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Deborah Tyroler

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## **Nicaragua: Cost Of Living Escalates; Introduction Of New Currency Postponed**

*by Deborah Tyroler*

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According to a report by the Mexican government's international news service (Notimex, 07/25/90), prior to the installation of President Violeta Barrios de Chamorro on April 25, the cost of living for average Nicaraguan workers was among the lowest of all Latin American nations. As a result of the new administration's economic policies, real wages have plummeted, transforming Nicaragua into the "most expensive" in Central America. On July 25, 1989, a dozen eggs cost US\$0.50. A year later, the price is US\$1.00. A kilogram of rice at present costs the equivalent of \$1.20, compared to \$0.55 last year. A kilogram of sugar is now priced at \$1.34, compared to \$0.48 last year. A kilogram of low quality beef currently costs the equivalent of \$2. A gallon of gasoline costs \$1.80, while a 100-lb. tank of liquified gas (used in homes for cooking) is priced at about \$9. Fees for public services and basic consumer goods have been fixed in cordoba oro terms. Since the yet-to-be introduced new currency is to be set at parity with the US dollar, these goods and services have effectively been "dollarized." The objective of such policy is to prevent large financial losses experienced by government agencies in the wake of nearly constant currency devaluation. Electricity rates in real terms increased 533% in June compared to May. Meanwhile, workers' wages are quoted in "old" cordobas and wage hikes are not proportional to currency devaluation, and consequently, to consumer price inflation. The cordoba oro was originally to be released in small quantities beginning in the last week of July. Both the cordoba and the cordoba oro, say government officials, will be available until year-end. On July 31, the central bank announced that the introduction of the new currency had been indefinitely postponed due to "last-minute technical adjustments." (Basic data from Notimex, 07/25/90; AFP, 07/31/90)

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