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Press Release: IMF Concludes Staff Visit to Nicaragua

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A staff team from the International Monetary Fund (IMF) led by Przemek Gajdeczka visited Managua during March 5-11, 2015. The visit took place as part of a regular dialogue with the authorities, assessing the performance of the Nicaraguan economy and to prepare for the next annual Article IV consultation. The staff team met with officials from the central bank, the ministry of finance, other members of the economic cabinet, and representatives of public sector entities. They reviewed recent economic developments and discussed the economic outlook for Nicaragua. Mr. Gajdeczka issued the following statement at the conclusion of the visit.

“The Nicaraguan economy continues to register relatively high growth rates in the context of macroeconomic stability. In 2014, real Gross Domestic Product (GDP) grew by 4.5 percent, while inflation was 6.5 percent. The consolidated public sector registered a deficit of 1.9 percent of GDP, which is above the original fiscal target, largely due to an increase in capital expenditure. Gross international reserves of the central bank increased by US$273 million in 2014, expanding reserves coverage to 4.9 months of imports (excluding imports from the free trade zone). Credit to the private sector expanded by 20.5 percent in 2014, which is above the growth rate of deposits in the financial system.

“The economic outlook remains favorable. For 2015, real GDP is projected to grow by 4.6 percent, while inflation is expected to decline to 6 percent. The consolidated public sector deficit is expected to widen to 2.3 percent of GDP, owing to an increase in current and capital expenditure. The external current account deficit is expected to widen modestly relative to 2014, with gross international reserves coverage of imports remaining broadly unchanged. Risks to the outlook stem mainly from external factors, including a slowdown in global economic activity and changes in the availability of external financing.

“Going forward, securing strong, durable, and resilient growth will require further strengthening of the public finances, improving the functioning of the financial system, and increasing productivity. In particular, over the medium term, electricity subsidies should be better targeted to protect the low-income and vulnerable sectors of the population in a manner consistent with fiscal sustainability; financial sustainability of the social security system should be protected; and monetary and interbank operations need to be modernized to improve the functioning and resilience of the financial system.

“The authorities have reconciled the foreign trade statistics in the balance of payments and the national accounts with support from the IMF. As a result, the external current account deficit has been revised downwards, on average by 2¼ percent of GDP during 2010-13.

“The IMF team wishes to thank the authorities for their cooperation and candor of discussions. The next visit will be for the 2015 Article IV consultations and is currently scheduled for mid-year.”

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