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Deborah Tyroler

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Nicaragua Implements Fifth Currency Devaluation Of 1989

by Deborah Tyroler

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On Feb. 23, the Nicaraguan central bank devalued the cordoba by 18.7%, marking the fifth devaluation for the year. According to bank spokespersons, the new devaluation was implemented to "favor export producers and avoid domestic market price distortions." Between Jan. 4 and Feb. 23, the cordoba was devalued a total of 185%, from 920 to 3,800 to the dollar. In the parallel market the dollar is currently quoted at 4,250 (purchase), and 4,500 cordobas (sale). The black market exchange rate is between 4,700 and 5,000 cordobas per dollar. The government's policy of periodic devaluations aims to eliminate the black market by closing the gap between the official exchange rate and the rate prevailing in the parallel market. The most recent devaluation provoked immediate proportional price hikes for gasoline and petroleum derivatives, and urban and sea transport. Prices for a gallon of gasoline rose from 6,700 to 7,900 cordobas, and for diesel fuel, 4,800 to 5,600 cordobas. (Basic data from Notimex, 02/23/89)

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