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Nicaragua: More Public Spending Cutbacks

by Deborah Tyroler

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On Aug. 14, deputy finance minister Leonel Rodriguez told reporters that the government plans to implement a new round of public spending cuts in late August. He said the fiscal deficit has increased from 7% to 12% of GDP in recent months. Although Rodriguez refused to provide details on the spending reductions, he said they are not expected to cause a further contraction of economic activity. Next, Rodriguez ruled out the possibility of another currency devaluation and public utility rate hikes. Central Bank president Silvio de Franco said the most likely targets of spending cuts are the public investment portfolio and central administration budgets. Government economists blame the growing fiscal deficit on unexpected expenditures, including at least US\$20 million toward disarmament of the "recontras," and on a lower than expected GDP growth rate. (Source: Agence France-Presse, 08/14/92)

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