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Deborah Tyroler

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by Deborah Tyroler
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In January 1989, the Nicaraguan government launched an ambitious economic shock program with the intent of cutting off what it described as "hyperinflation." Nicaragua's consumer price level inflation rate for 1988 was 36,000%, establishing a national record, and some say for Latin America as a whole in the past two decades. Inflation dropped from 91% in January to 12% in April. Beginning in May, inflation began to pick up again, in part because of expanded government subsidies to farmers toward boosting domestic and agro-export production. Farmers were slow to plant crops for the next season after sustaining losses resulting from drought and other natural disasters, and were nervous about price instability for products and inputs. In June, consumer price inflation jumped to 62%. At mid-year, the government adopted even more draconian, wage, price, public spending and money supply controls. The outcome was generalized recession. Real wages plummeted. The cost of basic consumer goods has increased dramatically, due in part to numerous devaluations of the cordoba. In January, the US dollar exchanged for 1,904 cordobas. After 32 devaluations, in late December the official exchange rate was 31,150 cordobas per dollar. For the first time in several years, Nicaragua experienced single-digit inflation for an entire quarter, July-September 1989. Notimex cited unidentified analysts who said Nicaragua's annual inflation rate will likely be around 1,200%, close to the 1987 rate of 1,300%. Material damage sustained in the war with the contras has been estimated at $17 billion. Nicaragua's foreign debt at year-end 1989 totaled $7 billion. (Basic data from Notimex, 12/28/89)

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