the cordoba depreciated by about 10 percent from March 1991 through December 1995. In the first four months of 1996 the cordoba depreciated further by 0.6 percent (Chart 8).

3. Noninterest service account

The deficit of the noninterest service account and remittances fell from 5.5 percent of GDP in 1990 to 1.5 percent in 1995 as tourism revenue and other receipts rose and remittances from Nicaraguan citizens working abroad increased substantially. The increase in remittances reflected improved confidence in the economic recovery and the financial system. Strong increase in tourism receipts followed the privatization of a major resort hotel on the Pacific Coast in 1992 and improved hotel accommodation in Managua City.

4. Capital account

In 1990-95 the capital account (including official transfers) reflected a high level of official capital inflows and increasing net private capital inflows. Official grants and loans rose to an average of US\$770 million a year in 1991-92 with the reintroduction of bilateral and multilateral aid, associated with the Government's efforts to reconstruct the economy and the financing of the economic program. Gross official inflows moderated in 1993-95 but still maintained a relatively high level (average of US\$470 million a year).

Official transfers represented about 60 percent of gross official inflows in the initial stages of the Government's reconstruction efforts, but the share declined to 40 percent in the last few years, with a significant change in the position of main donors. In 1993 the United States provided about 35 percent of official transfers while the European countries provided 30 percent and multilaterals 13 percent; in 1995 transfers from the

United States were less than 5 percent of the total while transfers from European countries represented close to 50 percent.

Private capital net inflows increased substantially in 1990-95. Recorded private capital outflows stopped in 1991-92 and significant inflows were recorded in 1994-95. The increase in private capital reflected the economic recovery and its effect on investor confidence as well as new opportunities resulting from the reforms. Most of private inflows represented capital repatriation in the form of portfolio investment, but direct investment together with trade-related inflows are estimated to have increased significantly.

5. External debt and debt service

As Nicaragua resorted increasingly to foreign borrowing during the 1980s, the debt multiplied tenfold to US\$10.7 billion in 1990 (equivalent to 700 percent of Nicaragua's GDP) (Table 19). Moreover, the country was unable to service its debt in full and by 1990 about 40 percent of the debt was in arrears. In that year the debt service obligations reached 175 percent of exports of goods and nonfactor services (compared with 12 percent in the late 1970s).

The Government started a process of normalizing relations with creditors in 1990-91 and over the last five years a number of debt and debt-service operations were completed (Appendix IV). By end-1995 the external debt was US\$10.3 billion (540 percent of GDP) and it included US\$3.5 billion of debt with the Russian Federation; credit from Latin American countries amounted to US\$2.4 billion and from other non-Paris Club official creditors to about US\$1 billion; credit from multilateral institutions was US\$1.6 billion and from Paris Club creditors US\$1.3 billion. At end-1995 about 45 percent of the debt was on arrears.

Presently, Nicaragua services only about one third (US\$3.2 billion) of the total external debt, and this includes debt owed to multilateral institutions (except BCIE), nonreschedulable debt to Paris Club and non-Paris Club official bilateral creditors, and debt to certain suppliers. ^{1/} In 1995 debt service paid amounted to US\$297 million, or 33 percent of scheduled debt-service obligations, and was the equivalent of 15 percent of GDP and above 50 percent of public sector revenue.

^{1/} Debt service to BCIE was discontinued in mid-1995, and in late 1995 the Government and the bank initiated negotiations on the debt and arrears. Since mid-1995 central bank international reserve liabilities have increased by the amount equivalent to unpaid maturing obligations to BCIE.

CHART 8
NICARAGUA
REAL EFFECTIVE EXCHANGE RATE 1/
(1980=100)

Source: Information Notice System.

1/ Trade weighted index of nominal exchange rates deflated by seasonally adjusted relative consumer prices.

An increase (decrease) indicates appreciation (depreciation).

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Table 1. Nicaragua: Gross Domestic Product by Final Expenditure

	1990	1991	1992	1993	1994	Prel. 1995
(Annual percentage change)						
Nominal GDP	7,787.0	375.5	24.1	19.9	12.5	15.9
Real GDP	-0.1	-0.2	0.4	-0.2	3.3	4.2
GDP deflator	7,783.2	376.2	23.7	20.1	8.8	11.3
Real GDP per capita	5.8	-3.3	-2.8	-3.3	0.1	1.0
(Annual percentage change at current prices)						
Exports of goods and nonfactor services	5,831.4	282.2	3.4	41.1	40.2	60.1
Imports of goods and nonfactor services	5,409.7	396.5	27.8	10.8	26.8	25.1
Gross domestic expenditure	7,085.8	402.7	28.8	13.8	13.4	11.1
Consumption	7,423.8	405.2	32.1	10.5	8.5	8.2
Private	5,846.5	608.4	37.9	12.6	9.6	9.9
Public 1/	11,579.6	132.7	8.1	-0.3	2.0	-2.0
Gross domestic investment	5,720.2	389.8	11.0	35.0	39.1	23.0
(In millions of cordobas)						
GDP at market prices	1,564	7,436	9,230	11,064	12,445	14,427
Exports of goods and nonfactor services	391	1,495	1,545	2,180	3,056	4,892
Imports of goods and nonfactor services	725	3,600	4,600	5,095	6,458	8,079
Gross domestic expenditure	1,898	9,541	12,285	13,979	15,848	17,613
Consumption	1,593	8,047	10,627	11,742	12,736	13,786
Private	913	6,465	8,916	10,037	10,997	12,081
Public 1/	680	1,583	1,711	1,705	1,740	1,705
Gross domestic investment	305	1,494	1,658	2,238	3,112	3,827

Sources: Statistical Appendix Table 20, Ministry of the Economy; Central Bank of Nicaragua; and Fund staff estimates.

1/ General government current expenditure minus interest payments, pensions and indemnizations, current transfers, and other current expenditure.

Table 2. Nicaragua: Resource Balance and the Financing of Investment

	1990	1991	1992	1993	1994	Prel. 1995
(In percent of GDP at current prices)						
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0
Resource balance	-21.4	-28.3	-33.1	-26.3	-27.3	-22.1
Exports of goods and nonfactor services	25.0	20.1	16.7	19.7	24.6	33.9
Imports of goods and nonfactor services	46.4	48.4	49.8	46.0	51.9	56.0
Gross domestic expenditure	121.4	128.3	133.1	126.3	127.3	122.1
Consumption	101.9	108.2	115.1	106.1	102.3	95.6
Private	58.4	86.9	96.6	90.7	88.4	83.7
Public	43.5	21.3	18.5	15.4	14.0	11.8
Gross domestic investment	19.5	20.1	18.0	20.2	25.0	26.5
Public	2.2	5.1	9.8	11.8	14.8	15.1
Private	18.2	13.1	9.7	8.9	10.3	11.4
Change in inventories	-0.9	1.8	-1.5	-0.5	-0.1	0.1
Savings-Investment	19.5	20.1	18.0	20.2	25.0	26.5
National savings 1/	-1.9	-8.7	-18.1	-10.8	-6.2	1.8
Public 2/	-20.0	-3.3	0.3	1.7	1.8	4.0
Private	18.1	-5.4	-18.3	-12.5	-8.0	-2.2
External savings 3/	21.4	28.8	36.0	31.0	31.2	24.7
Memorandum item						
Domestic Saving	-1.9	-8.2	-15.1	-6.1	-2.3	4.4

Source: Ministry of the Economy; Central Bank of Nicaragua; and Fund staff estimates.

1/ Estimated as the difference between gross domestic investment and the external current account balance including cash interest payments (i.e. excludes interests subject to rescheduling).

2/ Includes Central Bank of Nicaragua losses.

3/ External current account balance including cash interest payments.

Table 3. Nicaragua: Gross Domestic Product at Constant 1980 Prices

	1990	1991	1992	1993	1994	Prel. 1995
(Annual percentage change)						
GDP at market prices	-0.1	-0.2	0.4	-0.2	3.3	4.2
Primary sector	-0.8	-3.8	3.2	2.4	10.2	5.1
Agriculture	-0.2	-3.9	2.9	2.4	10.8	5.0
Mining	-22.1	-1.4	17.1	2.7	-10.1	10.9
Secondary sector	-1.1	4.2	-3.0	0.3	3.1	4.9
Manufacturing	-1.5	6.4	-5.1	0.0	1.0	3.0
Construction	-5.9	-8.1	8.3	1.5	17.8	16.3
Water and energy	7.9	0.3	3.1	1.4	3.4	5.8
Tertiary sector	0.9	-0.8	1.0	-1.9	-0.3	3.1
Commerce	0.3	4.9	1.4	-2.3	1.6	4.8
Government services	3.5	-12.5	0.1	-1.8	-5.5	-1.8
Transport and communications	0.3	5.0	1.4	-3.8	-0.5	4.9
Finance	-1.1	-1.9	-	-1.4	1.4	3.1
Housing	-3.0	0.8	0.6	0.5	0.5	3.4
Other	1.6	4.3	2.1	-1.2	2.9	4.9
(In percent of GDP at market prices)						
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0
Primary sector	25.3	24.3	25.0	25.7	27.4	27.6
Agriculture	24.7	23.8	24.4	25.0	26.8	27.0
Mining	0.6	0.6	0.7	0.7	0.6	0.6
Secondary sector	28.2	29.5	28.5	28.6	28.5	28.8
Manufacturing	22.2	23.7	22.4	22.4	21.9	21.7
Construction	3.1	2.8	3.0	3.1	3.5	3.9
Water and energy	3.0	3.0	3.1	3.1	3.1	3.2
Tertiary sector	46.5	46.2	46.5	45.7	44.1	43.6
Commerce	17.2	18.1	18.3	17.9	17.6	17.7
Government services	12.8	11.2	11.2	11.0	10.0	9.5
Transport and communications	4.9	5.1	5.2	5.0	4.8	4.8
Finance	3.3	3.3	3.2	3.2	3.1	3.1
Housing	4.1	4.2	4.2	4.2	4.1	4.1
Other	4.2	4.4	4.4	4.4	4.4	4.4

Source: Table 20

Table 4. Nicaragua: Value Added in Agriculture

	1990	1991	1992	1993	1994	Prel. 1995
(Annual percentage change in 1990 cordobas)						
Total	-0.2	-3.9	2.9	2.4	10.8	5.0
Agriculture	-0.5	-5.0	-0.5	-6.2	16.1	7.2
Principal export crops	-2.8	-6.9	-0.3	-23.8	17.6	13.7
Coffee	-9.8	-16.5	31.0	-19.3	18.5	6.7
Cotton	-0.5	10.0	-35.4	-91.9	-4.3	73.9
Sugarcane	20.9	5.3	-13.0	-3.5	13.1	14.9
Other	-8.9	-16.8	-21.3	14.1	25.5	36.5
Basic grains	-3.2	-1.5	3.4	13.9	13.0	-3.8
Other	18.3	-4.6	-10.4	24.9	19.2	12.9
Livestock	1.5	-3.5	8.7	13.5	-0.5	-3.5
Fishing	-25.0	45.6	19.1	72.3	55.8	41.7
Forestry	2.4	1.0	1.2	1.0	1.5	2.6
(in percent of total)						
Total	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	64.5	63.7	61.6	56.4	59.2	60.4
Principal export crops	37.3	36.1	35.0	26.1	27.7	30.0
Coffee	17.7	15.4	19.6	15.5	16.5	16.8
Cotton	7.2	8.2	5.2	0.4	0.4	0.6
Sugarcane	7.8	8.5	7.2	6.8	7.0	7.6
Other	4.6	4.0	3.0	3.4	3.8	5.0
Basic grains	18.5	19.0	19.1	21.3	21.7	19.9
Other	8.6	8.6	7.4	9.1	9.8	10.5
Livestock	33.3	33.4	35.3	39.2	35.2	32.4
Fishing	1.1	1.7	1.9	3.3	4.6	6.2
Forestry	1.1	1.2	1.2	1.2	1.1	1.0

Source: Table 21

Table 5. Nicaragua: Value Added in Manufacturing

	1990	1991	1992	1993	1994	Prei. 1995
(Annual percentage change in 1980 cordobas)						
Total	-1.5	6.4	-5.1	--	1.0	3.0
Food, Beverages & Tobacco	2.7	17.7	-2.1	2.4	2.0	3.0
Textiles, clothing & leather goods	-28.6	-28.7	-22.9	-20.8	-23.9	0.3
Wood & wood products	5.0	8.3	-2.5	-0.9	-0.7	0.5
Paper & paper products	-13.4	-7.6	-6.4	-1.7	1.0	0.3
Chemical products	-6.1	-28.1	-36.1	7.4	0.2	1.8
Petroleum derivatives & rubber products	7.8	-0.3	3.2	-3.0	4.5	1.0
Machinery & metal products	5.1	-8.8	-13.8	-8.8	3.1	7.0
Transport equipment	-41.7	2.4	100.0	-15.1	-1.4	--
Plastics & other	27.2	35.4	21.8	5.6	0.2	4.5
(In percent of total)						
Total	100.0	100.0	100.0	100.0	100.0	100.0
Food, Beverages & Tobacco	62.7	69.4	71.6	73.2	73.9	74.0
Textiles, clothing & leather goods	8.9	6.0	4.9	3.9	2.9	2.8
Wood & wood products	2.7	2.8	2.8	2.8	2.8	2.7
Paper & paper products	2.7	2.4	2.3	2.3	2.3	2.2
Chemical products	6.1	4.1	2.8	3.0	3.0	2.9
Petroleum derivatives & rubber products	5.5	5.1	5.6	5.4	5.6	5.5
Machinery & metal products	10.0	8.6	7.8	7.1	7.2	7.5
Transport equipment	0.1	0.1	0.2	0.2	0.2	0.2
Plastics & other	1.3	1.6	2.0	2.2	2.1	2.2

Source: Table 24.

Table 6. Nicaragua: Consumer Price Indicators ^{1/}

	1990	1991	1992	1993	1994	1995
<u>(1990 = 100)</u>						
<u>Period average</u>	<u>100.0</u>	<u>7,855.3</u>	<u>11,099.4</u>	<u>13,287.4</u>	<u>14,315.0</u>	<u>15,917.1</u>
Food, beverages, and tobacco	100.0	6,528.6	9,145.5	10,180.6	10,970.0	12,322.0
Clothing	100.0	6,008.3	8,343.4	9,280.2	9,496.2	10,039.4
Housing	100.0	11,947.5	24,702.2	34,083.4	35,542.0	42,606.4
Miscellaneous	100.0	11,048	13,836	18,008	19,953	21,488
<u>End of period</u>	<u>100.0</u>	<u>965.6</u>	<u>999.5</u>	<u>1,194.0</u>	<u>1,342.3</u>	<u>1,491.4</u>
Food, beverages, and tobacco	100.0	936.5	965.3	1,065.5	1,229.3	1,357.6
Clothing	100.0	953.8	952.4	1,122.0	1,074.5	1,158.4
Housing	100.0	1,746.9	1,986.5	2,463.1	2,721.2	3,481.7
Miscellaneous	100.0	860.7	879.3	1,241.7	1,441.1	1,535.5
<u>(Annual percentage change)</u>						
<u>Period average</u>	<u>3,127.5</u>	<u>7,755.3</u>	<u>40.5</u>	<u>20.4</u>	<u>7.7</u>	<u>11.2</u>
Food, beverages, and tobacco	3,575.1	6,428.6	40.1	11.3	7.8	12.3
Clothing	2,214.0	5,908.3	38.9	11.2	2.3	5.7
Housing	2,538.5	11,847.5	106.8	38.0	4.3	19.9
Miscellaneous	3,117.9	10,947.5	25.2	30.2	10.8	7.7
<u>End of period</u>	<u>13,490.2</u>	<u>865.6</u>	<u>3.5</u>	<u>19.5</u>	<u>12.4</u>	<u>11.1</u>
Food, beverages, and tobacco	11,081.7	836.5	3.1	10.4	15.4	10.4
Clothing	7,154.5	853.8	-0.1	17.8	-4.2	7.8
Housing	22,866.1	1,646.9	13.7	24.0	10.5	27.9
Miscellaneous	15,253.4	760.7	2.2	41.2	16.1	6.6

Sources: National Institute of Census and Statistics (INEC); and Central Bank of Nicaragua.

^{1/} Based on a basket of 169 products in the city of Managua.

Table 7. Nicaragua: Operations of the Combined Public Sector
(In percent of GDP)

	1990	1991	1992	1993	1994	Prel. 1995
A. Consolidated Nonfinancial Public Sector 1/						
Total revenue	18.3	25.0	28.6	29.6	29.6	29.3
Tax revenue of the general government	15.4	21.9	24.3	22.8	23.9	25.3
Operating balance of public utility enterprises	0.8	1.2	2.3	4.3	3.3	1.8
Nontax revenue 2/	1.3	1.5	1.6	1.5	1.9	1.7
Current transfers	0.7	0.3	0.3	0.5	0.2	—
Capital revenue	0.1	0.2	0.2	0.6	0.3	0.5
Total Expenditure	51.5	32.7	37.1	38.3	42.0	40.6
Current expenditure	49.1	27.4	27.1	25.9	27.0	25.0
Of which: external interest payments	—	1.1	2.9	3.9	4.8	4.6
Capital expenditure and net lending	2.4	5.4	10.0	12.4	15.0	15.6
Fixed capital formation	2.1	4.4	8.4	8.0	11.4	9.5
Financial investment	—	—	0.1	—	—	—
Capital transfers	0.2	0.3	1.4	4.0	3.3	4.8
Net lending	—	0.7	0.1	0.4	0.3	1.2
Current account balance (deficit -)	-31.0	-2.5	1.4	3.1	2.4	3.9
Overall balance before grants (deficit -)	-33.2	-7.7	-8.4	-8.8	-12.4	-11.2
Foreign grants	14.8	11.9	4.9	8.5	6.5	5.8
Overall balance after grants (deficit -)	-18.4	4.3	-3.5	-0.3	-5.9	-5.4
Total financing	18.4	-4.3	3.5	0.3	5.9	5.4
External financing	8.1	0.4	10.2	1.3	8.5	3.7
Internal financing	10.3	-4.7	-6.7	-1.0	-2.6	1.7
Of which: Central Bank	10.6	0.3	-6.9	1.5	0.7	3.9
B. Combined Public Sector: Overall balance by origin						
Current account balance (deficit -)	-32.9	-3.3	0.3	1.7	1.8	4.0
Nonfinancial public sector	-31.0	-2.5	1.4	3.1	2.4	3.9
Central bank losses	-1.9	-0.7	-1.1	-1.4	-0.6	0.1
Overall balance before grants (deficit -)	-35.1	-8.4	-9.6	-10.1	-13.0	-11.1
Nonfinancial public sector	-33.2	-7.7	-8.4	-8.8	-12.4	-11.2
Central Government	-33.1	-7.5	-7.6	-7.5	-9.9	-9.6
Rest of general government	0.4	0.7	1.0	0.1	0.5	0.1
Public utility enterprises	-0.5	-1.1	-2.1	-1.4	-3.3	-1.9
Interagency transfer discrepancy	—	0.2	0.2	—	0.4	0.2
Central bank losses	-1.9	-0.7	-1.1	-1.4	-0.6	0.1

Sources: Table 35; and Fund staff estimates.

1/ Includes the General Government and the public utility enterprises. The General Government comprises the Central Government, the Social Security Institute, and the Municipality of Managua.

2/ Includes other current revenue of public utility enterprises.

Table 8. Nicaragua: Central Government Operations

(In percent of GDP)

	1990	1991	1992	1993	1994	Prel. 1995
Total revenue	14.6	19.5	20.5	20.1	20.3	21.7
Current revenue	14.6	19.3	20.4	19.6	20.1	21.3
Tax revenue	13.1	17.7	19.3	18.5	19.1	20.3
Nontax revenue	0.4	1.0	0.9	1.0	1.0	0.9
Transfers	1.1	0.6	0.2	0.1	—	—
From rest of general government	0.2	—	—	—	—	—
From public utilities	0.4	0.4	0.1	—	—	—
Other	0.5	0.2	—	0.1	—	—
Capital Revenue	—	0.2	0.1	0.5	0.3	0.5
Total expenditure	47.7	26.9	28.1	27.5	30.3	31.4
Current expenditure	46.2	23.4	22.1	20.7	21.3	19.7
Personnel emoluments	7.2	11.1	9.8	7.4	6.9	6.6
Goods and services	34.0	7.6	5.7	5.5	4.7	3.4
Interest payments	—	1.1	2.9	3.8	5.2	4.8
Current transfers	5.0	3.6	3.7	4.0	4.5	5.0
To rest of general government	1.7	0.9	1.0	0.6	0.6	0.5
To public utilities	0.2	—	—	—	—	—
Other	3.1	2.7	2.7	3.4	3.9	4.5
Capital expenditure and net lending	1.6	3.5	6.0	6.8	9.0	11.7
Fixed Capital Formation	1.0	2.1	3.4	2.5	4.6	5.5
Capital transfers	0.6	0.5	2.4	4.1	3.7	5.0
To rest of general government	0.1	—	—	—	—	—
To public utilities	0.2	0.2	1.0	0.1	0.3	0.2
Other	0.2	0.3	1.4	4.0	3.3	0.8
Net lending	—	0.9	0.2	0.2	0.6	1.1
Current account balance (deficit -)	-31.5	-4.2	-1.7	-1.2	-1.2	1.6
Overall balance before grants (deficit -)	-33.1	-7.5	-7.6	-7.5	-9.9	-9.6
Foreign grants	14.4	11.6	4.3	7.3	4.8	5.5
Overall balance after grants (deficit -)	-18.7	4.1	-3.3	-0.2	-5.1	-4.1
Financing	18.7	-4.1	3.3	0.2	5.1	4.1
External	8.0	0.5	9.4	0.0	6.6	2.0
Disbursements	8.0	2.2	11.6	3.0	10.1	6.6
Amortization	—	-1.7	-2.2	-3.0	-3.4	-4.6
Internal	10.7	-4.6	-6.1	0.1	-1.5	2.1
Of which: Central Bank	10.6	-0.1	-6.8	1.4	0.6	3.8

Sources: Table 29, and Fund staff estimates.

Table 9. Nicaragua: Central Government Revenue

(In percent of GDP)

	1990	1991	1992	1993	1994	Prel. 1995
Total revenue	14.6	19.5	20.5	20.1	20.3	21.7
Current revenue	14.6	19.3	20.4	19.6	20.1	21.3
Tax revenue	13.1	17.7	19.3	18.5	19.1	20.3
Direct taxes	3.6	3.4	3.4	2.4	2.1	2.8
On net income and profits	2.9	2.8	3.3	2.4	2.1	2.8
On property	0.5	0.6	0.1	—	—	—
Net wealth tax	0.5	0.6	—	—	—	—
Other	0.1	—	—	—	—	—
Surcharge on income and wealth	0.2	—	—	—	—	—
Taxes on goods and services	7.4	10.7	11.9	12.0	12.8	12.8
General sales taxes	1.7	2.1	2.3	2.9	2.8	2.8
Excises and selective consumption taxes	5.1	7.6	8.7	7.9	8.6	8.5
Petroleum products	1.9	2.8	3.2	3.7	4.1	4.0
Beer and alcoholic beverages	1.3	1.8	1.9	1.5	1.5	1.6
Tobacco	0.4	1.0	1.1	0.9	0.9	0.9
Other	1.6	2.1	2.5	1.7	2.1	2.0
Stamp taxes	0.6	1.0	0.9	1.3	1.4	1.5
Taxes on international trade and transactions	2.1	3.6	3.9	4.0	4.1	4.7
Import duties	2.1	3.6	3.9	4.0	4.1	4.7
Nontax revenue	1.5	1.6	1.1	1.1	1.0	0.9
Transfers	1.1	0.6	0.2	0.1	—	—
From Social Security Institute	0.2	—	—	—	—	—
From National Lottery	—	0.1	—	—	—	—
From TELCOR	0.4	0.3	0.1	—	—	—
Other	0.5	0.2	0.1	0.1	—	—
Other nontax revenue	0.4	1.0	0.9	1.0	1.0	0.9
Capital revenue	—	0.2	0.1	0.5	0.3	0.5
Memorandum items						
Foreign grants	14.4	11.6	4.3	7.3	4.8	5.5
Total revenue and grants	29.0	31.0	24.8	27.4	25.2	27.2

Sources: Table 30; and Fund staff estimates.

Table 10. Nicaragua: Central Government Expenditure and Net Lending

(In percent of GDP)

	1990	1991	1992	1993	1994	Prel. 1995
Total expenditure and net lending	47.7	26.9	28.1	27.5	30.3	31.4
Current expenditures	46.2	23.4	22.1	20.7	21.3	19.7
Personnel emoluments	7.2	11.1	9.8	7.4	6.9	6.6
Wages and salaries	7.2	8.1	8.5	7.4	6.7	6.0
Voluntary retirement compensations	--	3.0	1.4	--	0.2	0.6
Goods and services	34.0	7.6	5.7	5.5	4.7	3.4
Interest payments	--	1.1	2.9	3.8	5.2	4.8
Of which: external interest payments	--	1.1	2.9	3.8	4.8	4.6
Transfers	5.0	3.6	3.7	4.0	4.5	5.0
To rest of general government	1.7	0.9	1.0	0.6	0.6	0.5
To public utilities	0.2	--	--	--	--	--
To rest of public sector	0.1	0.2	0.3	0.3	0.8	1.2
To private sector	1.3	1.2	1.2	1.6	1.7	2.1
Of which: CBT's	--	--	--	0.1	0.3	0.5
To universities	1.7	1.2	1.2	1.4	1.3	1.2
To abroad	--	0.1	0.1	0.1	0.1	--
Capital expenditure	1.6	2.6	5.8	6.6	8.4	10.6
Fixed capital formation	1.0	2.1	3.4	2.5	4.6	5.5
Transfers	0.6	0.5	2.4	4.1	3.7	5.0
To rest of general government	0.1	--	--	--	--	--
To public utilities	0.2	0.2	1.0	0.1	0.3	0.2
To rest of public sector	0.1	0.3	0.7	1.3	1.1	1.6
To private sector	0.1	--	0.8	2.7	2.2	3.3
Net lending		0.9	0.2	0.2	0.6	1.1
<i>Memo Item</i>						
Military expenditures	26.8	4.7	5.5	3.9	3.7	3.2

Sources: Table 31; and Fund staff estimates.

Table 11. Nicaragua: Operations of the Rest of the General Government

(In percent of GDP)

	1990	1991	1992	1993	1994	Prel. 1995
<u>Current account balance (deficit -)</u>	<u>0.4</u>	<u>1.1</u>	<u>1.6</u>	<u>0.7</u>	<u>1.0</u>	<u>0.9</u>
Social Security and Welfare Institute	0.4	0.9	1.2	0.5	0.7	0.7
Municipality of Managua	-0.1	0.2	0.3	0.2	0.3	0.2
 Fixed capital formation	 0.2	 0.4	 0.5	 0.5	 0.6	 0.8
<u>Overall balance before grants (deficit -)</u>	<u>0.4</u>	<u>0.7</u>	<u>1.0</u>	<u>0.1</u>	<u>0.5</u>	<u>0.1</u>
Social Security and Welfare Institute	0.4	0.9	1.1	0.4	0.7	0.2
Municipality of Managua	--	-0.2	-0.1	-0.3	-0.2	-0.1
 Grants	 --	 0.2	 0.1	 0.2	 0.3	 --
<u>Overall balance after grants (deficit -)</u>	<u>0.4</u>	<u>0.9</u>	<u>1.1</u>	<u>0.4</u>	<u>0.7</u>	<u>0.1</u>
Social Security and Welfare Institute	0.4	1.0	1.2	0.5	0.7	0.2
Municipality of Managua	--	--	-0.1	-0.1	--	-0.1

Sources: Table 32; and Fund staff estimates.

Table 12. Nicaragua: Operations of the Public Utility Enterprises 1/

(In percent of GDP)

	1990	1991	1992	1993	1994	Prel. 1995
Total revenue	6.9	8.8	10.6	9.9	9.8	6.4
Operating revenue	5.6	8.1	9.1	9.6	9.3	6.1
Other current revenue	0.6	0.4	0.4	0.2	0.2	0.1
Current transfers	0.3	-	-	-	-	-
From Central Government	0.2	-	-	-	-	-
Other	0.2	-	-	-	-	-
Capital transfers from Central Government	0.2	0.2	1.0	0.1	0.3	0.2
Capital revenue	0.1	-	-	-	-	-
Total expenditure	7.4	9.9	12.7	11.3	13.1	8.3
Current expenditure	6.4	8.0	8.0	6.2	6.9	4.8
Operating expenditure	4.8	6.9	6.9	5.3	6.0	4.3
Wages and salaries	2.5	2.5	2.6	2.1	1.9	1.0
Goods and services	2.3	4.2	4.1	3.1	3.8	3.2
Employer's contributions	0.1	0.2	0.2	0.1	0.2	0.1
Interest payments	0.1	-	0.1	0.1	0.1	0.1
Other current expenditure	0.7	0.3	0.2	0.1	0.1	-
Current transfers	0.8	0.8	0.8	0.8	0.8	0.5
To Central Government	0.4	0.4	0.1	-	-	-
To Municipality of Managua	-	0.1	0.1	-	-	-
To Universities and other	0.3	0.3	0.5	0.7	0.8	0.5
Fixed capital formation	1.0	1.8	4.6	5.0	6.2	3.4
Net lending	-	-	0.1	-	-	-
Operating balance (deficit -)	0.8	1.2	2.3	4.3	3.3	1.8
INE/ENEL	0.1	-0.5	0.6	1.9	0.9	1.4
INAA	0.5	0.4	0.3	0.3	0.5	0.4
TELCOR	0.2	1.2	1.3	2.0	1.8	...
ENABUS	-	0.1	-	...	...	...
Current account balance (deficit -)	0.2	0.5	1.6	3.5	2.6	1.4
INE/ENEL	-0.4	-0.6	0.4	1.7	0.7	1.0
INAA	0.5	0.4	0.3	0.3	0.4	0.4
TELCOR	-	0.7	0.9	1.6	1.4	...
ENABUS	-	-	-	...	...	...
Overall balance before grants (deficit -)	-0.5	-1.1	-2.1	-1.4	-3.3	-1.9
INE/ENEL	-0.9	-1.3	-0.4	-0.5	-1.7	-1.0
INAA	0.5	0.2	-0.2	-0.9	-1.1	-0.9
TELCOR	-0.1	-0.1	-1.5	-	-0.6	...
ENABUS	-	-	-	...	...	...
Foreign grants	0.4	0.1	0.5	0.9	1.4	0.3
Overall balance after grants (deficit -)	-0.1	-1.0	-1.6	-0.5	-1.9	-1.6
INE/ENEL	-0.6	-1.2	-0.0	0.2	-1.0	-0.8
INAA	0.5	0.2	-0.1	-0.7	-0.3	-0.7
TELCOR	-0.1	-0.1	-1.4	-	-0.6	...
ENABUS	-	-	-	...	...	...

Sources: Table 34; and Fund staff estimates.

1/ ENABUS operations are excluded in 1993-1995 (this company was privatized in December 1992) while TELCOR operations are excluded in 1995.

Table 13. Nicaragua: Changes in Financial System Credit by Origin,
Destination, and Financing
(In percent of GDP)

	1991	1992	1993	1994	Prel. 1995
Total	7.0	13.1	6.9	8.8	8.8
Origin					
Central Bank	5.0	10.2	5.7	3.5	2.8
Commercial banks ^{1/}	8.1	10.6	6.1	8.9	4.0
Nicaraguan Investment Fund ^{1/}	--	-0.1	-1.3	--	--
Intrasystem float	-6.1	-7.6	-3.6	-3.6	1.9
Destination					
Net credit to the nonfinancial					
public sector	-0.6	-8.2	0.8	-0.0	3.7
Central Government	-0.9	-7.2	1.3	0.3	3.8
Rest of the public sector	0.3	-1.0	-0.5	-0.3	-0.1
Central bank losses	0.7	1.1	1.4	0.6	-0.1
Credit to productive sectors	15.8	10.8	5.1	6.1	4.0
APP enterprises	4.3	-7.9	-1.3	--	--
Credit to private sector	11.5	18.7	6.4	6.1	4.0
Net other	-8.9	9.4	-0.3	2.1	1.3
Financing					
Liabilities to the private sector	12.0	4.1	2.3	9.6	7.4
Foreign liabilities (medium- and long-term)	-3.2	9.2	0.1	2.2	-1.1
Net international reserves (increase -)	-1.8	-0.2	4.5	-3.1	2.4

Source: Tables 36, 37, and 39.

^{1/} Net of central bank financing.

Table 14. Nicaragua: Money and Quasi-Money

	December					
	1990	1991	1992	1993	1994	Prel. 1995
(Annual percentage change)						
Money and quasi-money	340.4	233.3	29.9	13.9	53.6	29.1
Money	7,239.1	861.6	16.3	-4.4	36.3	13.4
Currency in circulation	8,704.7	736.8	17.5	8.7	35.3	12.0
Demand deposits	5,651.5	1,076.8	14.9	-20.9	38.1	15.7
Quasi-money	112.2	79.0	47.8	29.0	63.4	35.8
Time and savings deposits	11,419.2	81.1	39.6	17.2	75.7	12.6
Negotiable Investment Certificates (CENI's)	---	---	---	---	---	---
Deposits in foreign currency	43.1	77.9	51.9	34.5	58.4	42.9
Memo Items:						
Credit to the private sector	16,297.1	228.2	140.7	29.5	23.0	13.1
Financial system credit to the NFPS	-718.3	-5.5	-77.8	8.0	-0.0	2.4
(In percent of GDP)						
Money and quasi-money	34.6	17.1	17.9	19.1	27.4	33.0
Money	19.2	9.7	9.1	7.3	8.8	8.6
Currency in circulation	12.0	5.3	5.1	4.6	5.5	5.3
Demand deposits	7.2	4.4	4.0	2.7	3.3	3.3
Quasi-money	15.4	7.4	8.8	11.8	18.6	24.4
Time and savings deposits	5.1	2.5	2.8	3.4	5.7	6.2
Negotiable Investment Certificates (CENI's)	---	---	---	---	---	0.4
Deposits in foreign currency	10.3	4.9	6.0	8.4	12.9	17.8
Memo Items:						
Credit to the private sector	24.0	16.6	32.2	28.1	32.5	34.2
Financial system credit to the NFPS	47.0	9.3	2.3	188.4	167.5	158.7
(In percent of total financial assets)						
Money and quasi-money	100.0	100.0	100.0	100.0	100.0	100.0
Money	55.5	56.9	51.0	38.0	32.1	26.1
Currency in circulation	34.6	31.3	28.4	24.1	20.2	16.2
Demand deposits	20.9	25.6	22.6	14.0	11.9	9.9
Quasi-money	44.5	43.1	49.0	62.0	67.9	73.9
Time and savings deposits	14.7	14.4	15.4	17.7	20.9	18.9
Negotiable Investment Certificates (CENI's)	---	---	---	---	---	1.2
Deposits in foreign currency	29.8	28.7	33.6	44.2	47.0	53.8

Sources: Tables 38 and 40.

Table 15. Nicaragua: Summary Accounts of the Financial System

(12-month percentage change) 1/

	1990	1991	1992	1993	1994	Prel. 1995
<u>Net international reserves</u>	<u>-660.5</u>	<u>34.1</u>	<u>2.0</u>	<u>-26.8</u>	<u>17.1</u>	<u>-9.5</u>
<u>Net domestic assets</u>	<u>1,288.0</u>	<u>137.0</u>	<u>94.8</u>	<u>41.4</u>	<u>49.0</u>	<u>34.3</u>
Net credit to public sector	418.7	3.9	-50.7	12.9	3.0	13.8
Central Government	220.4	-17.3	-51.9	7.9	1.7	14.8
Rest of the public sector	172.2	6.8	-7.1	-3.1	-1.8	-0.5
Central bank losses	26.1	14.4	8.3	8.2	3.2	-0.5
Net credit to APP enterprises 2/	392.9	84.1	-58.4	-7.7	--	--
Credit to the private sector	313.5	225.0	136.5	38.2	34.1	15.5
Other	162.9	-176.0	67.4	-2.0	11.9	5.0
<u>Foreign liabilities (medium- and long-term)</u>	<u>267.0</u>	<u>-62.2</u>	<u>66.9</u>	<u>0.7</u>	<u>12.6</u>	<u>-4.3</u>
<u>Liabilities to the private sector</u>	<u>360.5</u>	<u>233.3</u>	<u>29.9</u>	<u>13.9</u>	<u>53.6</u>	<u>29.1</u>
Money	252.1	170.0	9.3	-2.0	13.1	4.0
Quasi-money	108.4	63.3	20.6	15.9	40.5	25.1
<u>Memorandum item</u>						
CPI (end of period)	13,490.2	865.6	3.5	19.5	12.4	11.1

Source: Table 40.

1/ In relation to liabilities to the private sector at the beginning of the period.

2/ APP are enterprises expropriated or confiscated by the previous Government.

Table 16. Nicaragua: Destination of Financial System Credit

	December					Prel. 1995
	1990	1991	1992	1993	1994	
	(In percent of total credit)					
Total credit	100.0	100.0	100.0	100.0	100.0	100.0
Short-term	43.6	53.4	45.1	59.5	54.4	58.9
Long-term	56.4	46.6	54.9	40.5	45.6	41.2
Commercial	17.2	15.6	14.7	24.2	25.7	27.1
Short-term	15.5	13.7	13.2	19.2	19.5	20.6
Long-term	1.8	1.9	1.5	5.0	6.2	6.4
Agricultural	24.3	19.8	24.9	30.8	29.6	25.6
Short-term	14.2	15.3	10.7	15.5	11.5	10.4
Long-term	10.1	4.5	14.2	15.3	18.1	15.2
Livestock	6.6	12.6	21.6	25.8	22.5	20.9
Short-term	4.5	8.7	13.1	14.8	12.3	12.3
Long-term	2.1	3.9	8.5	11.0	10.3	8.6
Industrial	51.0	51.0	37.9	18.3	21.2	25.6
Short-term	9.3	15.3	7.8	9.7	10.8	15.2
Long-term	41.8	35.7	30.1	8.6	10.4	10.4
Housing	0.2	0.2	0.3	0.4	0.3	0.3
Other	0.6	0.7	0.7	0.5	0.6	0.5
Short-term	0.1	0.3	0.3	0.3	0.4	0.3
Long-term	0.5	0.4	0.4	0.2	0.3	0.2

Source: Central Bank of Nicaragua.

Table 17. Nicaragua: Summary Balance of Payments

	1990	1991	1992	1993	1994	Prel. 1995
(In millions of U.S. dollars)						
<u>Current account</u>	<u>-556</u>	<u>-852</u>	<u>-1,095</u>	<u>-867</u>	<u>-996</u>	<u>-693</u>
Excluding interest obligations	-323	-479	-606	-455	-458	-357
Trade balance	-237	-396	-548	-403	-433	-327
Exports, f.o.b.	331	272	223	267	351	525
Imports, f.o.b.	-567	-669	-771	-670	-785	-852
Nonfactor services (net)	-98	-96	-63	-73	-71	-95
Receipts	60	78	86	89	102	123
Payments	-158	-174	-149	-162	-172	-218
Official interest obligations	-233	-373	-490	-412	-538	-336
Other current transactions (net) ^{1/}	12	13	6	20	47	66
<u>Capital account</u>	<u>-235</u>	<u>26</u>	<u>-57</u>	<u>-104</u>	<u>-251</u>	<u>17</u>
Official (net)	-24	75	-38	-162	-437	-140
Official transfers	202	483	311	243	245	177
Disbursements	221	345	404	157	338	244
Amortization	-446	-753	-753	-562	-1,020	-560
Private capital	-211	-49	-19	58	186	157
<u>Overall balance</u>	<u>-791</u>	<u>-826</u>	<u>-1,152</u>	<u>-971</u>	<u>-1,247</u>	<u>-676</u>
Change in net international reserves	198	-16	5	100	-69	63
Of which: IMF (net)	--	23	--	--	27	-13
Net change in arrears (decrease -)	593	-1,184	1,081	779	1,273	-1,109
Exceptional financing	--	2,026	66	92	43	1,722
C.G./U.S./Mexico/Venezuela/Colombia	--	1,416	--	--	--	--
Paris Club rescheduling	--	610	66	--	--	623
Other rescheduling	--	--	--	92	43	1,099 ^{2/}
(In percent of GDP)						
<u>Current account</u>	<u>-35.6</u>	<u>-48.9</u>	<u>-59.3</u>	<u>-48.0</u>	<u>-54.0</u>	<u>-36.2</u>
Current account, excluding interest obligations	-20.6	-27.5	-32.8	-25.2	-24.8	-18.7
Trade balance	-15.1	-22.8	-29.7	-22.3	-23.5	-17.1
Nonfactor services (net)	-6.3	-5.5	-3.4	-4.0	-3.8	-5.0
Official interest due	-14.9	-21.4	-26.5	-22.8	-29.2	-17.6
Other current transactions (net)	0.8	0.8	0.3	1.1	2.5	3.5
<u>Capital account</u>	<u>-15.0</u>	<u>1.5</u>	<u>-3.1</u>	<u>-5.8</u>	<u>-13.6</u>	<u>0.9</u>
Official (net)	-1.5	4.3	-2.1	-9.0	-23.7	-7.3
Private capital (net)	-13.5	-2.8	-1.0	3.2	10.1	8.2
<u>Overall balance</u>	<u>-50.6</u>	<u>-47.4</u>	<u>-62.4</u>	<u>-53.7</u>	<u>-67.6</u>	<u>-35.3</u>
(In millions of U.S. dollars)						
<u>Memorandum item</u>						
GDP	1,564	1,741	1,846	1,808	1,844	1,912

Sources: Central Bank of Nicaragua; and Fund staff estimates.

^{1/} Other factor services and private transfers.

^{2/} Refers to financing of debt buyback operation with commercial banks (about US\$90 millions was financed with grants and concessional credits from bilateral and multilateral institution and about US\$1 billion debt was forgiven).

Table 18. Nicaragua: Trade Account Indicators

	1990	1991	1992	1993	1994	Prel. 1995
<u>(1990 = 100)</u>						
<u>Exports, f.o.b.</u>						
Value	100.0	82.4	67.5	80.7	106.3	158.9
Volume	100.0	83.8	78.8	86.4	90.9	116.8
Unit value	100.0	98.3	85.6	93.5	116.8	135.9
<u>Imports, f.o.b.</u>						
Value	100.0	117.9	134.1	116.7	137.2	148.9
Volume	100.0	119.8	136.8	121.9	147.7	154.7
Unit value	100.0	98.4	98.1	95.7	92.9	96.2
<u>Terms of trade</u>	<u>100.0</u>	<u>99.9</u>	<u>87.3</u>	<u>97.7</u>	<u>125.7</u>	<u>141.3</u>
<u>(Annual percentage change)</u>						
<u>Exports, f.o.b.</u>						
Value	6.4	-17.6	-18.1	19.7	31.6	49.4
Volume	5.4	-16.2	-6.0	9.6	5.2	28.5
Unit value	5.0	-1.7	-12.9	9.2	25.0	16.3
<u>Imports, f.o.b.</u>						
Value	3.7	17.9	13.8	-13.0	17.6	8.5
Volume	2.1	19.8	14.2	-10.9	21.2	4.7
Unit value	0.9	-1.6	-0.3	-2.4	-3.0	3.6
<u>Terms of trade</u>	<u>-9.0</u>	<u>-0.1</u>	<u>-12.6</u>	<u>11.9</u>	<u>28.7</u>	<u>12.4</u>

Sources: Central Bank of Nicaragua; and staff estimates.

Table 19. Nicaragua: Public Sector External Debt and Debt Service

	1990	Prel. 1991	1992	1993	1994	1995
<u>(In millions of U.S. dollars: end of period)</u>						
<u>Total debt</u>	<u>10,715</u>	<u>10,313</u>	<u>10,792</u>	<u>10,987</u>	<u>11,695</u>	<u>10,344</u>
Bilaterals	7,222	7,200	7,548	7,727	8,325	8,285
Multilaterals	1,287	1,088	1,243	1,291	1,472	1,632
Commercial banks	1,844	1,712	1,712	1,740	1,728	322
Other	362	313	289	229	170	105
<u>(In percent of GDP)</u>						
<u>Total debt</u>	<u>685.1</u>	<u>592.2</u>	<u>584.6</u>	<u>607.7</u>	<u>634.2</u>	<u>541.0</u>
Bilaterals	461.8	413.4	408.9	427.4	451.5	433.3
Multilaterals	82.3	62.5	67.3	71.4	79.8	85.4
Commercial banks	117.9	98.3	92.7	96.2	93.7	16.8
Other	23.1	18.0	15.7	12.7	9.2	5.5
<u>(In percent of exports of goods and nonfactor services)</u>						
<u>Total debt</u>	<u>2,745</u>	<u>2,945</u>	<u>3,489</u>	<u>3,088</u>	<u>2,584</u>	<u>1,597</u>
Bilaterals	1,850	2,056	2,440	2,172	1,839	1,280
Multilaterals	330	311	402	363	325	252
Commercial banks	472	489	554	489	382	50
Other	93	89	93	64	38	16
<u>(In millions of U.S. dollars: end of period)</u>						
<u>Total debt service obligations</u>	<u>697</u>	<u>1,126</u>	<u>1,243</u>	<u>974</u>	<u>1,557</u>	<u>909</u>
Principal	446	753	753	562	1,019	573
Interest	233	373	490	412	538	336
Debt service paid	86	284	130	225	250	297
Principal	74	262	70	120	139	181
Interest	12	23	60	105	110	116
Debt service not paid	593	842	1,113	749	1,308	612
Principal	372	492	717	442	821	392
Interest	221	351	430	307	428	220
<u>(In percent of GDP)</u>						
<u>Total debt service obligations</u>	<u>43.4</u>	<u>64.7</u>	<u>67.4</u>	<u>53.9</u>	<u>84.5</u>	<u>47.6</u>
Principal	28.5	43.3	40.8	31.1	55.3	30.0
Interest	14.9	21.4	26.5	22.8	29.2	17.6
Debt service paid	5.5	16.3	7.0	12.4	13.5	15.5
Principal	4.7	15.0	3.8	6.6	7.6	9.5
Interest	0.8	1.3	3.2	5.8	6.0	6.1
Debt service not paid	37.9	48.4	60.3	41.4	71.0	32.0
Principal	23.8	28.2	38.9	24.4	47.8	20.5
Interest	14.1	20.1	23.3	17.0	23.2	11.5
<u>(In percent of exports of goods and nonfactor services)</u>						
<u>Total debt service obligations</u>	<u>174</u>	<u>322</u>	<u>402</u>	<u>274</u>	<u>344</u>	<u>140</u>
Principal	114	215	243	158	225	88
Interest	60	107	158	116	119	46
Debt service paid	22	81	42	63	55	46
Principal	19	75	23	34	31	28
Interest	3	6	19	29	24	18
Debt service not paid	152	240	360	211	289	95
Principal	95	140	232	124	195	61
Interest	57	100	139	86	94	34

Sources: Central Bank of Nicaragua; Ministry of External Cooperation and staff estimates.

Nicaragua: Public Sector Reforms During 1990-95

Since 1990, the Government has been implementing reforms to reduce the size of the public sector and increase its efficiency. The reforms covered the areas of public employment, privatization, public institutions, and the public utilities.

The public employment retrenchment program: Between 1990 and 1993, public employment was reduced from about 290,000 employees to 107,000 because of the downsizing of the armed forces, the privatization of public enterprises, and a two-year public employment reduction program. The military personnel was reduced by 83,000 members to 15,250 in 1993, while privatization of public enterprises reduced public employment by an additional 74,000 in 1993 (see below). In addition, under the public employment reduction program--Programa de Conversion Ocupacional (PCO)--25,000 employees retired during March 1991-June 1993.

In early 1994, the Government initiated an additional three-year program of employment reduction--Programa de Movilidad Laboral (PML). The PML is a voluntary program involving severance payment averaging between 20 and 24 months of salary, depending on the length of employment. This program aims at reducing the number of public positions by 13,500 by the end of 1996. As of May 1996, about 10,700 public sector positions were reduced including 750 positions of two state-owned banks (BANADES and Banco Popular). 1/ In addition to the PML, public employment was reduced with the transfer of public schools to the private sector (see below).

The privatization program: During 1990-93 the Government completed the divestiture of most state-run fishery and mining enterprises including through long-term leasing arrangements with private operators. Also, in 1990-95, the National Corporation of Public Enterprises (CORNAP), a public sector holding company, privatized, returned to former owners, or liquidated all but five of the 351 companies under its control. 2/ While this process succeeded in downsizing the public sector, cash proceeds from privatization were low as many companies were returned to their former owners while others were transferred to the private sector in exchange for government bonds.

1/ The number of positions reduced in 1994 was 3,600 and in 1995 was 2,600. By end-1995, public employment was about 96,000 employees. The total figure of 10,700 mentioned in the text includes about 3,000 positions of TELCOR, which is being privatized in 1996.

2/ The 351 companies generated an output equivalent to about 30 percent of the GDP in 1990.

In addition, in 1992 the Nicaraguan Bus Company (ENABUS) was sold to the private sector. In November 1995, the Assembly approved legislation for the partial privatization of the telephone company, TELCOR, allowing for the sale of up to 61 percent of the shares (including an offer of 11 percent of the shares to employees) and a management contract. Most of the proceeds from the privatization of TELCOR are to be used to buy U.S. Treasury zero-coupon bonds to serve as collateral for the government bonds that have been issued to compensate confiscated property. In April 1996 the Government submitted to the National Assembly a bill to privatize the state-owned oil company (PETRONIC) and its gas stations.

The institutional reform program: In 1994, the Government began to implement a five-year reform program with technical and financial support from IDA, IDB, U.S. AID, and UNDP. The program includes streamlining and rationalization of functions of ministries, implementing an integrated financial management system, and reforming the civil service. In 1994-95 the Ministry of Education began to transfer management of schools to local councils or municipalities, ^{1/} and the Ministry of Health began transferring budget execution (excluding payroll) to local health centers and hospitals in municipalities and districts.

The public utilities reform program: In January 1995, the Government started a Public Utility Reform Program with technical and financial support from the IDA and IDB. This program aims at strengthening the organization and improving the performance of public utilities. In January 1995, the Government divided the Nicaraguan Institute for Energy into a regulatory agency (INE) and an electricity company (ENEL) and in mid-1995 the Government submitted a bill to the Assembly setting the legal framework needed for private sector participation in the energy sector. Also in mid-1995 a bill was submitted to the Assembly to decentralize the services of the water and sewerage company (INAA) and establish a regulatory framework.

^{1/} By early 1996, some 430 schools (20 percent of total) were operating under these arrangements.

Nicaragua: Tax Reforms During 1990-95

For many years the Nicaraguan tax system suffered from inefficiencies resulting from a multiplicity of taxes and tax rates, widespread exemptions, and inefficient tax administration. Between 1990 and 1995, the Government made substantial progress to simplify the tax system and improve tax administration. In late 1995 the Government submitted to the Assembly a new tax reform bill aimed at expanding further the direct and indirect tax bases by reducing a number of remaining discretionary exemptions and introducing a tax on gross assets of corporations and firms.

The 1990 tax reform: In 1990 the Government introduced a tax reform to broaden the tax base and improve the efficiency of the tax system. The reform consisted of several amendments to corporate and personal income taxes and to the general tax system. On income tax, the reform simplified and reduced the marginal tax rates and the dispersion of rates. 1/ On the VAT, the reform broadened the base and raised the rate from 10 to 15 percent; in addition, it reduced the number of goods subject to selective consumption tax.

The 1992-95 tax reforms: From 1992 to 1995 the Government implemented additional reforms to reduce other distortions of the tax system and increase tax revenue. In 1992 the Government eliminated the net wealth tax and reduced both the income tax and the rates for monthly payment advances. 2/ In early-1993, the Government levied a tax on luxury goods (IBS), which was initially imposed on electric appliances, vehicles, and imported liquors. 3/ Subsequently, in 1994 the Government introduced a temporary import surcharge (ATP), and a specific consumption tax (IEC) in substitution of the IBS and of most of the selective consumption tax, and

1/ Corporate income taxes were unified at 38.5 percent; the number of brackets for personal income tax was reduced to five; a minimum income tax rate of 4 percent of net wealth or 2 percent of gross income was introduced; and monthly payments advances were required for corporate and personal income taxes. At the same time, a 6 percent payroll tax was eliminated and integrated into the personal income tax.

2/ The corporate income tax rate was reduced to 35.5 percent in 1991 and to 30 percent in 1992. Rates for the monthly payment of advances were reduced from 2 percent to 1 percent for income from agriculture--except for cotton and coffee--and from 4 percent to 3 percent for nonagricultural activities.

3/ In late 1993 the Government broadened the IBS tax base by incorporating 200 additional categories of imports and reduced import duty exemptions.

stiffer penalties for tax arrears. 1/2/ In addition, coffee producers were included among the taxpayers subject to income tax withholding applied to windfall gains resulting from high international coffee prices. 3/ In 1995 the Government reduced the rates on import duties from 5 to 1 percent for a large number of goods. By end-1995, the ceiling of total import duties, surcharges, and a 5 percent stamp tax was reduced from 40 to 37 percent and its floor (applied to imports of capital goods) from 10 to 6 percent.

The 1996 tax reform bill: The proposed new tax reform ("Law to promote the stability, investment, and employment") seeks to broaden the tax base and reduce the entry costs to the formal economy. However, certain tax exemptions will remain (i.e. those that benefit cooperatives), as well as special laws granting tax benefits for certain activities (i.e., promotion of exports, mining and fishing).

The tax reform features the following measures: an expansion of the tax base on goods and services by reducing discretionary and other exemptions to the VAT and custom duties; 4/ an expansion of the income tax base by introducing a minimum 1.6 percent tax on gross assets of corporations and farms (the tax is to be credited against income tax liabilities); 5/ an increase in the threshold of individual income tax from C\$25,000 to C\$36,000 per year; the elimination of license fees beginning in 1997; and

1/ ATP rates are 5, 10, and 12 percent. This surcharge has a ceiling which is to be phased out as follows:

Beginning date	Maximum ATP rate
July 01, 1994	15 percent
July 01, 1995	12 percent
January 01, 1996	10 percent
January 01, 1999	5 percent
January 01, 2000	0 percent

The ceilings as well as the timetable do not apply to the fiscal industry goods which have surcharge rates of up to 30 percent.

2/ The IEC covers about 950 goods, and has two regimes: a general, for the nonfiscal industry goods, and a specific one, for the fiscal industry goods. Under the general regime tax rates of 5 to 52 percent are applied irrespective of the origin of the goods. Under the specific regime the tax rates are between 12 and 100 percent with higher rates applying to imported goods.

3/ The withholding rate varies from 3 to 13.5 percent depending on world coffee prices.

4/ The expansion of the tax base on goods and services will permit the elimination of several selective consumption taxes.

5/ The new gross asset tax will permit the elimination of the existing presumptive rent tax law.

the reduction in the municipal (cascading) sales tax from 2 to 1 1/2 percent. The tax reform is estimated to yield 2.2 percent of GDP on an annual basis.

Strengthening of tax administration: Tax administration was strengthened and modernized during 1990-95. The simplification of the tax system in 1990-92 helped to improve substantially tax collection by the General Directorate of Revenue (DGI). In early 1993 the DGI started to modernize its equipment and to update the registers of the largest group of taxpayers--10,000 (accounting for more than 90 percent of the total revenue of the DGI), with assistance from the Fund, the IDB, and the International Center for Tax Administration (CIAT). The DGI also began to review the auditing and collection procedures and to introduce a unified register for contributors (RUC). Moreover, six regional tax administration offices introduced computerized systems to reduce tax evasion in their jurisdiction. In 1994-95 the DGI improved its auditing and control of the fiscal industry goods, stepped up efforts to bring to court cases involving tax arrears, expanded the coverage of tax audits, strengthened control of informal markets, and applied more forcefully the existing legislation that calls for the closure of businesses that are out of compliance with tax laws. Also, in 1995 a draft of the Tax Code was submitted to the Assembly.

Nicaragua: Financial Sector Reform During 1991-95

Between 1991 and 1995 the Government took actions to reform the state banks, increase participation of private banks, strengthen bank supervision, and reduce central bank losses. During the 1980s the state-owned banks had the monopoly of financial intermediation which, together with political interference in their management, resulted in rapid expansion of credit and misallocation of financial resources. Poor loan recovery and high operating costs seriously weakened the state banks' financial position and led to debt arrears with the Central Bank, increasing the Bank's quasi-fiscal operating losses.

1. State bank reform

a. 1991-1993 Reform

Between 1991 and 1993, the authorities made several attempts to reform the state banks. In 1992 a reform program was adopted, with financial assistance from U.S. AID, in which nonperforming loans were written off and the banks were recapitalized. Technical assistance was received from the IDB to restructure the two largest state-owned banks, (the National Development Bank (BANADES) and the National Bank for Industry and Commerce (BANIC)), and a state-owned financial institution, the Financiera Nacional de Inversiones (FNI). The programs for the banks included measures to streamline personnel and branch offices (personnel was reduced from 9,100 in 1990 to 3,500 in 1993), liquidate nonperforming assets, improve management practices, and enforce new loan and loan-recovery guidelines. In 1993, new charter laws for BANADES and FNI were approved, increasing their autonomy and defining their respective functions.

In the end, these programs proved to be insufficient, or in some areas were not fully implemented, and the financial position of the institutions remained weak while their operations continued to undermine monetary policy. An external audit in mid-1994 concluded that compliance with the Superintendency of Banks' regulations on loan-loss provisions would have left BANADES and BANIC with a negative capital base.

b. 1994-1995 Reforms

The FNI was restructured in 1994 to deal with nonperforming loans equivalent to more than one half of its portfolio. Nonperforming loans determined to be unrecoverable were written off, the institution was recapitalized, and a large portion (C\$1,300 million, or about US\$170 million) of its obligations with the Central Bank was restructured. However, the FNI remained with large nonperforming loans held with the state banks.

In 1995 the authorities initiated a program to downsize and restructure the state banks, by divesting a large portion of BANADES' assets and by transferring majority ownership and operating control of BANIC to the

private sector. The plan involves the separation and transfer of nonperforming assets to a privately-managed collection agency (Cobranzas Nicaragüenses, S.A. COBANICSA)), and a substantial reduction in operating costs. In the case of BANADES, the plan calls for the collection of all maturing performing loans above C\$1 million and the use of the proceeds to repay outstanding claims of the Central Bank, and the sale or liquidation of several branch offices. In addition, the growth of assets is to be limited, including through a 100 percent marginal reserve requirement on deposits above the level of December 1995. The program aims at reducing BANADES' loan portfolio to about one third of its size of 1995 and limiting the bank's lending to small rural borrowers. As regards BANIC, the Government will sell its majority participation--including the management of the bank. With respect to Banco Popular (the third state-owned bank), the Government is to limit the bank's risk assets to those of end-September 1995. In early 1996 the operating losses of the state banks were reduced considerably--as a result of employment reduction and the closing of several branch offices of BANADES--and an international bidding process for the shares of BANIC was announced.

2. The Superintendency of Banks and the growth of private banks

In 1991 the Superintendency of Banks was created at the same time that private banks were allowed to be established. Since then the Superintendency has made significant improvements in prudential regulations, supervisory activities, and reporting of banking activities. Recently the Superintendency installed a system of information on lenders for purposes of risk management. In addition, the authorities are working on a bill that would permit the increase of fines for noncompliance with prudential norms.

In the past four years, private banks responded well to the improved economic conditions and the downsizing of the state banks, greatly expanding their deposit base and lending operations to fill the gap left by the state institutions. Private banks increased their share in private sector deposits from 41 percent in 1992 to 63 percent in 1995, and their share in total private sector credit from 9 percent in 1992 to 47 percent in 1995. The presence of these banks has been particularly strong in the areas of short-term lending and commercial activities (Table 16). Private banks also have expanded their participation in areas traditionally covered by state banks, such as agriculture and livestock. In 1995 in particular, as credit by BANADES was almost stagnant in nominal terms, commercial banks increased their loans to the agricultural sector by more than 90 percent, albeit from a low base (the share of agricultural credit in total private sector credit was about 25-30 percent in 1994-95).

3. Central bank reform

In July 1992 the Government approved a Central Bank Law that established as its principal functions the maintenance of domestic and external stability of the currency and of the domestic payments system. The Law placed more stringent conditions on Central Bank financing of the Government and the rest of the financial system, thus paving the way for the subsequent restrictions on its rediscount and lending policies in 1993-95.

Despite progress made since introducing the Central Bank Law in 1992, two problems persisted which adversely affected credit policy and the quasi-fiscal position of the Central Bank. First, between 1992 and 1994 the Central Bank continued to provide financing to the state banking system, from its own resources for short-term assistance, and from external resources for long-term lending through the FNI. Because of these operations, central bank credit to the rest of the financial system expanded considerably between 1992 and 1994. Moreover, poor loan recovery by the state banks led to accumulation of debt arrears with the Central Bank. Second, while credit to the Government was discontinued in this period, the Government did not service its outstanding debt to the Central Bank.

The above two problems were addressed in 1995 when the Central Bank suspended all financing of the state banks (except overnight credit) and its on-lending of external resources, and the Government started to make significant debt service payments to the Central Bank (in 1995 the Bank received US\$43 million, or 2.3 percent of GDP, in payments from the Government).

Central bank losses were US\$11 million or 0.7 percent of GDP in 1991 and increased by about 1 percent of GDP a year until 1994 (accumulated losses reached 3.1 percent of GDP). These losses emerged primarily from central bank on-lending of external credits at subsidized interest rates, poor credit recovery from the state banks, below-market rediscount rates, placement of open-market paper at market interest rates, payment in lieu of certain public enterprises that defaulted in their external debt service, and high operating costs.

Since 1994 the Government has been introducing several actions to reduce these losses: stricter procedures to collect principal and interest payments from the state banks, the introduction of automatic debiting of interest payments from the accounts of the state banks and other commercial banks at the Central Bank, the alignment of rediscount rates with the market, and the introduction of a 1 percent commission on central bank sales of foreign exchange. The authorities intend to move toward a system in which the interest costs of open-market operations are financed through the government budget.

In 1995 the central bank full-year operating position was in equilibrium for the first time in the decade, registering a small net profit of US\$2.3 million, compared with a loss of US\$10.3 million in 1994. Interest payments by the Government and the state banks during 1995 were particularly important in improving the Central Bank's operating position.

Nicaragua: Debt and Debt-Service Reduction Operations During 1990-95

The Government pursued debt and debt-service reduction with creditors in four fronts: Paris Club creditors, non-Paris Club official bilateral creditors, commercial bank creditors and the Central American Bank for Economic Integration.

(i) In December 1991 Paris Club creditors rescheduled some US\$360 million under London terms. In March 1995 these creditors provided flow rescheduling under Naples terms with a 67 percent net present value (NPV) reduction of arrears (of non-previously rescheduled debt, including late interest) and current maturities falling due through end-June 1997 on pre-cutoff date debt. The consolidated debt amounted to US\$780 million (including US\$580 million in arrears). Creditors also deferred until 1997-2000 the moratorium interest on the consolidated debt and the debt-service under the 1991 rescheduling.

(ii) Some agreements on debt have been reached with non-Paris Club official bilateral creditors. During 1990-93 Nicaragua reduced its debt owed to some Latin American countries (Argentina, Colombia, and Venezuela) by swapping debt with long-maturity U.S. zero-coupon bonds. On this basis, debt amounting about US\$400 million was reduced by about 95 percent in NPV terms. (In the operation with Argentina, the purchase of the zero-coupon bond was financed by the Central Bank of Argentina.) In addition, in December 1994 preliminary agreement was reached (through the Central American Monetary Council) to reduce the debt with Central American countries, amounting about US\$1 billion, by swapping Nicaragua's debt for 35-year maturity zero-coupon bonds. The cost of these bonds could be financed with loans by the creditors or, if financed by Nicaragua, the bonds could be purchased over a seven-year period. In April 1996 preliminary agreement was reached between Nicaragua and the Russian Federation on a debt reduction operation involving a 90 percent discount of the agreed level of the debt (US\$3.45 million).

(iii) In December 1995 Nicaragua reduced its debt with commercial banks and suppliers through a debt buyback operation, with participation of creditors holding 81 percent of eligible debt. Principal of US\$1.1 billion was retired at a price involving a discount of 92 percent. Including interest in arrears and late interest, the debt retired is estimated at some US\$1.7 billion. The cost of the operation (US\$87.9 million) was financed with grants from the World Bank and bilateral donors (the Netherlands, Sweden, and Switzerland) and a concessional loan from the IDB.

(iv) In late 1995 the Government initiated negotiations with the Central American Bank for Economic Integration (BCIE) aiming at clearing arrears and reducing debt service obligations. Debt with BCIE amounted to US\$540 million at the end of 1995.

Table 20. Nicaragua: Gross Domestic Product by Sector

	1990	1991	1992	1993	1994	Prel. 1995
<i>(In millions of cordobas at current prices)</i>						
GDP at market prices	1,564	2,436	9,230	11,064	12,445	14,427
Primary sector	493	2,254	2,852	3,443	4,143	4,868
Agriculture	485	2,214	2,794	3,373	4,075	4,783
Mining	8	40	57	71	69	85
Secondary sector	325	1,552	1,853	2,283	2,563	2,994
Manufacturing	264	1,294	1,532	1,885	2,052	2,350
Construction	44	174	215	268	366	474
Energy and Water	17	83	106	130	144	170
Tertiary sector	745	3,631	4,525	5,338	5,740	6,565
Commerce	363	1,879	2,191	2,755	3,019	3,518
Government services	151	616	911	915	898	935
Transport and communications	60	302	379	422	453	529
Finance	44	208	257	305	333	381
Housing	43	205	255	309	334	384
Other	85	421	532	632	701	818
<i>(In millions of 1980 cordobas)</i>						
GDP at market prices	18,136	18,109	18,173	18,136	18,744	19,524
Primary sector	4,585	4,402	4,552	4,660	5,135	5,397
Agriculture	4,478	4,304	4,429	4,533	5,022	5,271
Mining	107	105	123	126	114	126
Secondary sector	5,119	5,334	5,173	5,191	5,351	5,616
Manufacturing	4,026	4,284	4,064	4,066	4,108	4,230
Construction	555	510	553	561	661	768
Electricity and water	538	540	556	564	583	617
Tertiary sector	8,432	8,366	8,448	8,286	8,258	8,511
Commerce	3,125	3,278	3,325	3,249	3,300	3,459
Government services	2,317	2,027	2,028	1,992	1,882	1,848
Transport and communications	882	926	939	903	899	943
Finance	600	589	589	581	589	607
Housing	752	757	762	765	769	795
Other	757	789	806	796	819	859

Source: Central Bank of Nicaragua.

Table 21. Nicaragua: Value Added in Agriculture, by Subsector

	1990	1991	1992	1993	1994	Prel. 1995
(In millions of 1980 cordobas)						
Total	<u>4,478</u>	<u>4,304</u>	<u>4,429</u>	<u>4,533</u>	<u>5,022</u>	<u>5,271</u>
Agriculture	<u>2,887</u>	<u>2,741</u>	<u>2,727</u>	<u>2,558</u>	<u>2,971</u>	<u>3,184</u>
Principal export crops	1,671	1,555	1,551	1,182	1,390	1,581
Coffee	794	663	868	701	830	886
Cotton	321	353	228	18	18	31
Sugarcane	350	368	320	309	349	401
Other	206	172	135	154	193	264
Basic grains	830	818	846	964	1,089	1,048
Other	386	368	330	412	491	555
Livestock	<u>1,491</u>	<u>1,439</u>	<u>1,564</u>	<u>1,775</u>	<u>1,767</u>	<u>1,706</u>
Fishing	<u>50</u>	<u>72</u>	<u>86</u>	<u>148</u>	<u>231</u>	<u>327</u>
Forestry	<u>51</u>	<u>51</u>	<u>52</u>	<u>52</u>	<u>53</u>	<u>55</u>

Source: Central Bank of Nicaragua

Table 22. Nicaragua: Export Crops and Basic Grains
(Area in thousands of manzanas; production and yield in thousands of quintals) 1/

	Crop Years					
	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
I. Export Crops						
Coffee						
Area	106.0	106.5	107.1	105.0	107.8	120.9
Yield	5.7	9.7	6.7	8.8	8.3	10.1
Volume of production	601.0	1,033.1	721.2	920.0	894.1	1,216.0
Cotton						
Area	64.1	50.9	3.3	3.6	2.1	13.4
Yield	10.1	10.5	9.9	9.5	11.7	11.0
Volume of production	648.1	536.9	32.6	34.2	24.5	147.4
Sugarcane						
Area	60.5	60.0	56.0	54.1	59.7	63.8
Yield	923.7	841.9	792.5	912.4	955.7	1,020.1
Volume of production	55,884.0	50,514.6	44,380.0	49,360.0	57,053.4	65,080.0
Tabacco Habana						
Area	0.7	0.7	0.2	0.2	0.7	0.8
Yield	28.9	27.0	27.5	27.5	22.0	27.5
Volume of production	20.2	18.9	5.5	5.5	15.4	22.0
Tabacco (burley) rubio						
Area	1.1	0.7	0.8	0.8	0.2	0.2
Yield	30.6	27.0	29.4	29.4	23.5	29.0
Volume of production	33.7	18.9	23.5	23.5	4.7	5.8
Bananas						
Area	3.2	3.4	3.4	2.2	2.4	2.6
Yield	1,775.4	2,056.5	1,306.9	1,298.7	929.0	1,400.0
Volume of production 2/	5,681.3	6,992.1	4,443.5	2,857.2	2,229.7	3,640.0
Sesame seed						
Area	50.6	23.8	27.0	27.0	39.1	49.5
Yield	5.6	7.8	6.3	8.0	9.6	9.6
Volume of production	281.5	185.6	170.0	216.0	375.4	475.2
II. Basic Grains						
Corn						
Area	250.0	282.2	250.0	312.8	280.0	320.0
Yield	17.5	18.0	20.0	20.0	19.0	20.0
Volume of production	4,375.0	5,079.6	5,000.0	6,256.0	5,320.0	6,400.0
Rice						
Area	54.5	55.0	63.0	81.4	80.0	78.4
Yield	29.3	28.2	29.2	30.0	28.2	26.4
Volume of production	1,597.5	1,550.6	1,837.5	2,445.6	2,258.9	2,068.0
Beans						
Area	150.0	135.7	130.0	164.7	172.9	150.0
Yield	8.0	9.4	9.5	10.3	10.6	10.0
Volume of production	1,200.0	1,275.6	1,235.0	1,688.8	1,840.4	1,500.0
Sorghum						
Area	64.1	68.5	75.0	77.4	70.0	38.9
Yield	24.1	27.0	26.5	29.0	28.6	27.3
Volume of production	1,545.4	1,849.5	1,985.2	2,247.0	2,000.0	1,063.2

Source: Central Bank of Nicaragua.

1/ One quintal equals 101.2 lbs. and one manzana equals 0.699 hectares.

2/ In thousands of boxes (1 box equals 42 lbs).

Table 23. Nicaragua: Selected Livestock Statistics

	1990	1991	1992	1993	1994	Prel. 1995
Cattle						
Slaughter (thousands of heads)	376.6	323.8	342.6	380.3	363.8	335.0
Meat production (millions of pounds)	113.1	98.0	103.8	114.3	112.9	107.9
Milk production (millions of gallons)	43.5	44.0	45.7	46.8	48.0	48.0
Hogs						
Meat production (millions of pounds)	12.5	11.5	10.6	9.8	10.8	11.3
Poultry						
Meat production (millions of pounds)	23.4	30.0	44.2	57.8	65.6	68.5
Egg production (millions of dozens)	28.4	33.0	33.2	35.0	37.8	38.4

Source: Central Bank of Nicaragua.

Table 24. Nicaragua: Real Value Added in Manufacturing, by Subsector
(In millions of 1980 cordobas)

	1990	1991	1992	1993	1994	Prel. 1995
Total	4,026	4,284	4,064	4,066	4,108	4,230
Food, Beverages & Tobacco	2,524	2,971	2,908	2,977	3,037	3,129
Textiles, clothing & leather goods	360	256	198	157	119	120
Wood & wood products	110	119	116	115	114	114
Paper & paper products	110	101	95	93	94	94
Chemical products	246	177	113	122	122	124
Petroleum derivatives & rubber products	220	219	226	219	229	231
Machinery & metal products	403	367	317	289	298	319
Transport equipment	4	4	9	7	7	7
Plastics & other	51	68	83	88	88	92

Source: Central Bank of Nicaragua.

Table 25. Nicaragua: Electricity Supply and Consumption by Sector
(In millions of kilowatt hours)

	1990	1991	1992	1993	1994	Prel. 1995
Generation						
Gross	1,324.9	1,393.7	1,528.2	1,634.7	1,643.1	1,726.4
Net	1,042.0	1,044.0	1,090.2	1,174.6	1,102.5	1,128.4
Imports	65.9	50.6	35.3	11.3	52.7	92.0
Exports	20.6	--	--	61.4	66.1	90.7
<u>Domestic sales</u>	<u>1,087.3</u>	<u>1,094.6</u>	<u>1,125.5</u>	<u>1,124.5</u>	<u>1,089.1</u>	<u>1,129.7</u>
Households	369.3	401.7	433.3	440.2	400.8	410.0
Commercial	153.6	155.8	170.8	189.7	191.4	213.2
Industrial	281.3	256.1	233.8	202.8	211.5	230.5
Government	71.4	63.7	63.2	61.6	58.3	58.2
Public Lighting	23.0	22.9	21.6	21.3	21.2	21.2
Irrigation	115.0	113.8	116.9	103.6	102.0	88.1
Water supply	73.8	80.6	85.9	105.3	103.9	108.5

Source: Nicaraguan Electricity Enterprise (ENEL).

Table 26. Nicaragua: Indices of Nominal Wages and Prices

(December 1990 = 100)

	Nominal Salaries				
	Central Government	Public Enterprise	National Level 1/	Consumer Prices	Basic Good Prices 2/
December 1991	510.0	524.9	530.7	965.6	389.9
December 1992	559.0	620.3	600.9	999.5	423.4
December 1993	635.4	686.5	671.9	1,193.9	506.0
December 1994	675.5	793.7	761.6	1,342.3	570.3
1995					
March	725.4	804.4	800.8	1,369.7	573.4
June	736.6	861.0	824.7	1,404.3	567.4
September	743.3	906.2	846.2	1,412.1	600.7
December	748.5	916.2	858.4	1,491.3	636.1

Source: Ministry of Labor.

1/ Takes into account wage developments in the public and private sectors.

2/ Based on prices of 53 items that are deemed essential for residents of Managua.

Table 27. Nicaragua: Indices of Real Wages ^{1/}
(December 1990 = 100)

	Real Wages		
	Central Government	Public Enterprises	National Level
December 1991	130.8	134.6	136.1
December 1992	132.0	146.5	141.9
December 1993	125.6	135.7	132.8
December 1994	118.4	139.2	133.5
1995			
March	126.5	140.3	139.7
June	125.4	146.6	140.4
September	123.8	150.9	140.9
December	119.4	146.5	136.9

Source: Ministry of Labor.

^{1/} Deflated by the index of basic goods prices, which takes into account 53 items that are deemed essential for residents of Managua.

Table 28. Nicaragua: Selected Labor Statistics

	1990	1991	1992	1993	1994 ^{1/}	Prel. 1995 ^{1/}
(In thousands)						
Population	3,536.3	3,650.0	3,767.4	3,888.5	4,013.5	4,139.6
Labor Force	1,186.5	1,235.6	1,281.3	1,327.5	1,407.7	1,459.0
Employed	1,054.7	1,060.3	1,053.2	1,037.8	1,115.8	1,193.8
Primary sector	365.2	378.3	388.9	389.6	422.7	465.4
Agriculture	356.6	370.2	381.9	382.8	415.4	457.4
Mining	8.6	8.0	7.0	6.8	7.3	8.0
Secondary sector	205.2	201.7	189.0	183.7	194.7	206.4
Manufacturing	168.2	167.7	152.3	146.4	155.5	165.0
Construction	27.8	24.8	26.7	27.1	28.6	31.5
Utilities	9.2	9.2	10.0	10.2	10.6	9.9
Tertiary sector	484.4	480.4	475.3	464.5	498.4	522.0
Commerce	162.5	174.2	179.8	173.5	189.0	200.7
Transport & communications	38.0	38.0	33.6	29.0	30.0	31.7
Government services	64.4	83.3	81.2	76.3	81.9	79.0
Financial services	22.0	22.0	17.3	16.7	16.2	15.7
Other services	197.5	162.8	163.5	169.1	181.3	194.9
Unemployed	131.7	175.2	228.1	289.8	291.9	265.2
(Annual percentage change)						
Population	3.2	3.2	3.2	3.2	3.2	3.1
Labor force	4.3	4.1	3.7	3.6	6.0	3.6
Employment	1.2	0.5	-0.7	-1.5	7.5	7.0
Memorandum items (in percent)						
Labor force participation						
in percent of population	33.6	33.9	34.0	34.1	35.1	35.2
Unemployment rate	11.1	14.2	17.8	21.8	20.7	18.2

Source: Ministry of Planning.

^{1/} Preliminary figures based on the last population census.

^{2/} Projected by the authorities in March 1996.

Table 29. Nicaragua: Central Government Operations

(In millions of cordobas)

	1990	1991	1992	1993	1994	Prel. 1995
Total revenue	229.3	1,446.7	1,893.1	2,222.0	2,529.7	3,136.4
Current revenue	229.3	1,432.0	1,880.5	2,163.2	2,498.4	3,068.3
Tax revenue	205.4	1,316.0	1,778.1	2,046.1	2,378.1	2,932.5
Nontax revenue	7.0	73.1	85.5	106.2	119.9	135.8
Transfers	16.9	43.0	16.9	10.9	0.5	—
From rest of general government	2.9	—	3.6	—	—	—
From public utilities	6.9	31.4	13.3	—	—	—
Other	7.1	11.6	—	10.9	0.5	—
Capital Revenue	—	14.7	12.6	58.7	31.3	68.1
Total expenditure	747.1	2,003.0	2,595.9	3,047.1	3,788.0	4,526.4
Current expenditure	722.8	1,742.6	2,041.9	2,295.2	2,649.2	2,842.6
Personnel emoluments	112.3	825.9	908.6	822.6	857.3	950.1
Goods and services	532.1	563.4	526.0	604.2	585.9	486.7
Interest payments	—	84.8	263.8	425.5	642.9	686.8
Current transfers	78.4	268.5	343.5	442.9	563.2	719.0
To rest of general government	27.2	66.0	91.5	68.1	79.6	71.9
To public utilities	2.6	2.5	4.1	—	—	—
Other	48.6	200.0	247.9	374.9	483.6	647.1
Capital expenditure and net lending	24.3	260.4	554.0	751.9	1,118.7	1,683.9
Fixed capital formation	15.5	155.9	310.5	275.2	577.5	798.8
Financial investment	—	0.5	2.3	1.3	0.7	1.4
Capital transfers	8.8	36.9	223.1	450.4	461.3	722.0
To rest of general government	2.2	—	—	—	6.1	—
To public utilities	3.7	17.5	92.3	11.5	38.4	25.3
Other	2.9	19.4	130.8	438.9	416.8	111.3
Net lending	—	67.1	18.1	25.0	79.2	161.7
Current account balance (deficit -)	-493.5	-310.6	-161.4	-132.0	-150.9	225.7
Overall balance before grants (deficit -)	-517.8	-556.3	-702.8	-825.2	-1,238.3	-1,390.0
Foreign grants	225.2	860.9	399.4	806.2	601.0	793.1
Overall balance after grants (deficit -)	-292.6	304.6	-303.4	-18.9	-637.3	-597.0
Financing	292.6	-304.6	303.4	18.9	637.3	597.0
External	125.7	37.5	870.3	3.4	826.7	293.4
Disbursements	125.7	162.8	1,073.7	336.4	1,251.2	950.7
Amortization	—	-125.3	-203.4	-333.0	-424.5	-657.4
Internal	166.9	-342.1	-566.9	15.5	-189.3	303.6
Of which: Central Bank	166.4	-4.2	-628.7	153.7	79.7	550.6

Sources: Ministry of Finance; Central Bank of Nicaragua; and Fund staff estimates.

Table 30. Nicaragua: Central Government Revenue

(In millions of cordobas)

	1990	1991	1992	1993	1994	Prel. 1995
Total revenue	229.3	1,446.7	1,893.1	2,222.0	2,529.7	3,136.4
Current revenue	229.3	1,432.0	1,880.5	2,163.2	2,498.4	3,068.3
Tax revenue	205.4	1,316.0	1,778.1	2,046.1	2,378.1	2,832.5
Direct taxes	56.7	250.4	311.4	268.5	284.5	400.5
On net income and profits	45.8	205.1	306.5	266.7	263.0	400.5
On property	8.2	44.6	4.8	1.8	1.2	—
Net wealth	7.2	42.4	4.1	1.3	1.2	—
Other	1.0	2.2	0.8	0.5	—	—
Surcharge on income and wealth	2.6	0.7	0.1	—	0.2	—
Taxes on goods and services	115.8	797.9	1,101.3	1,332.7	1,596.0	1,851.4
General sales taxes	26.9	159.0	211.6	320.5	354.2	409.4
Excise and selective consumption taxes	80.3	568.0	802.0	871.4	1,071.3	1,220.6
Petroleum products	29.5	208.9	297.4	409.6	513.7	574.3
Beer and alcoholic beverages	20.1	134.5	172.6	166.2	188.2	225.1
Tobacco	6.0	72.0	102.9	104.9	110.4	127.8
Other	24.7	152.6	229.1	190.8	259.0	293.5
Stamp taxes	8.6	71.0	87.7	140.8	170.4	221.4
Taxes on international trade and transactions	32.5	267.1	364.4	443.6	516.2	679.1
Import duties	32.5	266.7	364.2	443.6	516.2	679.1
Export duties	0.1	0.3	0.1	—	—	—
Earmarked revenue	0.3	0.6	1.1	1.3	1.4	1.4
Nontax revenue	23.9	116.1	102.4	117.1	120.3	135.8
Transfers	16.9	43.0	16.9	10.9	0.5	—
From Social Security Institute	2.9	—	3.6	—	—	—
From National Lottery	—	7.9	—	—	—	—
From TELCOR	6.9	23.8	5.0	—	—	—
From INE/ENEL	—	7.1	8.3	—	—	—
From INAA	—	0.5	—	—	—	—
Other	7.1	3.7	—	10.9	0.5	—
Other nontax revenue	7.0	73.1	85.5	106.2	119.9	135.8
Capital revenue	—	14.7	12.6	58.7	31.3	68.1
Memorandum items						
Foreign grants	225.2	860.9	399.4	806.2	601.0	793.1
Total revenue and grants	454.5	2,307.6	2,292.5	3,028.2	3,130.6	3,929.4

Sources: Ministry of Finance; and Fund staff estimates.

Table 31. Nicaragua: Central Government Expenditure and Net Lending

(In millions of cordobas)

	1990	1991	1992	1993	1994	Prel. 1995
Total expenditure and net lending	747.1	2,003.0	2,595.9	3,047.1	3,788.0	4,526.4
Current expenditure	722.8	1,742.6	2,041.9	2,295.2	2,649.2	2,842.6
Personnel emoluments	112.3	825.9	908.6	822.6	857.3	950.1
Wages and salaries	112.3	804.7	782.8	818.8	834.2	884.8
Voluntary retirement compensations	...	221.2	125.8	3.8	23.1	85.3
Goods and services 1/	532.1	563.4	526.0	604.2	595.9	486.7
Interest payments	-	84.8	263.8	425.5	642.9	686.8
On domestic debt	-	0.6	0.5	-	42.0	26.9
On external debt	-	84.2	263.3	425.5	600.9	659.9
Transfers	78.4	288.5	343.5	442.9	563.2	719.0
To INSSBI/INSS	19.5	86.0	91.5	89.1	79.6	71.9
Employer's contribution	8.1	38.3	59.9	52.4	65.3	88.2
State contribution	-	1.9	8.2	9.5	8.1	3.7
Social Security	11.4	25.8	23.4	6.2	6.1	-
To municipalities	8.3	1.8	2.5	2.4	2.5	2.5
Of which: Municipality of Managua	7.7	-	-	-	-	-
To public utilities	2.6	2.5	4.1	-	-	-
INE/ENEL	1.4	-	-	-	-	-
INAA	1.2	-	-	-	-	-
ENABUS	-	2.5	4.1	...	...	...
To rest of public sector	0.6	9.9	22.8	31.7	96.5	165.3
To private sector	20.1	92.2	107.2	177.6	207.4	304.0
Of which: CBTs	...	...	...	13.5	39.2	75.8
To universities	26.7	89.5	108.2	152.1	167.6	169.5
To abroad	0.6	6.6	7.2	11.1	9.6	5.8
Capital expenditure	24.3	193.3	535.9	726.9	1,099.5	1,522.2
Fixed capital formation	15.5	155.9	310.5	275.2	577.5	798.8
Financial investment	-	0.5	2.3	1.3	0.7	1.4
Transfers	8.8	36.9	223.1	450.4	461.3	722.0
To INSSBI/INSS	-	-	-	-	6.1	-
To municipalities	2.2	-	8.2	11.4	48.9	66.1
Of which: Municipality of Managua	2.2	-	-	-	-	-
To public utilities	3.7	17.5	92.3	11.5	38.4	25.3
INE/ENEL	1.9	2.1	72.6	-	10.3	0.3
INAA	1.8	15.4	19.7	11.5	28.1	25.0
ENABUS	-	-	-	...	...	...
To rest of public sector	1.0	19.4	53.3	128.4	88.9	161.1
To private sector	1.9	-	69.3	299.0	279.1	469.5
Net lending	=	67.1	18.1	25.0	79.2	161.7
To public utilities	-	17.3	22.9	-4.9	50.8	32.1
INE/ENEL	-	9.0	12.7	-4.9	47.8	32.1
INAA	...	4.8	10.9	-0.1	3.0	-
TELCOR	...	1.4	-	-	-	-
ENABUS	...	2.1	-0.7	...	...	...
Other	-	49.8	-4.8	29.9	28.4	129.6
Memo item:						
Military expenditures 2/	419.9	348.0	509.2	435.5	464.9	466.9

Sources: Ministry of Finance; and Fund staff estimates.

1/ The wages and salaries of military and internal security personnel were included as part of purchases of goods and services up to 1990. Subsequently, they were incorporated as part of the wage bill. In 1990 it includes 12.9 percent of GDP of extrabudgetary military outlays financed with grants from Eastern European countries.

2/ Military and internal security outlays.

Table 32. Nicaragua: Operations of the Rest of the General Government

	1990	1991	1992	1993	1994	Prel. 1995
I. Consolidated Operations						
(In millions of cordobas)						
Operating balance (deficit -)	-13.3	64.7	83.6	21.9	82.8	200.3
Social Security and Welfare Institute	-5.0	50.2	61.0	-6.3	33.4	141.1
Municipality of Managua	-8.3	14.5	22.6	28.2	49.4	59.1
Other current revenue 1/	3.2	1.7	15.4	27.4	70.2	76.6
Current transfers	19.7	40.7	64.9	51.4	35.7	-
From public utilities	-	6.6	12.0	3.1	-	-
From Central Government	19.1	25.8	23.4	6.2	6.1	-
Other	0.6	8.3	29.5	42.1	29.5	-
Interest payments	-	0.5	0.7	0.1	1.4	2.2
Other current expenditure	0.6	19.7	10.6	11.2	50.1	117.8
Current transfers	3.1	3.3	9.4	9.0	12.2	22.8
To Central Government	2.9	-	3.6	-	-	-
Other	0.2	3.3	5.8	9.0	12.2	22.8
Current account balance (deficit -)	5.9	83.6	143.2	80.4	125.1	134.0
Social Security and Welfare Institute	6.7	66.3	115.1	58.2	89.2	99.9
Municipality of Managua	-0.8	17.3	28.1	22.2	35.9	34.1
Capital revenue	-	-	-	-	-	-
Capital transfers	2.2	-	2.4	2.5	8.1	3.6
From Central Government	2.2	-	-	-	6.1	-
From rest of public sector	-	-	2.4	2.5	2.1	3.6
Net lending	0.3	0.7	7.6	11.6	2.1	43.1
Financial investment	-	-	4.3	1.5	-	-
Fixed capital formation	2.6	32.3	46.2	53.8	75.7	122.5
Social Security and Welfare Institute	0.6	1.3	9.7	1.3	11.1	74.4
Municipality of Managua	2.0	31.0	36.5	52.5	64.7	48.2
Overall balance before grants (deficit -)	5.5	51.3	95.1	16.0	57.5	15.0
Social Security and Welfare Institute	6.1	65.0	105.4	47.2	84.3	25.5
Municipality of Managua	-0.6	-13.7	-10.3	-31.2	-26.7	-10.5
Foreign grants	0.6	18.0	5.2	27.6	31.1	-
Overall balance after grants (deficit -)	6.1	69.3	100.3	43.6	88.7	15.0

Table 32. Nicaragua: Operations of the Rest of General Government (Continued)

	1990	1991	1992	1993	1994	Prel. 1995
II. Operations of the Municipality of Managua (ALMA)						
<i>(In millions of cordobas)</i>						
Total revenue	14.5	107.8	169.9	164.9	178.5	198.4
Operational revenue	4.6	101.2	155.5	159.3	178.5	194.8
Tax revenue	4.1	97.6	148.7	145.9	160.4	176.9
Nontax current revenue	0.5	3.6	6.8	13.3	16.0	17.8
Current transfers	7.7	6.6	12.0	3.1	—	—
From Central Government	7.7	—	—	—	—	—
From public utilities	—	6.6	12.0	3.1	—	—
Capital transfers from Central Government	2.2	—	—	—	—	—
Capital transfers from rest of public sector	—	—	2.4	2.5	2.1	3.6
Total expenditure	15.1	121.5	180.2	186.1	205.2	208.8
Operating expenditure	12.9	86.7	132.9	131.1	127.0	135.6
Wages and salaries	3.0	35.6	60.6	71.2	73.1	79.4
Goods and services	9.6	48.6	70.4	59.0	54.0	56.1
Employer's contribution	0.3	2.5	1.9	1.0	—	0.1
Current transfers to private sector	0.2	3.3	5.8	9.0	12.2	22.8
Interest payments	—	0.5	0.7	0.1	1.4	2.2
Fixed capital formation	2.0	31.0	36.5	52.5	64.7	48.2
Financial investment	—	—	4.3	1.5	—	—
Net lending	—	—	—	2.0	—	—
Operating balance (deficit -)	-0.3	14.5	22.6	28.2	49.4	59.1
Current account balance (deficit -)	-0.8	17.3	28.1	22.2	35.9	34.1
Overall balance before grants (deficit -)	-0.6	-13.7	-10.3	-31.2	-26.7	-10.5
Foreign grants	—	11.3	1.2	19.9	23.8	—
Overall balance after grants (deficit -)	-0.6	-2.4	-9.1	-11.3	-2.9	-10.5

Table 32. Nicaragua: Operations of the Rest of General Government (Concluded)

	1990	1991	1992	1993	1994	Prel. 1995
III. Operations of the Social Security and Welfare Institute						
(In millions of cordobas)						
Total revenue	48.9	251.2	388.2	402.5	552.6	618.5
Social security contributions	31.7	215.4	319.9	326.9	440.6	541.9
Current revenue from investments	2.9	1.6	14.9	26.3	68.6	74.8
Other current revenue 1/	0.3	0.1	0.5	1.0	1.6	1.8
Current transfers from Central Government	11.4	25.8	23.4	6.2	6.1	—
Other current transfers	0.6	8.3	29.5	42.1	29.5	—
Capital transfers from Central Government	—	—	—	—	6.1	—
Total expenditure	40.8	186.2	282.8	355.3	468.3	583.0
Operating expenditure	36.7	165.2	258.9	333.2	407.2	400.8
Pensions and compensations	21.8	98.5	183.7	248.1	311.2	340.3
Administrative outlays	14.9	66.7	75.2	85.0	96.0	60.5
Wages and salaries	9.8	32.7	47.0	44.8	40.7	23.1
Other	5.1	34.0	28.2	34.2	49.7	34.8
Employer's contribution	—	—	—	6.0	5.5	2.6
Other current expenditure	0.6	19.7	10.6	11.2	50.1	117.8
Current transfers to Central Government	2.9	—	3.6	—	—	—
Fixed capital formation	0.3	0.6	2.1	1.3	9.0	31.2
Net lending	0.3	0.7	7.6	9.6	2.1	43.1
Operating balance (deficit -)	-5.0	50.2	61.0	-6.3	33.4	141.1
Current account balance (deficit -)	6.7	66.3	115.1	58.2	89.2	99.9
Overall balance before grants (deficit -)	6.1	65.0	105.4	47.2	84.3	25.5
Foreign grants	0.6	6.7	4.0	7.7	7.3	—
Overall balance after grants (deficit -)	6.7	71.7	109.4	54.9	91.6	25.5

Sources: Ministry of Finance; Central Bank of Nicaragua; Social Security and Welfare Institute; Municipality of Managua; and Fund staff estimates.

1/ Includes transfers from the Lottery and adjustments for statistical discrepancies due to transfers.

Table 33. Nicaragua: Consolidated Operations of the General Government

	1990	1991	1992	1993	1994	Prel. 1995
(In millions of cordobas)						
Total revenue	266.5	1,779.9	2,424.2	2,783.2	3,248.6	3,953.2
Current revenue	266.5	1,765.2	2,409.2	2,722.0	3,215.2	3,881.5
Tax revenue	241.2	1,629.0	2,246.7	2,518.9	2,979.1	3,651.3
Nontax revenue	10.7	78.4	107.7	146.9	206.1	230.2
Current transfers	14.6	57.9	54.8	56.2	30.0	-
From public utilities	6.9	38.0	25.3	3.1	-	-
Other	7.7	19.9	29.5	53.0	30.0	-
Capital revenue	-	14.7	15.0	61.2	33.4	71.7
Total expenditure	778.8	2,284.9	3,031.9	3,592.4	4,429.3	5,328.2
Current expenditure	754.1	1,992.2	2,427.4	2,773.6	3,240.9	3,521.8
Consumption expenditure	702.1	1,681.4	1,894.5	1,953.0	2,050.8	2,045.1
Wages and salaries	125.1	894.2	1,016.2	938.5	971.1	1,052.6
Goods and services	546.8	646.0	624.6	697.4	689.6	577.5
Pensions and indemnizations	21.8	96.5	183.7	248.1	311.2	340.3
Central Government state and employer contributions	8.4	42.7	70.0	68.9	78.9	74.7
Interest payments	-	85.3	264.5	425.6	644.3	688.9
Domestic	-	1.1	1.2	0.1	43.4	29.0
External	-	84.2	263.3	425.5	600.9	659.9
Current transfers	51.4	205.8	257.8	383.8	495.8	669.9
To public utilities	2.6	2.5	4.1	-	-	-
Other	48.8	203.3	253.7	383.8	495.8	669.9
Other current expenditure	0.6	19.7	10.6	11.2	50.1	117.8
Fixed capital formation	17.8	187.5	349.1	329.0	651.2	878.3
Financial investment	-	0.5	6.6	2.8	0.7	1.4
Capital transfers	6.6	36.9	223.1	450.4	455.2	722.0
To public utilities	3.7	17.5	92.3	11.5	38.4	25.3
Other	2.9	19.4	130.8	438.9	416.8	696.7
Net Lending	0.3	67.8	25.7	36.6	81.3	204.8
To public utilities	-	17.3	22.9	-4.9	50.8	32.1
To others	0.3	50.5	2.8	41.6	30.5	172.7
Current account balance (deficit -)	-487.6	-227.0	-18.2	-51.6	-25.8	359.7
Overall balance before grants (deficit -)	-512.3	-505.0	-607.7	-809.2	-1,180.7	-1,375.0
Foreign grants	225.8	878.9	404.6	833.9	632.1	793.1
Overall balance after grants (deficit -)	-286.5	373.9	-203.1	24.7	-548.7	-582.0

Sources: Tables 29, 30, 31, and 32; and Fund staff estimates.

Table 34. Nicaragua: Operations of the Public Utility Enterprises

	1990	1991	1992	1993	1994	Prel. 1995
I. Consolidated Operations						
<i>(In millions of cordobas)</i>						
Total revenue	108.2	653.2	978.6	1,089.9	1,221.6	923.1
Operating revenue	88.1	599.3	844.5	1,057.4	1,154.5	884.7
Other current revenue	9.4	32.0	35.6	19.4	27.3	12.0
Current transfers	5.2	2.5	4.1	—	—	—
From Central Government	2.6	2.5	4.1	—	—	—
Other	2.6	—	—	—	—	—
Capital transfers from Central Government	3.7	17.5	92.3	11.5	38.6	25.3
Capital revenue	1.8	1.9	2.1	1.7	1.2	1.2
Total expenditure	115.9	738.5	1,172.6	1,246.3	1,634.6	1,198.2
Current expenditure	100.1	596.2	736.7	686.1	863.0	699.4
Operating expenditure	75.7	513.2	636.8	586.6	745.7	618.4
Wages and salaries	38.6	184.2	240.0	228.9	242.0	139.6
Goods and services	36.3	314.9	379.4	347.2	478.4	463.8
Employer's contributions	0.8	14.1	17.4	10.4	25.4	15.0
Interest payments	1.6	1.1	5.4	5.8	7.9	9.9
Of which: external interest payments	—	—	1.0	1.5	2.1	4.5
Other current expenditure	11.0	22.3	19.8	8.0	9.7	2.8
Current transfers	11.8	59.6	74.7	85.8	99.7	68.3
To Central Government	6.9	31.4	13.3	—	—	—
To Municipality of Managua	—	6.6	12.0	3.1	—	—
To Universities and other 1/	4.9	21.6	49.4	82.6	99.7	68.3
Fixed capital formation	15.6	137.1	427.1	556.7	770.5	497.2
Net lending	0.2	3.2	8.8	3.4	1.0	1.7
Operating balance (deficit -)	12.4	86.1	207.7	470.8	408.7	266.3
Current account balance (deficit -)	2.6	37.6	147.5	390.6	318.7	197.3
Overall balance before grants (deficit -)	-7.7	-83.3	-194.0	-156.4	-413.0	-275.1
Foreign grants	6.1	9.3	47.5	101.6	174.7	49.1
Overall balance after grants (deficit -)	-1.6	-74.0	-146.5	-54.8	-238.3	-226.0
INE/ENEL	-8.7	-86.0	-3.0	21.9	-128.7	-118.1
INAA	7.7	15.0	-9.1	-77.7	-37.1	-107.9
TELCOR	-1.0	-6.1	-132.7	1.0	-72.5	—
ENABUS 2/	0.4	3.1	-1.7	...	...	...

Table 34. Nicaragua: Operations of the Public Utility Enterprises (Continued)

	1990	1991	1992	1993	1994	Prel. 1995
II. Nicaragua Energy Institute						
(In millions of cordobas)						
Total revenue	50.2	285.5	514.3	542.8	586.2	706.8
Operational revenue	41.9	268.1	410.1	527.2	561.3	693.5
Current transfers from Central Government	1.4	—	—	—	—	—
Other current revenue	3.2	23.4	29.5	14.0	13.2	11.8
Other current transfers	—	—	—	—	—	—
Capital transfers from Central Government	1.9	2.1	72.6	—	10.5	0.3
Capital revenue	1.8	1.9	2.1	1.7	1.2	1.2
Total expenditure	64.8	390.8	552.4	601.8	793.4	845.0
Operating expenditure	39.7	305.5	351.0	317.9	443.4	491.9
Wages and salaries	20.2	97.4	121.4	103.3	107.7	96.6
Employer contributions	0.8	6.1	9.8	6.2	12.6	9.9
Goods and services	18.7	202.0	219.8	208.4	323.1	385.3
Interest payments	1.6	0.8	3.5	3.2	6.1	9.9
Of which: external interest payments	...	...	—	—	0.6	4.5
Other current expenditure	8.1	10.8	15.1	1.3	1.0	0.6
Current Transfers	2.6	22.2	29.9	35.8	36.8	59.5
To Central Government	—	7.1	8.3	—	—	—
To Municipality of Managua	—	4.2	8.0	—	—	—
Other 1/	2.6	10.9	13.6	35.8	36.8	59.5
Fixed capital formation	12.8	51.5	150.2	242.5	306.1	281.5
Financial investment	—	—	2.7	1.0	—	1.7
Operating balance (deficit -)	2.2	-37.4	59.1	209.2	117.9	201.6
Current account balance (deficit -)	-5.5	-47.8	40.1	182.8	87.2	143.5
Overall balance before grants (deficit -)	-14.6	-95.3	-38.1	-59.0	-207.2	-138.1
Foreign grants	5.9	9.3	35.1	80.9	78.5	20.0
Overall balance after grants (deficit -)	-8.7	-86.0	-3.0	21.9	-128.7	-118.1

Table 34. Nicaragua: Operations of the Public Utility Enterprises (Continued)

	1990	1991	1992	1993	1994	Prel. 1995
III. Nicaragua Water and Sewerage Authority (INAA)						
(In millions of cordobas)						
Total revenue	21.8	127.1	162.3	176.2	212.8	216.3
Operating revenue	17.4	107.3	137.9	160.4	179.5	191.1
Other current revenue	1.4	4.4	4.7	4.3	5.2	0.2
Current transfers from Central Government	1.2	—	—	—	—	—
Capital transfers from Central Government	1.8	15.4	19.7	11.5	28.1	25.0
Total expenditure	14.3	112.1	178.3	273.0	346.1	353.3
Operating expenditure	10.3	77.7	110.7	123.8	118.7	126.5
Wages and salaries	5.0	16.5	25.2	37.6	39.8	43.0
Goods and services	5.3	59.2	82.6	82.1	75.4	78.5
Employer's contribution	—	2.0	2.9	4.1	3.5	5.1
Current transfers to Central Government	—	0.5	—	—	—	—
Other current transfers	0.3	1.6	3.5	8.1	8.7	8.9
Other current expenditure	1.3	3.3	3.4	2.7	1.6	2.2
Fixed capital formation	2.4	29.0	60.7	138.5	217.1	215.7
Net lending	—	—	—	—	—	—
Operating balance (deficit -)	7.1	29.6	27.2	36.7	60.8	64.6
Current account balance (deficit -)	8.1	29.1	25.0	30.1	55.7	53.8
Overall balance before grants (deficit -)	7.5	15.0	-16.0	-96.8	-133.3	-137.0
Foreign grants	0.2	—	6.9	19.1	96.2	29.1
Overall balance after grants (deficit -)	7.7	15.0	-9.1	-77.7	-37.1	-107.9

Table 34. Nicaragua: Operations of the Public Utility Enterprises (Continued)

	1990	1991	1992	1993	1994
IV. Telecommunication and Post (TELCOR)					
<i>(In millions of cordobas)</i>					
Total revenue	25.8	188.5	259.9	370.9	422.6
Operating revenue	21.7	186.0	258.6	369.8	413.7
Other current revenue	4.1	2.5	1.3	1.2	8.9
Total expenditure	26.8	194.6	398.1	371.5	495.1
Operating expenditure	18.5	98.6	138.0	144.9	183.7
Wages and salaries	9.8	55.6	76.3	88.0	94.5
Goods and services	8.7	38.0	58.1	56.7	79.8
Employer's contribution	—	5.0	3.6	0.1	9.3
Interest payments	—	0.3	1.9	2.6	1.8
Of which: external interest payments	—	—	1.0	1.5	1.5
Current transfers	7.0	29.7	36.0	41.8	54.3
To Central Government	6.9	23.8	5.0	—	—
To Municipality of Managua	—	2.4	4.0	3.1	—
Other	0.1	3.5	27.0	38.7	54.3
Other current expenditure	0.7	6.2	—	4.1	7.0
Fixed capital formation	0.4	56.6	216.1	175.8	247.3
Net lending	0.2	3.2	6.1	2.4	1.0
Operating balance (deficit -)	3.2	87.4	120.6	224.9	230.0
Current account balance (deficit -)	-0.4	53.7	84.0	177.6	175.8
Overall balance before grants (deficit -)	-1.0	-6.1	-138.2	-0.6	-72.5
Foreign grants	—	—	5.5	1.5	—
Overall balance after grants (deficit -)	-1.0	-6.1	-132.7	1.0	-72.5

Sources: Ministry of Finance; Central Bank of Nicaragua; INE; INAA; TELCOR; ENABUS; and Fund Staff estimates.

1/ Includes wages in kind.

2/ ENABUS was privatized in December 1992.

Table 35. Nicaragua: Consolidated Operations of the Public Sector

	1990	1991	1992	1993	1994	Prel. 1995
A. Consolidated Nonfinancial Public Sector 1/						
(In millions of cordobas)						
Total revenue	285.8	1,861.9	2,644.3	3,271.9	3,685.7	4,232.7
Tax revenue of the general government	241.2	1,629.0	2,246.7	2,518.9	2,979.1	3,651.3
Operating balance of public utility enterprises	12.4	86.1	207.7	470.8	406.7	266.3
Nontax revenue 2/	20.1	110.4	143.3	166.3	233.4	242.2
Current transfers	10.3	19.9	29.5	53.0	30.0	—
Capital revenue	1.8	16.6	17.1	62.9	34.6	72.9
Total expenditure	805.8	2,432.9	3,423.1	4,242.4	5,228.9	5,850.7
Current expenditure	769.0	2,034.7	2,497.9	2,870.1	3,358.2	3,602.8
Of which: Interest payments	1.6	86.4	269.9	431.4	652.2	698.8
Capital expenditure and net lending	36.8	398.2	925.2	1,372.3	1,870.6	2,247.9
Fixed capital formation	33.4	324.6	776.2	885.7	1,421.7	1,375.4
Financial investment	—	0.5	6.6	2.8	0.7	1.4
Capital transfers	2.9	19.4	130.8	438.9	416.8	696.7
Net lending	0.5	53.7	11.6	45.0	31.5	174.4
Current account balance (deficit -)	-485.0	-169.4	129.3	339.0	293.0	557.0
Overall balance before grants (deficit -)	-520.0	-571.0	-778.8	-970.5	-1,543.1	-1,618.0
Foreign grants	231.9	888.2	452.1	935.5	806.8	842.2
Overall balance after grants (deficit -)	-288.1	317.2	-326.7	-35.0	-736.4	-775.8
Total financing	288.1	-317.2	326.7	35.0	736.4	775.8
External financing	127.0	30.1	945.8	149.1	1,054.1	533.5
Internal financing	161.1	-347.3	-619.1	-114.1	-317.7	242.3
Of which: Central Bank	166.4	21.6	-634.9	171.0	86.5	565.7

Table 35. Nicaragua: Consolidated Operations of the Public Sector (Concluded)

	1990	1991	1992	1993	1994	Prel. 1995
B. Combined Public Sector: Overall balance by origin						
(In millions of cordobas)						
Overall cash balance before grants (deficit -)	-549.5	-626.0	-884.3	-1,121.9	-1,613.5	-1,600.4
Nonfinancial public sector	-520.0	-571.0	-778.8	-970.5	-1,543.1	-1,618.0
Central Government	-517.8	-556.3	-702.8	-825.2	-1,238.3	-1,390.0
Rest of general government	5.5	51.3	95.1	16.0	57.5	15.0
Public utility enterprises	-7.7	-83.3	-194.0	-156.4	-413.0	-275.1
Interagency transfer discrepancy	--	17.3	22.9	-4.9	50.6	32.1
Central bank losses	-29.5	-55.0	-105.5	-151.4	-70.4	17.6
(In percent of GDP)						
Overall cash balance before grants (deficit -)	-35.1	-8.4	-9.6	-10.1	-13.0	-11.1
Nonfinancial public sector	-33.2	-7.7	-8.4	-8.8	-12.4	-11.2
Central Government	-33.1	-7.5	-7.6	-7.5	-9.9	-9.6
Rest of general government	0.4	0.7	1.0	0.1	0.5	0.1
Public utility enterprises	-0.5	-1.1	-2.1	-1.4	-3.3	-1.9
Interagency transfer discrepancy	--	0.2	0.2	--	0.4	0.2
Central bank losses	-1.9	-0.7	-1.1	-1.4	-0.6	0.1

Sources: Tables 33 and 34; and Fund staff estimates.

1/ Includes the General Government and the public utility enterprises.

2/ Includes other current revenue of public utility enterprises.

Table 36. Nicaragua: Summary Accounts of the Central Bank
(In millions of cordobas)

	C\$5 per US\$		C\$6.27 per US\$		C\$6.8 per US\$		C\$7.6 per US\$	
	1991	1992	1992 1/	1993	1993 2/	1994	1994 3/	Prel. 1995 3/
Net internacional reserves	553.0	528.0	662.2	34.5	37.1	505.4	-11.1	-485.7
Foreign assets	840.0	898.3	1,123.0	549.9	597.5	1,172.5	1,310.5	1,337.6
Foreign liabilities	-287.0	-370.3	-460.8	-515.4	-560.4	-667.1	-1,321.6	-1,823.2
Net domestic assets	20,937.9	21,880.0	27,267.5	27,902.1	24,577.8	25,011.8	27,214.9	27,622.2
Net credit to Central Government 4/	1,110.7	482.0	1,411.0	1,564.7	21,244.6	21,324.3	22,917.7	23,468.3
Credits	1,314.1	1,720.9	2,840.6	3,027.3	21,646.1	21,646.1	23,258.3	23,665.0
Deposits(-)	-203.4	-1,238.9	-1,429.6	-1,462.6	-401.5	-321.8	-340.6	-196.7
Of which: denominated in foreign currency	-91.8	-750.6	-941.3	-941.3	-145.0	-161.9	-179.5	-32.9
Net credit to rest of public sector	31.8	25.6	35.7	53.0	57.7	64.6	48.0	63.0
Credits	55.1	59.0	74.0	73.9	80.2	80.2	63.1	63.1
Deposits(-)	-23.3	-33.4	-38.3	-20.9	-22.5	-15.6	-15.1	-0.0
Of which: denominated in foreign currency	-14.8	-19.3	-24.2	-19.2	-20.8	-12.2	11.5	-0.0
Net credit to private enterprises	31.6	45.9	56.8	88.2	94.9	106.0	71.7	42.5
Credit to commercial banks	1,100.5	1,535.5	918.1	1,017.5	810.7	871.8	872.6	655.3
Credit to the Nicaraguan Investment Fund (FNI)	833.7	1,106.7	1,339.4	1,585.4	677.1	941.8	1,278.5	1,236.5
Central Bank losses	55.0	160.5	160.5	311.9	311.9	382.3	382.3	364.8
Official capital and reserves	-48.9	-48.9	-48.9	-48.9	-18.1	-10.6	-10.6	-10.6
Revaluation account	12,718.0	12,718.0	17,580.3	17,580.3	1,410.6	1,410.6	1,451.2	1,451.2
Net unclassified assets	5,105.5	5,854.7	5,814.6	5,750.0	-11.6	-79.0	203.5	351.2
Allocation of SDRs	139.3	133.9	167.9	167.9	179.5	179.5	200.4	200.4
Foreign liabilities (medium- and long-term)	20,472.5	21,316.8	26,731.3	26,725.0	23,364.0	23,652.5	25,803.7	25,645.6
Liabilities to commercial banks	451.5	461.0	529.3	491.0	515.8	820.4	314.7	346.0
Currency	63.5	81.0	81.0	75.9	75.9	77.9	77.9	87.9
Deposits	388.0	380.0	448.3	415.1	439.9	742.5	236.8	258.1
Of which: denominated in foreign currency	302.5	269.2	337.6	286.1	310.9	505.7	...	...

Table 36. Nicaragua: Summary Accounts of the Central Bank (Concluded)
(In millions of cordobas)

	C\$5 per US\$		C\$6.27 per US\$		C\$6.8 per US\$		C\$7.6 per US\$	
	1991	1992	1992 1/	1993	1993 2/	1994	1994 3/	Prel. 1995 2/
Negotiable Investment Certificates (CENI's)	...	...	...	...	...	...	...	57.1
Liabilities to the Nicaraguan Investment Fund(FNI)	<u>29.3</u>	<u>28.3</u>	<u>33.2</u>	<u>43.8</u>	<u>46.7</u>	<u>176.5</u>	<u>196.6</u>	<u>116.4</u>
Of which: denominated in foreign currency	16.0	19.3	24.2	33.7	36.6	171.0	196.6	116.2
Liabilities to private sector	<u>398.3</u>	<u>468.0</u>	<u>468.0</u>	<u>508.9</u>	<u>508.9</u>	<u>688.3</u>	<u>688.3</u>	<u>771.0</u>
Currency in circulation	398.3	468.0	468.0	508.9	508.9	688.3	688.3	771.0

Sources: Central Bank of Nicaragua; and Fund Staff estimates.

1/ Net credit to the Central Government and to the commercial banks were adjusted by the amount of Bonos de Saneamiento related to the restructuring and recapitalization of the state-owned commercial banks.

2/ Net credit to the Central Government was adjusted by the amount of Bonos de Saneamiento related to the consolidation of the Central Bank operational losses and the cleaning up of Bank accounts carried out on December 31, 1993 and by the remaining amount of Bonos de Saneamiento related to the recapitalization of the state-owned commercial banks, started in 1992. Credit to the Nicaraguan Investment Fund (FNI) was adjusted by the write off of credits related to the restructuring of that institution carried out in December 1993.

3/ Beginning in December 1994, Net International Reserves were redefined to include as liabilities Central Bank foreign currency bonds (BOMEX), reserve deposits and foreign debt arrears.

4/ In 1992 and 1993 net credit to the Central Government includes a stock adjustment in government bonds held by the Central Bank (Bonos de Saneamiento) related to the restructuring and recapitalization of the state-owned commercial banks and the consolidation of Central Bank operational losses including accounting revaluation.

Table 37. Nicaragua: Summary Accounts of the Commercial Banks
(In millions of cordobas)

	C\$5 per US\$		C\$6.27 per US\$		C\$6.8 per US\$		C\$7.6 per US\$	
	1991	1992	1992 1/	1993	1993 1/	1994	1994 1/ 2/	Prel. 1995 2/
Net international reserves	62.6	102.7	128.8	209.2	226.9	172.0	732.6	859.2
Foreign assets	164.0	216.5	271.5	297.0	322.1	364.2	947.3	1,072.4
Foreign liabilities	-101.4	-113.8	-142.7	-87.8	-95.2	-192.2	-214.7	-213.2
Claims on Central Bank	494.7	462.9	536.2	487.3	517.5	805.0	314.7	346.0
Currency	63.5	81.0	81.0	75.9	75.9	77.9	77.9	87.9
Deposits	431.2	381.9	455.2	411.4	441.6	727.1	236.8	258.1
Of which: denominated in foreign currency	329.1	288.5	361.8	277.1	307.2	487.1	...	...
Domestic assets	1,533.0	2,514.8	1,985.7	2,660.7	2,578.9	3,688.8	4,131.7	4,712.2
Net credit to Central Government	-25.2	-55.9	-59.5	-66.8	-68.8	-110.3	-116.9	-122.8
Net credit to the rest of the public sector	-152.8	-237.4	-284.3	-359.3	-388.5	-436.4	-473.7	-505.8
Net credit to APP enterprises	727.7	--	--	--	--	--	--	--
Credit to private sector	1,201.7	2,923.2	2,347.1	3,023.9	3,194.0	3,940.8	4,286.6	4,886.0
Capital and reserves	116.2	-391.8	-391.8	-472.8	-502.6	-648.8	-648.8	-686.1
Revaluation account	-154.9	-154.9	131.2	131.2	112.7	112.7	-455.5	-502.3
Net unclassified assets	-179.7	431.6	243.0	404.5	232.1	830.8	1,540.0	1,643.2
Foreign liabilities (medium- and long-term)	1.3	8.1	10.2	29.7	32.2	23.0	25.7	23.7
Liabilities to Central Bank	1,100.5	1,535.5	918.1	1,017.5	810.7	871.8	872.6	655.3
Liabilities to the Nicaraguan Investment Fund (FNI)	116.1	354.2	334.3	705.4	765.1	1,043.5	1,280.3	1,303.8
Liabilities to private sector	872.4	1,182.6	1,388.1	1,604.6	1,715.3	2,727.5	3,000.4	3,934.6
Demand deposits	324.8	373.2	373.2	295.1	295.1	407.6	407.6	471.4
Time and Savings deposits	182.9	255.3	320.1	375.1	406.8	714.9	799.0	899.9
Liabilities in foreign currencies	364.7	554.1	694.8	934.4	1,013.4	1,605.0	1,793.8	2,563.3

Sources: Central Bank of Nicaragua; and Fund staff estimates.

1/ Reflects the recapitalization of the state-owned commercial banks.

2/ Beginning in December 1994, Net International Reserves were redefined to include commercial bank holdings of Central Bank foreign exchange bonds (BOMEX) and reserve deposits denominated in foreign currency.

Table 38. Nicaragua: Summary Accounts of the Banking System
(In millions of cordobas)

	C\$5 per US\$		C\$6.27 per US\$		C\$6.8 per US\$		C\$7.6 per US\$	
	1991	1992	1992	1993	1993	1994	1994	Prel. 1995
Net international reserves	615.6	630.7	791.0	243.7	264.0	677.4	721.5	373.5
Foreign assets	1,004.0	1,114.8	1,394.5	846.9	919.6	1,536.7	2,257.8	2,410.0
Foreign liabilities	-388.4	-484.1	-603.5	-603.2	-655.6	-859.3	-1,536.3	-2,036.4
Domestic assets	21,413.6	22,861.2	28,342.0	29,541.6	26,347.7	27,813.4	30,474.0	31,679.1
Net credit to Central Government	1,085.5	426.1	1,351.5	1,497.9	21,175.8	21,214.0	22,800.8	23,345.5
Net credit to the rest of the public sector	-121.0	-211.8	-248.6	-306.3	-330.8	-371.8	-425.7	-442.8
Net credit to APP	727.7	--	--	--	--	--	--	--
Credit to private sector	1,233.3	2,969.1	2,403.9	3,112.1	3,288.9	4,046.8	4,358.3	4,928.5
Credit to the Nicaraguan Investment Fund (FNI)	833.7	1,106.7	1,339.4	1,585.4	677.1	941.8	1,278.5	1,236.5
Central Bank losses	55.0	160.5	160.5	311.9	311.9	382.3	382.3	364.8
Capital and reserves	67.3	-440.7	-440.7	-521.7	-520.7	-659.4	-659.4	-696.7
Revaluation account	12,563.1	12,563.1	17,711.5	17,711.5	1,523.3	1,523.3	995.7	948.9
Net unclassified assets	4,925.8	6,286.3	6,057.6	6,154.5	220.5	751.8	1,743.5	1,994.4
Interbank float	43.2	1.9	6.9	-3.7	1.7	-15.3	--	--
Allocation of SDRs	139.3	133.9	167.9	167.9	179.5	179.5	200.4	200.4
Foreign liabilities (medium- and long-term)	20,473.8	21,324.9	26,741.5	26,754.7	23,396.2	23,675.5	25,829.4	25,669.3
Liabilities to the Nicaraguan Investment Fund (FNI)	145.4	382.5	367.5	749.2	811.8	1,220.0	1,476.9	1,420.2
Liabilities to private sector	1,270.7	1,650.6	1,856.1	2,113.5	2,224.2	3,415.8	3,688.7	4,705.6
Currency in circulation	398.3	468.0	468.0	508.9	508.9	688.3	688.3	771.0
Demand deposits	324.8	373.2	373.2	295.1	295.1	407.6	407.6	471.4
Time and Savings deposits	182.9	255.3	320.1	375.1	406.8	714.9	799.0	899.9
Liabilities in foreign currency	364.7	554.1	694.8	934.4	1,013.4	1,605.0	1,793.8	2,563.3
Negotiable Investment Certificates (CENI's)	---	---	---	---	---	---	---	57.1

Sources: Tables 36 and 37; Central Bank of Nicaragua; and Fund staff estimates.

Table 39. Nicaragua: Summary Accounts of the National Investment Fund (FNI)
(In millions of cordobas)

	C\$5 per US\$		C\$6.27 per US\$		C\$6.8 per US\$		C\$7.6 per US\$		Prel.
	1991	1992	1992	1993	1993	1994	1994	1995	
Foreign assets	<u>2.0</u>	<u>12.5</u>	<u>15.7</u>	<u>66.0</u>	<u>71.6</u>	<u>38.4</u>	<u>42.9</u>	<u>39.6</u>	
<u>Claims on Central Bank</u>	<u>37.4</u>	<u>28.3</u>	<u>33.2</u>	<u>43.8</u>	<u>50.6</u>	<u>174.0</u>	<u>196.7</u>	<u>117.5</u>	
Currency	--	--	--	--	5.7	0.1	0.1	1.1	
Deposits	37.4	28.3	33.2	43.8	44.9	173.9	196.6	116.4	
o/w: denominated in foreign currency					34.3	168.9	191.1	...	
Domestic assets	<u>1,024.6</u>	<u>1,065.9</u>	<u>1,283.7</u>	<u>1,410.8</u>	<u>701.8</u>	<u>963.2</u>	<u>1,038.9</u>	<u>1,079.4</u>	
Credit to the Central Government	...	...	--	--	--	--	--	--	
Credit to rest of banking system	112.9	354.2	424.4	707.4	782.3	1,157.1	1,280.3	1,303.8	
Credit to APP enterprises	1,011.9	1,011.9	1,271.7	1,127.9	--	--	--	--	
Official capital and reserves	-31.1	-33.5	-33.5	-33.5	-107.4	-118.0	-118.0	-120.5	
Revaluation of foreign assets	-20.0	-20.0	120.5	120.5	85.2	85.2	286.9	370.5	
Net unclassified assets	-49.1	-246.7	-499.4	-511.5	-58.3	-161.1	-410.3	-474.4	
Liabilities to Central Bank	<u>1,064.0</u>	<u>1,106.7</u>	<u>1,332.6</u>	<u>1,520.6</u>	<u>824.0</u>	<u>1,175.6</u>	<u>1,278.5</u>	<u>1,236.5</u>	

Sources: Central Bank of Nicaragua; and Fund staff estimates.

Table 40. Nicaragua: Consolidated Financial System
(In millions of cordobas)

	C\$5 per US\$		C\$6.27 per US\$		C\$6.8 per US\$		C\$7.6 per US\$	
	1991	1992	1992	1993	1993	1994	1994	Prel. 1995
Net international reserves	617.6	643.2	806.7	309.7	335.6	715.8	764.4	413.1
Foreign assets	1,006.0	1,127.3	1,410.2	912.9	991.2	1,575.1	2,300.7	2,449.6
Foreign liabilities	-388.4	-484.1	-603.5	-603.2	-655.6	-859.3	-1,536.3	-2,036.4
Domestic assets	21,266.2	22,466.2	27,958.8	28,726.4	25,464.3	26,555.0	28,954.2	30,219.3
Net credit to nonfinancial public sector	964.5	214.3	1,102.9	1,191.6	20,845.0	20,842.2	22,375.1	22,902.7
Net credit to Central Government	1,085.5	426.1	1,351.5	1,497.9	21,175.8	21,214.0	22,800.8	23,345.5
Net credit to rest of public sector	-121.0	-211.8	-248.6	-306.3	-330.8	-371.8	-425.7	-442.8
Credit to productive sector	2,972.9	3,981.0	3,675.6	4,240.0	3,288.9	4,046.8	4,358.3	4,928.5
Net credit to APP enterprises	1,739.6	1,011.9	1,271.7	1,127.9	--	--	--	--
Credit to private sector	1,233.3	2,969.1	2,403.9	3,112.1	3,288.9	4,046.8	4,358.3	4,928.5
Capital and reserves	36.2	-474.2	-474.2	-555.2	-628.1	-777.4	-777.4	-817.2
Central Bank losses	55.0	160.5	160.5	311.9	311.9	382.3	382.3	364.8
Revaluation account	12,543.1	12,543.1	17,832.0	17,832.0	1,608.5	1,608.5	1,282.6	1,319.4
Net unclassified assets	4,876.7	6,039.6	5,558.2	5,643.0	162.2	590.7	1,333.2	1,520.0
Intrasystem float	-182.2	1.9	103.8	63.1	-124.1	-138.1	0.1	1.1
Allocation of SDRs	139.3	133.9	167.9	167.9	179.5	179.5	200.4	200.4
Foreign liabilities (medium- and long-term)	20,473.8	21,324.9	26,741.5	26,754.7	23,396.2	23,675.5	25,829.4	25,669.3
Liabilities to private sector	1,270.7	1,650.6	1,856.1	2,113.5	2,224.2	3,415.8	3,688.7	4,762.7
Money	723.1	841.2	841.2	804.0	804.0	1,095.9	1,095.9	1,242.4
Currency in circulation	398.3	468.0	468.0	508.9	508.9	688.3	688.3	771.0
Demand deposits	324.8	373.2	373.2	295.1	295.1	407.6	407.6	471.4
Quasi-money	547.6	809.4	1,014.9	1,309.5	1,420.2	2,319.9	2,592.8	3,520.3
Time and savings deposits	182.9	255.3	320.1	375.1	406.8	714.9	799.0	899.9
Negotiable Investment Certificates (CENI's)	---	---	---	---	---	---	---	57.1
Deposits in foreign currencies	364.7	554.1	694.8	934.4	1,013.4	1,605.0	1,793.8	2,563.3

Sources: Tables 38 and 39; Central Bank of Nicaragua; and Fund staff estimates.

Table 41 Nicaragua: Total Assets of the Financial System by Institution
(In millions of cordobas)

	December 31									
	1991		1992		1993		1994		Prel. 1995	
		Percent		Percent		Percent		Percent		Percent
Total Assets	12,481.9	100.0	27,187.0	100.0	33,009.8	100.0	36,469.4	100.0	37,103.5	100.0
Central Bank of Nicaragua	8,367.6	67.0	22,673.3	83.4	27,352.7	82.9	28,408.0	77.9	27,161.6	73.2
Rest of the banking system	2,983.1	23.9	3,077.3	11.3	4,421.4	13.4	6,309.5	17.3	8,000.2	21.6
Banco Nacional de Desarrollo	1,732.9	13.9	1,336.4	4.9	1,749.8	5.3	2,086.7	5.7	2,141.6	5.8
Banco Inmobiliario	57.5	0.5	--	--	--	--	--	--	--	--
Banco Popular	136.8	1.1	128.3	0.5	297.4	0.9	326.7	0.9	308.0	0.8
Banco Nicaraguense de Industria y Comercio (BANIC)	883.7	7.1	852.3	3.1	962.4	2.9	1,192.0	3.3	1,303.6	3.5
Banco Mercantil	60.4	0.5	118.4	0.4	169.1	0.5	445.8	1.2	743.6	2.0
Banco de la Produccion	41.4	0.3	200.1	0.7	291.3	0.9	363.5	1.0	533.1	1.4
Banco de America Central	47.7	0.4	197.5	0.7	271.7	0.8	517.4	1.4	783.9	2.1
Banco Centroamericano	22.7	0.2	123.0	0.5	246.5	0.7	483.0	1.3	682.4	1.8
Banco de Prestamos	--	--	35.5	0.1	158.1	0.5	272.0	0.7	374.0	1.0
Interbank	--	--	46.8	0.2	122.2	0.4	206.4	0.6	332.0	0.9
Banco de Exportaciones	--	--	39.0	0.1	152.9	0.5	319.7	0.9	435.8	1.2
Banco del Campo	--	--	--	--	--	--	61.9	0.2	110.7	0.3
Banco Europeo de Centroamerica	--	--	--	--	--	--	34.4	0.1	156.9	0.4
Banco Caley Dagnal	--	--	--	--	--	--	--	--	40.0	0.1
Banco del Café	--	--	--	--	--	--	--	--	54.8	0.1
Nonbank financial institutions										
Fondo Nicaraguense de Inversiones (FNI)	1,131.2	9.1	1,436.4	5.3	1,235.7	3.7	1,751.9	4.8	1,941.7	5.2
	1,131.2	9.1	1,436.4	5.3	1,235.7	3.7	1,751.9	4.8	1,941.7	5.2

Source: Central Bank of Nicaragua.

Table 42. Nicaragua: Interest Rate Structure
(In percent per annum unless otherwise specified)

	December					
	1990	1991	1992	1993	1994	1995
Central Bank						
To Central Government	2.0	6.0	--	--	--	--
To commercial banks						
For liquidity assistance 1/	15.0	22.5	16.3	30.4	28.7	26.8
For productive activities						
Short-term	10.0-13.0	15.5	13.0	9.5	10.5	10.2
Long-term	10.0	14.0	12.0	8.5	10.5	10.2
Bonos de Fomento (BOFOS)	--	--	--	--	10.5	10.2
Bonds denominated in foreign currency (BOMEX)	--	--	--	--	7.5-9.2	7.5-8.5
Negotiable investment certificates (CENIS) 2/	--	--	--	--	--	15.5-20.0
Commercial banks 3/						
Loans						
Local currency 2/:						
Short-term loans (under 18 months)	13.0-22.0	18.0	20.3	20.3	19.3	20.3
Medium-term loans (18 months to 5 years)	11.0	14.0-18.0	18.4	17.4	16.0	16.9
Foreign currency:						
Short-term loans (under 18 months)	--	--	--	--	16.0	16.3
Medium-term loans (18 months to 5 years)	--	--	--	--	14.6	16.1
Deposits and other obligations						
Local currency 2/:						
Savings deposits	--	8.0	8.4	8.8	9.0	8.9
Time deposits						
30-day deposits	12.5	12.0	11.3	11.9	11.1	11.5
3-month deposits	--	--	--	--	12.4	13.1
6-month deposits	13.0	13.0	13.1	13.7	13.3	14.3
1 year and over	14.0	13.0	13.8	14.6	14.5	15.2
Foreign currency:						
Savings deposits	--	3.3	4.2	4.5	4.7	5.5
Time deposits						
30-day deposits	--	4.5	5.0	5.5	5.7	6.3
3-month deposits	--	--	--	--	6.2	7.1
6-month deposits	--	5.0	5.5	5.9	6.2	7.7
1 year and over	--	--	5.9	6.2	7.0	8.4
Memo Item:						
U.S. 3-month certificate of deposit rate	--	--	--	3.3	6.3	5.6

Source: Central Bank of Nicaragua; International Financial Statistics.

1/ Indexed to the US dollar in 1993-95.

2/ Indexed to the US dollar.

Table 43. Nicaragua: Legal Reserve Position of the Commercial Banks

	December 31					
	1990	1991	1992	1993	1994	1995
(In percent)						
<u>Minimum requirements</u>						
Local currency sight deposits 1/	10.0	10.0	10.0	10.0	10.0	15.0
Local currency time and savings deposits 1/	10.0	10.0	10.0	10.0	10.0	15.0
Foreign currency deposits	100.0	25.0	25.0	25.0	25.0	25.0
(In millions of cordobas) 2/						
<u>Commercial banks</u>						
Deposits subject to requirements 3/	266.5	891.6	1,634.7	1,905.1	2,906.0	4,847.1
Required reserves	127.9	391.4	360.1	328.9	507.5	1,005.9
Actual reserves	165.9	495.0	674.0	409.2	589.7	1,043.5
Excess or deficiency (-)	38.0	103.6	313.9	80.2	82.2	37.5
<u>State-owned banks</u>						
Deposits subject to requirements 3/	266.5	891.6	976.0	993.5	1,324.5	1,931.7
Required reserves	127.9	391.4	221.7	160.0	223.0	388.8
Actual reserves	165.9	495.0	390.1	202.8	235.4	333.9
Excess or deficiency (-)	38.0	103.6	168.4	42.8	12.4	-54.9
<u>Private banks 4/</u>						
Deposits subject to requirements 3/	...	...	658.7	911.5	1,581.5	2,915.5
Required reserves	...	...	138.4	168.9	284.5	617.1
Actual reserves	...	...	283.9	206.3	354.3	709.6
Excess or deficiency (-)	...	...	145.5	37.5	69.8	92.4
(In percent of liabilities subject to requirements)						
<u>Commercial banks</u>						
Average required reserves	48.0	43.9	22.0	17.3	17.5	20.8
Actual reserves	62.3	55.5	41.2	21.5	20.3	21.5
Excess or deficiency (-)	14.3	11.6	19.2	4.2	2.8	0.8
<u>State-owned banks</u>						
Average required reserves	48.0	43.9	22.7	16.1	16.8	20.1
Actual reserves	62.3	55.5	40.0	20.4	17.8	17.3
Excess or deficiency (-)	14.3	11.6	17.3	4.3	0.9	-2.8
<u>Private banks 4/</u>						
Average required reserves	...	...	21.0	18.5	18.0	21.2
Actual reserves	...	...	43.1	22.6	22.4	24.3
Excess or deficiency (-)	...	...	22.1	4.1	4.4	3.2

Source: Central Bank of Nicaragua.

1/ Until 1992, up to 1/3 of the legal reserve requirement could be fulfilled with cash in vault.

2/ In 1990, in trillions of old cordobas. One cordoba equals 5 million old cordobas.

3/ Average deposits of the last 15 days of December. Includes deposits of public institutions.

4/ Private commercial banks initiated their operations in the last quarter of 1991.

Table 44. Nicaragua: Net International Reserves
(In millions of U.S. dollars, end of period)

	1990	1991	1991 ^{1/}	1992	1993	1994	Prel. 1995
Total	-1,116.7	-1,090.7	123.5	128.6	38.9	100.6	54.3
Assets	80.1	205.7	201.3	224.9	135.1	302.5	322.3
Liabilities	1,196.8	1,296.4	77.8	96.3	96.2	201.9	268.0
Central Bank	-1,120.0	-1,104.2	110.5	105.6	5.5	-1.4	-63.9
Assets	74.6	172.4	168.0	179.1	87.7	172.3	176.0
Gold ^{2/}	3.9	5.2	3.6	17.1	3.5	4.8	5.3
Foreign exchange	12.1	5.8	5.8	7.2	3.0	8.2	5.5
Deposits abroad	--	--	120.2	114.0	50.9	139.5	152.8
Investments	57.2	158.5	26.4	16.8	2.2	19.8	12.4
Call Account	28.1	10.5	7.9	4.7	0.6	19.0	6.6
Collateral deposits	29.1	18.5	18.5	8.6	1.6	0.8	5.8
Time deposits	--	129.5	--	3.5	--	---	---
Other	1.4	2.9	12.0	24.0	28.1	--	--
Liabilities	1,194.6	1,276.6	57.5	73.5	82.2	173.7	239.9
Latin American central banks	484.1	484.1	---	---	---	---	---
Letters of credit	29.1	18.5	18.5	8.6	6.2	0.8	5.8
Foreign deposits	4.1	4.2	4.2	4.0	2.4	1.7	0.5
Interest in arrears	646.2	717.7	---	---	---	---	---
IMF ^{3/}	11.5	23.0	23.0	23.0	23.0	47.2	35.6
Other ^{4/}	19.6	29.1	11.8	37.9	50.6	124.0	198.0
Rest of financial system	3.3	13.5	13.0	23.0	33.4	102.0	118.2
Assets ^{4/}	5.5	33.3	33.3	45.8	47.4	130.2	146.3
Liabilities	2.2	19.8	20.3	22.8	14.0	28.2	28.1

Source: Central Bank of Nicaragua.

^{1/} Reflecting a reclassification.

^{2/} Valued at US\$360 per troy ounce.

^{3/} SDR converted at US\$1.35=SDR 1.

^{4/} Beginning in 1994, reserve liabilities of the Central Bank include the outstanding stock of BOMEX, foreign currency reserve deposits of commercial banks, and external debt arrears. Similarly, reserve assets of the rest of the financial system are redefined to include its holdings of BOMEX and foreign currency reserve deposits.

Table 45. Nicaragua: Detailed Balance of Payments
(In millions of U.S. dollars)

	1990	1991	1992	1993	1994	Prel. 1995
Current account	-356.2	-852.3	-1,095.2	-867.0	-996.0	-693.0
Trade account	-236.8	-396.3	-547.8	-402.8	-433.5	-327.1
Exports of goods and nonfactor services	390.4	350.2	309.3	355.9	452.7	647.5
Merchandise	330.6	272.4	223.1	266.9	351.2	525.0
Freight and insurance	6.6	5.4	4.5	5.3	7.0	10.5
Travel	12.2	15.8	23.3	30.0	40.2	54.6
Other	41.0	56.6	58.4	53.7	54.3	57.5
Imports of goods and nonfactor services	725.1	842.6	920.3	831.3	956.9	1,070.1
Merchandise	567.4	668.7	770.9	669.7	784.7	852.1
Freight and insurance	57.4	66.2	68.4	59.5	72.0	77.4
Travel	14.7	28.1	30.2	30.9	30.1	40.0
Other	85.6	79.6	50.8	71.2	70.1	100.6
Factor services balance	-221.5	-359.9	-484.2	-391.6	-491.7	-268.8
Receipts	11.8	25.1	17.5	30.4	56.7	82.2
Official interest	--	0.1	--	--	--	--
Private interest and profit remittances	11.8	10.0	7.5	5.4	6.7	7.2
Private transfers	...	15.0	10.0	25.0	50.0	75.0
Expenditures	233.3	385.0	501.7	422.0	548.4	351.0
Official interest	233.3	373.0	489.7	412.0	538.4	336.0
Private interest and profit remittances	--	12.0	12.0	10.0	10.0	15.0
Capital account	-234.9	26.1	-56.9	-104.2	-251.0	17.0
Official transfers	201.6	482.5	310.9	242.7	245.0	177.0
Public sector capital	-225.2	-407.9	-348.8	-404.9	-681.7	-316.0
Disbursements	220.8	345.4	404.3	156.8	338.0	244.0
Nonfinancial						
public sector	214.2	124.5	351.5	104.3	247.3	202.8
Financial public sector	6.6	220.9	52.8	52.5	90.7	41.2
Scheduled amortization	446.0	753.3	753.1	561.7	1,019.7	560.0
Nonfinancial						
public sector	345.3	449.3	646.1	451.9	827.4	...
Financial public sector	100.7	304.0	107.1	109.9	191.9	...
Private capital including errors and omissions	-211.3	-48.5	-19.0	58.0	186.0	157.0
Overall balance	-791.1	-826.2	-1,152.1	-971.2	-1,246.7	-676.6
Change in net international reserves (- increase)	197.8	-15.8	4.9	100.1	-68.7	63.0
Of which IMF (net)	--	23.3	--	--	27.0	-13.0
Net change in arrears	593.3	-1,183.5	1,091.1	779.4	1,272.8	-1,109.0
Exceptional financing	--	2,025.5	66.0	92.0	43.1	1,722.0

Sources: Central Bank of Nicaragua; and Fund staff estimates.

Table 46. Nicaragua: Exports by Commodity

	1990	1991	1992	1993	1994	Prel. 1995
(In millions of U.S. dollars)						
Total exports, f.o.b.	330.6	272.4	223.1	266.9	351.2	324.8
Agricultural and fish products	165.5	144.5	124.9	104.3	189.1	282.4
Cotton	37.2	44.4	26.2	0.4	4.2	2.2
Coffee	71.0	36.2	45.3	31.9	72.9	129.9
Seafood	8.7	12.9	21.1	26.6	42.1	74.2
Bananas	27.1	28.7	10.0	5.5	6.3	14.3
Other	21.5	22.3	22.3	39.9	63.6	61.8
Manufactured products	150.9	117.4	97.7	133.9	158.3	233.0
Foodstuffs	95.6	68.8	59.9	78.3	83.1	82.0
Meat (beef)	57.0	37.5	40.8	60.8	67.6	53.7
Sugar	38.6	31.3	19.1	17.5	15.5	28.3
Wood products	2.2	2.3	1.3	1.4	5.1	13.2
Textiles	3.4	2.7	1.4	2.3	3.4	2.5
Leather and leather goods	5.1	3.9	3.0	0.5	2.7	1.3
Chemical products	11.0	7.9	6.0	3.0	4.5	4.7
Other	33.6	31.8	26.1	48.4	59.5	129.3
Minerals	14.2	10.5	0.3	28.7	3.8	9.4
Gold	14.1	10.2	--	26.1	3.6	8.8
Other	0.1	0.3	0.3	2.6	0.2	0.6
Memorandum item:						
Nontraditional exports	68.8	60.6	51.6	88.4	129.7	196.8
(Shares in percent of total)						
Agricultural and fish products	50.1	53.0	56.0	39.1	53.8	53.8
Cotton	11.3	16.3	11.7	0.2	1.2	0.4
Coffee	21.5	13.3	20.3	12.0	20.8	24.8
Seafood	2.6	4.7	9.5	10.0	12.0	14.1
Bananas	8.2	10.5	4.5	2.0	1.8	2.7
Other	6.5	8.2	10.0	14.9	18.1	11.8
Manufactured products	45.6	43.1	43.8	50.2	45.1	44.4
Meat (beef)	17.2	13.8	18.3	22.8	19.3	10.2
Sugar	11.7	11.5	8.6	6.6	4.4	5.4
Wood products	0.7	0.8	0.6	0.5	1.5	2.5
Textiles	1.0	1.0	0.6	0.9	1.0	0.5
Leather and leather goods	1.5	1.4	1.3	0.2	0.8	0.3
Chemical products	3.3	2.9	2.7	1.1	1.3	0.9
Other	10.2	11.7	11.7	18.1	16.9	24.6
Minerals	4.3	3.9	0.2	10.8	1.1	1.8
Gold	4.3	3.7	--	9.8	1.0	1.7
Other	0.0	0.1	0.2	1.0	0.1	0.1
Memorandum item:						
Nontraditional exports	20.8	22.2	23.1	33.1	36.9	37.5

Source: Central Bank of Nicaragua.

Table 47. Nicaragua: Exports by Destination

	1990	1991	1992	1993	1994	Prel. 1995
(In million of U.S. dollars)						
<u>Total exports, f.o.b.</u>	<u>330.6</u>	<u>272.4</u>	<u>223.1</u>	<u>266.9</u>	<u>351.2</u>	<u>546.1</u> 1/
<u>Western Hemisphere</u>	<u>170.2</u>	<u>157.9</u>	<u>139.1</u>	<u>221.1</u>	<u>261.1</u>	<u>342.3</u>
Central American Common Market	43.7	51.2	41.7	56.8	88.6	82.5
Canada	61.4	32.7	9.5	29.1	2.6	7.0
Cuba	7.6	3.0	--	--	--	--
Mexico	21.6	12.9	14.8	10.0	12.6	12.0
United States	25.3	52.6	52.0	112.3	140.8	208.0
Other	10.6	5.5	21.1	12.9	16.5	33.0
<u>Europe</u>	<u>130.3</u>	<u>76.6</u>	<u>57.1</u>	<u>41.4</u>	<u>86.0</u>	<u>184.9</u>
Belgium	43.4	38.9	17.8	11.9	10.0	25.0
France	4.4	0.3	1.6	2.3	5.3	11.0
Germany	47.1	25.2	26.0	16.2	44.0	57.0
Italy	0.3	1.1	1.4	0.9	3.0	5.0
Netherlands	6.6	2.7	4.6	3.6	3.7	32.0
Spain	12.2	2.6	4.9	3.2	14.2	39.5
United Kingdom	1.2	0.6	0.3	1.4	4.9	3.2
Other	15.1	5.2	0.5	1.9	1.0	12.2
<u>Asia</u>	<u>29.9</u>	<u>37.7</u>	<u>24.7</u>	<u>1.8</u>	<u>2.9</u>	<u>7.2</u>
China	11.3	--	--	--	--	--
Japan	17.8	35.8	21.4	1.4	1.7	7.2
Other	0.8	1.9	3.3	0.4	1.2	--
<u>Other</u>	<u>0.2</u>	<u>0.2</u>	<u>2.2</u>	<u>2.6</u>	<u>2.0</u>	<u>11.5</u>
(In percent of total)						
<u>Western Hemisphere</u>	<u>51.5</u>	<u>58.0</u>	<u>62.3</u>	<u>82.8</u>	<u>74.3</u>	<u>62.7</u>
Central American Common Market	13.2	18.8	18.7	21.3	25.2	15.1
Canada	18.6	12.0	4.3	10.9	0.7	1.3
Cuba	2.3	1.1	--	--	--	--
Mexico	6.5	4.7	6.6	3.7	3.6	2.2
United States	7.7	19.3	23.3	42.1	40.1	38.1
Other	3.2	2.0	9.5	4.8	4.7	6.0
<u>Europe</u>	<u>39.4</u>	<u>28.1</u>	<u>25.6</u>	<u>15.5</u>	<u>24.5</u>	<u>33.9</u>
Belgium	13.1	14.3	8.0	4.5	2.8	4.6
France	1.3	0.1	0.7	0.9	1.5	2.0
Germany	14.2	9.3	11.7	6.1	12.5	10.4
Italy	0.1	0.4	0.6	0.3	0.9	0.9
Netherlands	2.0	1.0	2.1	1.3	1.1	5.9
Spain	3.7	1.0	2.2	1.2	4.0	7.2
United Kingdom	0.4	0.2	0.1	0.5	1.4	0.6
Other	4.6	1.9	0.2	0.7	0.3	2.2
<u>Asia</u>	<u>9.0</u>	<u>13.8</u>	<u>11.1</u>	<u>0.7</u>	<u>0.8</u>	<u>1.3</u>
China	3.4	--	--	--	--	--
Japan	5.4	13.1	9.6	0.5	0.5	1.3
Other	0.2	0.7	1.5	0.1	0.3	--
<u>Other</u>	<u>0.1</u>	<u>0.1</u>	<u>1.0</u>	<u>1.0</u>	<u>0.6</u>	<u>2.1</u>

Source: Central Bank of Nicaragua.

1/ The total exports in 1995 differs from the estimates in other tables owing to different source of reporting.

Table 48. Nicaragua: Merchandise Imports by Type of Goods

	1990	1991	1992	1993	1994	Prel. 1995
(In millions of U.S. dollars)						
<u>Total imports, c.i.f.</u>	<u>637.5</u>	<u>751.4</u>	<u>855.1</u>	<u>744.0</u>	<u>874.7</u>	<u>948.9</u>
<u>Consumer goods</u>	<u>158.7</u>	<u>223.5</u>	<u>292.8</u>	<u>211.1</u>	<u>231.2</u>	<u>243.7</u>
Nondurable	128.8	178.6	242.7	179.1	193.1	200.2
Durable	29.9	44.9	50.1	32.0	38.0	43.5
<u>Energy products</u>	<u>121.0</u>	<u>107.3</u>	<u>121.4</u>	<u>103.9</u>	<u>115.0</u>	<u>115.6</u>
Crude and partially refined oil	105.4	97.6	101.9	82.3	89.9	86.3
Derivatives	15.6	9.7	19.5	21.6	25.1	29.3
<u>Intermediate goods</u>	<u>158.5</u>	<u>222.6</u>	<u>227.1</u>	<u>244.7</u>	<u>305.6</u>	<u>355.2</u>
Agriculture	35.0	44.9	17.0	30.7	42.6	43.6
Industry	103.5	149.3	175.4	169.9	207.5	259.3
Construction	20.0	28.4	34.7	44.1	55.5	52.3
<u>Capital goods</u>	<u>197.2</u>	<u>190.6</u>	<u>213.4</u>	<u>183.7</u>	<u>220.5</u>	<u>233.9</u>
Agriculture	12.3	14.0	14.3	7.6	11.4	9.5
Industry	79.0	93.1	114.1	115.6	143.7	152.7
Transportation	105.9	83.5	85.0	60.5	65.4	71.7
<u>Electricity and other</u>	<u>2.1</u>	<u>7.4</u>	<u>0.4</u>	<u>0.6</u>	<u>2.5</u>	<u>0.5</u>
(Shares in percent of total)						
<u>Consumer goods</u>	<u>24.9</u>	<u>29.7</u>	<u>34.2</u>	<u>28.4</u>	<u>26.4</u>	<u>25.7</u>
Nondurable	20.2	23.8	28.4	24.1	22.1	21.1
Durable	4.7	6.0	5.8	4.3	4.4	4.6
<u>Energy products</u>	<u>19.0</u>	<u>14.3</u>	<u>14.2</u>	<u>14.0</u>	<u>13.2</u>	<u>12.2</u>
Crude and partially refined oil	16.5	13.0	11.9	11.1	10.3	9.1
Derivatives	2.4	1.3	2.3	2.9	2.9	3.1
<u>Intermediate goods</u>	<u>24.9</u>	<u>29.6</u>	<u>26.6</u>	<u>32.9</u>	<u>34.9</u>	<u>37.4</u>
Agriculture	5.5	6.0	2.0	4.1	4.9	4.6
Industry	16.2	19.9	20.5	22.8	23.7	27.3
Construction	3.1	3.8	4.1	5.9	6.3	5.5
<u>Capital goods</u>	<u>30.9</u>	<u>25.4</u>	<u>24.9</u>	<u>24.7</u>	<u>25.2</u>	<u>24.6</u>
Agriculture	1.9	1.9	1.7	1.0	1.3	1.0
Industry	12.4	12.4	13.3	15.5	16.4	16.1
Transportation	16.6	11.1	9.9	8.1	7.5	7.6
<u>Electricity and other</u>	<u>0.3</u>	<u>1.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.3</u>	<u>--</u>

Source: Central Bank of Nicaragua.

Table 49. Nicaragua: Imports by Country of Origin

	1990	1991	1992	1993	1994	Prel. 1995
(In millions of U.S. dollars)						
<u>Total imports, c.i.f.</u>	<u>637.5</u>	<u>751.4</u>	<u>855.1</u>	<u>744.0</u>	<u>874.7</u>	<u>948.9</u>
<u>Western Hemisphere</u>	<u>337.0</u>	<u>530.3</u>	<u>653.4</u>	<u>568.0</u>	<u>650.9</u>	<u>752.3</u>
Central American Common Market	70.9	164.5	227.1	195.2	205.2	226.7
Canada	16.9	22.4	9.2	8.6	11.3	13.9
Mexico	16.6	14.1	25.4	29.8	31.0	31.2
Panama	33.1	37.5	38.4	33.5	34.1	34.7
United States	78.0	170.7	227.4	191.4	221.1	296.5
Venezuela	62.2	106.7	106.0	93.2	107.9	110.0
Other	59.3	14.4	19.9	17.2	40.3	39.3
<u>Europe</u>	<u>128.3</u>	<u>130.6</u>	<u>97.6</u>	<u>83.8</u>	<u>127.9</u>	<u>104.6</u>
Belgium	5.2	3.2	5.0	5.4	16.8	5.4
France	12.1	9.7	10.0	12.9	10.4	10.7
Germany	16.0	20.5	20.1	13.5	22.2	21.9
Italy	18.0	13.1	5.7	0.3	9.2	8.2
Netherlands	12.1	10.0	6.8	4.0	5.2	6.6
Spain	7.6	3.5	6.6	8.8	23.2	23.3
United Kingdom	4.6	3.9	3.7	3.7	3.9	5.0
Other	122.7	66.7	39.7	29.2	37.0	23.5
<u>Asia</u>	<u>94.2</u>	<u>85.3</u>	<u>97.9</u>	<u>89.2</u>	<u>92.6</u>	<u>89.9</u>
Japan	44.8	43.9	56.6	60.2	51.8	49.8
Other	49.4	41.4	41.3	29.0	40.8	40.1
<u>Other</u>	<u>8.0</u>	<u>5.2</u>	<u>5.2</u>	<u>2.3</u>	<u>3.3</u>	<u>2.1</u>
(In percent of total)						
<u>Western Hemisphere</u>	<u>52.9</u>	<u>70.6</u>	<u>76.4</u>	<u>76.3</u>	<u>74.4</u>	<u>79.3</u>
Central American Common Market	11.1	21.9	26.6	26.2	23.5	23.9
Canada	2.7	3.0	1.1	1.2	1.3	1.5
Mexico	2.6	1.9	3.0	4.0	3.5	3.3
Panama	5.2	5.0	4.5	4.5	3.9	3.7
United States	12.2	22.7	26.6	25.7	25.3	31.2
Venezuela	9.8	14.2	12.4	12.5	12.3	11.6
Other	9.3	1.9	2.3	2.3	4.6	4.1
<u>Europe</u>	<u>31.1</u>	<u>17.4</u>	<u>11.4</u>	<u>11.5</u>	<u>14.6</u>	<u>11.0</u>
Belgium	0.8	0.4	0.6	0.6	1.9	0.6
France	1.9	1.3	1.2	1.7	1.2	1.1
Germany	2.5	2.7	2.4	1.8	2.5	2.3
Italy	2.8	1.7	0.7	0.8	1.1	0.9
Netherlands	1.9	1.3	0.8	0.5	0.6	0.7
Spain	1.2	0.5	0.8	1.2	2.7	2.5
United Kingdom	0.7	0.5	0.4	0.5	0.4	0.5
Other	19.2	8.9	4.6	3.9	4.2	2.5
<u>Asia</u>	<u>14.8</u>	<u>11.4</u>	<u>11.4</u>	<u>12.0</u>	<u>10.6</u>	<u>9.5</u>
Japan	7.0	5.8	6.6	8.1	5.9	5.2
Other	7.7	5.5	4.8	3.9	4.7	4.2
<u>Other</u>	<u>1.3</u>	<u>0.7</u>	<u>0.7</u>	<u>0.3</u>	<u>0.4</u>	<u>0.2</u>

Source: Central Bank of Nicaragua.

Table 50. Nicaragua: External Debt Arrears 1/
(In millions of U.S. dollars: end of period)

	1991	1992	1993	1994	1995
Total	3,805	4,366	4,786	6,060	4,668
Principal	2,422	2,836	3,146	4,107	3,315
Interest	1,383	1,530	1,640	1,953	1,353
I. By Creditors					
Official bilateral creditors	1,931	2,500	2,802	4,145	4,189
Principal	1,256	1,673	1,879	2,881	2,875
Interest	675	827	923	1,264	1,314
Multilateral institutions	76	75	68	53	86
Principal	59	61	50	42	56
Interest	17	14	18	11	30
Commercial banks	1,546	1,546	1,740	1,728	304
Principal	892	893	1,069	1,061	303
Interest	654	653	671	667	1
Suppliers	198	197	152	112	81
Principal	177	173	127	103	72
Interest	21	24	25	9	9
Other	54	48	23	23	8
Principal	38	36	21	20	8
Interest	16	12	4	3	--
II. By Debtors					
Public sector arrears	3,682	4,254	4,786	5,994	4,612
Principal	2,300	2,725	3,140	4,040	3,259
Interest	1,382	1,529	1,640	1,953	1,353
Nonfinancial public sector	2,412	2,881	3,521	4,124	3,142
Principal	1,528	1,890	2,388	2,858	2,387
Interest	884	991	1,133	1,266	755
Central Government	2,351	2,863	3,502	4,104	3,118
Principal	1,490	1,876	2,374	2,843	2,373
Interest	861	987	1,128	1,261	745
Public enterprises	61	18	19	20	25
Principal	38	14	14	15	15
Interest	23	4	5	6	10
Financial public sector	1,270	1,373	1,266	1,870	1,469
Principal	772	835	759	1,183	871
Interest	498	538	507	687	598
Central Bank	1,127	1,266	1,199	1,870	1,469
Principal	685	777	692	1,183	871
Interest	442	489	507	687	598
Commercial banks	143	107	--	--	--
Principal	87	58	--	--	--
Interest	56	49	--	--	--
Private sector arrears	123	112	67	67	56
Principal	122	111	67	67	56
Interest	1	1	--	--	--

Source: Central Bank of Nicaragua and Ministry of External Cooperation.

1/ Includes arrears on short-, medium-, and long-term external debt.

Table 51. Nicaragua: Exchange Rates

(In cordobas per U.S. dollar)

	Official ^{1/}	Parallel Market			Private Exchange Houses		
		Buying	Selling	Mid-point	Buying	Selling	Mid-point
December							
1990	0.48 ^{2/}	0.51 ^{3/}	...	...	...	...	...
1991	5.00	5.29	5.40	5.35	5.28	5.39	5.34
1992	5.00	5.37	5.48	5.43	5.26	5.45	5.36
1993	6.35	6.40	6.51	6.46	6.37	6.47	6.42
1994	7.08	7.13	7.27	7.20	7.16	7.25	7.21
1995							
January	7.15	7.24	7.43	7.34	7.31	7.44	7.38
February	7.21	7.35	7.55	7.45	7.41	7.51	7.46
March	7.28	7.36	7.55	7.46	7.41	7.49	7.45
April	7.35	7.38	7.55	7.47	7.41	7.49	7.45
May	7.42	7.41	7.54	7.48	7.44	7.51	7.48
June	7.49	7.49	7.62	7.56	7.52	7.59	7.56
July	7.56	7.57	7.68	7.63	7.62	7.68	7.65
August	7.63	7.67	7.78	7.73	7.71	7.77	7.74
September	7.71	7.72	7.83	7.78	7.76	7.83	7.80
October	7.78	7.84	7.95	7.90	7.84	7.93	7.89
November	7.85	7.86	7.99	7.93	7.88	7.95	7.92
December	7.93	7.95	8.11	8.03	7.98	8.06	8.02
1996							
January	8.00	8.01	8.11	8.06	8.03	8.11	8.07
February	8.08	8.01	8.12	8.06	8.06	8.11	8.08
March	8.16	8.07	8.17	8.12	8.13	8.17	8.15

Source: Central Bank of Nicaragua.

^{1/} Buying rate.

^{2/} Equivalent to 2,404,838.71 New Cordobas (1 Cordoba=5,000,000 New Cordobas).

^{3/} Equivalent to 2,571,935.47 New Cordobas.

Table 52. Nicaragua: Real Effective Exchange Rate and Related Indices

	<u>Effective Exchange Rate</u>		Relative Consumer Prices (Local Currencies)	Exchange Rate in Terms of U.S. Dollars	Consumer Price Index (Not Seasonally Adjusted)
	Real 1/2/	Nominal 3/	4/	2/3/	4/
(Average 1980 = 100)					
<u>1990</u>					
I	242.2	858.2	0.3	21,666.7	1.5
II	308.2	425.6	1.0	10,000.0	5.9
III	309.3	578.9	6.0	1,333.3	36.6
IV	726.7	449.2	16.1	1,000.0	103.8
<u>1991</u>					
I	410.0	851.7	80.2	181.5	544.8
II	367.1	198.5	185.0	40.0	1,292.2
III	362.7	823.7	178.1	40.0	1,292.1
IV	377.1	208.8	180.6	40.0	1,371.0
<u>1992</u>					
I	376.4	217.4	173.2	60.0	1,382.4
II	371.6	222.5	167.1	40.0	1,396.5
III	355.9	226.5	157.2	40.0	1,376.9
IV	369.6	241.7	152.9	40.0	1,409.5
<u>1993</u>					
I	362.6	214.8	168.9	33.7	1,633.5
II	356.8	217.8	163.9	32.9	1,670.3
III	356.4	227.4	156.8	32.3	1,695.0
IV	352.7	237.4	148.6	31.9	1,702.0
<u>1994</u>					
I	346.6	245.1	141.4	31.1	1,730.5
II	336.4	249.9	134.7	30.1	1,766.0
III	325.2	245.3	132.6	29.3	1,823.9
IV	324.8	223.8	135.5	28.6	1,901.9
<u>1995</u>					
I	320.6	237.7	134.9	27.7	1,937.3
II	308.7	230.5	133.9	27.1	1,970.9
III	303.9	227.8	133.4	26.3	2,005.4
IV	311.7	225.9	138.0	25.6	2,117.0
<u>1996</u>					
I	309.1	223.8	138.1	24.9	2,158.6
(Percentage changes)					
December 1993- December 1994	-7.1	--	-7.0	-10.4	12.4
December 1994- December 1995	-4.5	-6.1	1.8	-10.6	11.1
April 1995- April 1996	-0.8	-4.5	3.8	-10.6	12.1

Source Information Notice System.

1/ Increase denotes appreciation.

2/ Using seasonally adjusted price indices.

3/ This index was increased by a factor of 1,000,000.

4/ This index was decreased by a factor of 1,000,000.