INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/14

NICARAGUA

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

January 2026

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Nicaragua, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on November 14, with the officials of Nicaragua on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 22, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR26/015

IMF Executive Board Concludes 2025 Article IV Consultation with Nicaragua

FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation with Nicaragua on January 20, 2026.
- The Nicaraguan economy weathered well multiple shocks since 2018, and strong fundamentals should help Nicaragua withstand headwinds from ongoing shifts in the global policy landscape.
- Real GDP grew by 3.9 percent over 2022-25H1 and is expected to moderate to 3.4 percent in 2026. In the short term, the outlook remains broadly favorable, and there are upside risks to growth. However, downside risks and high uncertainty dominate over the medium term.
- Continued prudent fiscal, monetary, and financial policies will help maintain macroeconomic and financial stability, preserve fiscal sustainability, and strengthen policy buffers. For higher medium-term growth and further progress on poverty reduction, it is crucial to increase public investment, human capital accumulation, and targeted social spending, and diversify exports, while strengthening economic governance and anti-corruption frameworks, and the business climate, and significantly improving the rule of law.

Washington, DC – January 23, 2026: On January 20, 2026, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation[1] with Nicaragua and considered and endorsed the staff appraisal without a meeting. The authorities have consented to the publication of the Staff Report prepared for this consultation.

The Nicaraguan economy weathered well multiple shocks since 2018, supported by appropriate macroeconomic and financial policies, substantial pre-2018 crisis buffers, and financing from international financial institutions during the pandemic. Real GDP growth was further sustained recently by favorable terms of trade and high remittances growth. The economy is operating under targeted international sanctions, a geopolitical reorientation of official foreign inflows, and transfers of private property to the state since 2022. Strong fundamentals—low inflation, a declining public debt-to-GDP ratio, twin fiscal and external surpluses, well-capitalized banks and sizeable buffers—should help Nicaragua withstand headwinds from ongoing shifts in the global policy landscape.

The short-term economic outlook remains broadly favorable, with real GDP growth expected to reach 3.8 percent in 2025 and moderate to 3.4 percent in 2026. The medium-term outlook remains subject to high uncertainty, including due to global shifts in trade and immigration

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

policies. Risks are tilted to the downside in the medium term, including from natural disasters, commodity price volatility, weaker global growth, tighter U.S. immigration and trade policies, and stricter and wider international sanctions. Upside short-term risks include more favorable terms of trade and higher public capital spending.

Executive Board Assessment[2]

In concluding the 2025 Article IV consultation with Nicaragua, Executive Directors endorsed staff's appraisal, as follows:

Nicaragua's economy remains resilient supported by sound macroeconomic policies, amid a shifting global policy landscape. Real GDP grew by 3.9 percent in the first half of 2025, as exports and remittances increased strongly despite global trade policy uncertainty. Inflation remains low, and the financial sector is reportedly well capitalized with adequate liquidity and low NPLs. The fiscal position is strong, with external and overall public debt at moderate risk of debt distress, substantial space to absorb shocks, and a strong debt carrying capacity. The NIIP is sustainable, reserve coverage is adequate, and the external position is assessed as substantially stronger than the level implied by fundamentals and desirable policies.

The short-term outlook remains broadly favorable, while downside risks and high uncertainty dominate over the medium term. Growth is projected to moderate to 3.4 percent in 2026, from 3.8 percent in 2025, reflecting mostly staff's assumptions of lower remittances, in a context of tighter U.S. immigration policies. Over the medium term, staff expect real GDP growth to stabilize at around 3½ percent, supported by public investment and an expanding labor force. Foreign reserves are expected to remain ample, albeit growing at a slower pace as CA surpluses narrow. Upside short-term risks include more favorable terms of trade and higher public investment. Downside risks stem from commodity price volatility, weaker global growth, and tighter U.S. immigration and trade policies. Natural disasters, and stricter and broader international sanctions could also impact negatively growth.

Staff welcome the authorities' continued commitment to safeguarding fiscal sustainability and building buffers while supporting growth and recommend additional measures. Staff broadly support the 2026 capital and human development spending plans, and advise proceeding cautiously with budget execution in line with staff's baseline scenario, considering downside risks, high uncertainty, limited external financing, and persistent imbalances in the pension system. Staff also recommend enhancing tax collection and better targeting SOE transfers to create space for higher priority public investment and targeted social spending. In a downside scenario, targeted and time-bound support to vulnerable groups could be deployed.

Monetary policy should continue preserving price and external stability and the BCN should continue strengthening monetary policy transmission. The ongoing easing of the monetary policy stance and the announced rate of crawl of 0 percent for 2026 are appropriate given external conditions and the macroeconomic and financial policy mix. Staff recommend continuing to foster the use of local currency and deepen capital markets to enhance monetary policy effectiveness. In a downside scenario, the authorities should stand ready to increase the monetary reference rate and recalibrate the rate of crawl, if needed.

Staff support the implementation of the comprehensive set of financial laws approved in early 2025 and recommend further strengthening crisis preparedness. The new laws increased capital buffers and strengthened the recovery and crisis resolution framework. Further efforts are needed to prepare the analysis needed for activating the CCB and contingency plans in

[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

the crisis resolution framework. Staff also recommend standing ready to release CCBs in a downside scenario of financial distress and adjusting further the financial regulations in consultation with banks to ensure they do not impose an excessive regulatory burden.

Staff recommend boosting human and physical capital and diversifying exports. Stronger social safety nets and expanded active labor-market policies would support a higher contribution of labor to medium-term growth, along with the expected public investment in transport and health. Staff welcome efforts to expand export markets and recommend working with export firms to support the skills needed to scale up into higher value-added products.

To sustain higher medium-term growth, staff recommend strengthening the business climate and economic governance, especially significantly improving the rule of law. To improve competitiveness and increase private investment by reducing the cost of doing business, it is important to strengthen the business facilitation with economic agents and maintain fiscal integrity. It is also crucial to increase the transparency, accountability, and effectiveness of administrative and judicial processes related to private property rights (including of third parties), which includes guaranteeing all adequate, effective, and fair legal recourse. On economic governance, staff recommend continuing to increase fiscal transparency by publishing consolidated financial statements and audit reports, coordinating with private and NPOs to better understand AML/CFT risks, and increase the reporting of suspicious transactions, as needed. Staff also recommend further strengthening the anti-corruption framework by allowing the automatic publication of asset declarations of top-level officials and ensuring effective management and oversight of all property of the state.

Data provided to the Fund remains broadly adequate for surveillance with some shortcomings. Staff recommend expanding data sources, improving the timeliness of key statistics such as poverty rates, and enhancing the publication of detailed balance of payments data, including remittances.

Table 1. Nicaragua: Selected Social and Economic Indicators, 2024-26

I. Social and Demographic Indicators

GDP per capita (current US$, 2024)	2,865	Income share held by the richest 10 percent (2014)	37.2
GNI per capita (Atlas method, current US$, 2023)	2,360	Unemployment (percent of labor force, 2024)	3.4
GINI Index (2014)	46.2	Poverty rate ($3.65/day line in 2017 PPP, percent)	12.5
Population (millions, 2024)	6.9	Adult literacy rate (percent, 2015)	82.6
Life expectancy at birth in years (2022)	74.5	Infant mortality rate (per 1,000 live births, 2022)	10.7

II. Economic Indicators

	2024	2025	2026
		Projections	
Output	(Annual percentage change; unless otherwise specified)		
GDP growth	3.6	3.8	3.4
GDP (nominal, US$ million)	19,694	21,407	22,737
Prices			
Consumer price inflation (period average)	4.6	2.5	2.7
	(Percent of GDP)		
Gross domestic investment	24.7	27.3	28.0
Private sector	16.1	18.2	18.3
Public sector	8.6	9.0	9.7
Gross national savings	28.9	36.6	33.2
Private sector	18.6	26.4	23.3
Public sector	10.2	10.2	9.9
Exchange rate			
Period average (Córdobas per US$)	36.6	36.6	...
Fiscal sector	(Percent of GDP)		
Consolidated public sector (overall balance after grants)1/	2.9	2.4	1.6
Revenue (including grants)	33.3	33.1	33.5
Expenditure	30.4	30.8	31.9
of which: Central Government overall balance2/	2.3	2.2	1.5
Revenue	21.6	21.8	22.0
Expenditure	19.3	19.6	20.5
Cash payments for operating activities	13.8	13.7	14.3
Net cash outflow: investments in NFAs	5.5	5.9	6.2
Money and financial	(Annual percentage change)		
Broad money	12.0	22.3	7.6
Credit to the private sector	20.7	12.5	12.4
Net domestic assets of the banking system	9.1	-14.3	-11.8
Non-performing loans to total loans (ratio)	1.4	1.3	...
Regulatory capital to risk-weighted assets (ratio)	18.4	18.5	...
External sector	(Percent of GDP, unless otherwise indicated)		
Current account	4.2	9.3	5.2
Remittances	26.6	29.5	26.1
Capital and financial account	6.5	4.5	2.5
Gross international reserves (US$ million)3/	5,820	8,018	9,050
In months of imports excl. maquila	6.7	8.5	9.1
Net international reserves (US$ million)4/	5,115	7,258	8,157
In months of imports excl. maquila	6.2	8.4	8.6
Non-financial public sector debt5/	45.1	43.2	42.4
Domestic public debt	9.1	8.3	7.8
External public debt	36.0	34.9	34.5
Private sector external debt	27.9	25.5	23.8

Sources: National authorities; World Bank; and IMF staff calculations.

1/ The consolidated public sector comprises the central government, the municipality of Managua, the state-owned enterprises, social security system (INSS) and the central bank.

2/ Include transfers to cover the INSS deficit for 2023-25, 0.5 percent of GDP per year, and payment for historical debt (0.7 percent of GDP in 2023).

3/ Excludes resources from the Deposit Guarantee Fund for Financial Institutions (FOGADE).

4/ Excludes FOGADE and reserve requirements for FX deposits.

5/ Assumes that HIPC-equivalent terms were applied to the outstanding debt to non-Paris Club bilaterals. Does not include SDR allocation.

INTERNATIONAL MONETARY FUND

NICARAGUA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

December 22, 2025

KEY ISSUES

Context. The Nicaraguan economy weathered well multiple shocks since 2018, supported by appropriate macroeconomic and financial policies, substantial pre-2018 buffers (gross international reserves and central government deposits), and financing from international financial institutions (IFIs) during the pandemic. Real GDP growth was further sustained recently by favorable terms of trade and high remittances growth, averaging 3.9 percent over 2022-25H1. The economy is operating under targeted international sanctions, geopolitical reorientation of official foreign inflows, and transfers of private property to the state since 2022. Strong fundamentals—low inflation, a declining public debt-to-GDP ratio, twin fiscal and external surpluses, well-capitalized banks, and sizeable buffers—should help Nicaragua withstand headwinds from ongoing shifts in the global policy landscape.

Outlook and Risks. Nicaragua's short-term economic outlook remains broadly favorable, with real GDP growth expected to reach 3.8 percent in 2025 and to moderate to 3.4 percent in 2026, although high uncertainty clouds the outlook, including due to global shifts in trade and immigration policies, which could impair exports and economic activity from 2026 onwards. Risks are tilted to the downside in the medium term, including from natural disasters, commodity price volatility, weaker global growth, tighter U.S. immigration and trade policies, and stricter and wider international sanctions. Upside short-term risks include more favorable terms of trade and higher public capital spending.

Focus. Continued prudent fiscal, monetary, and financial policies will help maintain macroeconomic and financial stability, preserve fiscal sustainability, and strengthen policy buffers. For higher medium-term growth and further progress on poverty reduction, it is crucial to increase public investment, human capital accumulation, and targeted social spending; support the integration of returning migrants in the labor market; and diversify exports, while strengthening frameworks, the business climate, and significantly improving the rule of law.

Key Policy Recommendations:

- *Continue to safeguard fiscal sustainability, increase buffers, and ensure fiscal space* while supporting growth, by increasing priority spending, enhancing VAT collection, and improving fiscal integrity. Proceed cautiously with the implementation of the 2026 budget, and in a downside scenario provide targeted and time-bound support to vulnerable groups. Lower imbalances from some state-owned enterprises (SOEs) and the pension system, enhance resilience to natural disasters, and continue to strengthen public financial management.

- *Continue to gradually ease monetary policy in the near term.* Monetary and exchange rate policy coordination should continue to maintain price and external stability, considering a projected broadly neutral fiscal policy stance, and that financial conditions are tightening with increasing capital requirements. Amid a highly uncertain external environment facing Nicaragua, the authorities should stand ready to adjust the monetary reference rate and the rate of crawl, if foreign exchange inflows decline affecting price and external stability.

- *Maintain financial stability*, including through continuing to maintain prudent lending practices. Prepare analysis to release the counter-cyclical capital buffer (CCB), and stand ready to release the CCB as needed, in periods of financial distress or sharply deteriorating credit conditions. Adjust further regulations in consultation with banks to ensure they do not impose an excessive regulatory burden or introduce state overreach.

- *Boost growth* by increasing investment in infrastructure, human capital, and targeted social spending. Increase resilience and diversify the export base. Support the integration of returning migrants in the labor market through active labor market policies. Catalyze private-sector-led growth by working with the business community to help increase competitiveness and the business climate; deepen capital markets; and expand financial inclusion.

- *Significantly improve the rule of law and strengthen economic governance*. Continue efforts to enhance safeguards, increase fiscal transparency, and strengthen the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and anti-corruption frameworks.

Approved By
Ana Corbacho (WHD) and Jacques Miniane/ Anna Ivanova (SPR)

Discussions took place during November 3-14, 2025, in Managua, Nicaragua. The mission team comprised Alina Carare (Head), Jessie Kilembe, Juan Pablo Celis, and Gerardo Peraza (all WHD); Santiago Texidor Mora (LEG), Allun Thomas and Manuel Escobar (all WHD) participated virtually in some meetings. Manuel Coronel (OED) participated in some in-person meetings with the authorities and the financial sector, and Andre Roncaglia (OED) participated virtually in the closing meeting. The mission met with the Central Bank Governor and Advisor to the President Ovidio Reyes, Finance Minister Oscar Mojica Aguirre, other senior officials, representatives from banks, free trade zones, private sector, and the international community.

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ANNEXES

CONTEXT

1. **The Nicaraguan economy has confronted well multiple shocks since 2018.** The 2018-19 socio-political crisis led to deposit flight, a sudden stop in capital inflows, and capital outflows, a reduction in banks' balance sheets by almost a third, a current account adjustment of about 12 percent of GDP, and a protracted recession. Appropriate macroeconomic and financial policies, substantial pre-2018 buffers (gross international reserves and central government deposits), and support from IFIs during the pandemic helped secure a strong post-pandemic recovery.[1] More recently, favorable terms of trade and remittances growth buoyed GDP growth, averaging 3.9 percent over 2022-25H1. Low inflation, considerable current account and overall fiscal surpluses, well-capitalized banks, and sizeable buffers help position Nicaragua to weather ongoing headwinds under major global policy shifts and high uncertainty.

2. **The economy is operating under targeted international sanctions, transfers of private property to the state, geopolitical reorientation of official foreign inflows, and tighter global trade and immigration policies.** Sanctions—imposed by the U.S., E.U., U.K., and Canada since 2018—have included asset-blocking for selected officials and some state entities, and visa restrictions for a larger pool of officials,[2] and have not targeted directly the main sources of foreign exchange—exports and remittances. Transfers of private property to the state from closed non-profit organizations (NPOs), denaturalized citizens,[3] and some companies have increased significantly since 2022, which the authorities mostly attribute to non-compliance with AML-CFT laws and regulations. Net FDI flows as a share of GDP have been declining since 2022, with inflows consisting mostly of reinvested earnings. Concessional multilateral loans have declined, and bilateral loans (e.g., from China and Saudi Arabia) have not yet replaced them, with Nicaragua becoming a net payer in 2024. Exporters have been adapting to higher tariffs through margins compression since April 2025, in particular for non-agricultural products. A larger number of migrants returned

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[1] On November 20, 2020, the IMF Executive Board approved emergency financial assistance for about US$185.32 million to help the country meet urgent balance of payment needs stemming from the COVID-19 pandemic through the Rapid Credit Facility (RCF, about US$61.77 million, or 16.7 percent of quota) and the Rapid Financing Instrument (RFI) (about US$123.55 million or 33.3 percent of quota).

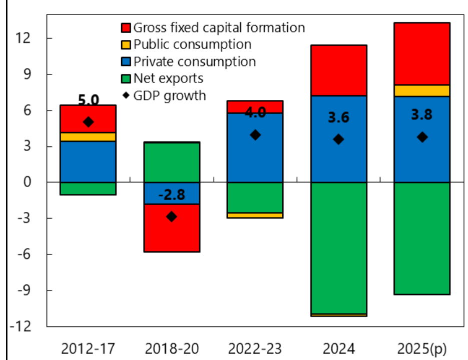
[2] See 2024 Nicaragua Article IV staff report for details. By end-November 2025, the U.S. government had imposed asset-blocking sanctions on 47 individuals and15 state entities (including Ministerio Publico, some small financial institutions, and state-owned mining entities) and imposed visa restrictions over 2,200 Nicaraguan officials. In November 2021, the U.S. enacted the RENACER Act, which directs the U.S. representatives at IFIs to advocate for increased oversight of any financial or technical assistance support to Nicaragua, and any loan to be administered through a financially independent entity from the government.

[3] Three quarters of NPOs have been closed, including from the health and education sectors, and their property has been transferred to the state. The transfers are governed by several laws and comprise direct transfers ("traslados"), expropriations, or seizures ("decomisos"). The constitutional reform enacted in early 2025 guarantees property rights for all types of property, including private property, and continues to mention the right for just payment if expropriations are needed, and prohibits confiscations (Article 46). It also introduced denaturalization and elimination of all rights to traitors to the homeland. By September 2025, this applied to about 500 people. The government also introduced a 15-kilometer exclusion area near the border as a property of the state for national security reasons in 2025, but there have been no transfers of those private properties so far.

from the U.S. through November 2025 compared to 2024, as the U.S. tightened immigration policies, but remittances growth remained strong.

3. Sustaining medium-term growth rates requires reducing vulnerabilities, raising investment, and diversifying trade. In addition to the above-mentioned shocks, the economy is vulnerable to frequent and severe natural disasters. Buffers accumulated in recent years will help mitigate the impact of transitory shocks. Sustained medium-term growth requires not only prudent fiscal policy and addressing long-standing imbalances, but also higher public investment, human capital accumulation, and targeted social spending. Measures to diversify exports, support private investment and improving the business climate and the rule of law are also paramount.

Nicaragua: Real GDP Growth Contributions
(Period averages, percent)

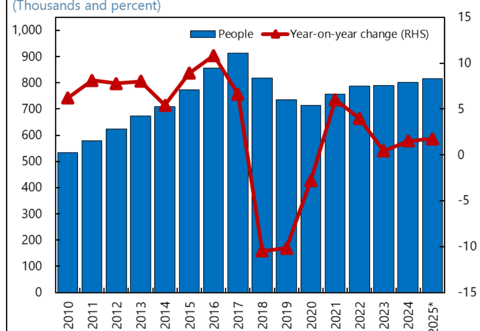


Source: National authorities and IMF staff calculations.

RECENT ECONOMIC DEVELOPMENTS

4. Growth remained robust in 2025H1 at 3.9 percent y/y. Private consumption continued to support strongly economic activity in 2024-2025H1—underpinned by high remittances, consumer credit, and rapid disinflation. Following a decline in 2024H2, export volumes rebounded in 2025H1, in line with regional developments. Despite solid growth rates, formal employment—measured by workers affiliated to social security—has risen only modestly and remains below its pre-2018 crisis levels (text chart).

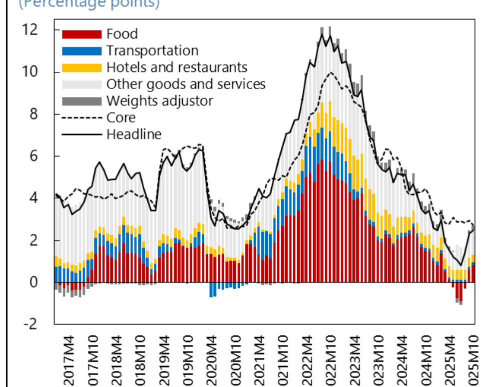
Nicaragua: Active Social Security (INSS) Affiliates
(Thousands and percent)



Sources: BCN and IMF Staff calculations. *Average as of September.

5. Inflationary pressures have been contained (text chart). Following a period of strong disinflation due to declining food prices, headline inflation increased recently to 2.9 percent y/y in November 2025 as food prices normalized. Core inflation has stabilized around 2¾-3 percent since March 2025, as private consumption growth kept underlying services price pressures.

Nicaragua: Headline Inflation Contributions and Core
(Percentage points)

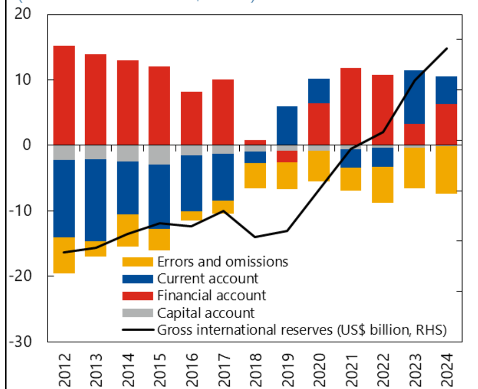


Sources: BCN and IMF staff calculations.

6. The overall consolidated public sector (CPS) surplus remained strong in 2024-2025Q3, leading to a declining public debt ratio and rising buffers. In 2024, increases in public investment and social benefits, of about 1 percent of GDP, were partially offset by a reduction in compensation of employees, maintaining the CPS surplus of about 3 percent of GDP. The budget execution through 2025Q3 shows a broadly similar performance. The public debt-to GDP-ratio continued to decline, from 49.8 percent at end-2023 to 45.1 percent at end-2024, and central government deposits increased to 14.9 percent of GDP by July 2025.

7. The accumulation of international reserves continued, supported by prudent macroeconomic policies, robust remittances, and larger other investment flows. The current account (CA) surplus narrowed from 8.2 percent of GDP in 2023 to 4.2 percent of GDP in 2024 (text chart), driven by a deterioration in the trade balances of goods and services, as imports grew rapidly and exports underperformed (see Annex I). The net financial account surplus increased due to an increase in other investments. Gross international reserves (GIR) continued to grow strongly, especially in 2025, due to very high gold and coffee prices, and remittances growth,[4] reaching US$7.6 billion by end-October 2025 (8 months of next-year imports, excluding *maquila*, or 36 percent of GDP).

Nicaragua: Balance of Payments
(Percent of GDP and US$ billion)



Sources: National authorities and IMF staff calculations.

8. The net international investment position (NIIP) is sustainable, reserves coverage is adequate,[5] and the external position in 2024 is assessed as substantially stronger than the level implied by medium-term fundamentals and desired policies (Annex I). The multi-country External Balance Assessment (EBA) lite CA model showed a positive CA gap in 2024, with an implied real effective exchange rate (REER) gap of 19 percent. However, since the CA gap is driven by factors largely inelastic to the exchange rate, a large appreciation would not address the gap.[6] This analysis underscores the need for policies to increase investment while reducing the need for high savings (see sections A-E).

9. The Central Bank of Nicaragua (BCN) started an easing cycle in October 2024, is maintaining a zero-crawling exchange rate, and is continuing to promote greater use of local currency. The monetary reference rate (MRR) was cut by a cumulative 100 basis points to 6 percent,

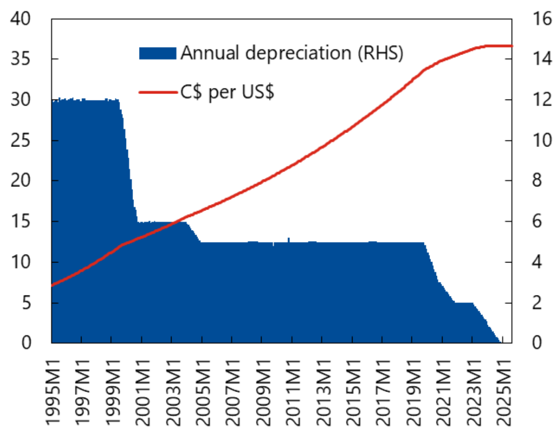
[4] In 2025, higher remittances inflows are consistent with developments elsewhere in the region, likely reflecting migrants sending more money home as a precaution, ahead of the implementation of tighter U.S. immigration policies.

[5] External liabilities are declining and are mostly composed of FDI and long-term public debt. Reserves coverage at 6.7 months of next-year non-maquila imports—assessed under the ARA metric for credit-constraint economies—was adequate in 2024 and near the upper bound of the suggested range. The REER was broadly stable in 2024 (appreciating 2.2 percent), but by July 2025 it had depreciated by 3 percent, reflecting faster disinflation than in key trading partners.

[6] The actual CA surplus is mainly due to delayed growth in imports as remittances picked up strongly following increased emigration since 2021. Imports associated with sustained private consumption are growing, as the model predicts. However, it will take a few years until the CA will adjust again to a deficit (see projections) in line with the norm. Furthermore, the CA norm does not consider the need for precautionary savings given limited access to multilateral and concessional financing.

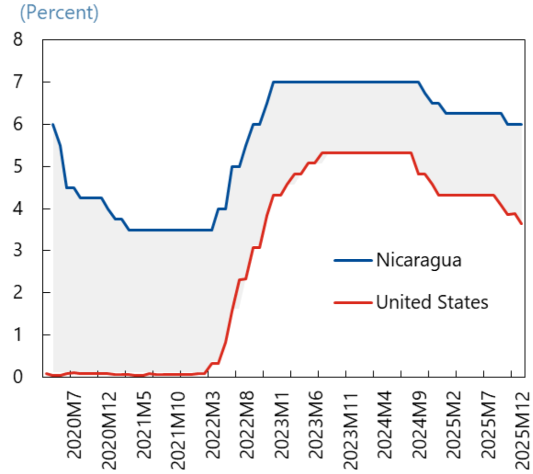
in four steps (between October 2024 and October 2025).[7] The exchange rate crawling rate was maintained at 0 percent and will remain so in 2026, as announced on October 20, 2025. The BCN continued to promote the use of local currency by incentivizing the use of córdoba-denominated instruments, and mandating that all credit and debit card transactions, as well as announced prices, be done and posted exclusively in córdobas, respectively, from January 2025.

Nicaragua: Exchange Rate
(C$ per US$ and percent)



Source: BCN.

Nicaragua: Monetary Reference Rate Spread
(Percent)



Source: BCN and Federal Reserve.

10. **The banking system continues to remain reportedly well capitalized, profitable, and liquid.** Asset quality continued to improve; non-performing loans (NPLs) declined to 1.1 percent of total loans in October 2025, from 1.7 percent in December 2023. The capital adequacy ratio, at 19.1 percent at end-October 2025 is well-above regulatory minima, reflecting the prudent management of banks as well as an increase in capital requirements introduced in February 2025 (section C). Profitability increased steadily (Figure 5). Although liquidity ratios (including liquid assets to total liabilities and to deposits, and the liquidity coverage, LCR) have declined from the post-2018 crisis peak, reflecting reallocation in banks portfolios, the LCR increased in 2025 to almost double the 100 percent required minimum.[8]

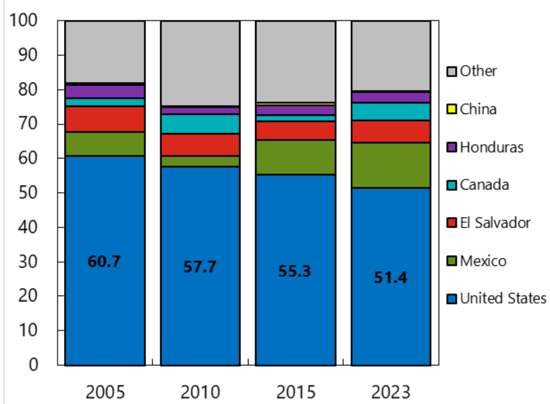
11. **The U.S. remains Nicaragua's primary source of remittances and main trading partner (text charts), exposing the economy to changes in U.S. immigration and trade policies (Box 1).** Although Nicaragua has the region's highest remittances-to-GDP ratio (26.6 percent in 2024), and over 84 percent of inflows originate in the U.S., it also has the lowest population at risk of U.S.

[7] During the easing cycle, a slightly larger interest differential with the U.S. has been maintained (2-2½ percent) compared to the periods of maintaining interest rates on hold (1¾ percent). The latter occurred in the context of large GIR accumulation, due to rapidly increasing remittances inflows and larger official flows. BCN remained a net buyer of foreign exchange (Figure 4).

[8] After the start of the 2018 crisis, banks built substantial precautionary liquidity buffers and continued the prudent management during the pandemic, leading to a surge in liquidity ratios. These buffers have been gradually reduced from 2022 onwards, as banks drew down their excess reserves, and reallocated their portfolios from liquid assets towards expanding credit. Moreover, liabilities and deposits expanded faster than liquid assets, resulting into a decline in liquidity ratios (Figure 5). Excess reserves remain above the 15 percent regulatory minimum in both currencies (Figure 4).

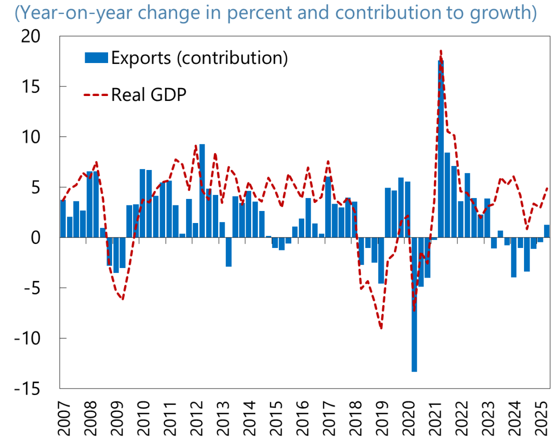
deportation (text charts).[9] On the trade side, over the past two decades the share of U.S. exports in total exports declined from about 61 percent to 51 percent,[10] and exports are no longer the main GDP growth driver, with remittances increasing strongly and supporting private consumption.

Nicaragua: Exports by Country
(Percent of total exports of goods)



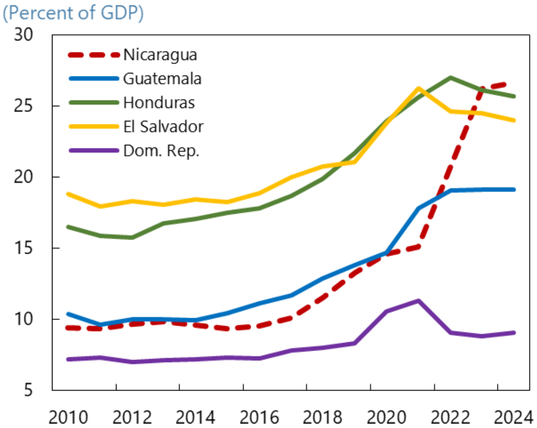
Sources: Atlas of Economic Complexity and IMF staff calculations.

Nicaragua: GDP and Exports Contribution
(Year-on-year change in percent and contribution to growth)



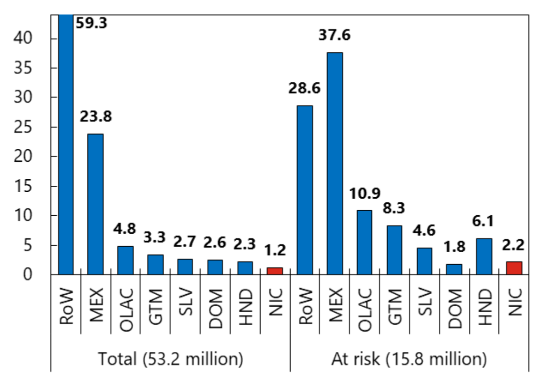
Sources: BCN and IMF staff calculations.

Central America: Remittances
(Percent of GDP)



Source: National authorities and IMF staff calculations.

United States: 2024 Foreign Born Population by Country
(Percent of total)



Source: ACS from U.S. Census data, DHS, Immigration Forum (TPS) and IMF staff estimates. RoW = Rest of the world. OLAC= Other LAC.

[9] The ratio of emigration to increases in working age population is also historically the lowest in the region. That being said, as the text chart shows, for Nicaragua, the largest increase in remittances in recent years overlaps with emigrants entering the U.S. under the CHNV parole program (see details in Annex II).

[10] In 2024, Nicaragua implemented a Free Trade Agreement with China and signed a cooperation agreement with Russia.

Box 1. U.S. Trade and Immigration Policies as of mid-December 2025

The U.S. trade-weighted effective tariff rate for Nicaraguan exports stood at 14.8 percent as of mid-December 2025, with a statutory rate of 18 percent on most products, and exemptions on gold and a wide range of agricultural products, including beef and coffee. As a comparison, the pre-April 2025 tariff rate for Nicaragua within the Central America Free Trade Agreement-Dominican Republic (CAFTA-DR) was near zero, and regional competitors have about 10 percent or lower rates (Annex II).[1] Nicaragua's three main commodity exports (gold, beef and coffee) are currently exempted from tariffs, and represent about two thirds of total NFTZ exports, or about a third of total exports.

On December 10, 2025, the U.S. Trade Representative (USTR) announced additional trade actions on Nicaragua.[2] Effective January 1, 2026, the U.S. will impose a phased-in tariff on all Nicaraguan imports not originating under CAFTA-DR. The tariff will be set at 0 percent in 2026, rising to 10 percent in 2027 and 15 percent in 2028. Any tariff would stack with others, such as the existing 18 percent reciprocal tariff. The imposition of further measures—changes to the phase-in schedule or rates—depends on the progress made towards the resolution of this matter.

On immigration, among other measures of tightening entry and policies enforcement, the U.S. terminated in 2025H2 the protected status from deportations for people under the Cuba, Haiti, Nicaragua, and Venezuela (CHNV) parole program and the Temporary Protected Status (TPS) program for Nicaragua. The U.S. also introduced, effective in 2026, a 1 percent tax on remittances transfers, except on those done via banks, debit or credit cards, or those sent by U.S. permanent residents or citizens.

[1] On November 13, 2025, the U.S. government announced new trade frameworks with El Salvador and Guatemala, lowering the effective tariff rates, including on textiles and apparel. On November 14, 2025, the U.S. government eliminated tariffs for a broad set of agricultural products for all countries, including coffee and beef, which are key Nicaragua's exports.

[2] On October 20, 2025, the U.S. Trade Representative published the report of the investigation under Section 301 of the U.S. Trade Act of 1974, concluding that Nicaragua's acts, policies, and practices constitute abuses of labor and human rights, and fundamental freedoms, and dismantling of rule of law protections, representing unreasonable actions, which burden or restrict U.S. commerce.

OUTLOOK AND RISKS

12. The short-term outlook remains broadly favorable. Real GDP growth is projected to reach 3.8 percent in 2025 and to moderate to 3.4 percent in 2026, partly reflecting a projected slowdown in remittances that weighs on private consumption.[11] The baseline scenario incorporates the impact of the 18 percent reciprocal U.S. tariffs on non-agricultural products except gold, effective mid-November 2025, the phased-in additional U.S. tariffs, as well as the impact of U.S. immigration policies on remittances (Box 1 and Annex II).[12] Over the medium term, real GDP is expected to grow by 3½ percent, supported by higher public investment and an expanding labor

[11] See IMF WTO tracker as of August 9th, 2025: WTO Tariff & Trade Data | Analysis / Tariff actions.

[12] The higher US tariffs, including the phased-in additional tariffs, are expected to have a limited short-term impact on economic activity. The effective tariff rate increase until 2027 of 14.5 percent is expected to be absorbed through margin compression. Over the medium term, firms are expected to increase the CAFTA-DR utilization rates (Annex II). However, higher costs of compliance and lower margins are expected to put pressure on investment over the medium term.

force,[13] and the small positive output gap is expected to close.[14] The decline in remittances and the lower growth rates in non-agricultural exports, will lead to a narrowing of the CA to a broadly balanced position by 2030. Despite a projected gradual moderation in GIR growth, reserves coverage is expected to remain ample.

13. The outlook remains subject to high uncertainty, and risks are tilted to the downside in the medium-term (Annex III). Downside risks include commodity price volatility, weaker global growth, and tighter U.S. immigration and trade policies.[15] Stricter and wider international sanctions, prolonged global policy uncertainty, and natural disasters would also impact negatively growth. Over the medium term, uncertainty persists related to possible additional trade actions.[16] Upside short-term risks include more favorable terms of trade, and higher public capital spending, which could also raise inflation above the projected baseline.

14. Nicaragua is assessed at moderate risk of external and overall public debt distress, with substantial space to absorb shocks and a strong debt carrying capacity. Sustained fiscal surpluses and growth are expected to lower public debt to 40.1 percent of GDP by end-2030. Vulnerabilities to combined shocks and growth shocks will require reinforcing policy buffers (DSA¶13).

Authorities' Views

15. The authorities broadly agreed with staff' economic outlook and risk assessment. The authorities broadly concurred on the outlook for 2025-26, while for the medium term they anticipate higher growth (around 4 percent), driven by higher expected private consumption and investment. They concurred that there is uncertainty surrounding the outlook, while emphasizing that ample buffers built in recent years could be deployed should risks materialize.

POLICY DISCUSSIONS

Continued prudent fiscal, monetary, and financial policies will help maintain macroeconomic and financial stability, preserve fiscal sustainability, strengthen policy buffers, and support medium-term inclusive growth. In the near term, continue to gradually ease monetary policy while maintaining a broadly neutral fiscal stance. For higher medium-term growth, it is crucial to increase public investment, human capital accumulation, and targeted social spending, while strengthening economic governance and anti-corruption frameworks, and the business climate, and significantly improving the rule of law. Advancing structural reforms, especially to increase resilience, diversify exports and trade, and raise labor force participation would also be important. In a risk scenario, as structural reforms

[13] The projected medium-term growth rate remains below its pre-crisis average of 4.3 percent (2004-17).

[14] External demand is expected to slow moderately in 2025-26 and gradually increase in the medium-term (October 2025 WEO). Compared to the 2024 Article IV projections, the baseline scenario projects a slower convergence of real GDP to its potential. For details see section E.

[15] External sustainability remains heavily dependent on sustained remittance inflows; a material slowdown would weaken the CA and weigh on the NIIP.

[16] Including by eliminating the additional tariffs.

take time to implement, provide targeted and time-bound support to vulnerable groups, change the monetary reference rate and the rate of crawl as needed to maintain external and price stability, and partially use buffers to mitigate the impact of shocks. Macroprudential measures may also be warranted, including releasing the CCB in periods of financial distress to avoid a credit crunch.

A. Enhancing Fiscal Buffers

16. The authorities remain committed to safeguarding fiscal sustainability and building fiscal buffers, while supporting growth. With a positive output gap in 2024-25, fiscal policy maintained a strong CPS surplus. The 2026 draft central government budget[17] is expected to relax the fiscal stance, consistent with a fiscal surplus of 0.6 percent of GDP, compared with a surplus of 2-2¼ percent of GDP executed during 2024-25,[18] preserving debt sustainability, while prioritizing public investment and social spending. Staff support these spending priorities, along with advancing human development. Staff's baseline projections[19] consider a more moderate increase in capital spending than the draft budget, in line with past execution rates. This results in a fiscal surplus of 1.6 percent of GDP in 2026, which is adequate and consistent with a broadly neutral fiscal stance.[20] Staff advised to proceed cautiously with budget execution in line with staff's baseline projection, in light of uncertainty over trade policies and shifts in the availability of external financing. Over the medium term, staff project a fiscal surplus of 2¼ percent of GDP, with the public debt ratio remaining on a firmly downward trend.[21]

17. External financing continues to diminish, narrowing fiscal space and constraining policy implementation. Since 2024, Nicaragua became a net payer (text chart), with diminishing multilateral disbursements not offset by bilateral loans,[22] while debt service costs increased—

[17] The 2026 budget reflects a 22.8 percent increase in revenues (based on a real GDP growth assumption of 3-4 percent, as in 2025, and driven by stronger domestic tax collection) and a 20.7 percent increase in total expenditures relative to the 2025 budget, mainly due to higher wage spending, public investment, and transfers to social programs, municipalities and universities.

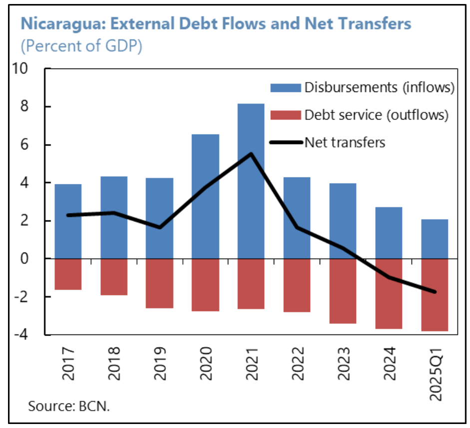
[18] Execution rates of expenditures averaged about 97–98 percent of the approved budget during 2020–2024, mainly reflecting slower implementation of externally financed capital projects. Revenue collections exceeded budget targets each year (by an average of around 4 percent), leading the authorities to close fiscal years with slightly smaller than planned spending and higher fiscal balances by about 1 percent of GDP.

[19] Staff projections incorporate the authorities' plans for central government, municipalities, SOEs, and the required ongoing transfers from the central government to cover the social security (INSS) deficit. Although INSS's recent position shifted from sustained deficits to near balance, it remains structurally fragile due to weakening contributions, low liquidity, and deeply negative technical reserves. Medium-term projections incorporate continued government transfers (rising from ½ percent of GDP per year to 1 percent of GDP by 2030) and elevated sensitivity to shifts in revenues or expenditures (pension benefits) and persistent long-term solvency risk. Going forward, implementing a reform strategy will require broad stakeholder consensus.

[20] The cyclically adjusted primary balance in 2026 is projected at 3.2 percent of GDP (see Table 2), almost the same as in 2025, and slightly less than in 2024.

[21] Revenue projections are in line with buoyancy observed in recent years and estimated tax elasticity (Annex IV), and capital spending projections reflect the lower execution rates observed in the past few years and the available external financing for investment projects.

[22] Earlier contracted multilateral loans have lower remaining disbursements as they are near completion or are terminated.



reflecting mostly the amortization of the pandemic multilateral loans. Going forward, gross financing needs are projected to be met mostly through fiscal surpluses and increased disbursements from CABEI and China. Concessional borrowing from IFIs is expected to stay constrained.[23] Since new market borrowing remains relatively costly given the current financial conditions,[24] staff support the authorities' prudent debt management and financing strategies and recommend that any new borrowing be on transparent and as much as possible concessional terms. Promoting domestic capital markets for longer-term borrowing will help gradually diversify and enhance the range of available financing sources.[25]

18. To sustain higher medium-term growth, staff recommend adopting additional fiscal measures to enable higher infrastructure investment and targeted social spending. These measures, totaling 0.6 percent of GDP,[26] could focus both on revenues and expenditures to create space for priority public investment and targeted social spending:[27]

- *Strengthening VAT collection*, by eliminating tax exemptions[28] and addressing collection gaps (Annex IV, 0.3 percent of GDP).
- *Better targeting and rationalization of long-standing SOE subsidies* (0.3 percent of GDP).

19. Efforts are needed to contain medium-term fiscal pressures from SOEs, the social security system, and possible natural disasters. Although SOEs posted (collectively) a modest surplus recently, it was due mostly to a decline in investment, which now is expected to pick up, leading to re-emerging projected deficits. Close monitoring, enhancing oversight of SOEs, and fiscal

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[23] Recently contracted debt in 2025 focused on infrastructure financing, including a loan from CABEI and commercial debt from China. The approved medium-term debt management strategy (MTDS) for 2024-27 prioritizes concessional external borrowing while diversifying financing sources (including from non-traditional creditors) and developing the domestic debt market to strengthen fiscal sustainability and resilience.

[24] Nicaragua could expand borrowing through issuing domestic and external bonds; however, this would raise debt-servicing costs. New domestic borrowing has declined significantly given overall fiscal surpluses; it has relatively shorter maturity, and domestic interest rates remain higher than international rates. Nicaragua has not issued Eurobonds. New bilateral creditors have emerged, though such flows differ from multilateral support in terms of predictability and conditions. Should Nicaragua issue Eurobonds it would likely incur a higher risk premium than peers. Fitch ratings affirmed Nicaragua's long-term credit rating at 'B' with a stable outlook in May 2025, citing strong fiscal and external buffers, while underscoring ongoing risks from U.S policy shifts and weak governance. Although more costly, Eurobonds could broaden the investor base, diversify financing sources, and serve as a more resilient complement to bilateral borrowing as the external financing mix evolves.

[25] See Annex IX of 2024 Article IV staff report on developing bond and capital markets. Greater fiscal transparency would help (see section D).

[26] The additional measures could be used to increase priority spending by the same amount, for instance allocated to capital spending (0.4 percent of GDP) and social spending (0.2 percent of GDP).

[27] The overall fiscal and public debt path is expected to be similar to the baseline scenario.

[28] VAT exemptions are not automatically progressive. A more efficient alternative is recycling part of the VAT revenues through targeted transfers.

transparency[29] are needed to reduce fiscal pressures. Expenditure pressures in the social security system remain high due to pension obligations and administrative costs, and may increase if formal employment growth and contributions growth remain lower than the growth in expenditures, even with a higher total labor force due to returned migration. A comprehensive pension system strategy encompassing parametric changes to benefits and contributions, tighter expenditure controls, and a more robust investment framework is needed to ensure the system's long-term sustainability.[30] Fostering greater natural disaster resilience and continuing to pursue adequate resources to cover costs would also help contain fiscal risks and support medium-term resilient growth.

20. Staff welcome the Ministry of Finance efforts to further strengthen public financial management through continued disclosure of fiscal risks and tax expenditures and recommend broadening the fiscal risk analysis coverage and increasing audit capacity.

21. Maintaining fiscal integrity is paramount, given the need for increased competitiveness for companies and enhanced tax collection for the government. Nicaragua has higher corporate income tax rates and minimum payment tax than competitors in the region, while also facing the highest effective U.S. tariff rate. To help preserve competitiveness while also enhancing tax collection, it is important to increase the accessibility of regulations; limit administrative discretionary practices; and ensure that penalties are proportionate, and appeals are independent, timely, and consistent with published procedures.

Authorities' Views

22. The authorities reaffirmed their commitment to safeguarding fiscal sustainability and building buffers while supporting growth. The authorities noted that the 2026 budget will be executed as planned, but consideration could be given to implementing it more gradually in a downside scenario. They acknowledged staff recommendations on implementing additional fiscal measures, but they did not see the need for these measures at this time, given that revenues and buffers have been growing at a satisfactory pace. They highlighted that most remaining VAT exemptions apply to basic goods and essential services and that transfers to SOEs primarily support public investment and cover deficits, as needed. Thereby, these transfers also directly subsidize consumers of public utilities.

[29] See Annex III in 2024 Article IV report. Some SOEs provide services at non-market prices to deliver socially important services, hence requiring a broad consensus for a change to address these imbalances. Enhancing debt coverage, improving fiscal risk report, ensuring timely publication of audited financial statements would strengthen oversight and help contain fiscal risks.

[30] See Annex IV in 2024 AIV report for additional advice. A phased reform plan, grounded in actuarial analysis, could help sequence gradual parametric adjustments, strengthen investment management to rebuild reserves, enhance operating efficiency by reducing administrative costs, broaden the contributor base, and improve transparency through regular financial reporting. These measures would help enhance accountability and support progress toward long-term sustainability.

B. Maintaining Exchange Rate and Price Stability and Strengthening Monetary Policy Transmission

23. Monetary policy should continue preserving price stability and supporting external stability and growth. The monetary policy stance remained adequately tight in 2024-25.[31] The expected moderation in growth amid low inflation, coupled with the restart of the U.S. Federal Reserve easing cycle in October 2025, support the BCN's easing cycle.[32] However, as the output gap is expected to close over the medium term, and there are upside short-term risks to the outlook (growth and possibly inflation), a more gradual pace of easing than in the U.S. is warranted. Staff support the authorities' decision to maintain the crawling peg regime, as the nominal anchor, considering the structural characteristics of the economy.

24. Macroeconomic and financial policy coordination should continue to safeguard macroeconomic stability. So far, the policy mix encompassing tight monetary policy, fiscal surpluses, and the zero rate crawl regime has supported macroeconomic stability and enabled the accumulation of sizable buffers that could be used to mitigate the impact of transitory shocks. In staff's view, a gradual easing of the monetary policy stance is supported by expected external conditions, in a context of a neutral fiscal policy stance, and an expected tightening of the credit cycle, as banks continue to adjust their portfolios to meet higher capital requirements. Amid a highly uncertain external environment facing Nicaragua, the BCN should stand ready to adjust the monetary reference rate if foreign exchange inflows decline affecting price and external stability.

25. The BCN has expanded the issuance of local-currency denominated instruments and promoted the use of local currency, while continued strengthening of monetary policy transmission is needed. The BCN's issuance of córdoba-denominated instruments—supported by higher government deposits—has been well absorbed by the market and contributed to the improved transmission mechanism from the MRR to the interbank rate (Annex V). In addition, since September 2025, the BCN has conducted spot foreign exchange purchases in the interbank market through an offer-based mechanism, with transactions executed at exchange rates accepted by the central bank, thereby increasing the instruments at its disposal.[33] However, high financial dollarization (66.6 percent of banking deposits and 87.4 percent of banking loans in September 2025), shallow markets, and underdeveloped domestic capital markets remain challenges. Further efforts to deepen local capital markets and de-dollarize would continue to enhance monetary policy effectiveness while supporting greater resilience in financing sources.[34]

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[31] During 2024-25, ex-post real policy rates remained positive, on average 2.3 percent in 2024 and 4.2 percent in 2025 (January-November). For a detailed evolution of the real MRR rate, see Annex V.

[32] The real MRR is above 3 percent, while the output gap is expected to close in 2030.

[33] BCN's participation in the interbank FX market is governed by the FX regulation approved in April 2025 (see resolution), which authorizes the BCN to conduct foreign exchange operations with market participants through spot and forward transactions, FX auctions, and other authorized mechanisms. While the mechanism is not formally classified as an FX auction, it operates in practice as a price-based allocation process.

[34] For more granular advice, see 2024 Article IV staff report, Annex VII.

Authorities' Views

26. The authorities reaffirmed their commitment to continue preserving price and external stability and strengthening monetary policy transmission. The authorities will continue to closely monitor domestic and external conditions to adjust monetary and exchange rate policies, as warranted. The authorities will also continue to promote greater use of local currency and deepen capital markets to strengthen monetary policy effectiveness.

C. Fostering Financial Sector Stability and Resilience

27. Financial conditions are expected to remain neutral in the short term, as in 2024 and early 2025,[35] and growth in bank deposits and credit are expected to continue to moderate. Deposits and credit have continued to grow in 2024-25 although at lower rates than the early 2023 peak. In particular, credit growth steadily declined from 20.6 percent y/y in February 2025 to 12.5 percent y/y in October 2025, as banks complied with the updated regulations.[36] In the short term, these trends are expected to continue.

28. Staff assess systemic risk as contained with some pockets of vulnerabilities, broadly unchanged compared to the 2024 assessment. Distressed assets excluding NPLs continued declining, to 4.3 percent of total loans in October 2025, from 7.5 percent at end-2023. A more proactive monitoring of restructured loans and higher loan provisions are warranted.[37] Other pockets of vulnerabilities include still rapid consumer credit growth[38] and remaining FX risks. Staff strongly support the authorities' decisions to: (i) assign a higher weight in the computation of the capital requirement for personal, automobile, and credit card loans and for loans (commercial, personal, mortgages) whose debtors do not generate foreign currency; (ii) reactivate the countercyclical provisioning to address any excessive borrowing, and (iii) increase capital buffers. Staff recommend maintaining continued sound and prudent lending practices. In the absence of

[35] By September 2025, the components of the BCN's index for the conditions of financial intermediation (ICIF; credit growth, asset quality, and interest rates) remained in line with their historical averages, indicating the neutral assessment for 2024-2025Q3. The components reflect offsetting movements. In the short term, the cuts in the monetary policy rate are expected to offset a decline in the credit growth rate. ICIF is estimated as a composite indicator derived through principal component analysis of standardized financial indicators.

[36] After cooling in 2024H1, bank credit growth increased steadily in the second half of 2024, reaching similar growth rates as in early 2023 (around 20 percent y/y). In 2025, credit growth adjusted downwards by 5 percentage points in March following the introductions of the updated regulations, and since then it continued to decline to 12.5 percent y/y in October 2025. Deposit (including of the government) growth rates declined from their peak of 18 percent y/y in July 2023 until November 2024, when they plateaued until May 2025 to about 10 percent y/y. Since then, they have steadily increased to 13.7 percent y/y in October 2025.

[37] Provisions to NPLs increased steadily, surpassing significantly the pre-2018 levels. However, although provisions to total distressed assets also increased, and reached close to 80 percent, they remain below pre-2018 level.

[38] Consumer credit continued to grow; 16.4 percent y/y for personal loans, 49.7 percent y/y for vehicles and 25.6 percent y/y for credit cards, respectively, in September 2025, compared to 35 percent y/y, 77 percent y/y and 29 percent y/y, respectively in March 2024.

hedging instruments, and as many lenders do not have FX income, staff recommend implementing additional FX risk mitigation measures.[39]

29. The recently introduced financial laws are modernizing the financial system and strengthening its stability and resilience. Staff strongly support the implementation of the comprehensive set of financial laws adopted or amended during December 2024 to February 2025. Many of these changes incorporate staff's previous recommendations and are broadly in line with international standards, including introducing capital buffers and reforming deposit insurance; enhancing macroprudential oversight and the supervisory toolkit; expanding the regulatory perimeter; and strengthening the recovery and crisis framework. The strengthened capital requirement structure adds a 2.5 percent capital conservation buffer to the mandatory 10 percent capital to risk-weighted assets requirement, a 2.5 percent temporary CCB,[40] and a 3 percent systemic buffer for systematically important financial institutions. Staff recommend actively monitoring financial conditions and the economic outlook and releasing the CCB in periods of financial distress or sharply deteriorating credit conditions as needed, to help absorb losses and mitigate the risk of a credit crunch. Staff recommend preparing now the required methodology based on which the CCB should be released after BCN's analysis.

30. Staff recommend adjusting further the regulations in consultation with banks to ensure they do not impose an excessive regulatory burden or introduce state overreach. For example, the law protecting against external sanctions introduced in November 2024 has increased the cost of doing business, since it requires increased reporting by Nicaraguan banks to the supervisors and their correspondent banks to meet their own legal requirements.[41] Law 561 strengthens banks' corporate governance. It also allows the Superintendency to annul elections or appointments of directors, and it mandates the police to assist SIBOIF in its inspection and oversight functions upon request. Staff strongly recommend authorities to better align these policies with international best practices.[42]

[39] See 2024 Article IV staff report recommendations on ensuring that liquidity coverage is required by currency (foreign and domestic), in addition to the consolidated currency position. These additional FX mitigation measures, if implemented, would need to be assessed prior to their implementation to ensure they do not constitute capital flow management measures.

[40] The buffer is built during credit expansions and released during downturns. The Superintendency determines activation or deactivation of the CCB based on prevailing economic and financial conditions (see resolution). Basel III requirements are 2.5 percent for the capital conservation buffer and between 0 and 2.5 percent for the CCB, which were required to be put in place by end-2024.

[41] No Nicaraguan individuals or legal entities can deny or stop the provision of goods and services to any citizens, companies, or the government on account of international sanctions. As of September 2025, banks and authorities do not report a decline in cross-border banking flows.

[42] Best practices allow supervisors to "compel changes in the composition of the board of directors and senior management," and suggest that the choice of tool and the time frame for any remedial action should be proportionate to the level of risk the deficiency poses to the safety and soundness of the bank or the relevant financial system. The law also mandates the police to assist SIBOIF in its inspection and oversight functions upon request.

Text Table 1. Nicaragua: Recent Reforms

Law	Date	Purpose
Law 1224-Protection against external sanctions	Nov 2024	Declares foreign-imposed sanctions unenforceable within Nicaragua. Prohibits domestic entities from complying with such sanctions. Provides legal recourse for affected persons or entities. Applies beyond the financial sector to all entities operating under Nicaraguan jurisdiction.
Law 1232- Administration of the Monetary and Financial System	Dec 2024	Creates a joint Monetary and Financial Board between the Central Bank (BCN) and the Superintendency of Banks (SIBOIF) to coordinate monetary policy, payments oversight and systemic risk response. Expands BCN authority over payment sytems, crisis management and resolution financing. Mandates exclusive use of the córdoba for domestic transactions. Requires the government to cover BCN losses through public debt issuance outside of existing debt ceiling law (Law 477).
Law 551-Reform of the Deposit Guarantee System (FOGADE)	Jan 2025	Increases deposit insurance coverage. Introduces risk-based premiums for contributing institutions. Transfers liquidation authority from FOGADE to SIBOIF. Narrows FOGADE's role to payouts operations only and allows domestic investment of the fund's assets. Updates penalties for non-compliance
Law 1235-Financial Stability Committee (FSC)	Feb 2025	Establishes the FSC as interagency platform for macroprudential coordination. Expands membership to include the Financial analysis unit (UAF) and the Ministry of Development, Industry and Commerce (MIFIC). Creates a technical committee to support systemic risk monitoring, supervisory dialogue and macroprudential coordination across finanical authorities.
Law 561-General Law on Banks and Financial Institutions	Amended Feb 2025	Foundational banking legislation. Establishes the core regulatory framework for licensing, risk-based supervision, capital adequacy, corporate governance, related-party lending limits, and resolution powers. Provides the legal base for SIBOIF's regulatory and enforcement functions and subsequently amended in 2025 through Law 1237.
Law 1237-Reform to Law 561 (Capital buffers)	Feb 2025	Reforms Article 132 of Law No. 561 to establish a two-tier capital buffer framework. Requires a 2.5 percent capital conservation buffer for all banks. Authorizes SIBOIF to impose an additional systemic risk buffer of up to 3 percent on designated systemically important institutions, at the regulators discretion.

Source: National Authorities.

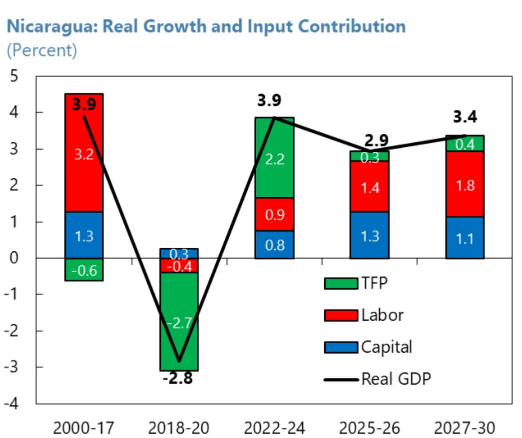
Authorities' Views

31. The authorities remain committed to strengthening the financial system's stability and resilience. They noted that they are finalizing the implementation of all regulations related to the recent changes to the financial laws. They acknowledged the need to prepare the analysis to support the eventual use of the CCB. This analysis could define the process to release the CCB to face adverse shocks in the financial sector. In addition, they concurred with the need to prepare contingency plans for crisis preparedness. They emphasized that they are ready to implement additional macroprudential measures, if needed. They also agreed to discuss with banks the core regulations on an ad-hoc basis, as needed and as done until now. They indicated that SIBOIF ensures that the appointment of members of the banks' board of directors, key bank directors, and internal auditors abide by the country's legislation (technical and professional qualifications of the proposed appointees).

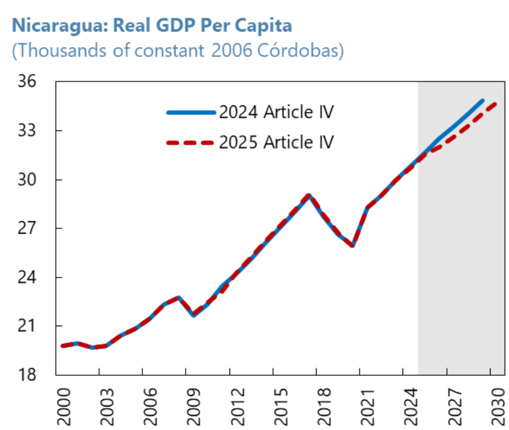
D. Boosting Medium-Term Growth and Employment

32. Supporting investment in infrastructure and human capital would help sustain higher medium-term growth and further advance poverty reduction and income convergence. Staff analysis shows that per capita growth is expected to decline because of lower expected growth in 2025-30 and a larger population due to returned migration, compared to the previous staff report (text charts). While returning migrants—alongside fewer departures to the U.S.—will increase the labor force and ultimately raise potential output and growth, realizing higher growth rates require higher investment, productivity, and human capital to complement the rising labor force. Moreover, in the short term, an increase in informality and decrease in welfare is likely to take place.[43] Efforts to strengthen social safety nets and active labor market policies to foster formality and labor force participation are needed (see Annex V of the [2022 Article IV IMF staff report](#)).[44] To ensure increased competitiveness, as well as providing the upskill needed to support export diversification across products (Annex II), higher human capital accumulation is also needed.

33. Improving the business climate is needed to sustain higher growth. To ensure private sector-led growth, enhancing financial inclusion would help channel remittances and small savings towards investment and support entrepreneurship. The authorities have started diversifying export markets and sources of investment in recent years. Reducing non-tariff barriers would support these efforts. Working closer together with the business community[45] would help support competitiveness and diversify exports (Annex II) by reducing the cost of doing business. Strengthening protection of property rights and practices more broadly in the rule of law, tax administration, and the regulatory framework would also help enhance open competition and increase competitiveness (see section E).



Source: BCN and IMF staff calculations.



Source: BCN and IMF staff calculations.

[43] Forthcoming IMF Working Paper by Carare and others shows in a general equilibrium model that tightening U.S. immigration of unskilled labor leads to a decline in wages of unskilled labor in the source country (of migrants), which, along with the associated loss in remittances, lowers consumption (welfare). The 2022 Article IV IMF staff report (Annex V) shows that the labor market in Nicaragua generally adjusts by absorbing extra labor in the informal sector, while formal employment stays relatively unchanged, slowing the transition to a new equilibrium.

[44] Policy recommendations included increasing formality gains (e.g., simplified taxes for small firms, strengthening workers' safety nets, etc.), and supporting small producers and startups through facilitating small producers' cooperatives, the agency for agricultural technology research to spur productivity in the countryside, and microcredit.

[45] Most business associations and Chambers of Commerce have been closed. The private sector interact individually with the government, the U.S. government, or importers, raising the cost of doing business, inefficiency, and governance vulnerabilities, thereby lowering competitiveness.

Authorities' Views

34. The authorities concurred with staff that sustaining higher medium-term growth required boosting human and physical capital, diversifying exports, and continuing to foster trade facilitation to attract investment. They agreed that expanding exports into new markets is essential to bolster growth and resilience. They noted that although they are engaged in these efforts, diversification is a gradual process that takes time to materialize. The authorities placed emphasis on the need to deepen engagement with all relevant economic agents to increase competitiveness, and they consider the current level of engagement to be broadly adequate. They did not foresee the need for additional measures for returning migrants beyond the current labor market policies, as those policies do not distinguish migrants from other active job seekers.

E. Strengthening Economic Governance, Including the Rule of Law

35. Progress is being made in implementing the 2021 Safeguards Assessment recommendations and efforts need to be sustained. Staff welcome the adoption of the new Law No.1232 incorporating some of the previous safeguards recommendations,[46] and recommend further strengthening BCN's institutional autonomy in future amendments. In addition, the authorities should develop a strategy for transitioning to International Financial Reporting Standards (IFRS) after receiving the requested Fund technical assistance, while continuing to strengthen the BCN's balance sheet through profit retention.

36. Steady improvements in fiscal transparency should be maintained. Most commitments and recommendations from the 2020 RCF/RFI have been implemented (Annex VII) and progress to address the rest of commitments continue.[47] There have also been improvements in fiscal transparency in line with previous staff advice. For instance, the coverage of SOEs in the quarterly public finance statistics report increased from seven to eight, and the 2024 fiscal risk report enhanced the coverage of macroeconomic risks and frequency of natural disasters. Further progress is needed on: (i) advancing the production of the standardized manual for harmonizing and consolidating financial statements and audit reports; (ii) reconciling the above and below the line fiscal data to enhance fiscal transparency along the 2020 RFI/RCF commitments; and (iii) expanding coverage and data compilation to additional public sector sub-sectors.

37. Nicaragua is enhancing its AML/CFT framework to tackle financial crime more effectively and protect the integrity of the economy. In preparation for the GAFILAT's Fifth Mutual Evaluation Round, expected in 2028, the National AML/CFT Commission improved its capabilities to coordinate with relevant agencies. The authorities have revised key AML/CFT laws regarding asset seizures and forfeitures. New regulations for virtual asset service providers were issued in 2025, alongside sectoral risk assessments for cooperatives and the banking sector. The

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[46] It increases the autonomy of the central bank by lengthening the tenure of the President and of the non-executive monetary and financial Board members, establishes the BCN's statutory capital, allows for the recapitalization of the BCN through profit retention, and mandates a fixed publication date for the annual financial statements.

[47] Remaining RFI/RCF commitments include publishing the financial statements of all SOEs, including their audit reports from the Comptroller General.

supervision of financial institutions is shifting to thematic inspections, and the authorities have improved their risk-based tools. However, the reporting of suspicious transactions remains low for some designated entities, including gold traders, suggesting a need for further awareness of their obligations. Additionally, designated entities in general have not filed suspicious transactions reports of politically exposed persons. Although Nicaragua updated its NPO sectorial risk assessment in 2024, no dialogue and consultation with the sector's participants was conducted for its elaboration. The positive momentum achieved in cooperation for financial supervision with various institutions of the public sector should be extended to the private and NPO sectors, since, as key stakeholders, they would help the authorities effectively prepare for the next Evaluation and demonstrate effective implementation of the framework.

38. The government has taken steps to enhance the governance and anti-corruption frameworks, and further efforts are needed to support growth. Efforts to digitize the asset declarations and assess corruption risks, including from conflict of interest, have continued.[48] The Comptroller General continued publishing the audits of public institutions and strengthened its methodology in 2024 to allow for simultaneous and wider audits. Further efforts are needed to reduce corruption vulnerabilities by conducting risk-based assessments of the asset declarations periodically, strengthening the legal framework to allow for an automatic publication of declarations of top-level officials, and ensuring the management and oversight of private property transferred to the state is transparent and in line with best practices.

39. The rule of law requires significant improvement to support private property rights and growth. While the transfers of private property to the state are published in the Official Gazette for most assets, judicial and administrative decisions based on which these transfers take place are not published. To support private property rights, contract enforcement, and investment protection, which are crucial for medium-term growth, it is paramount to increase the transparency, accountability, and effectiveness of administrative and judicial processes (including of third parties) by publishing those decisions in line with best practices;[49] introducing reforms that suspend administrative decisions potentially affecting property rights until the administrative acts are considered final; and guaranteeing adequate, effective, and fair legal recourse to all proceedings.[50]

Authorities' Views

40. The authorities broadly concurred with the advice and noted efforts under way to strengthen economic governance. They welcomed the engagement on all macro-relevant issues from the governance agenda but emphasized that the Article IV consultation needs to focus on structural and macro-financial policies. They noted that non-core issues, such as governance, that

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[48] Currently the law permits public access to these declarations upon request Any natural or legal person may request a copy of a declaration of assets from the Comptroller's Office, presenting sound reasons and assuming civil or criminal liability for the use of the information.

[49] Those practices ensure that the publication of these decisions are clear, accessible, and align with the principles of public interest and legal fairness, to maintain trust and respect for regulatory authority, which is crucial for the effective management of property and the protection of private rights.

[50] See 2024 Article IV staff report recommendations.

are beyond the IMF's expertise, must always have verifiable links to economic growth. On **safeguards**, the authorities confirmed that they will continue to apply half of the BCN profits towards its recapitalization in accordance with Law 1232, while the legacy government loans remain outstanding. Once that process of cleaning up the BCN's balance sheet is complete, they will prepare a possible transition to IFRS, with Fund CD. On **fiscal transparency,** the authorities will sustain ongoing efforts to publish the annual financial statements and audit reports for the central government and work towards broadening the publication and coverage of fiscal reporting. On **AML/CFT**, the authorities have continued preparing for the upcoming Mutual Evaluation Round, closely coordinating with the obligated entities and NPOs, and ensuring that all the relevant AML/CFT obligated entities are aware of their obligations, including reporting of suspicious transactions. On the **anti-corruption framework**, the authorities emphasized that they strengthened significantly the anti-corruption framework in 2024-25 by creating the Office of the Attorney General of Justice and reinforcing principles of probity, transparency, and accountability; the legal framework allows now to remove immediately public officials for mismanagement of public funds. Moreover, the methodologies for checking asset declarations of public officials and the audits of public institutions are being strengthened. The organic law implemented in 2024 allows for simultaneous and wide audits.

41. The authorities stressed the importance of strengthening the protection of property rights by substantially strengthening the rule of law to sustain medium-term growth. The legal framework guarantees third parties the right to request the return of seized property upon proving its lawful origin, or temporary immobilization, though no such requests have been made. They also noted that property transfers to the state follow final judicial or administrative decisions, as per the country's legal and regulatory framework, and detailed information remains reserved to safeguard the government's interests and protect its assets. Nevertheless, they agreed that it is crucial to substantially strengthen the rule of law by increasing the transparency and effectiveness of administrative and judicial processes of property transfers to the state (including third parties), and by ensuring adequate access to legal recourse.

STATISTICS

42. Data provided to the Fund has some shortcomings but remains broadly adequate for surveillance, and work is needed to continue improving its timeliness, coverage, consistency, and granularity (Annex VIII).[51] The authorities are working on improving external and public sector statistics, including with CD support (see Informational Annex). Efforts are required to: (i) expand

[51] Unchanged overall assessment since the 2024 Article IV report.

sources of data for the real and external sectors;[52] (ii) harmonize public and external sector debt data; and (iii) improve timeliness of key statistics (e.g., poverty rate, remittances).[53]

Authorities' Views

43. The authorities outlined ongoing efforts to strengthen key statistical areas. These include external statistics with Fund CD support. They expressed interest in strengthening public finance statistics and improving the reconciliation between above-the-line and below-the-line fiscal data (with hands-on IMF TA).[54]

STAFF APPRAISAL

44. Nicaragua's economy remains resilient supported by sound macroeconomic policies, amid a shifting global policy landscape. Real GDP grew by 3.9 percent in the first half of 2025, as exports and remittances increased strongly despite global trade policy uncertainty. Inflation remains low, and the financial sector is reportedly well capitalized with adequate liquidity and low NPLs. The fiscal position is strong, with external and overall public debt at moderate risk of debt distress, substantial space to absorb shocks, and a strong debt carrying capacity. The NIIP is sustainable, reserve coverage is adequate, and the external position is assessed as substantially stronger than the level implied by fundamentals and desirable policies.

45. The short-term outlook remains broadly favorable, while downside risks and high uncertainty dominate over the medium term. Growth is projected to moderate to 3.4 percent in 2026, from 3.8 percent in 2025, reflecting mostly staff's assumptions of lower remittances, in a context of tighter U.S. immigration policies. Over the medium term, staff expect real GDP growth to stabilize at around 3½ percent, supported by public investment and an expanding labor force. Foreign reserves are expected to remain ample, albeit growing at a slower pace as CA surpluses narrow. Upside short-term risks include more favorable terms of trade and higher public investment. Downside risks stem from commodity price volatility, weaker global growth, and tighter U.S. immigration and trade policies. Natural disasters, and stricter and broader international sanctions could also impact negatively growth.

46. Staff welcome the authorities' continued commitment to safeguarding fiscal sustainability and building buffers while supporting growth and recommend additional measures. Staff broadly support the 2026 capital and human development spending plans, and

[52] Revisions to official national accounts data are a standard practice, but it remains important for the authorities to improve the timely communication of methodological changes or the rationale behind significant revisions. Incorporating the results of the household survey in the national accounts and concluding and disseminating the new series with benchmark year 2019 remains pending. The BCN continues to work with the help of IMF CD on external sector data to minimize the errors and omissions.

[53] Latest actual data for poverty rates dates to 2014. World Bank estimates for more recent years are used throughout this report.

[54] In the case of the MHCP, and specifically regarding account´s reconciliation, progress has been made with the support of CAPTAC-DR, achieving positive results in improving the quality of the data compiled, and it is expected to continue to make progress with CAPTAC in this area.

advise proceeding cautiously with budget execution in line with staff's baseline scenario, considering downside risks, high uncertainty, limited external financing, and persistent imbalances in the pension system. Staff also recommend enhancing tax collection and better targeting SOE transfers to create space for higher priority public investment and targeted social spending. In a downside scenario, targeted and time-bound support to vulnerable groups could be deployed.

47. Monetary policy should continue preserving price and external stability and the BCN should continue strengthening monetary policy transmission. The ongoing easing of the monetary policy stance and the announced rate of crawl of 0 percent for 2026 are appropriate given external conditions and the macroeconomic and financial policy mix. Staff recommend continuing to foster the use of local currency and deepen capital markets to enhance monetary policy effectiveness. In a downside scenario, the authorities should stand ready to increase the monetary reference rate and recalibrate the rate of crawl, if needed.

48. Staff support the implementation of the comprehensive set of financial laws approved in early 2025 and recommend further strengthening crisis preparedness. The new laws increased capital buffers and strengthened the recovery and crisis resolution framework. Further efforts are needed to prepare the analysis needed for activating the CCB and contingency plans in the crisis resolution framework. Staff also recommend standing ready to release CCBs in a downside scenario of financial distress and adjusting further the financial regulations in consultation with banks to ensure they do not impose an excessive regulatory burden.

49. Staff recommend boosting human and physical capital and diversifying exports. Stronger social safety nets and expanded active labor-market policies would support a higher contribution of labor to medium-term growth, along with the expected public investment in transport and health. Staff welcome efforts to expand export markets and recommend working with export firms to support the skills needed to scale up into higher value-added products.

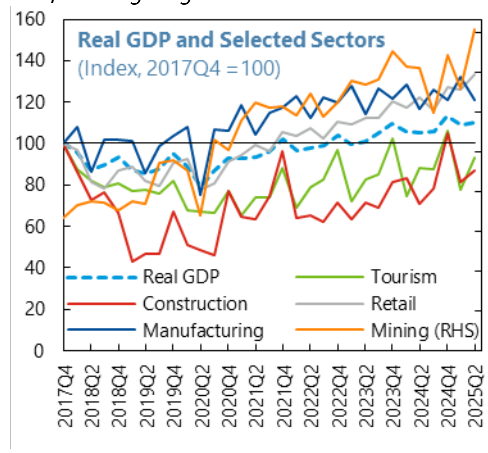
50. To sustain higher medium-term growth, staff recommend strengthening the business climate and economic governance, especially significantly improving the rule of law. To improve competitiveness and increase private investment by reducing the cost of doing business, it is important to strengthen the business facilitation with economic agents and maintain fiscal integrity. It is also crucial to increase the transparency, accountability, and effectiveness of administrative and judicial processes related to private property rights (including of third parties), which includes guaranteeing all adequate, effective, and fair legal recourse. On economic governance, staff recommend continuing to increase fiscal transparency by publishing consolidated financial statements and audit reports, coordinating with private and NPOs to better understand AML/CFT risks, and increase the reporting of suspicious transactions, as needed. Staff also recommend further strengthening the anti-corruption framework by allowing the automatic publication of asset declarations of top-level officials and ensuring effective management and oversight of all property of the state.

51. Data provided to the Fund remains broadly adequate for surveillance with some shortcomings. Staff recommend expanding data sources, improving the timeliness of key statistics such as poverty rates, and enhancing the publication of detailed balance of payments data, including remittances.

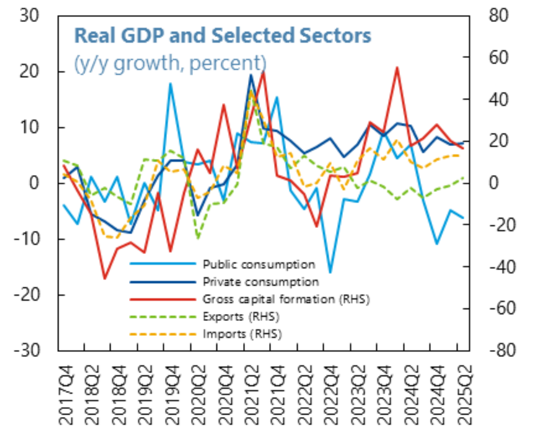
52. Staff recommended that the next Article IV consultation takes place on the standard 12-months cycle.

Figure 1. Nicaragua: Real Sector

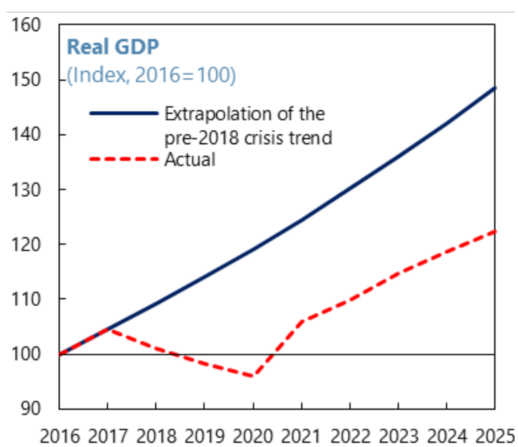
The retail sector continued driving growth, while manufacturing stagnated.



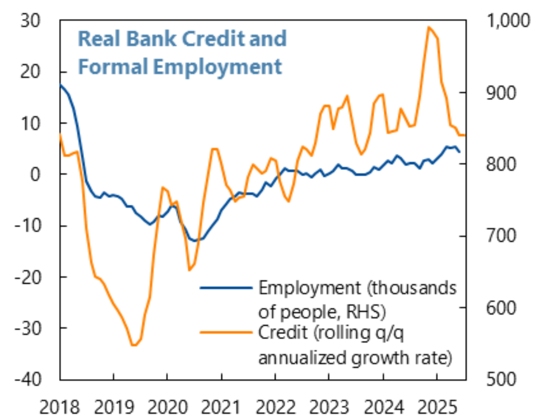
Real private consumption and investment contributed to growth, along with a rebound in exports, while public consumption contracted.



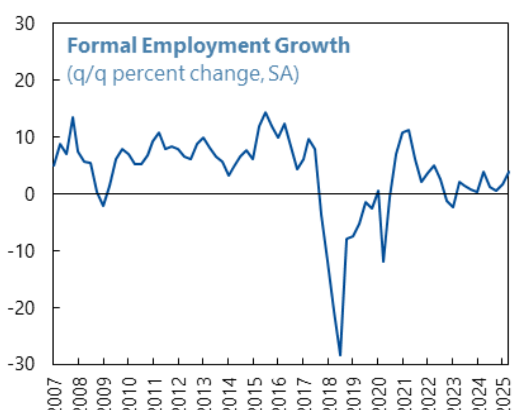
Real GDP growth has remained below pre-crisis rates.



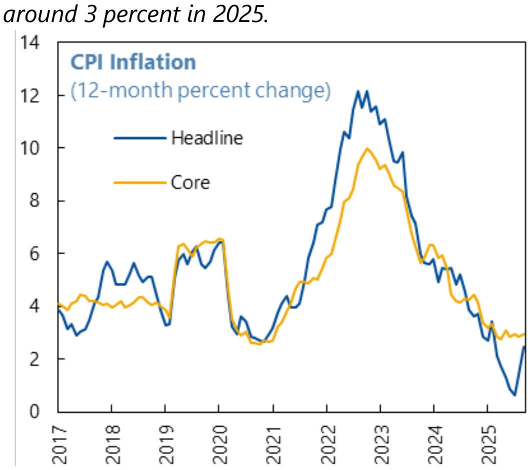
After accelerating in 2024, real credit growth slowed down in 2025 and formal employment growth remains low…



…well below pre-crisis.



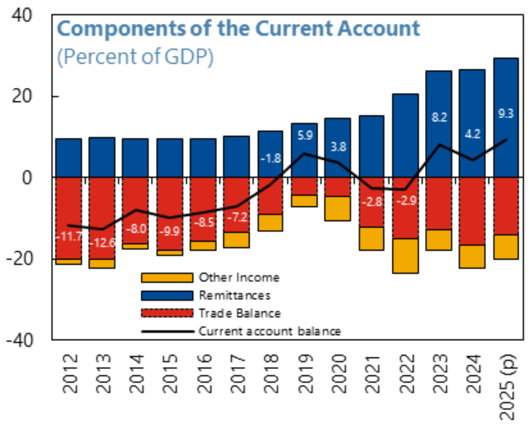
Inflation remained low and core inflation stabilized around 3 percent in 2025.



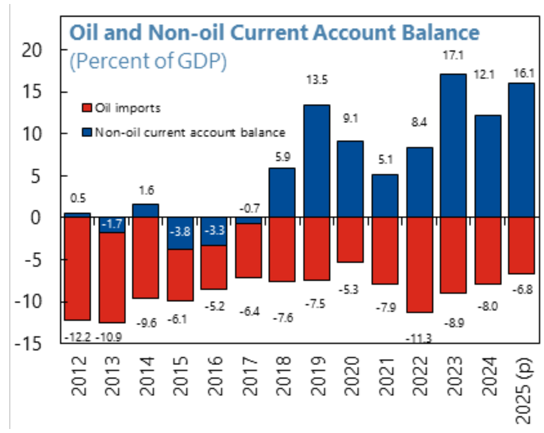
Sources: National authorities and IMF staff calculations.

Figure 2. Nicaragua: External Sector

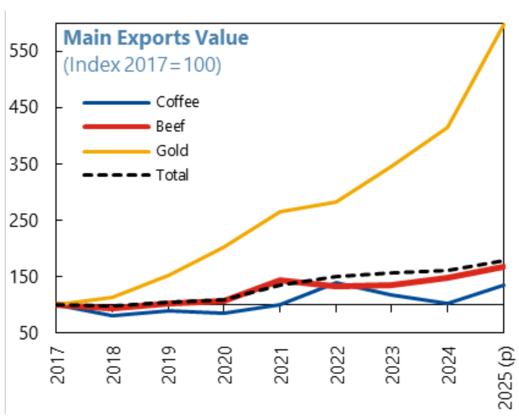
The current account surplus is expected to widen in 2025 on the back of sustained remittances and smaller trade deficits…



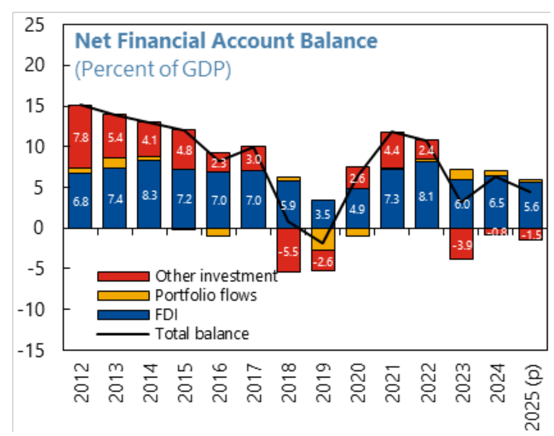
…primarily in the non-oil current account balance.



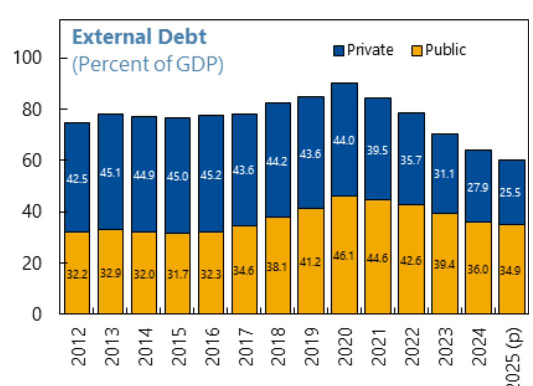
Total exports increased strongly in 2025 especially for gold.



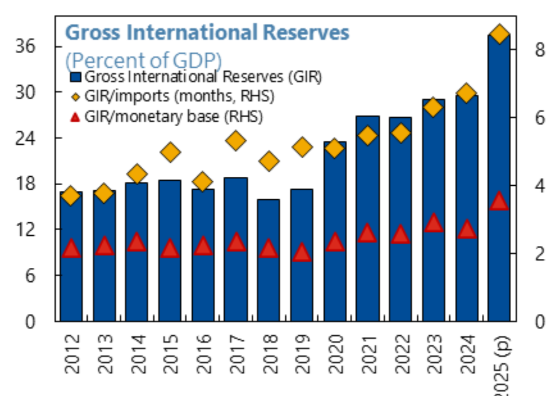
The financial account surplus increased in 2024, mainly due to reinvested FDI earnings.



Private and public external debt are projected to continue declining in 2025.



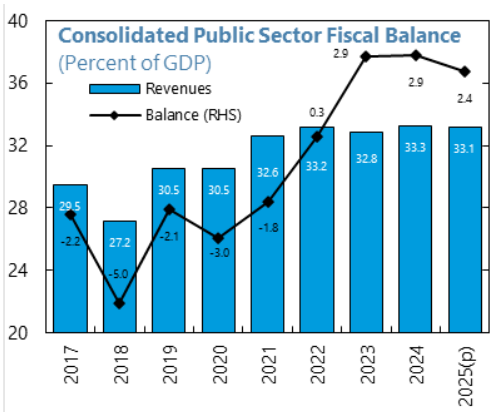
International reserves have increased substantially in 2025, reaching historic highs, including as coverage of months of imports.



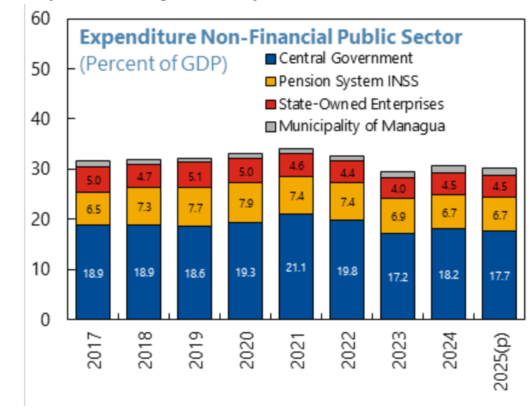
Sources: National authorities and IMF staff calculations.

Figure 3. Nicaragua: Fiscal Sector

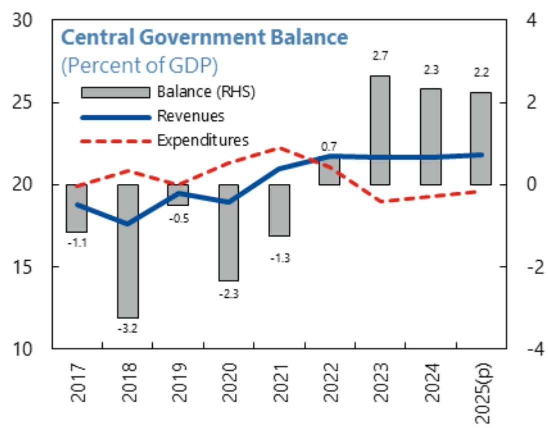
The fiscal surplus has narrowed somewhat and remains well above historical averages…



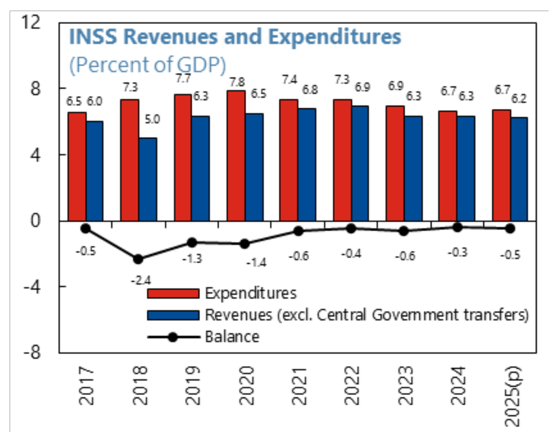
…with the increase in expenditure remaining broadly steady and being offset by the increase in revenues.[1/]



2025 will mark the fourth consecutive year with a central government surplus.



The INSS deficit has stabilized at around ½ percent of GDP as expenditures outstrips contribution revenues.



Net external official financing continues to decline, while the central government deposits have increased

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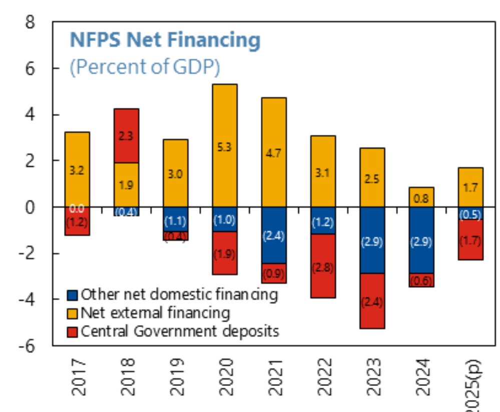
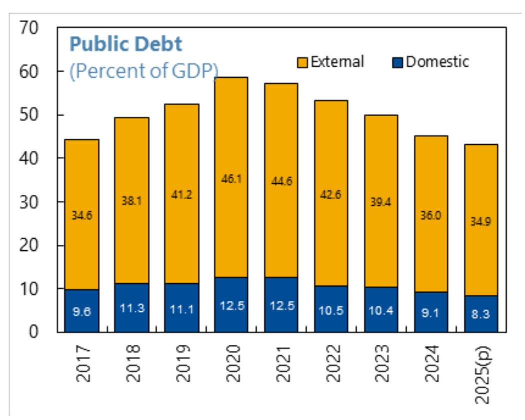


Public debt continued to decline.

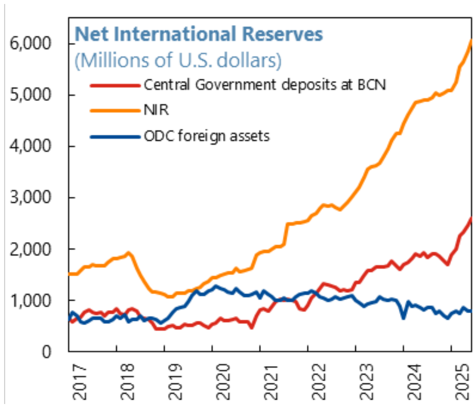


Sources: National authorities and IMF staff calculations.

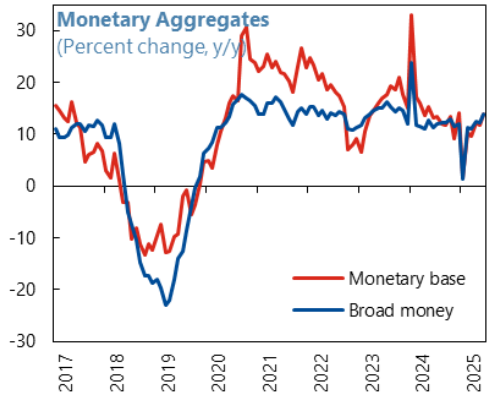
[1/]Excluding transfers to the INSS.

Figure 4. Nicaragua: Monetary Sector

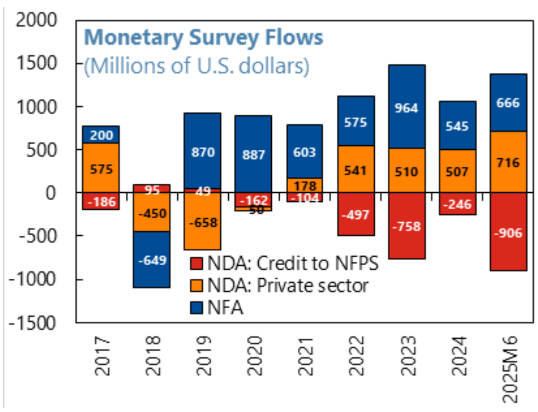
NIR continued to rise considerably, while central government deposits continued to grow strongly.



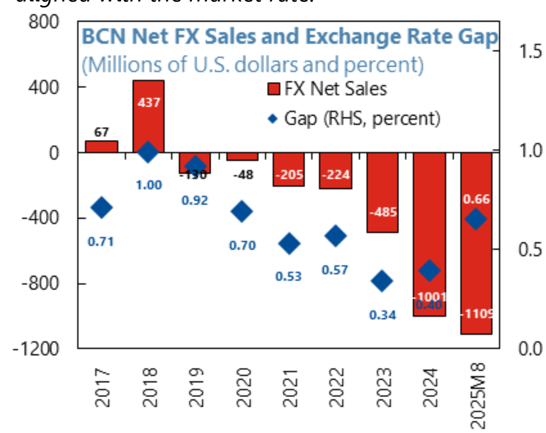
Growth of the monetary base and broad money contracted in early 2025…



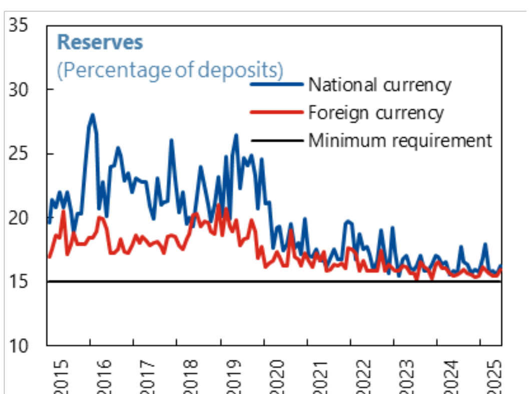
…as the increase in NFA was more than offset by the sharper decrease in credit to the government in 2025.



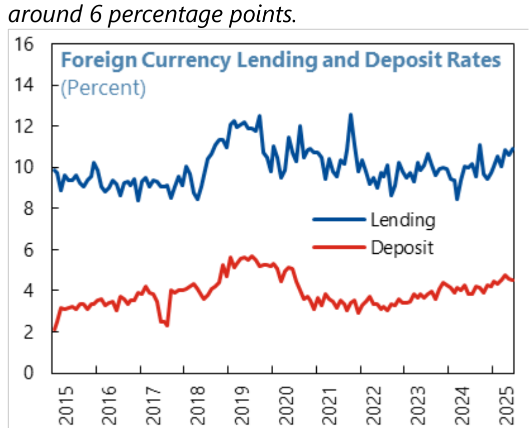
BCN has remained a net purchaser of foreign exchange, while the official exchange rate has stayed closely aligned with the market rate.[1/]



Banks' excess reserves remain slightly above legal requirements.



The differential between lending and deposit rates in foreign currency remains high and broadly stable, at around 6 percentage points.

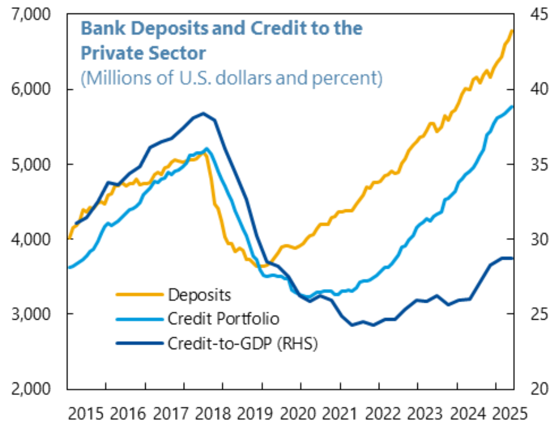


Sources: National authorities and IMF staff calculations

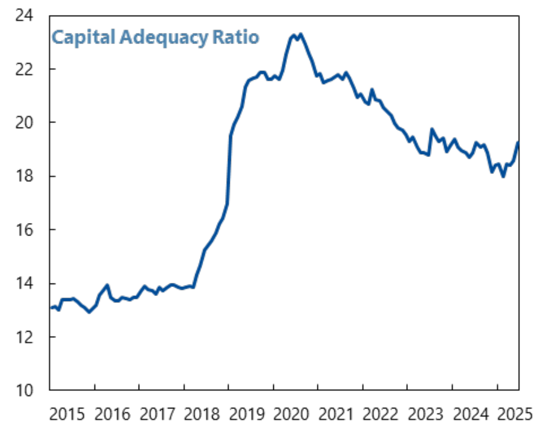
[1/]The gap represents the difference between the exchange rate for selling dollars in the market and the official exchange rate (average for the year, in percentage terms). 2025 data up to August.

Figure 5. Nicaragua: Financial Sector

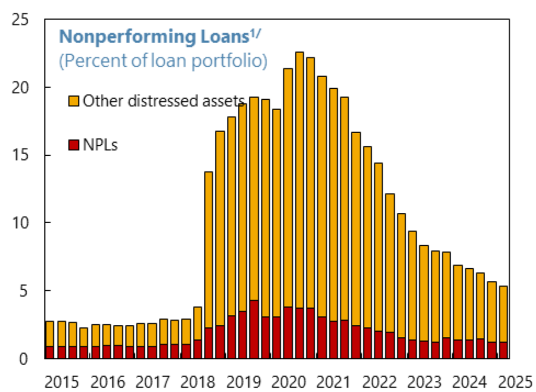
Bank deposits and credit to the private sector continued to grow strongly, but credit to GDP ratio remained well below pre-crisis levels in relation to GDP.



Banks' capital remains well above required minimum of 15 percent, reaching 19.1 by October 2025, explained also by the increase in capital requirements in February 2025.

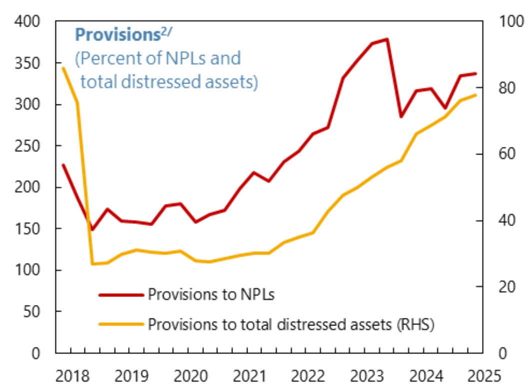


NPLs and other distressed assets continued to decline.



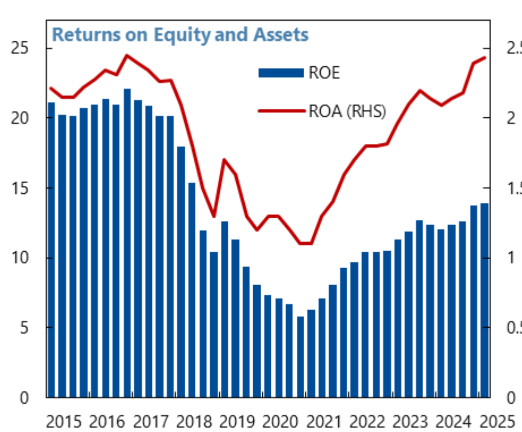
1/ Adding restructured, refinanced loans and forborne loans.

Provisioning continued to improve, including for NPLs.

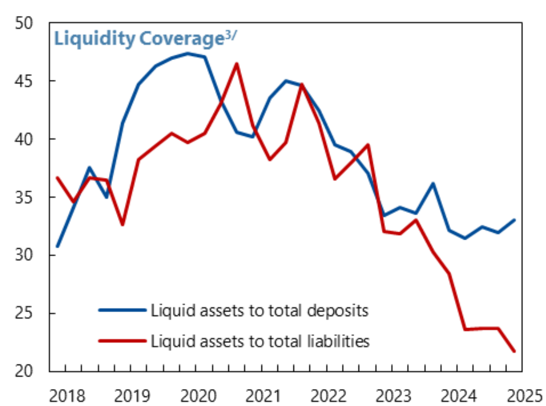


2/ Adding restructured, refinanced loans and forborne loans to NPLs.

Profitability continued to improve since 2021, and as measured by ROA it has broadly returned to its pre-crisis level.



While banks have been reducing their liquidity ratios since end-2021, the liquid assets to total deposits ratio stabilized since 2024 at the pre-crisis level.



3/ Adding restructured, refinanced loans and forborne loans to NPLs.

Sources: National authorities and IMF staff calculations.

Table 1. Nicaragua: Selected Economic and Social Indicators, 2020–30

I. Social and Demographic Indicators

GDP per capita (current US$, 2024)	2,865	Income share held by the richest 10 percent (2014)	37.2
GNI per capita (Atlas method, current US$, 2023)	2,360	Unemployment (percent of labor force, 2024)	3.4
GINI Index (2014)	46.2	Poverty rate ($3.65/day line in 2017 PPP, percent)	12.5
Population (millions, 2024)	6.9	Adult literacy rate (percent, 2015)	82.6
Life expectancy at birth in years (2022)	74.5	Infant mortality rate (per 1,000 live births, 2022)	10.7

II. Economic Indicators

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
Output	(Annual percentage change; unless otherwise specified)										
GDP growth	-2.2	10.5	3.6	4.4	3.6	3.8	3.4	3.4	3.4	3.4	3.4
GDP (nominal, US$ million)	12,730	14,208	15,634	17,813	19,694	21,407	22,737	24,145	25,640	27,228	28,914
Prices											
Consumer price inflation (period average)	3.7	4.9	10.5	8.4	4.6	2.5	2.7	2.7	2.7	2.7	2.7
Consumer price inflation (end of period)	2.9	7.2	11.6	5.6	2.8	2.5	2.7	2.7	2.7	2.7	2.7
Saving and investment (percent of GDP)											
Gross domestic investment	**20.3**	**23.8**	**21.8**	**22.2**	**24.7**	**27.3**	**28.0**	**27.8**	**27.6**	**27.3**	**27.0**
Private sector	12.1	13.6	13.0	14.3	16.1	18.2	18.3	18.3	18.3	18.3	18.2
Public sector	8.3	10.2	8.7	7.9	8.6	9.0	9.7	9.5	9.4	9.0	8.8
Gross national savings	**24.1**	**21.0**	**18.9**	**30.4**	**28.9**	**36.6**	**33.2**	**31.0**	**29.5**	**27.8**	**27.0**
Private sector	20.2	14.4	11.1	21.0	18.6	26.4	23.3	20.9	19.3	17.8	17.0
Public sector	3.9	6.7	7.8	9.4	10.2	10.2	9.9	10.1	10.2	10.0	10.0
Exchange rate											
Period average (Córdobas per US$)	34.3	35.2	35.9	36.4	36.6	…	…	…	…	…	…
End of period (Córdobas per US$)	34.8	35.5	36.2	36.6	36.6	…	…	…	…	…	…
Fiscal Sector	(Percent of GDP)										
Consolidated public sector (overall balance after grants) [1]	**-3.0**	**-1.8**	**0.3**	**2.9**	**2.9**	**2.4**	**1.6**	**2.1**	**2.3**	**2.3**	**2.4**
Revenue (including grants)	30.5	32.6	33.2	32.8	33.3	33.1	33.5	33.5	33.5	33.3	33.0
Expenditure	33.5	34.4	32.9	30.0	30.4	30.8	31.9	31.4	31.2	31.0	30.6
***of which:* Central Government overall balance** [2]	**-2.3**	**-1.3**	**0.7**	**2.7**	**2.3**	**2.2**	**1.5**	**2.0**	**2.2**	**2.2**	**2.3**
Revenue	18.9	21.0	21.7	21.7	21.6	21.8	22.0	22.0	22.0	22.0	22.0
Expenditure	21.3	22.2	21.0	19.0	19.3	19.6	20.5	20.0	19.8	19.8	19.8
Cash payments for operating activities	16.9	16.5	16.2	14.5	13.8	13.7	14.3	14.1	14.2	14.2	14.2
Net cash outflow: investments in NFAs	4.4	5.8	4.8	4.5	5.5	5.9	6.2	5.9	5.6	5.6	5.6
***of which:* Social Security Institute (INSS) overall balance** [2]	**-0.3**	**-0.1**	**-0.1**	**-0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Revenue	7.5	7.2	7.2	6.8	6.7	6.7	6.8	6.8	7.0	7.0	6.8
Expenditure	7.8	7.4	7.3	6.9	6.7	6.7	6.8	6.8	7.0	7.0	6.8
Money and financial	(Annual percentage change)										
Broad money	15.6	13.8	11.3	11.9	12.0	22.3	7.6	7.1	4.9	2.6	3.2
Credit to the private sector	-3.6	5.3	15.6	18.1	20.7	12.5	12.4	12.3	12.2	12.0	12.0
Net domestic assets of the banking system	-6.3	2.4	1.4	-8.0	9.1	-14.3	-11.8	-1.4	2.5	12.2	11.7
Non-performing loans to total loans (ratio)	3.7	2.5	1.5	1.5	1.2	…	…	…	…	…	…
Regulatory capital to risk-weighted assets (ratio)	19.5	18.9	17.6	17.3	16.7	…	…	…	…	…	…
External sector	(Percent of GDP, unless otherwise indicated)										
Current account	3.8	-2.8	-2.9	8.2	4.2	9.3	5.2	3.2	1.8	0.5	-0.1
of which: remittances	14.5	15.1	20.6	26.2	26.6	29.5	26.1	25.5	25.0	24.4	23.9
Capital and financial account	7.3	12.4	11.2	3.7	6.5	4.5	2.5	3.0	3.0	2.3	2.4
of which: FDI	4.9	7.3	8.1	6.0	6.5	5.6	5.0	4.6	4.4	4.0	3.6
Gross international reserves (US$ million) [3]	3,003	3,828	4,173	5,190	5,820	8,018	9,050	9,805	10,302	10,317	10,266
In months of imports excl. maquila	7.0	5.5	5.6	6.3	6.7	8.5	9.1	9.3	9.2	8.8	8.3
Net international reserves (US$ million) [4]	1,887	2,531	3,011	4,249	5,115	7,258	8,157	8,752	9,073	9,012	8,880
In months of imports excl. maquila	4.4	4.3	4.3	5.7	6.2	8.4	8.6	8.8	8.6	8.1	7.6
Public sector debt [5]	58.6	57.2	53.1	49.8	45.1	43.2	42.4	42.3	42.1	41.3	40.1
Domestic public debt	12.5	12.5	10.5	10.4	9.1	8.3	7.8	7.4	6.9	6.5	6.1
External Public Debt	46.1	44.6	42.6	39.4	36.0	34.9	34.5	34.9	35.1	34.8	34.1
Private sector external debt	44.0	39.5	35.7	31.1	27.9	25.5	23.8	22.2	20.8	19.4	18.1

Sources: National authorities; World Bank; and IMF staff calculations.

[1] The consolidated public sector comprises the central government, the municipality of Managua, the state-owned enterprises, social security system (INSS) and the central bank.

[2] Include transfers to cover the INSS deficit for 2023-25, 0.5 percent of GDP per year, and payment for historical debt (0.7 percent of GDP in 2023).

[3] Excludes the Deposit Guarantee Fund for Financial Institutions (FOGADE).

[4] Excludes the FOGADE and reserve requirements for FX deposits.

[5] Assumes that HIPC-equivalent terms were applied to the outstanding debt to non-Paris Club bilaterals. Does not include SDR allocation.

Table 2. Nicaragua: Medium-Term Macroeconomic Framework, 2020–30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
Growth and prices	(Annual percentage change)										
Real GDP growth	-2.2	10.5	3.6	4.4	3.6	3.8	3.4	3.4	3.4	3.4	3.4
Output gap 1/	-5.5	0.1	-0.1	0.6	0.7	0.9	0.7	0.5	0.2	0.1	0.0
Consumer price inflation (end of period)	2.9	7.2	11.6	5.6	2.8	2.5	2.7	2.7	2.7	2.7	2.7
	(Percent of GDP, unless otherwise indicated)										
Consolidated public sector											
Revenue (including grants)	30.5	32.6	33.2	32.8	33.3	33.1	33.5	33.5	33.5	33.3	33.0
Expenditure	33.5	34.4	32.9	30.0	30.4	30.8	31.9	31.4	31.2	31.0	30.6
Primary fiscal balance	-1.4	-0.3	1.8	4.7	5.0	4.2	4.2	4.8	5.3	5.3	5.6
Cyclically adjusted primary fiscal balance (NFPS)	0.1	-0.2	1.9	3.9	3.8	3.3	3.2	3.7	4.3	4.4	4.8
Overall balance, after grants	-3.0	-1.8	0.3	2.9	2.9	2.4	1.6	2.1	2.3	2.3	2.4
Public sector debt	58.6	57.2	53.1	49.8	45.1	43.2	42.4	42.3	42.1	41.3	40.1
Balance of payments											
Current account	3.8	-2.8	-2.9	8.2	4.2	9.3	5.2	3.2	1.8	0.5	-0.1
Gross international reserves (US$ million) 2/	3,003	3,828	4,173	5,190	5,820	8,018	9,050	9,805	10,302	10,317	10,266
In months of imports excl. maquila	5.1	5.5	5.6	6.3	6.7	8.5	9.1	9.3	9.2	8.8	8.3
Net international reserves (US$ million) 3/	1,887	2,531	3,011	4,249	5,115	7,258	8,157	8,752	9,073	9,012	8,880

Sources: National authorities; World Bank; and IMF staff calculations.

1/ Percentage change between real GDP and real potential GDP as a share of real potential GDP.

2/ Excludes the Deposit Guarantee Fund for Financial Institutions (FOGADE).

3/ Excludes the FOGADE and reserve requirements for FX deposits.

Table 3. Nicaragua: Savings Investment Balance, 2020–30
(Percent of GDP, unless otherwise specified)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
Gross national disposable income	**108.6**	**109.4**	**112.1**	**121.0**	**120.9**	**123.4**	**119.9**	**118.5**	**117.8**	**116.9**	**116.3**
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net factor payments from abroad	-6.3	-5.2	-7.6	-4.5	-5.0	-5.5	-5.6	-6.3	-6.5	-6.8	-6.9
Net transfers from abroad	14.8	14.6	19.7	25.5	25.9	28.8	25.4	24.9	24.3	23.8	23.2
Consumption	**84.5**	**88.4**	**93.2**	**90.6**	**92.1**	**86.8**	**86.7**	**87.6**	**88.4**	**89.1**	**89.4**
Public sector[1/]	15.1	15.5	13.9	12.9	12.3	12.4	12.2	12.0	11.7	11.6	11.4
Private sector	69.4	72.9	79.3	77.7	79.8	74.4	74.5	75.6	76.7	77.5	78.0
Gross domestic investment	**20.3**	**23.8**	**21.8**	**22.2**	**24.7**	**27.3**	**28.0**	**27.8**	**27.6**	**27.3**	**27.0**
Public sector[1/]	8.3	10.2	8.7	7.9	8.6	9.0	9.7	9.5	9.4	9.0	8.8
Private sector	12.1	13.6	13.0	14.3	16.1	18.2	18.3	18.3	18.3	18.3	18.2
National saving	**24.1**	**21.0**	**18.9**	**30.4**	**28.9**	**36.6**	**33.2**	**31.0**	**29.5**	**27.8**	**27.0**
Public sector	3.9	6.7	7.8	9.4	10.2	10.2	9.9	10.1	10.2	10.0	10.0
Private sector	20.2	14.4	11.1	21.0	18.6	26.4	23.3	20.9	19.3	17.8	17.0
External saving	**-3.8**	**2.8**	**2.9**	**-8.2**	**-4.2**	**-9.3**	**-5.2**	**-3.2**	**-1.8**	**-0.5**	**0.1**
Public sector	4.3	3.5	1.0	-1.5	-1.6	-1.2	-0.3	-0.6	-0.9	-1.0	-1.2
Private sector	-8.1	-0.7	1.9	-6.7	-2.5	-8.2	-4.9	-2.6	-1.0	0.5	1.3
Memorandum items											
Exports of goods and services	42.0	46.6	50.4	46.3	41.3	41.9	40.7	39.7	38.6	37.8	37.3
Imports of goods and services	46.8	58.7	65.3	59.1	58.1	56.0	55.4	55.0	54.6	54.3	53.6

Sources: National authorities and IMF staff calculations.

[1/]Projections are based on national accounts data increased with growth rates from the fiscal projections.

Table 4. Nicaragua: Balance of Payments, 2020-30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
	(In millions of U.S. dollars; unless otherwise indicated)										
Current account	**480**	**-393**	**-452**	**1,465**	**819**	**1,998**	**1,178**	**776**	**470**	**133**	**-17**
Trade account	-943	-1,901	-2,791	-2,692	-3,295	-2,878	-3,164	-3,517	-3,909	-4,275	-4,536
Exports f.o.b.	3,561	4,295	4,494	5,175	5,248	6,129	6,738	6,915	7,106	7,364	7,685
Maquila (net)	702	774	585	488	512	512	394	418	435	452	470
Coffee	515	605	829	700	606	1,018	935	868	797	788	827
Others	2,344	2,916	3,080	3,987	4,130	4,599	5,408	5,629	5,874	6,124	6,388
Imports f.o.b. (non-maquila)	4,504	6,196	7,285	7,867	8,543	9,006	9,902	10,431	11,015	11,639	12,222
Maquila	834	1,279	1,816	1,514	1,588	1,588	1,224	1,297	1,349	1,403	1,459
Petroleum products	681	1,116	1,768	1,589	1,570	1,447	1,475	1,547	1,623	1,710	1,725
Others	3,824	5,079	5,516	6,278	6,973	7,560	8,427	8,885	9,393	9,929	10,497
Services (net)	333	175	455	421	-8	-127	-175	-183	-192	-200	-202
Of which: tourism receipts	199	184	596	739	511	444	425	451	479	509	540
Income (net)	-800	-746	-1,191	-806	-988	-1,168	-1,265	-1,525	-1,659	-1,860	-1,994
Of which: payments on direct investments	569	587	1,095	797	994	1,102	1,193	1,293	1,400	1,517	1,643
Of which: public sector interest payments	278	184	214	335	371	476	507	694	749	864	904
Transfers (net)	1,890	2,079	3,075	4,543	5,109	6,170	5,784	6,001	6,230	6,468	6,715
Of which: Remittances	1,851	2,147	3,225	4,660	5,243	6,315	5,938	6,164	6,404	6,652	6,911
Capital and Financial account, capital(+), financial(-)	**927**	**1,761**	**1,748**	**652**	**1,276**	**968**	**575**	**715**	**762**	**618**	**702**
Financial account	**-816**	**-1,675**	**-1,685**	**-578**	**-1,247**	**-937**	**-542**	**-679**	**-725**	**-578**	**-659**
Direct investment (net)	-619	-1,033	-1,268	-1,072	-1,279	-1,192	-1,147	-1,105	-1,119	-1,078	-1,040
Portfolio investment[1/]	133	-17	-47	-199	-121	-71	-35	-18	-9	-4	-2
Other investment	-329	-625	-370	693	152	326	640	443	403	505	383
Capital account	**111**	**86**	**63**	**73**	**29**	**31**	**33**	**35**	**37**	**40**	**42**
Errors and omissions	-591	-509	-867	-1,099	-1,418	-709	-709	-723	-723	-723	-723
Overall balance	**816**	**859**	**429**	**1,018**	**676**	**2,257**	**1,045**	**767**	**509**	**27**	**-39**
Financing	**-816**	**-859**	**-429**	**-1,018**	**-676**	**-2,257**	**-1,045**	**-767**	**-509**	**-27**	**39**
Change in GIR (increase, -)	**-991**	**-856**	**-428**	**-987**	**-619**	**-2,198**	**-1,033**	**-755**	**-497**	**-15**	**51**
Change in NIR (increase, -)[2/]	-512	-644	-480	-1,238	-866	-2,143	-898	-596	-320	61	131
Change in FX reserve requirement, CB bills and CABEI (increase, -)	-292	-180	135	221	237	-55	-134	-159	-177	-76	-81
Exceptional financing and IMF loans/credit	**174**	**-2**	**-1**	**-30**	**-58**	**-59**	**-12**	**-12**	**-12**	**-12**	**-12**
IMF lending	181	0	0	0	0	0	0	0	0	0	0
IMF repayments	-7	-2	-1	-30	-58	-59	-12	-12	-12	-12	-12
Other IFIs	0	0	0	0	0	0	0	0	0	0	0
Unidentified financing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	(In percent of GDP; unless otherwise indicated)										
Current account	**3.8**	**-2.8**	**-2.9**	**8.2**	**4.2**	**9.3**	**5.2**	**3.2**	**1.8**	**0.5**	**-0.1**
Trade account	-7.4	-13.4	-17.9	-15.1	-16.7	-13.4	-13.9	-14.6	-15.2	-15.7	-15.7
Exports f.o.b.	28.0	30.2	28.7	29.1	26.6	28.6	29.6	28.6	27.7	27.0	26.6
Maquila	5.5	5.4	3.7	2.7	2.6	2.4	1.7	1.7	1.7	1.7	1.6
Coffee	4.0	4.3	5.3	3.9	3.1	4.8	4.1	3.6	3.1	2.9	2.9
Others	18.4	20.5	19.7	22.4	21.0	21.5	23.8	23.3	22.9	22.5	22.1
Imports f.o.b. (non-maquila)	35.4	43.6	46.6	44.2	43.4	42.1	43.5	43.2	43.0	42.7	42.3
Services (net)	2.6	1.2	2.9	2.4	0.0	-0.6	-0.8	-0.8	-0.7	-0.7	-0.7
Of which: tourism receipts	1.6	1.3	3.8	4.1	2.6	2.1	1.9	1.9	1.9	1.9	1.9
Income (net)	-6.3	-5.2	-7.6	-4.5	-5.0	-5.5	-5.6	-6.3	-6.5	-6.8	-6.9
Transfers (net)	14.8	14.6	19.7	25.5	25.9	28.8	25.4	24.9	24.3	23.8	23.2
Of which: Remittances	14.5	15.1	20.6	26.2	26.6	29.5	26.1	25.5	25.0	24.4	23.9
Others	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capital and financial account	**7.3**	**12.4**	**11.2**	**3.7**	**6.5**	**4.5**	**2.5**	**3.0**	**3.0**	**2.3**	**2.4**
Financial account	**-6.4**	**-11.8**	**-10.8**	**-3.2**	**-6.3**	**-4.4**	**-2.4**	**-2.8**	**-2.8**	**-2.1**	**-2.3**
Direct investment (net)	-4.9	-7.3	-8.1	-6.0	-6.5	-5.6	-5.0	-4.6	-4.4	-4.0	-3.6
Portfolio investment[1/]	1.0	-0.1	-0.3	-1.1	-0.6	-0.3	-0.2	-0.1	0.0	0.0	0.0
Other investment	-2.6	-4.4	-2.4	3.9	0.8	1.5	2.8	1.8	1.6	1.9	1.3
Capital account	**0.9**	**0.6**	**0.4**	**0.4**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Errors and omissions	-4.6	-3.6	-5.5	-6.2	-7.2	-3.3	-3.1	-3.0	-2.8	-2.7	-2.5
Overall balance	**6.4**	**6.0**	**2.7**	**5.7**	**3.4**	**10.5**	**4.6**	**3.2**	**2.0**	**0.1**	**-0.1**
Financing	**-6.4**	**-6.0**	**-2.7**	**-5.7**	**-3.4**	**-10.5**	**-4.6**	**-3.2**	**-2.0**	**-0.1**	**0.1**
Change in GIR (increase, -)	**-7.8**	**-6.0**	**-2.7**	**-5.5**	**-3.1**	**-10.3**	**-4.5**	**-3.1**	**-1.9**	**-0.1**	**0.2**
Change in NIR (increase, -)	-4.0	-4.5	-3.1	-7.0	-4.4	-10.0	-4.0	-2.5	-1.2	0.2	0.5
Change in FX reserve requirement, CB bills and CABEI (increase, -)	-2.3	-1.3	0.9	1.2	1.2	-0.3	-0.6	-0.7	-0.7	-0.3	-0.3
Exceptional financing and IMF loans/credit	**1.4**	**0.0**	**0.0**	**-0.2**	**-0.3**	**-0.3**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:											
Gross international reserves (US$ million)[3/]	3,003	3,828	4,173	5,190	5,820	8,018	9,050	9,805	10,302	10,317	10,266
In months of imports excl. maquila	5.1	5.5	5.6	6.3	6.7	8.5	9.1	9.3	9.2	8.8	8.3
As a ratio of monetary base	2.4	2.6	2.6	3.0	2.7	3.6	3.7	3.6	3.5	3.2	2.9
Net reserves (US$ millions)[4/]	1,887	2,531	3,011	4,249	5,115	7,258	8,157	8,752	9,073	9,012	8,880
In months of imports excl. maquila	3.2	3.6	4.0	5.2	5.9	7.7	8.2	8.3	8.1	7.7	7.2
As a ratio of monetary base	1.5	1.7	1.9	2.4	2.4	3.2	3.3	3.3	3.1	2.8	2.5
Total public external debt (in percent of GDP)	46.1	44.6	42.6	39.4	36.0	34.9	34.5	34.9	35.1	34.8	34.1
Nominal GDP (millions of U.S. dollars)	12,730	14,208	15,634	17,813	19,694	21,407	22,737	24,145	25,640	27,228	28,914

Sources: National authorities and IMF staff calculations.

[1/] Includes financial derivatives.

[2/] Assumes HIPIC_equivalent terms were aplied to the outstanding debt no non-Paris Club bilaterals. Exclude SDR allocation.

[3/] Excludes the Deposit Guarantee Fund for Financial Institutions (FOGADE).

[4/] Excludes the FOGADE and reserve requirements for FX deposits.

Table 5a. Nicaragua: Operations of the Budgetary Central Government, 2020–30

(Millions of Córdobas, unless otherwise specified; GFSM 2001)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
Cash receipts from operating activities	**82,820**	**104,841**	**121,822**	**140,505**	**155,958**	**171,076**	**183,370**	**194,712**	**206,879**	**219,689**	**233,292**
Taxes	74,347	94,056	111,431	129,400	144,922	159,392	170,746	181,319	192,545	204,468	217,128
Income and property[1/]	32,470	40,753	50,714	58,692	64,466	69,778	74,114	78,703	83,576	88,751	94,246
Indirect[2/]	39,036	49,410	56,125	65,265	74,093	83,310	89,936	95,505	101,418	107,698	114,367
Trade	2,340	3,309	3,951	4,767	5,608	5,488	5,829	6,190	6,573	6,980	7,413
Other taxes	501	583	642	675	756	816	867	920	977	1,038	1,102
Grants	2,013	2,285	1,202	948	725	495	749	793	953	1,012	1,074
Other revenue	6,460	8,499	9,188	10,158	10,311	11,189	11,874	12,600	13,381	14,210	15,090
Cash payments for operating activities	**73,815**	**82,319**	**90,824**	**94,128**	**99,451**	**107,677**	**118,978**	**125,125**	**133,440**	**141,839**	**150,550**
Compensation of employees[3/]	32,547	31,869	33,305	37,165	34,700	37,424	39,692	42,105	44,713	47,481	50,421
of which: excluding transfers to INSS	28,042	29,392	31,426	33,815	31,800	33,504	33,053	30,466	44,713	47,481	50,421
Use of goods and services	11,321	13,651	14,463	16,700	18,753	20,385	21,651	22,992	23,476	24,930	26,474
Interest[4/]	5,477	6,182	7,224	9,729	10,899	11,600	17,941	19,668	23,719	25,255	26,747
Subsidies	5,745	4,858	9,934	6,300	7,049	7,527	7,478	7,941	8,433	8,955	9,509
Grants	16,608	18,664	23,124	22,018	24,315	26,654	28,727	28,725	29,176	31,052	32,975
Social benefits	1,889	6,847	2,574	2,000	3,606	3,920	3,331	3,537	3,756	3,989	4,236
Other expense	229	249	200	215	129	167	158	157	167	177	188
Net cash inflow from operating activities	**9,004**	**22,522**	**30,998**	**46,378**	**56,507**	**63,400**	**64,392**	**69,587**	**73,439**	**77,850**	**82,741**
Net cash flows from investment in non-financial assets (NFAs):	**19,177**	**28,829**	**27,154**	**29,161**	**39,800**	**45,865**	**51,630**	**52,171**	**52,587**	**55,843**	**58,772**
Purchases of nonfinancial assets	19,177	28,833	27,156	29,161	39,801	45,865	51,630	52,174	52,587	55,843	58,772
Sales of nonfinancial assets	0	5	2	0	1	0	0	3	0	0	0
Cash surplus / deficit	**-10,173**	**-6,307**	**3,844**	**17,217**	**16,707**	**17,534**	**12,762**	**17,416**	**20,852**	**22,006**	**23,969**
Cash flows from financing activities: (1=-2+3+4)	**10,173**	**6,307**	**-3,844**	**-17,217**	**-16,707**	**-17,534**	**-12,762**	**-17,416**	**-20,852**	**-22,006**	**-23,969**
Net acquisition of financial assets other than cash (2)	389	1,194	576	608	23	255	2,147	234	234	234	234
Domestic	389	1,194	576	608	23	255	2,147	234	234	234	234
Foreign	0	0	0	0	0	0	0	0	0	0	0
Net incurrence of liabilities (3)	1,344	3,676	-17,422	-28,772	-19,383	-33,305	-27,640	-35,208	-39,645	-41,799	-44,762
Domestic	-16,154	-14,800	-26,979	-38,308	-20,253	-37,870	-34,671	-44,576	-50,977	-51,235	-53,455
Foreign	17,498	18,476	9,558	9,536	871	4,565	7,031	9,367	11,333	9,436	8,693
Net cash inflow from financing activities (4=3-2)	955	2,483	-17,997	-29,380	-19,405	-33,560	-29,788	-35,442	-39,878	-42,032	-44,995
Use of government deposits (4)	9,218	3,824	14,153	12,163	2,698	16,026	17,026	18,026	19,026	20,026	21,026

Sources: National authorities and IMF staff calculations.

[1/]Includes revenue from electricity distributors arising from changes in the electricity tariff.

[2/]Excludes VAT rebates granted as subsidies in the electricity sector.

[3/]Compensation of employees in 2018 includes US$150 million (1.2% of GDP) of central govenrment transfers to the INSS, as repayment of a historical debt. In 2022, central government paid historical debt in full. Projections assume that central government will continue to transfer resources to the INSS in order to close the pension system deficits.

[4/]Interest projections assume that HIPC-equivalent terms were applied to the outstanding debt to non-Paris Club bilaterals. Does not include SDR allocations. Debt service is recorded on payment basis after debt relief.

Table 5b. Nicaragua: Operations of the Budgetary Central Government, 2020–30
(Percent of GDP, unless otherwise specified; GFSM 2001)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.	Projections					
Cash receipts from operating activities	**18.9**	**21.0**	**21.7**	**21.7**	**21.6**	**21.8**	**22.0**	**22.0**	**22.0**	**22.0**	**22.0**
Taxes	17.0	18.8	19.9	19.9	20.1	20.3	20.5	20.5	20.5	20.5	20.5
Income and property[1/]	7.4	8.2	9.0	9.0	8.9	8.9	8.9	8.9	8.9	8.9	8.9
Indirect[2/]	8.9	9.9	10.0	10.1	10.3	10.6	10.8	10.8	10.8	10.8	10.8
Trade	0.5	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Other Taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.5	0.5	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other revenue	1.5	1.7	1.6	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Cash payments for operating activities	**16.9**	**16.5**	**16.2**	**14.5**	**13.8**	**13.7**	**14.3**	**14.1**	**14.2**	**14.2**	**14.2**
Compensation of employees[3/]	7.4	6.4	5.9	5.7	4.8	4.8	4.8	4.8	4.8	4.8	4.8
of which: excluding transfers to INSS	6.4	5.9	5.6	5.2	4.4	4.3	4.0	3.7	4.8	4.8	4.8
Use of goods and services	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5
Interest[4/]	1.3	1.2	1.3	1.5	1.5	1.5	2.2	2.2	2.5	2.5	2.5
Subsidies	1.3	1.0	1.8	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9
Grants	3.8	3.7	4.1	3.4	3.4	3.4	3.4	3.2	3.1	3.1	3.1
Social benefits	0.4	1.4	0.5	0.3	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Other expense	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash inflow from operating activities	**2.1**	**4.5**	**5.5**	**7.1**	**7.8**	**8.1**	**7.7**	**7.9**	**7.8**	**7.8**	**7.8**
Net cash flows from investment in non-financial assets (NFAs):	**4.4**	**5.8**	**4.8**	**4.5**	**5.5**	**5.9**	**6.2**	**5.9**	**5.6**	**5.6**	**5.6**
Purchases of nonfinancial assets	4.4	5.8	4.8	4.5	5.5	5.9	6.2	5.9	5.6	5.6	5.6
Sales of nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash surplus / deficit	**-2.3**	**-1.3**	**0.7**	**2.7**	**2.3**	**2.2**	**1.5**	**2.0**	**2.2**	**2.2**	**2.3**
Cash flows from financing activities: (1=-2+3+4)	**2.3**	**1.3**	**-0.7**	**-2.7**	**-2.3**	**-2.2**	**-1.5**	**-2.0**	**-2.2**	**-2.2**	**-2.3**
Net acquisition of financial assets other than cash (2)	0.1	0.2	0.1	0.1	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Domestic	0.1	0.2	0.1	0.1	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities (3)	0.3	0.7	-3.1	-4.4	-2.7	-4.2	-3.3	-4.0	-4.2	-4.2	-4.2
Domestic	-3.7	-3.0	-4.8	-5.9	-2.8	-4.8	-4.2	-5.0	-5.4	-5.1	-5.0
Foreign	4.0	3.7	1.7	1.5	0.1	0.6	0.8	1.1	1.2	0.9	0.8
Net cash inflow from financing activities (4=3-2)	0.2	0.5	-3.2	-4.5	-2.7	-4.3	-3.6	-4.0	-4.2	-4.2	-4.2
Use of government deposits (4)	2.1	0.8	2.5	1.9	0.4	2.0	2.0	2.0	2.0	2.0	2.0

Sources: National authorities and IMF staff calculations.

1/ Includes revenue from electricity distributors arising from changes in the electricity tariff.

2/ Excludes VAT rebates granted as subsidies in the electricity sector.

3/ Compensation of employees in 2018 includes US$150 million (1.2% of GDP) of central govenrment transfers to the INSS, as repayment of a historical debt. In 2022, central government paid historical debt in full. Projections assume that central government will continue to transfer resources to the INSS in order to close the pension system deficits.

4/ Interest projections assume that HIPC-equivalent terms were applied to the outstanding debt to non-Paris Club bilaterals. Does not include SDR allocations. Debt service is recorded on payment basis after debt relief.

Table 6a. Nicaragua: Operations of the Consolidated Public Sector, 2020–30

(Millions of Córdobas, unless otherwise specified; GFSM 2001)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
Budgetary Central Gov. cash surplus/deficit	**-10,173**	**-6,311**	**3,842**	**17,217**	**16,706**	**17,534**	**12,762**	**17,413**	**20,852**	**22,006**	**23,969**
Revenue	82,820	104,841	121,822	140,505	155,958	171,076	183,370	194,712	206,879	219,689	233,292
of which: grants	2,013	2,285	1,202	948	725	495	749	793	953	1,012	1,074
Expenditure	92,993	111,152	117,979	123,288	139,251	153,542	170,608	177,299	186,027	197,683	209,322
Of which: Excluding Transfers to INSS for Hist. debt	88,488	108,676	116,101	119,938	136,351	149,622	165,428	170,660	177,579	187,005	197,683
Social Security Institute (INSS) cash surplus/deficit	**-1,504**	**-538**	**-510**	**-566**	**376**	**0**	**0**	**0**	**0**	**0**	**0**
Revenue	32,782	36,224	40,662	44,438	48,417	52,734	56,545	60,437	65,926	70,129	71,698
Of which: Excluding Central Government Transfers	28,277	33,747	38,783	41,088	45,517	48,814	51,365	53,798	57,478	59,451	60,059
Of which: Transfers to INSS	4,505	2,476	1,879	3,350	2,900	3,920	5,180	6,639	8,448	10,678	11,639
Expenditure	34,286	36,762	41,172	45,004	48,041	52,734	56,545	60,437	65,926	70,130	71,699
Managua municipality (ALMA) cash surplus/deficit	**444**	**564**	**296**	**-1,753**	**-838**	**-1,525**	**-2,457**	**-2,888**	**-2,273**	**-1,027**	**-560**
Revenue	4,686	5,490	5,650	7,127	8,603	9,032	10,745	11,187	11,650	12,713	14,030
of which: grants	3	0	0	0	0	2	0	0	0	0	0
Expenditure	4,242	4,926	5,354	8,879	9,441	10,557	13,202	14,075	13,923	13,740	14,590
Public enterprises cash surplus/deficit[1/]	**-1,119**	**-1,388**	**-531**	**1,915**	**1,170**	**-558**	**-819**	**-1,576**	**-2,619**	**-3,246**	**-2,219**
Revenue	20,618	21,748	24,325	28,151	31,738	34,499	36,642	38,911	41,321	43,879	46,596
of which: Grants (external)	282	6	5	318	433	470	500	531	563	598	635
Expenditure	21,737	23,136	24,855	26,236	30,568	35,057	37,461	40,487	43,939	47,125	48,815
Non-financial public sector											
Cash receipts from operating activities	132,554	162,885	185,807	208,130	231,301	252,246	270,374	286,252	304,649	322,199	339,604
Taxes	77,907	98,073	116,137	134,687	150,981	165,945	177,524	188,300	199,736	212,445	226,129
Social contributions	26,207	31,124	36,280	37,131	42,107	45,548	48,079	50,317	54,113	55,812	56,197
Grants	4,141	4,650	1,207	1,266	1,157	967	2,768	3,075	3,513	3,730	3,961
Other revenue	24,299	29,037	32,183	35,046	37,055	39,787	42,003	44,561	47,287	50,211	53,316
Cash payments for operating activities	115,440	129,533	142,194	147,155	157,371	172,328	187,575	197,194	208,685	222,458	233,627
Compensation of employees	34,462	36,310	38,904	41,477	39,787	42,599	44,099	45,524	46,818	47,964	50,633
Use of goods and services	20,481	22,498	24,616	30,524	32,623	36,759	39,131	41,266	42,840	46,988	48,309
Interest	6,046	6,674	7,562	9,904	11,422	12,118	18,693	20,636	24,719	26,288	29,268
Subsidies	3,344	3,439	8,860	4,238	2,910	3,528	3,278	3,534	3,810	4,046	4,296
Grants	15,713	17,884	20,390	17,028	19,496	21,707	23,592	23,391	23,954	25,437	27,012
Social benefits	32,352	39,368	37,406	40,357	45,313	49,702	52,525	56,217	59,513	64,258	66,152
Other expense	3,042	3,360	4,457	3,626	5,820	5,915	6,256	6,627	7,031	7,478	7,958
Net cash inflow from operating activities	17,113	33,352	43,613	60,975	73,930	79,918	82,799	89,058	95,963	99,740	105,976
Net cash outflow from investments in NFAs	29,465	41,021	40,514	44,162	56,515	64,467	73,314	76,106	80,003	82,007	84,787
Cash surplus / deficit	**-12,352**	**-7,670**	**3,099**	**16,814**	**17,415**	**15,451**	**9,486**	**12,953**	**15,961**	**17,733**	**21,190**
Central bank (BCN) cash surplus / deficit	**-687**	**-1,294**	**-1,386**	**1,778**	**3,383**	**3,117**	**3,863**	**5,489**	**5,487**	**5,049**	**4,744**
Consolidated Public Sector cash surplus / deficit	**-13,039**	**-8,963**	**1,713**	**18,591**	**20,798**	**18,568**	**13,349**	**18,442**	**21,447**	**22,782**	**25,934**
Cash flows from financing activities: (1=-2+3+4+5)	**13,039**	**8,963**	**-1,713**	**-18,591**	**-20,798**	**-18,568**	**-13,349**	**-18,442**	**-21,447**	**-22,782**	**-25,934**
Net acquisition of financial assets											
other than cash (2)	-291	1,194	576	608	23	255	2,147	234	234	234	234
Net incurrence of liabilities (3)	3,856	4,697	-16,503	-28,360	-19,547	-32,810	-25,618	-33,064	-37,945	-39,507	-43,964
Domestic	-19,439	-18,794	-33,784	-44,846	-25,622	-45,328	-39,325	-54,202	-59,557	-57,088	-61,310
Foreign	23,295	23,491	17,281	16,486	6,075	12,518	13,707	21,138	21,613	17,581	17,346
Use of deposits (4)	8,205	4,166	13,980	12,154	2,154	17,615	18,279	20,345	22,218	22,008	23,008
Central bank (BCN) cash surplus/deficit (5)	687	1,294	1,386	-1,778	-3,383	-3,117	-3,863	-5,489	-5,487	-5,049	-4,744
Memorandum items											
GDP (nominal)	437,052	499,746	560,881	648,866	721,278	784,024	832,743	884,305	939,060	997,204	1,058,949
Stock of government deposits	38,345	43,959	61,861	81,630	88,102	…	…	…	…	…	…

Sources: National authorities and IMF staff calculations.

[1/] Includes the state-owned airport (EAAI); ports (EPN); oil (PETRONIC); electricity generation, transmission and regulation (ENATREL, ENEL and INE); water and sewer (ENACAL); food (ENABAS); trade and public enterprise corporation (ENIMPORT and CORNAP); telecommunications (TELCOR); technological institute (INATEC); post (CORREOS); and lottery (LOTERIA).

Table 6b. Nicaragua: Operations of the Consolidated Public Sector, 2020–30

(Percent of GDP, unless otherwise specified; GFSM 2001)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
Budgetary central government cash surplus/deficit	**-2.3**	**-1.3**	**0.7**	**2.7**	**2.3**	**2.2**	**1.5**	**2.0**	**2.2**	**2.2**	**2.3**
Revenue	18.9	21.0	21.7	21.7	21.6	21.8	22.0	22.0	22.0	22.0	22.0
of which: grants	0.5	0.5	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenditure	21.3	22.2	21.0	19.0	19.3	19.6	20.5	20.0	19.8	19.8	19.8
Excluding Transfers to INSS	20.2	21.7	20.7	18.5	18.9	19.1	19.9	19.3	18.9	18.8	18.7
Social Security Institute (INSS) cash surplus/deficit	**-0.3**	**-0.1**	**-0.1**	**-0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Revenue	7.5	7.2	7.2	6.8	6.7	6.7	6.8	6.8	7.0	7.0	6.8
Of which: Excluding Central Government Transfers	6.5	6.8	6.9	6.3	6.3	6.2	6.2	6.1	6.1	6.0	5.7
Of which: Transfers to INSS	1.0	0.5	0.3	0.5	0.4	0.5	0.6	0.8	0.9	1.1	1.1
Expenditure	7.8	7.4	7.3	6.9	6.7	6.7	6.8	6.8	7.0	7.0	6.8
Managua municipality (ALMA) cash surplus/deficit	**0.1**	**0.1**	**0.1**	**-0.3**	**-0.1**	**-0.2**	**-0.3**	**-0.3**	**-0.2**	**-0.1**	**-0.1**
Revenue	1.1	1.1	1.0	1.1	1.2	1.2	1.3	1.3	1.2	1.3	1.3
of which: grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	1.0	1.0	1.0	1.4	1.3	1.3	1.6	1.6	1.5	1.4	1.4
Public enterprises cash surplus/deficit[1/]	**-0.3**	**-0.3**	**-0.1**	**0.3**	**0.2**	**-0.1**	**-0.1**	**-0.2**	**-0.3**	**-0.3**	**-0.2**
Revenue	4.7	4.4	4.3	4.3	4.4	4.4	4.4	4.4	4.4	4.4	4.4
of which: Grants (external)	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenditure	5.0	4.6	4.4	4.0	4.2	4.5	4.5	4.6	4.7	4.7	4.6
Non-financial public sector											
Cash receipts from operating activities	30.3	32.6	33.1	32.1	32.1	32.2	32.5	32.4	32.4	32.3	32.1
Taxes	17.8	19.6	20.7	20.8	20.9	21.2	21.3	21.3	21.3	21.3	21.4
Social contributions	6.0	6.2	6.5	5.7	5.8	5.8	5.8	5.7	5.8	5.6	5.3
Grants	0.9	0.9	0.2	0.2	0.2	0.1	0.3	0.3	0.4	0.4	0.4
Other revenue	5.6	5.8	5.7	5.4	5.1	5.1	5.0	5.0	5.0	5.0	5.0
Cash payments for operating activities	26.4	25.9	25.4	22.7	21.8	22.0	22.5	22.3	22.2	22.3	22.1
Compensation of employees	7.9	7.3	6.9	6.4	5.5	5.4	5.3	5.1	5.0	4.8	4.8
Use of goods and services	4.7	4.5	4.4	4.7	4.5	4.7	4.7	4.7	4.6	4.7	4.6
Interest	1.4	1.3	1.3	1.5	1.6	1.5	2.2	2.3	2.6	2.6	2.8
Subsidies	0.8	0.7	1.6	0.7	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Grants	3.6	3.6	3.6	2.6	2.7	2.8	2.8	2.6	2.6	2.6	2.6
Social benefits	7.4	7.9	6.7	6.2	6.3	6.3	6.3	6.4	6.3	6.4	6.2
Other expense	0.7	0.7	0.8	0.6	0.8	0.8	0.8	0.7	0.7	0.7	0.8
Net cash inflow from operating activities	3.9	6.7	7.8	9.4	10.2	10.2	9.9	10.1	10.2	10.0	10.0
Net cash outflow from investments in NFAs	6.7	8.2	7.2	6.8	7.8	8.2	8.8	8.6	8.5	8.2	8.0
Cash surplus / deficit	**-2.8**	**-1.5**	**0.6**	**2.6**	**2.4**	**2.0**	**1.1**	**1.5**	**1.7**	**1.8**	**2.0**
Central bank (BCN) cash surplus / deficit	**-0.2**	**-0.3**	**-0.2**	**0.3**	**0.5**	**0.4**	**0.5**	**0.6**	**0.6**	**0.5**	**0.4**
Consolidated Public Sector cash surplus / deficit	**-3.0**	**-1.8**	**0.3**	**2.9**	**2.9**	**2.4**	**1.6**	**2.1**	**2.3**	**2.3**	**2.4**
Cash flows from financing activities: (1=-2+3+4+5)	**3.0**	**1.8**	**-0.3**	**-2.9**	**-2.9**	**-2.4**	**-1.6**	**-2.1**	**-2.3**	**-2.3**	**-2.4**
Net acquisition of financial assets											
other than cash (2)	-0.1	0.2	0.1	0.1	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Net incurrence of liabilities (3)	0.9	0.9	-2.9	-4.4	-2.7	-4.2	-3.1	-3.7	-4.0	-4.0	-4.2
Domestic	-4.4	-3.8	-6.0	-6.9	-3.6	-5.8	-4.7	-6.1	-6.3	-5.7	-5.8
Foreign	5.3	4.7	3.1	2.5	0.8	1.6	1.6	2.4	2.3	1.8	1.6
Use of deposits (4)	1.9	0.8	2.5	1.9	0.3	2.2	2.2	2.3	2.4	2.2	2.2
Central bank (BCN) cash surplus/deficit (5)	0.2	0.3	0.2	-0.3	-0.5	-0.4	-0.5	-0.6	-0.6	-0.5	-0.4
Memorandum items											
GDP (nominal)	437,052	499,746	560,881	648,866	721,278	784,024	832,743	884,305	939,060	997,204	1,058,949
Stock of government deposits	8.8	8.8	11.0	12.6	12.2	…	…	…	…	…	…

Sources: National authorities and IMF staff calculations.

[1/] Includes the state-owned airport (EAAI); ports (EPN); oil (PETRONIC); electricity generation, transmission and regulation (ENATREL, ENEL, and INE); water and sewer (ENACAL); food (ENABAS); trade and public enterprise corporation (ENIMPORT and CORNAP); telecommunications (TELCOR); technological institute (INATEC); post (CORREOS); and lottery (LOTERIA).

Table 7. Nicaragua: Gross Fiscal Financing Requirements, 2020–30[1/]

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
					(Millions of U.S. dollars)						
NFPS primary deficit (before grants) (a)	**304**	**160**	**-264**	**-699**	**-756**	**-726**	**-694**	**-833**	**-1,015**	**-1,100**	**-1,270**
CG and public enterprises	260	145	-278	-714	-746	-726	-694	-833	-1,015	-1,100	-1,270
INSS	44	15	14	16	-10	0	0	0	0	0	0
Debt service obligations (b)	**565**	**653**	**680**	**702**	**1,005**	**1,019**	**1,121**	**1,302**	**1,295**	**1,315**	**1,388**
External	264	289	343	476	643	711	864	949	993	1,010	1,044
Interest	107	108	131	199	252	278	455	507	615	653	694
Amortization	157	181	211	277	392	433	410	442	378	357	350
Domestic	301	364	337	226	362	308	257	353	302	305	344
Interest	69	73	79	74	60	53	56	56	60	64	105
Amortization of bonds	218	275	243	138	287	241	187	283	228	226	225
Other internal amortizations[2/]	14	16	15	14	14	14	14	14	14	14	14
Gross financing needs (a+b)	**869**	**813**	**416**	**3**	**249**	**292**	**428**	**469**	**281**	**215**	**118**
Financing sources	**869**	**813**	**416**	**3**	**249**	**292**	**428**	**469**	**281**	**215**	**118**
External	903	914	726	764	589	801	818	1,055	1,010	881	897
Disbursements	836	849	693	730	558	775	784	1,019	968	837	851
Grants	67	65	34	35	32	26	34	36	41	44	47
Domestic	-34	-101	-310	-761	-340	-508	-390	-586	-729	-666	-779
Bond issuance (gross)	213	239	153	77	7	100	50	50	50	50	50
Deposits Central Bank	226	108	-418	-371	-82	-437	-464	-491	-519	-546	-573
Of which CG deficit financing[3/]	54	-65	-592	-371	…	…	…	…	…	…	…
Of which INSS hist. debt amortization[4/]	172	173	174	0	…	…	…	…	…	…	…
Commercial banks	13	10	-29	-37	-23	-44	-35	-64	-88	-55	-55
Other[5/]	-485	-459	-16	-429	-242	-128	59	-80	-172	-115	-201
					(Percent of GDP)						
NFPS primary deficit (before grants) (a)	**2.4**	**1.1**	**-1.7**	**-3.9**	**-3.8**	**-3.4**	**-3.1**	**-3.5**	**-4.0**	**-4.0**	**-4.4**
CG and public enterprises	2.0	1.0	-1.8	-4.0	-3.8	-3.4	-3.1	-3.5	-4.0	-4.0	-4.4
INSS	0.3	0.1	0.1	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Debt service obligations (b)	**4.4**	**4.6**	**4.3**	**3.9**	**5.1**	**4.8**	**4.9**	**5.4**	**5.1**	**4.8**	**4.8**
External	2.1	2.0	2.2	2.7	3.3	3.3	3.8	3.9	3.9	3.7	3.6
Interest	0.8	0.8	0.8	1.1	1.3	1.3	2.0	2.1	2.4	2.4	2.4
Amortization	1.2	1.3	1.4	1.6	2.0	2.0	1.8	1.8	1.5	1.3	1.2
Domestic	2.4	2.6	2.2	1.3	1.8	1.4	1.1	1.5	1.2	1.1	1.2
Interest	0.5	0.5	0.5	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.4
Amortization of bonds	1.7	1.9	1.6	0.8	1.5	1.1	0.8	1.2	0.9	0.8	0.8
Other internal amortizations[2/]	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Gross financing needs (a+b)	**6.8**	**5.7**	**2.7**	**0.0**	**1.3**	**1.4**	**1.9**	**1.9**	**1.1**	**0.8**	**0.4**
Financing sources	**6.8**	**5.7**	**2.7**	**0.0**	**1.3**	**1.4**	**1.9**	**1.9**	**1.1**	**0.8**	**0.4**
External	7.1	6.4	4.6	4.3	3.0	3.7	3.6	4.4	3.9	3.2	3.1
Disbursements	6.6	6.0	4.4	4.1	2.8	3.6	3.4	4.2	3.8	3.1	2.9
Grants	0.5	0.5	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.2	0.2
Domestic	-0.3	-0.7	-2.0	-4.3	-1.7	-2.4	-1.7	-2.4	-2.8	-2.4	-2.7
Bond issuance (gross)	1.7	1.7	1.0	0.4	0.0	0.5	0.2	0.2	0.2	0.2	0.2
Deposits Central Bank	1.8	0.8	-2.7	-2.1	-0.4	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0
Of which CG deficit financing[3/]	0.4	-0.5	-3.8	-2.1	…	…	…	…	…	…	…
Of which INSS hist. debt amortization[4/]	1.4	1.2	1.1	…	…	…	…	…	…	…	…
Commercial banks	0.1	0.1	-0.2	-0.2	-0.1	-0.2	-0.2	-0.3	-0.3	-0.2	-0.2
Other and unidentified[5/]	-3.8	-3.2	-0.1	-2.4	-1.2	-0.6	0.3	-0.3	-0.7	-0.4	-0.7

Sources: National authorities and IMF staff calculations.

[1/] Includes the central government, Social Security Institute (INSS); Managua municipality (ALMA); state-owned airport (EAAI); ports (EPN); oil (PETRONIC); electricity generation, transmission and regulation (ENATREL, ENEL, INE); water and sewer (ENACAL); food (ENABAS); trade and public enterprise corporation (ENIMPORT and CORNAP); telecommunications (TELCOR); technological institute (INATEC); post (CORREOS); and lottery (LOTERIA).

[2/] Includes CG amortization of bank recapitalization bonds and non-NFPS debts.

[3/] Includes Central government deficit financing for US$341 mn, which in the revised 2018 budget is financed by a new bond issuance.

[4/] Includes US$150 million (1.2 % of GDP) of central govenrment transfers to the INSS, a part of a repayment of a historical debt. In 2022, central government paid historical debt in full. Projections assume that central government will continue to transfer resources to the INSS in order to close the pension system

[5/] Includes SOE suppliers, INSS other investments, floating debt, and privatization receipts.

Table 8a. Nicaragua: Summary Accounts of Central Bank and Financial System, 2020–30

(Billions of Córdobas, unless otherwise specified)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
I. Central Bank											
Net foreign assets[1/]	**52.6**	**73.1**	**90.9**	**132.0**	**156.8**	**234.6**	**271.9**	**299.0**	**315.9**	**316.0**	**317.7**
Net international reserves[2/]	65.7	89.9	109.1	155.6	187.3	265.8	298.7	320.6	332.3	330.0	325.2
Net international reserves (billions of US$)[2/]	1.9	2.5	3.0	4.2	5.1	7.3	8.2	8.8	9.1	9.0	8.9
Net domestic assets	**-19.7**	**-32.4**	**-47.0**	**-82.2**	**-97.0**	**-105.9**	**-132.3**	**-160.5**	**-189.2**	**-217.2**	**-236.6**
Net claims on nonfinancial public sector	31.2	26.7	10.9	-5.4	-9.2	-14.1	-22.9	-32.8	-43.9	-56.4	-59.0
Net credit to banks	-48.3	-58.6	-58.1	-76.1	-82.9	-84.6	-101.4	-118.2	-135.9	-151.9	-165.4
of which: reserves	-30.8	-35.8	-35.3	-43.3	-44.1	-45.8	-53.7	-63.1	-73.7	-85.9	-95.3
Capital accounts	6.0	7.2	8.1	6.3	3.9	3.3	2.6	1.1	1.3	1.9	2.3
Other items (net)	-8.5	-7.7	-8.0	-7.1	-8.7	-10.5	-10.6	-10.7	-10.7	-10.8	-14.6
Currency issue	**33.5**	**40.5**	**43.7**	**49.8**	**59.5**	**64.0**	**68.7**	**73.7**	**79.0**	**84.6**	**90.6**
II. Other Depository Corporations[4/]											
Net foreign assets	**11.8**	**12.7**	**15.8**	**9.9**	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**	**5.1**
Net foreign assets (billions of US$)	0.3	0.4	0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net domestic assets	**134.2**	**150.5**	**167.9**	**194.6**	**225.4**	**237.5**	**279.2**	**326.5**	**382.3**	**445.2**	**490.0**
Net claims on Central Bank[3/]	52.8	62.7	64.8	80.9	85.7	91.1	110.6	127.9	146.2	162.9	177.1
Net credit to other financial corporations	-1.9	-1.6	-0.7	0.2	0.7	-3.0	-3.1	-3.2	-3.3	-3.4	-3.5
Net credit to non-financial public sector	2.1	3.0	0.8	-10.7	-15.9	-27.4	-31.6	-31.7	-28.8	-22.2	-38.2
Credit to private sector	120.4	126.7	146.4	172.8	208.7	234.8	263.9	296.3	332.5	372.4	417.1
Capital accounts	-37.9	-41.0	-43.8	-49.3	-54.9	-59.7	-63.4	-67.3	-71.5	-75.9	-80.6
Other items (net)	-1.3	0.7	0.4	0.7	1.1	1.8	2.8	4.5	7.2	11.4	18.1
Liabilities	**146.0**	**163.3**	**183.7**	**204.5**	**230.5**	**247.8**	**290.5**	**341.3**	**398.8**	**464.9**	**515.6**
Deposits in domestic currency	18.7	23.7	26.5	31.1	35.0	37.7	44.2	51.9	60.6	70.7	78.4
Deposits in foreign currency	127.3	139.6	157.2	173.4	195.5	210.1	246.3	289.4	338.1	394.2	437.2
III. Depository Corporations											
Net foreign assets	**64.4**	**85.8**	**106.7**	**142.0**	**161.9**	**239.7**	**277.0**	**304.1**	**321.0**	**321.1**	**322.8**
Net foreign assets (billions of US$)	1.8	2.4	2.9	3.9	4.4	6.5	7.6	8.3	8.8	8.8	8.8
Net domestic assets	**109.5**	**112.1**	**113.7**	**104.7**	**114.2**	**97.9**	**86.4**	**85.1**	**87.3**	**97.9**	**109.4**
Net credit to non-financial public sector	33.4	29.7	11.7	-16.1	-25.1	-41.5	-54.5	-64.5	-72.7	-78.6	-97.2
Credit to private sector	120.3	126.7	146.4	172.9	208.7	234.8	263.9	296.4	332.5	372.4	417.1
Net credit to other financial corporations	-1.9	-1.6	-0.7	0.2	0.7	-3.1	-3.1	-3.2	-3.3	-3.4	-3.5
Capital accounts	-32.0	-33.8	-35.7	-43.0	-51.0	-56.4	-60.8	-66.2	-70.2	-74.1	-78.3
Other items (net)	-10.9	-8.7	-7.8	-9.3	-13.7	-11.9	-8.9	-7.4	-4.8	-0.7	2.2
Broad money	**173.9**	**198.0**	**220.4**	**246.6**	**276.2**	**337.7**	**363.4**	**389.3**	**408.3**	**419.0**	**432.2**
Memorandum items				(Percent change, y-o-y, unless otherwise specified)							
Gross reserves (billions of US$)[5/]	3.0	3.8	4.2	5.3	5.9	8.0	9.1	9.8	10.3	10.3	10.3
Adjusted NIR (billions of US$)[2/]	1.9	2.5	3.0	4.2	5.1	7.3	8.2	8.8	9.1	9.0	8.9
In months of imports excl. maquila[2/]	4.4	4.3	4.3	5.7	6.2	8.4	8.6	8.8	8.6	8.1	7.6
Monetary base[6/]	24.3	18.2	11.6	11.3	21.0	5.4	9.6	9.7	9.6	9.6	8.1
Currency issue	25.6	21.0	7.9	13.9	19.5	7.5	7.4	7.3	7.2	7.1	7.0
Deposits in Cordobas	14.7	18.8	9.8	22.8	14.9	-1.5	17.2	17.5	16.9	16.6	10.9
Deposits in FX currency	18.3	10.2	14.0	13.1	7.3	7.5	17.2	17.5	16.9	16.6	10.9
Credit to private sector	-3.6	5.3	15.6	18.1	20.7	12.5	12.4	12.3	12.2	12.0	12.0
Broad money	15.6	13.8	11.3	11.9	12.0	22.3	7.6	7.1	4.9	2.6	3.2
Broad money velocity	2.5	2.5	2.5	2.6	2.6	2.3	2.3	2.3	2.3	2.4	2.5

Sources: National authorities and IMF staff calculations.

[1/] Net international reserves minus medium- and long-term net foreign assets of the Central Bank.

[2/] Excludes the Deposit Guarantee Fund for Financial Institutions (FOGADE) and reserve requirements for FX deposits.

[3/] Reserves and holdings of securities issued by Central Bank.

[4/] Banking system and other financial institutions.

[5/] Excludes FOGADE.

[6/] Currency in circulation plus bank reserves in national currency.

Table 8b. Nicaragua: Summary Accounts of Central Bank and Financial System, 2020–30
(Annual flows in billions of Córdobas, unless otherwise specified)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
I. Central Bank											
Net foreign assets[1/]	**24.7**	**20.5**	**17.8**	**41.1**	**24.8**	**77.8**	**37.3**	**27.1**	**16.9**	**0.1**	**1.8**
Net international reserves[2/]	19.2	24.2	19.2	46.5	31.7	78.5	32.9	21.8	11.7	-2.2	-4.8
Net international reserves (billions of US$)[2/]	0.5	0.6	0.5	1.2	0.9	2.1	0.9	0.6	0.3	-0.1	-0.1
Net domestic assets	**-17.9**	**-12.7**	**-14.6**	**-35.2**	**-14.7**	**-8.9**	**-26.4**	**-28.2**	**-28.7**	**-28.0**	**-19.4**
Net claims on nonfinancial public sector	-8.4	-4.6	-15.8	-16.3	-3.8	-4.8	-8.8	-9.9	-11.1	-12.5	-2.6
Net credit to banks	-16.9	-10.3	0.5	-18.0	-6.8	-1.7	-16.9	-16.7	-17.7	-16.1	-13.5
of which: reserves	-6.3	-5.0	0.5	-8.0	-0.9	-1.7	-7.9	-9.4	-10.6	-12.2	-9.4
Capital accounts	1.6	1.3	0.9	-1.8	-2.5	-0.6	-0.6	-1.5	0.1	0.6	0.5
Other items (net)	5.7	0.8	-0.3	0.9	-1.7	-1.8	-0.1	-0.1	-0.1	-0.1	-3.8
Currency issue	**6.8**	**7.0**	**3.2**	**6.1**	**9.7**	**4.5**	**4.7**	**5.0**	**5.3**	**5.6**	**5.9**
II. Other Depository Corporations											
Net foreign assets	**6.2**	**1.0**	**3.0**	**-5.8**	**-4.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net foreign assets (billions of US$)	0.2	0.0	0.1	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net domestic assets	**10.7**	**16.3**	**17.4**	**26.6**	**30.9**	**12.1**	**41.6**	**47.3**	**55.8**	**62.9**	**44.8**
Net claims on Central Bank[3/]	15.2	9.9	2.1	16.0	4.8	5.4	19.4	17.3	18.3	16.7	14.2
Net credit to other financial corporations	0.1	0.3	0.9	0.9	0.5	-3.7	-0.1	-0.1	-0.1	-0.1	-0.1
Net credit to non-financial public sector	2.7	0.8	-2.2	-11.4	-5.2	-11.5	-4.2	-0.1	2.9	6.6	-16.0
Credit to private sector	-4.7	6.3	19.7	26.5	35.9	26.1	29.1	32.5	36.2	39.9	44.7
Capital accounts	-1.5	-3.1	-2.8	-5.6	-5.6	-4.8	-3.7	-3.9	-4.2	-4.4	-4.7
Other items (net)	-1.1	2.0	-0.3	0.3	0.4	0.7	1.1	1.7	2.7	4.2	6.7
Liabilities	**16.9**	**17.2**	**20.4**	**20.8**	**26.0**	**17.2**	**42.7**	**50.8**	**57.5**	**66.1**	**50.8**
Deposits in domestic currency	2.5	5.0	2.8	4.6	4.0	2.6	6.5	7.7	8.7	10.0	7.7
Deposits in foreign currency	14.4	12.3	17.6	16.2	22.1	14.6	36.2	43.0	48.8	56.0	43.1
III. Depository Corporations											
Net foreign assets	**30.9**	**21.4**	**20.8**	**35.3**	**20.0**	**77.8**	**37.3**	**27.1**	**16.9**	**0.1**	**1.8**
Net foreign assets (billions of US$)	0.9	0.6	0.5	0.9	0.5	2.1	1.0	0.7	0.5	0.0	0.0
Net domestic assets	**-7.4**	**2.6**	**1.6**	**-9.1**	**9.6**	**-16.3**	**-11.6**	**-1.2**	**2.2**	**10.7**	**11.5**
Net credit to non-financial public sector	-5.6	-3.7	-18.0	-27.7	-9.0	-16.4	-13.0	-10.0	-8.2	-5.9	-18.6
Credit to private sector	-4.5	6.4	19.7	26.5	35.8	26.1	29.1	32.5	36.2	39.9	44.7
Net credit to other financial corporations	0.1	0.3	0.9	0.9	0.5	-3.7	-0.1	-0.1	-0.1	-0.1	-0.1
Capital accounts	0.1	-1.8	-1.9	-7.3	-8.0	-5.4	-4.3	-5.4	-4.0	-3.8	-4.2
Other items (net)	2.6	2.2	0.9	-1.5	-4.4	1.8	2.9	1.6	2.5	4.1	2.9
Broad money	**23.5**	**24.0**	**22.4**	**26.2**	**29.5**	**61.5**	**25.7**	**25.9**	**19.0**	**10.7**	**13.2**

Sources: National authorities and IMF staff calculations.

[1/] Net international reserves minus medium- and long-term net foreign assets of the Central Bank.

[2/] Excludes the Deposit Guarantee Fund for Financial Institutions (FOGADE) and reserve requirements for FX deposits.

[3/] Reserves and holdings of securities issued by the Central Bank.

Table 9. Nicaragua: Quasi-Fiscal Central Bank Balance Sheet, 2020–30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
					(Millions of Cordobas)						
Revenue	**1,085**	**417**	**630**	**5,198**	**8,900**	**7,846**	**9,055**	**9,793**	**10,281**	**10,305**	**10,263**
Interest	1,029	349	531	5,083	8,546	7,579	8,780	9,510	9,990	10,004	9,955
Foreign deposits	36	2	92	329	329	221	249	270	284	284	283
Notes and bonds	602	9	179	3,592	6,699	7,262	8,198	8,881	9,331	9,345	9,299
Loans of the BCN	199	180	159	138	115	96	47	47	47	47	47
On MTI bonds (fluctuation in price)	4	109	149	214	780	0	287	312	328	328	327
Other revenues	96	119	126	142	383	267	275	283	292	300	308
Of which: recapitalization transfers	41	51	26	28	29	0	0	0	0	0	0
Expenditure	**1,772**	**1,710**	**2,016**	**3,420**	**5,517**	**4,728**	**5,192**	**4,303**	**4,794**	**5,255**	**5,519**
Administrative	775	792	920	898	1,420	1,896	2,316	1,184	1,220	1,256	1,290
Interest	997	918	1,096	2,522	4,097	2,833	2,876	3,119	3,575	3,999	4,229
External debt	370	200	301	817	772	208	408	15	11	10	10
BCN securities	180	439	553	1,326	2,931	2,284	2,198	2,842	3,297	3,720	3,951
Bonds (banking)	199	180	159	138	115	114	47	47	47	47	47
Other	84	49	28	126	134	136	136	123	124	125	125
Quasi-fiscal balance	**-687**	**-1,294**	**-1,386**	**1,778**	**3,383**	**3,117**	**3,863**	**5,489**	**5,487**	**5,049**	**4,744**
					(Percent of GDP)						
Revenue	**0.2**	**0.1**	**0.1**	**0.8**	**1.2**	**1.0**	**1.1**	**1.1**	**1.1**	**1.0**	**1.0**
Interest	0.2	0.1	0.1	0.8	1.2	1.0	1.1	1.1	1.1	1.0	0.9
Foreign deposits	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Notes and bonds	0.1	0.0	0.0	0.6	0.9	0.9	1.0	1.0	1.0	0.9	0.9
Bonds (banking)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On MTI bonds (fluctuation in price)	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other revenues	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Of which: recapitalization transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	**0.4**	**0.3**	**0.4**	**0.5**	**0.8**	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**
Administrative	0.2	0.2	0.2	0.1	0.2	0.2	0.3	0.1	0.1	0.1	0.1
Interest	0.2	0.2	0.2	0.4	0.6	0.4	0.3	0.4	0.4	0.4	0.4
External debt	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
BCN securities	0.0	0.1	0.1	0.2	0.4	0.3	0.3	0.3	0.4	0.4	0.4
Bonds (banking)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Quasi-fiscal balance	**-0.2**	**-0.3**	**-0.2**	**0.3**	**0.5**	**0.4**	**0.5**	**0.6**	**0.6**	**0.5**	**0.4**

Sources: National authorities and IMF staff calculations.

Table 10. Nicaragua: Financial Sector Indicators, 2018–2025
(Percent)

	2018	2019	2020	2021	2022	2023	2024	2025		
	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q1	Q2	Q3
Capital adequacy ratio	17.1	21.6	21.8	21.1	19.6	19.1	18.4	18.5	19.2	19.1
NPLs to total loans	2.6	3.2	3.7	2.4	1.5	1.7	1.4	1.3	1.1	1.2
Other distressed assets to total loans	14.2	15.9	18.6	14.3	9.2	6.4	4.4	4.2	3.5	3.2
Total distressed assets to total loans 1/	16.8	19.1	22.2	16.7	10.7	8.1	5.8	5.5	4.6	4.4
Provisions to NPLs	173.3	177.9	172.1	230.2	331.6	285.1	333.8	336.5	408.4	382.0
Provisions to distressed assets 1/	27.1	30.1	28.5	33.5	47.5	58.0	76.3	77.7	78.1	81.1
Return on assets (ROA) 2/	1.3	1.2	1.1	1.6	1.8	2.1	2.4	2.4	2.3	2.4
Return on equity (ROE) 2/	10.4	8.1	5.8	9.3	10.5	12.4	13.8	13.9	13.4	13.5
Liquid assets to total deposits 3/	35.0	47.0	40.6	44.6	37.1	36.1	32.0	33.1	34.6	33.6
Liquid assets to total liabilities 4/	36.5	40.5	46.5	44.7	39.5	30.3	23.7	21.8	23.3	24.4

Sources: National authorities and IMF staff calculations.

1/ Adding restructured, refinanced and forborne loans, as well as repossessed assets, to NPLs.

2/ 12-month average, except for 2018 that uses annualized data.

3/ Banking system only.

4/ Excluding loans from other Financial Institutions with a maturity over 12 months.

Annex I. External Sector Assessment

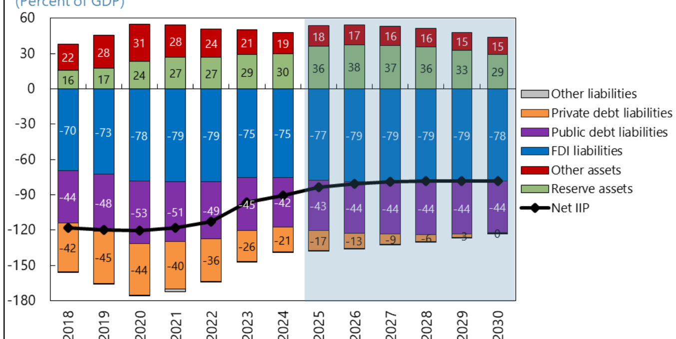
Overall Assessment: *Nicaragua's external position in 2024 is assessed as substantially stronger than the level implied by fundamentals and desirable policies. The current account (CA) surplus narrowed to 4.2 percent of GDP in 2024, compared to 8.2 percent in 2023, as rebounding imports more than offset robust remittances and higher gold and coffee exports. The net international investment position (NIIP) continued to improve as private and public sector debt continued to decline. The REER appreciated slightly in 2024, while gross reserves continued to grow (US$5.8 billion at end-2024, close to 30 percent of GDP and equivalent to 6.7 months of next-year non-maquila imports). The crawling exchange rate remained at 0 percent since January 1, 2024, as announced in 2023. Nicaragua's external position remains highly reliant on remittance inflows and external demand, particularly from the United States.*

Potential Policy Responses: *Policy priorities are to maintain sound macroeconomic and financial policies, while supporting growth. Policy recommendations include measures that support an increase in investment and growth, and policies that help reduce the need for higher saving rates: increasing public investment, targeted social benefits, strengthening governance and the business climate to support private investment, addressing imbalances in the social security system, and developing domestic capital markets, and resilience to natural disaster.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Nicaragua's NIIP improved by 6 percent of GDP in 2024, reaching -91 percent of GDP, due mainly to a decline in gross liabilities of the private sector, and to a lesser extent of the public sector. At 139 percent of GDP in 2024, gross liabilities were primarily composed of FDI liabilities (75 percent of GDP) and public debt (42 percent of GDP).

Nicaragua: Net IIP Breakdown
(Percent of GDP)



Sources: BCN and IMF staff calculations.
Note: Shaded area indicates projections.

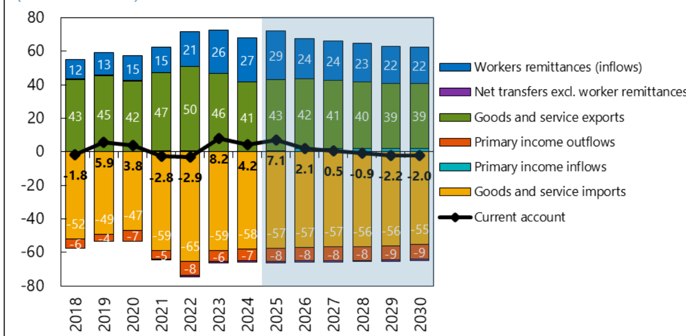
Assessment. The External Sustainability Assessment finds the NIIP sustainable. The NIIP is projected to strengthen further on continued accumulation of external assets—underpinned by sizable central bank reserves—though the pace of improvement will moderate as current account surpluses are projected to narrow in the medium-term.

2024 (% GDP)	NIIP: -91	Gross Assets: 48	Debt Assets: 48	Gross Liab.: 139	Debt Liab.: 64

Current Account

Background. In 2024, the CA surplus narrowed to 4.2 percent of GDP as the goods-and-services deficit widened, with imports increasing by 8 percent y/y and exports declining by 2.2 percent y/y, despite an improvement in the terms of trade. The balance of services swung from a 2.6 percent surplus in 2023 to a marginal deficit of 0.04 percent of GDP in 2024, reflecting a 16.7 percent drop in services exports—notably in travel, telecommunications, and maquila-related services. Remittances remained exceptionally high at about 26.6 percent of GDP (US$5.2 bn), cushioning the deterioration in the goods and services trade balances. In 2025Q1, the CA surplus widened to 8 percent of GDP, from 4.1 percent of GDP in 2024Q1, reflecting higher gold and coffee exports, and accelerating remittances. Remittance inflows increased in the four months of 2025, as elsewhere in the region, ahead of expected deportations. They are expected to decelerate from 2026 and stabilize at lower levels in the medium term, on account of more restrictive U.S. migration policies.

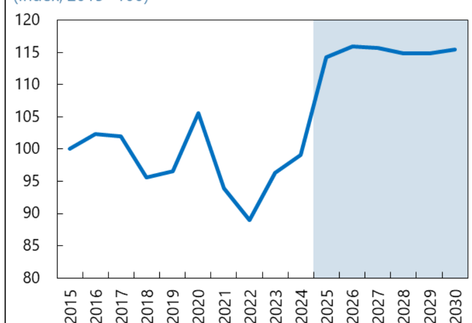
Nicaragua: Current Account
(Percent of GDP)



Sources: BCN and IMF staff calculations.
Note: Shaded area indicates projections.

Assessment. The EBA-lite CA model estimates a CA norm of –2.7 percent of GDP that reflects the country's structural characteristics—most notably its lower income level, which implies higher investment needs. In addition, a larger emigrant share translates into higher expected imports in the CA norm. EBA-lite identified relative policy gaps of 1.4 percent of GDP, driven primarily by tighter fiscal policy than in the rest of the world—reflecting continued fiscal consolidation. The implied current account gap of 6.6 percent of GDP in 2024 underscores an external position substantially stronger than the level consistent with fundamentals and desirable medium-term policies.

Nicaragua: Terms of Trade
(Index, 2015=100)



Sources: BCN and IMF staff calculations.
Note: Shaded area indicates projections.

The implied undervaluation of 19 percent does not imply the need for a substantial REER appreciation of that magnitude though, as the current account gap is driven by items inelastic to REER changes: (i) an actual CA surplus reflecting very large remittances inflows driven by recent emigration since 2021, and (ii) the need for precautionary savings due to limited access to multilateral and concessional lending.

Policy recommendations include measures that support an increase in investment and growth, and help reduce the need for higher saving rates: increasing public investment, targeted social benefits and human capital accumulation, improving non-price competitiveness, including through strengthening governance, addressing the imbalances in the social security system, and developing domestic capital markets, and resilience to natural disaster.

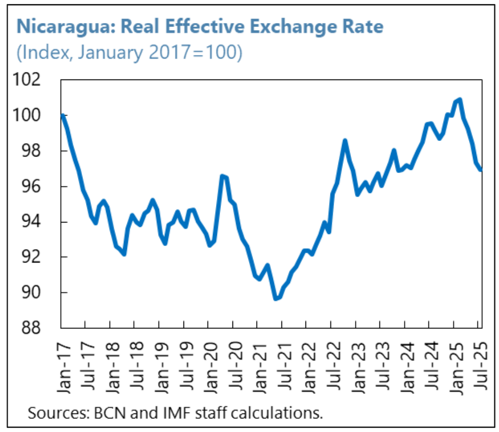
Nicaragua: Model Estimates for 2024
(In Percent of GDP)

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**4.2**	
Cyclical contributions (from model) (-)	0.3	
Adjusted CA	**3.9**	
CA Norm (from model) 2/	**-2.7**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-2.7**	
CA Gap	**6.6**	**-4.2**
o/w Relative policy gap	1.4	
Elasticity	-0.3	
REER Gap (in percent)	**-19.4**	**12.2**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Average REER appreciated by 2.2 percent in 2024. By July 2025, however, the REER was about 3 percent below its December 2024 level, reflecting an unchanged nominal exchange rate and domestic inflation running below that of major trading partners, particularly the United States.



Assessment. The REER index model finds a CA gap of -4.2 percent of GDP for 2024, suggesting a REER overvaluation of 12.2 percent. However, this is mainly driven by a large residual which limits the assessment and the policy implications.

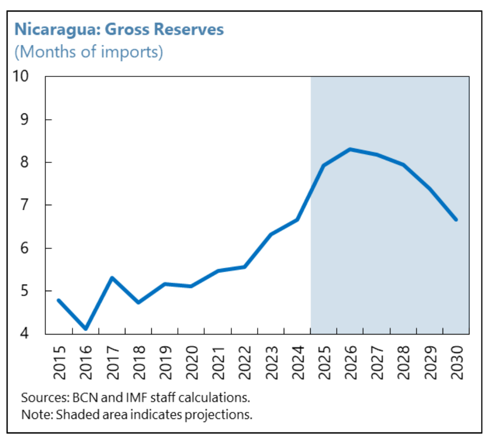
Capital and Financial Accounts: Flows and Policy Measures

Background. Net FDI inflows in 2024 rose to 6.5 percent of GDP—slightly above 2023 but still below the 2021–22 average (7.7 percent of GDP) and pre-crisis levels—with reinvested earnings making up 65 percent of the total inflows. Other investment recorded net outflows for a second straight year (0.8 percent of GDP in 2024), largely reflecting private-sector loan amortizations. Errors and omissions were large and negative (–7.2 percent of GDP), which may point to underestimation of other investment flows.

Assessment. The financing structure of the current account supports external stability, with an important caveat that this depends on the continued high level of remittance inflows. Staff project a sizeable decline in remittances as a share of GDP under the baseline scenario, reaching around 21 percent of GDP in the medium term.

FX Intervention and Reserves Level

Background. Gross international reserves (GIR) at end-2024 were US$5.8 billion or 6.7 months of next-year imports excluding *maquila,* supported by prudent fiscal policy and sustained remittance inflows. GIR continued to accumulate in 2025, US$7.3 billion at end-August, and are projected to rise further through 2026 (both as a share of GDP and in import coverage) before gradually declining as the current account shifts from surplus to deficit in the medium term, due to primarily a decline in remittances. In the outer years staff project a decline in reserves in 2029-30 to finance the emerging negative BoP balance.



Assessment. The level of gross international reserves in 2024 was adequate, at 6.7 months of non-maquila imports, close to the upper bound of the suggested range of 4.4 to 7.6 months of non-maquila imports, estimated using the Fund's adequacy metric for credit constrained LICs, with a range of reserves holding opportunity costs.

Annex II. Expected Impact from Changes in U.S. Policies[1]

This Annex assesses the impact of recent U.S. trade and migration policy changes on Nicaragua's outlook: a 10-percentage-point increase in U.S. effective tariffs would lower GDP level by about 0.3 percent in the first year, while tighter migration policies would reduce remittances by about 3.5 percent of GDP starting in 2026. These estimates are subject to high uncertainty, reflecting the phased and conditional nature of the announced trade measures by the U.S., and broader ongoing global policy shifts.

1. **The annex looks at the overall impact on GDP of various changes in U.S. trade and immigration policies, to provide the analytical underpinnings of the baseline scenario as well as understanding potential implications of additional trade actions**. First, the annex analyzes the impact on exports, of the trade actions so far and potential additional trade actions. Second, the annex studies the impact of the change of U.S. immigration policies on remittances. Third, the annex includes estimates of a private consumption function incorporating the role of employment, remittances, and other factors to understand the role of various factors in the expected private consumption dynamics. The analysis ends by studying the overall impact on GDP, looking primarily at the channel of transmissions between exports to employment; employment and remittances to private consumption; and exports and private consumption to GDP.

Exports

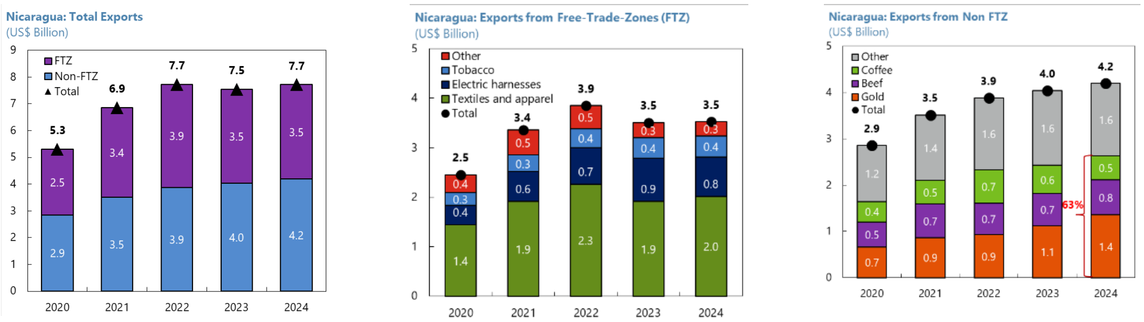
2. **Nicaragua's goods exports are a mix of primarily agricultural, mineral, and manufactured products.** Total exports were about US$7.7 billion (39 percent of GDP) in 2024, about 55 percent from non-FTZ and 45 percent from FTZ (text charts). Non-FTZ exports comprise mostly primary and resource-based products, with gold, coffee, and beef accounting for almost two-thirds of non-FTZ exports or about 30 percent of total exports in 2024. Since 2022, gold exports have averaged 15 percent of total exports and have emerged as the single largest merchandise export, due primarily to increasing international gold prices. FTZ exports are concentrated in textiles and apparel, car wire harnesses, and cigars. Textiles and apparel represented about 57 percent of FTZ exports, and 26 percent of total exports in 2024.

3. **The United States is Nicaragua's largest trading partner, absorbing over half of total exports**. Those exports consist largely of FTZ goods that used to benefit from the CAFTA-DR agreement. Other important export destinations include the Central America region and Canada (together between 15-20 percent), Mexico (around 15 percent), and selected European markets such as Belgium and Switzerland.[2] U.S. exports represent a much larger share of total FTZ exports, with textile and apparel exported mostly to the U.S., as the industry flourished in mid-2000s to take advantage of CAFTA-DR as well as the FTZ law in Nicaragua.

[1] Prepared by Juan Pablo Celis, Alun Thomas, and Manuel Escobar.

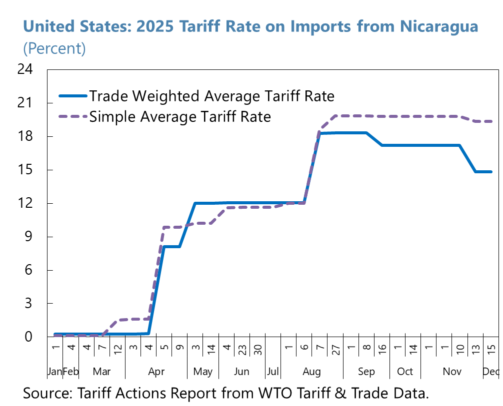
[2] China's demand for commodities—coffee, gold, and oilseeds—has been rising rapidly, but its share of total exports remains small. In 2023, China accounted for 0.3 of total exports—while Russia accounted by less than 0.1 percent.

Figure 1. Nicaragua: Exports and Free-Trade-Zones Analysis

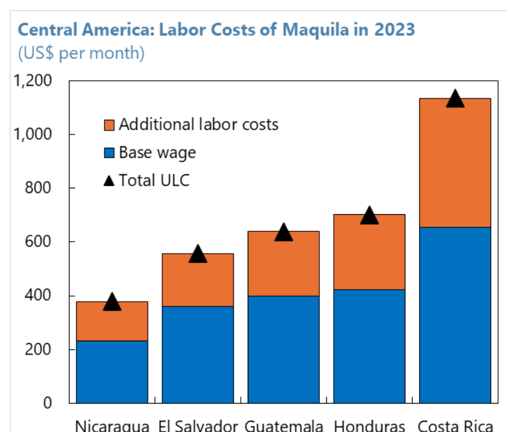


Source: IMF staff calculations based on BCN and national authorities.

4. **The impact of the recent U.S. tariff hikes has not yet been observed on exports and growth, as they occurred against a background of very favorable terms of trade and strong demand.** While in April 2025, the U.S. government announced an 18 percent tariff on Nicaraguan exports, it was implemented only as of August 9, 2025, and between April 2 and August 8, 2025, Nicaraguan exporters faced a 10 percent tariff in line with most other countries. Between August 9 and November 12, 2025, an 18 percent tariff rate was above regional peers. Gold exports remained exempt, bringing the effective tariff rate down to about 17 percent (text chart).[3] High international prices for gold, beef, and coffee have offset the impact of tariffs.[4] Total exports increased by 15.8 percent (y/y) as of 2025Q3, while textile and apparel exports also grew by 2.3 percent, despite the higher tariffs. Exporters are adapting to the new trade environment and the 18 percent tariff for non-gold non-agricultural products, in part through profit-margin compression, supported by Nicaragua's relatively low labor (text chart) and electricity costs.



Source: Tariff Actions Report from WTO Tariff & Trade Data.
Note: Simple average tariffs are the unweighted mean across HS6 categories, while trade weighted averages reflect tariff levels weighted by import shares.



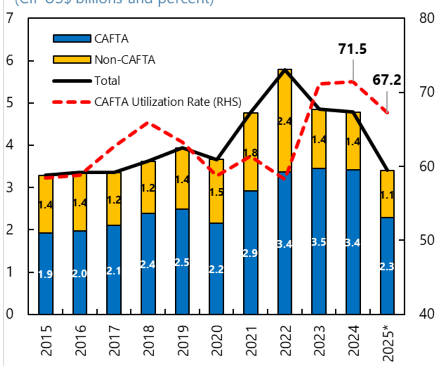
Sources: LATAM FDI.

[3] According to the IMF WTO tariff tracker, as of August 1st, 2025.

[4] Global coffee supply has tightened significantly due to weather shocks, weak harvests in key producers (Brazil, Vietnam, Indonesia), and high input costs, while global demand remains resilient and is growing.

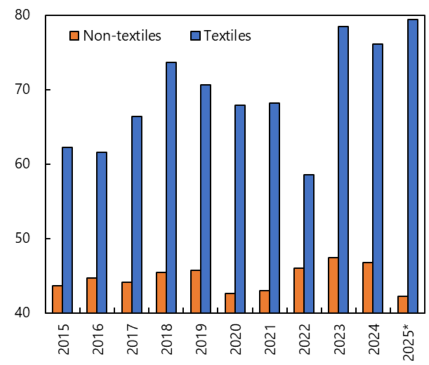
5. Nicaragua's relatively high utilization of the CAFTA-DR agreement provides an important buffer against the recently announced U.S. trade actions. In 2025, around 70 percent of total exports to the United States originated under CAFTA-DR (text charts), with even higher utilization rates in the main exports—for example, close to 100 percent for beef and around 80 percent for textile and apparel. These high utilization rates limit the exposure of exports to higher effective tariffs and are expected to create strong incentives for firms to benefit from lower effective tariffs by: (i) further reorienting supply chains toward CAFTA-DR–compliant production, including greater use of regional inputs; and (ii) strengthening compliance with rules-of-origin requirements.

United States: Imports from Nicaragua
(CIF US$ billions and percent)



Source: USITC and IMF Staff calculations.
Note: CAFTA utilization rate is defined as CIF imports under CAFTA divided by total CIF imports. * January to August cumulative.

Nicaragua: Utilization Rate of CAFTA Agreement
(Percent)



Source: USITC and IMF Staff calculations.
Note: CAFTA utilization rate is defined as United States CIF imports under CAFTA divided by total CIF imports. * January to August

6. Going forward, there are other mitigating factors that would temper the impact of higher tariffs. Since mid-November 2025, the U.S. announced universal tariff reductions on a large set of agricultural products, including coffee and beef, lowering the effective tariff burden for Nicaragua to about 14 percent. Prices of gold and some agricultural products are expected to remain high due to strong global demand and limited supply. For example, beef continues to benefit from temporary lower production from the biggest producers, U.S. and Brazil. Those products represent a large share of Nicaragua's exports. In addition, to Nicaragua's relatively low labor and electricity costs, it has a strong transport infrastructure, and access to both to the Pacific as well to the Caribbean coasts, supporting competitiveness.[5]

7. However, there is uncertainty regarding trade actions. In line with recent USTR announcements (Box 1), the timing and magnitude of phased-in tariffs could be revised (including their elimination), depending on Nicaragua's response to the U.S.T.R. 301 investigation. Furthermore, any additional trade actions will occur against a background of heightened competitive pressure from regional peers, as El Salvador and Guatemala are set to benefit from announced trade agreements with the U.S. starting in 2026.

8. Two facts can guide the reference point for understanding the impact of additional trade actions on economic activity. First, WEO estimates suggest that an immediate, permanent

[5] However, the minimum payment corporate income tax is the highest in the region.

increase of 10 percentage points in the U.S. effective tariff rate would reduce the level of GDP in the country subject to the new tariff by 0.29 percent in the first year the new tariff is in place. Assuming that this elasticity remains linear, this means a decline in GDP compared to the baseline scenario of maximum 0.29 percent in 2027 and 0.435 percent in 2028. However, this impact could be higher if higher rates are imposed, since beyond a certain tariff, exports volume to the U.S. would fall sharply, as some firms would lose market access and competitiveness, having a larger effect than the preceding 10 percentage points increase in tariffs. Second, to understand what a potential loss of U.S. market access implies, staff studied the experiences from Myanmar (2003) and the Dominican Republic (2005), which were affected by U.S. trade actions resulting in a decline of U.S. exports, in particularly textiles and apparel. Garment exports fell, while part of garment exports reoriented to other markets over time, and the closure of uncompetitive firms led to a loss of employment and fiscal revenues.

9. A more diversified export base can buffer against external demand shocks. A World Bank 2021 study shows that feasible opportunities lie in agro-processing, light manufacturing, and wood products, while more complex, higher-value options—though far from current capabilities—center on machinery, metals, and chemicals, which could significantly raise economic complexity if developed. Services remain underexploited, with modern sectors like ICT and professional services still a small share of exports—made up only about 16 percent of Nicaragua's total service exports in 2018, essentially the same share as in 2010. To seize these opportunities, Nicaragua must address bottlenecks in infrastructure, skills, and governance that currently limit the scale and value-added of its service exports.

Migration

10. Staff baseline scenario includes a reduction in net migration, based on the changes in the U.S. immigration policies. Staff estimate that about 650,000 Nicaraguan-born Nicaraguans live in the U.S., with more than half at risk for deportations (about 340,000).[6] To obtain the figure of Nicaraguans deported, staff assumes that 75 percent of CHNV parolees and TPS individuals will be removed in 2026, translating to around 70,000 and 2,200 Nicaraguans being deported respectively after the termination of each program in 2025.[7] In addition, total removals of undocumented migrants of all nationalities from the U.S. would reach about 2.0 million migrants starting in 2026 (1.0 million per year removals plus the termination of CHNV parole and TPS for many countries) and continuing at 1.0 million per year thereafter (the announced plans of the U.S. administration). Staff assumes that each country's share of deportations remains constant and is fixed at its 2025 share of total removals (0.6 percent for Nicaragua). This implies about 100,000 removals cumulatively during

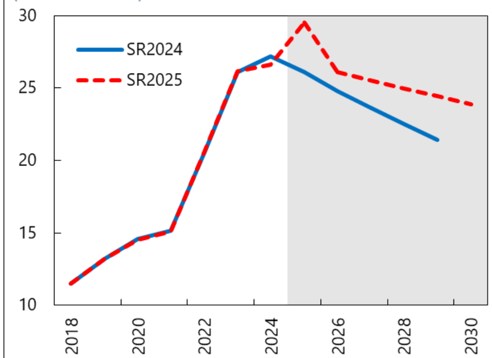
[6] Starting from MPI/US Census foreign-born stock population in the U.S., the share of estimated documented and undocumented migrants per country is calculated by adding to the undocumented stock of migrants in 2022 not only the US census estimates of entrants of undocumented migrants during 2022-24 but also the other at-risk groups (asylees/refugees, parolees, TPS) per country.

[7] Some migrants may have initiated procedures to change their legal status prior to the changes in U.S. migration policies, and data is not available by nationality.

2025-30 for Nicaragua.

11. Staff's remittances projections are based on these migration estimates. Remittances are calculated as the number of U.S. remitters multiplied by the average remittances per person.[8] To obtain the number of U.S. remitters, staff used the initial stock of migrants, and estimated the deportations path described above, which in turn will determine the path of remitters going forward.[9] The average remittance in 2024 is estimated to be US$556 per month. From 2026 onwards, the average remittance is assumed to grow in line with the U.S. nominal GDP. Given the termination of the CHNV parole and the TPS, in addition to the assumed increase in deportations of all undocumented migrants, remittances are projected to decline by 3.5 percent of GDP in 2026. Thereafter, remittances are expected to decline as percentage of GDP but at a lower rate, given that the relatively small share of Nicaragua's at-risk stock implies modest additional removals of Nicaraguans beyond 2026. Remittances over GDP remain ample in the medium term, converging toward about 25 percent of GDP by 2030 (text chart). Compared with last year's projection,[10] the medium-term path was revised to reflect stronger-than-expected 2025 inflows—driven by precautionary reasons amid policy tightening—which offset the near-term drop.

Nicaragua: Remittances
(Percent of GDP)



Source: Central Bank and IMF staff estimates.

Estimating Private Consumption Function

12. To understand the impact of employment and remittances shocks on private consumption, staff estimated a real consumption function. Using the cointegration method, and data on labor force, the unemployment rate, remittances, income taxes, and transfers from the budget to households, deflated by the CPI index (except for the unemployment rate), staff finds a strong long-term relationship. For robustness, an alternative specification was estimated using real wages as

Consumption Function Estimation 2004-2024

Variables	Δ Log of Private Consumption	
Constant	-14.09*	-9.72
Δ Log of Private Consumption in t-1	0.27	0.21
Δ Log of Real Remittances in t-1	-0.11	-0.31
Δ Log of Real Income Taxes in t-2	0.11	0.12
Log of Private Consumption in t-1	-0.44	-0.51
Log of Labor Force in t-1	1.40	1.17
Unemployment Rate	-0.02*	-0.02**
Log of Real Remittances in t-1	0.15	0.18
Log of Real Transfers in t-1	0.01	0.01
Log of Real Income Taxes in t-1	-0.35	-0.25
Log of Real Wages		-0.16
R2	0.67	0.81
Observations	21	19

Note: ***p-value < 0.01; **p-value < 0.05; *p-value < 0.10. Since the log level of the labor force, real remittances, real transfers and real taxes are non stationary, no significance level is attached to these coefficients but the combination associated with the lagged private consumption variable is stationary.

[8] About 85 percent of remittances originate from the U.S in 2024-25. This share is expected to decline gradually, reaching 82 percent by 2030, reflecting lower net-migration of Nicaraguan to the U.S.

[9] Inflows of migrants to the U.S. is assumed to remain limited, as observed since January 2025.

[10] Staff's projections based on these estimates indicate a decline in remittances of about 6 percent (y/y) in 2026, from the larger base of 2025.

an income proxy. Results show that real private consumption grows with employment, remittances, public support, and declines with income taxes. Long-run elasticities are 0.34 for real remittances and –0.8 for real income taxes. In the short run, the unemployment rate reduces private consumption growth, with an elasticity of –1.7. Adjustment is relatively fast, with about half of the long-run gap closing within a year.

Potential GDP Impact of Additional Trade Actions on Textile and Apparel Sectors

13. Taking into account the estimated consumption function, as well as the link between exports and employment described above, allows studying the implications on overall economic activity of additional trade actions. Assuming a decline in exports (due to higher tariffs on manufacturing sectors over the medium term stemming from additional U.S.T.R. tariffs), and no change in domestic policies, private consumption would be weaker, driven by lower employment in the garment export sector. The overall impact on GDP is partly offset by a modest decline in imports associated with the export shortfall and is assumed to be gradual, reflecting phased effects on exports and labor markets. Thereby, the level of real GDP would be expected to fall before stabilizing and returning to trend growth.

Annex III. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Conjunctural Risks			
Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	High	High	Accelerate structural reforms to ensure the economy can adjust flexibly to potential shifts in export demand by main trading partners, and deepen intraregional trade to soften the impact by diversifying markets. Measures could include reforms to strengthen the business climate (e.g., infrastructure, governance/rule of law, and human capital formation). Improve the resilience of supply chains in collaboration with the private sector.
Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	High	High	Provide coordinated response of monetary and fiscal policies, in particular use buffers (government deposits and international reserves, if needed) to cushion the shock. Adjust monetary policy stance to ensure price stability and maintain the exchange rate regime, with the rate of crawl adjusting in line with fundamentals, including the projected inflation differential.
Commodity Price Volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	High	High	Maintain a competitive business environment to attract investment to diversify exports and increase value added of exports. Provide targeted and time-bound fiscal support to the vulnerable segments of the population to mitigate risks of food insecurity. Accelerate structural reforms aimed at improving market flexibility to accommodate shocks to export demand. Adjust monetary policy stance to ensure price stability and maintain the exchange rate regime. Improve the resilience of supply chains in collaboration with the private sector.
Fiscal Vulnerabilities and Higher Long-Term Interest Rates. Rising public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions. These	High	Medium	Remain committed to fiscal discipline and public financial management advances to safeguard debt sustainability. Significantly improve the rule of law, the business climate, and protect property rights, to ensure adequate access to

[1] The Risks Assessment Matrix (RAM) shows events that could materially alter the baseline. Likelihood reflects staff's subjective assessment: "low" (below 10 percent), "medium" (10-30 percent), and "high" (30-50 percent). The RAM captures staff views on the source of risks and overall concern as of the time of discussions with the authorities. Risks may interact and materialize jointly. The conjunctural shocks reflect shorter-term risks (12-18 months) while structural risks are more persistent.

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
developments could amplify capital flow volatility, tighten financial conditions, threaten sovereign debt sustainability, and trigger global spillovers. To the extent that major economies are affected, market imbalances (such as reduced investor capacity to absorb sovereign debt) could emerge, exacerbating risks from a close sovereign-financial nexus.	**High**	**Medium**	to concessional lending. Maintain flexibility of the de jure crawling exchange rate regime, to adapt rapidly in case of capital outflows and refrain from imposing capital controls.
Decline in International Aid. A further sharp reduction in international financial assistance, including development aid and humanitarian support, could severely affect low-income and fragile countries. Such an additional aid withdrawal would strain public finances, worsen current accounts, increase debt vulnerabilities, and lead to a further deterioration in living conditions and food security.	**High**	**Low**	Even though most foreign aid has been cut due to international sanctions, responses to a further reduction include prioritizing expenditure to support affected households. Adjust monetary policy stance to ensure price stability and maintain the exchange rate regime. Additional efforts to improve the rule of law and governance reforms would facilitate the disbursement of new external financing.
Financial Market Volatility and Correction. Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.	**High**	**Low**	Continue to maintain sound macro and regulatory policies. Use stress testing to target supervisory action and contingency planning, and deploy macroprudential instruments to contain leverage, liquidity, and FX risks, thereby reducing the likelihood and impact of a disorderly global market correction.
Rising Social Discontent. High living costs, weak growth, and inequality may fuel social unrest, hinder necessary reforms, and weaken countries' capacity to address domestic and external shocks.	**Medium**	**Medium**	Accelerate structural reforms to increase competitiveness. Foster diversification and facilitate job creation. Adjust fiscal expenditure, while protecting social spending and public investment.

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Structural Risks			
Labor supply and remittances. Tighter restrictions abroad are likely to increase domestic labor supply in Nicaragua due to return migration. Remittances would weaken, dampening private consumption and economic activity in the short-run and put pressures on the external accounts	High	High	Expedite absorption of the additional labor supply into formal employment. Mitigate the consumption and revenue shock through temporary, targeted countercyclical fiscal measures financed by existing buffers.
Climate. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium	High	Prioritize investments for infrastructure resilience. Strengthen disaster risk management and preparedness to provide rapid support to the affected population.
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	Low	Low	Ensure adequate budgetary resources are available to strengthen the government's IT systems. Diversify trade patterns, allow real exchange rate to cushion a portion of external shock, continue executing key infrastructure spending. Support domestic market development and labor markets.

Annex IV. Revenue Mobilization Analysis[1]

The tax system has strengthened over the past two decades. The steady increase in revenues has been supported by economic growth, policy reforms, and stronger administration with income tax rising as the leading source of revenues. Furthermore, VAT continues to grow, and collection efficiency has improved, though gaps remain.

1. **Total central government revenues have increased significantly over the past two decades, reflecting economic growth, tax policy reforms, and strengthening revenue administration.** Central government revenues increased from 12.2 percent of GDP in 2004 to 20.1 percent of GDP in 2024. Predicted revenues, calculated using a log-log regression and an estimated tax elasticity of 1.2, show that, prior to the 2018 socio-political crisis, central government revenues were closely aligned with the predicted values. This suggests that over 2004-17 revenue performance was primarily driven by GDP growth. Since 2019, actual revenues began to outpace predicted levels, indicating that the tax policy reform enacted in 2019 and ongoing enhanced administration efforts could explain why revenue growth is outpacing substantially the nominal GDP growth, particularly in 2022-23.

2. **Tax buoyancy analysis confirms the strong responsiveness of the tax system to economic growth.** Tax buoyancy, measured as the percentage change in tax revenue to the percentage change in GDP, remained relatively stable around 1.2 during 2004-17, while increasing significantly over 2018-2019 (Figure 1), reflecting the sharp decline of revenues as a protracted recession ensued. After another increase in tax buoyancy during 2021-22 reflecting the effects of the 2019 tax reform as well as the rapid post-pandemic recovery, buoyancy stabilized between 1.0 and 1.1 during 2023-2024, signaling a normalization of revenue performance, with central government revenues closely tracking economic growth. In the past two decades, the central government tax buoyancy has typically aligned with elasticity, indicating a strong responsiveness of the tax system to economic activity, as well as its vulnerability to short-term volatility and cyclical shocks.

3. **Over the past two decades, income taxes increased steadily, becoming the main source of tax income, particularly after the implementation of the 2019 tax reform**. Income tax revenues increased from 3.4 to 8.9 percent of GDP in the past two decades, raising the share of income taxes in tax revenues from around slightly more than a quarter to almost half. This reflects primarily the 2019 policy reform, which broadened the tax base and increased effective tax rates on business and capital income. The reform maintained the principle of a minimum definitive payment (pago mínimo definitivo, PMD) of paying either 30 percent on net taxable profits or a rate applied to the gross income, but it raised the later rate from a 1 percent flat rate applied to all companies to

[1] Prepared by Jessie Kilembe.

differentiated rates of 1 to 3 percent.[2] [3] Other main changes included the increase in the withholding tax rates applied to non-resident services from 15 to 20 percent; a reduction in the payment lag and exemptions (including for VAT) rates; the introduction of a progressive real estate gains tax ranging from 1 to 7 percent based on property value; and increases in excise taxes on some goods.

4. **Administrative measures implemented after 2019 also contributed to the increase in income tax revenues.** Among the measures introduced were specialized audits of large corporate taxpayers that led to adjustments in gross income declarations, the implementation of the online cadastral valuation system to enable valuation and registration of property, and stricter rules on accelerated depreciation claims. Moreover, one-off revenue gains coming from legal and administrative taxpayer dispute resolutions in 2021-2022, settled in favor of the government, also helped increase income tax revenue.

5. **VAT collection has improved steadily over the past two decades, but gaps remain.** The VAT C-efficiency analysis over 2006-24 indicates that actual VAT collection increased from 15 to 54 percent of the potential VAT revenue that could be collected under full compliance and no exemptions (benchmark VAT base). That means that actual VAT revenue increased by about 2½ percent of GDP in 2006-24, primarily due to an improvement in collection efficiency, and eliminating some exemptions after the 2019 tax reform. However, a VAT gap—measured as the difference between benchmark VAT base and actual VAT revenues expressed as a percent of benchmark VAT base collection—remains relatively high at 46 percent, as of 2024, indicating that there is room for improvement in VAT collection efficiency. [4]

6. **Cross-country benchmarking shows a robust tax collection and also room for improvement.** Actual central government tax revenues reached 19.9 percent of GDP in 2022, while

[2] The legal framework imposes a 30 percent corporate income tax (CIT) on net taxable profits, or PMD of 1 to 3 percent on gross income. Taxpayers must calculate both the 30 percent CIT and the applicable PMD and the higher of the two amounts is the payable tax.

[3] The PMD is non-creditable, non-refundable and applies annually to all corporate income tax filers under the general regime, regardless of profitability. Firms under simplified regimes (small taxpayers) or special tax regimes (e.g., free trade zones, tourism incentives) are exempt from both CIT and the PMD, unless otherwise specified in sectoral legislation.

[4] Published VAT tax expenditures data are available only in aggregate and combine both domestic and import VAT exemptions. Within the Revenue Administration–Gap Analysis Program (RA-GAP) framework the decomposition of the total VAT gap into policy and compliance components requires disaggregated data on domestic VAT exemptions. In the absence of this data, a reliable decomposition is not feasible. Relying on aggregate VAT tax expenditures introduces uncertainty in the decomposition and may lead to a misallocation between policy and compliance gap components. Accordingly, only the total VAT gap is reported.

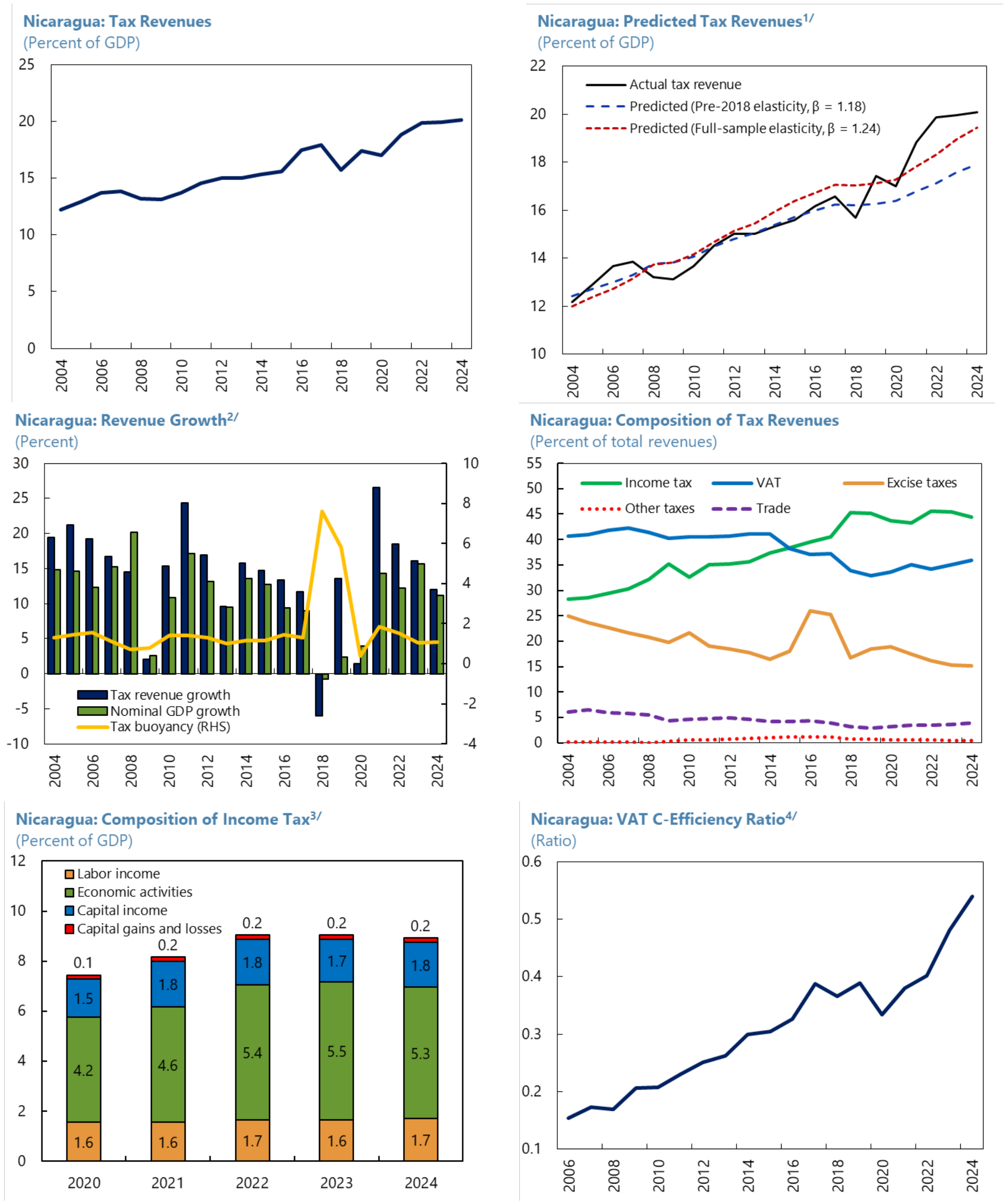
estimated tax potential, according to stochastic frontier analysis[5] and based on structural characteristics such as economic development, institutional quality, governance, and income level, stood at 20.5 percent of GDP. This corresponds to a tax effort of approximately 97 percent, placing Nicaragua among the stronger performers in its peer group.[6] This strong performance reflects administrative measures implemented in tax collection since 2019 primarily in income taxes: enhanced audit coverage, implementation of IT systems for filing, declarations, exemptions, and enforcement[7] of stricter reporting rules. Nonetheless, it also underscores the remaining gap of 0.6 percentage points of GDP emphasizing that future revenue improvements are more likely to come from strengthening compliance and administrative efficiency rather than new major tax policy measures. This can be achieved primarily through further eliminating some VAT exemptions.

[5] A Stochastic Frontier Analysis (SFA) model quantifies the potential revenue a country could collect under conditions of operating at best practice efficiency. The data used comes from the IMF's World Revenue Longitudinal Database (WoRLD) which tracks government revenue trends, as well as the Worldwide Governance Indicators and World Development Indicators databases. The use of these indicators should be considered carefully, as they are derived from perception-based data. The latest WoRLD database covers the period 1990-2022 and includes 191 countries. Due to lack of standardized cross-country data post-2022, the benchmark model is limited to 2022 to ensure cross-country consistency.

[6] To avoid underperformance during the pandemic from biasing downward the efficiency frontier and overstating the estimated tax gap, the estimation sample used in the stochastic frontier model excludes the pandemic years (2020-2021). Including these years would have raised Nicaragua's estimated tax potential in 2022 from 20.5 to 21.3 percent of GDP, thereby lowering the implied tax effort from 97 percent to 93 percent and increasing the estimated tax gap from 0.6 to 1.4 percentage points of GDP.

[7] Online filing and declarations with automatic mass auditing, and declaration assistance tools, exemptions and refunds platforms for managing exonerations and refunds, collections and resource management-electronic collection and treasury management systems, enhanced audit and enforcement platforms (including daily VAT credit validation); and taxpayer services (online solutions, e-invoicing authorization, and a cadastral valuation calculator).

Figure 1. Nicaragua: Revenue Analysis



Sources: MHCP Budget Execution Reports and IMF staff calculations.

1/ Predicted tax revenues (Pre-2018) are based on a log-log regression estimated over 2004-2017, excluding the socio-political crisis, the major tax reform, and the COVID-19 pandemic. This isolates the structural responsiveness of tax revenues to GDP (elasticity), excluding distortions from shocks or discretionary measures.

2/Tax buoyancy includes both automatic and discretionary policy changes.

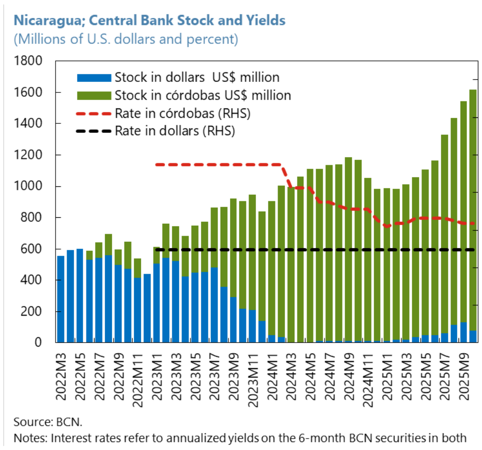
3/Disaggregated income tax reporting commenced with the Q3 2019 budget execution reports.

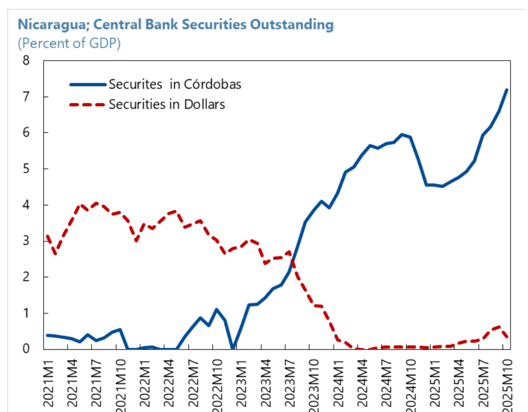
4/A C-efficiency of 0.54 indicates that Nicaragua collects just over half of the potential VAT revenue under full compliance and standard-rate taxation of all final consumption

Annex V. The Use of Local Currency Securities in BCN Liquidity Operations[1]

As the central bank completed the transition of issuing mostly local currency securities, the monetary reference rate has aligned closely with interbank rates. However, the pass-through to retail rates remains weak as bank margins remain wide. Dollarization has eased somewhat, but remains high, hampering the transmission mechanism. Further efforts to strengthen monetary policy transmission mechanism are needed.

1. Since early 2024, banks' holdings of BCN securities have been almost exclusively in local currency. By October 2025, the stock of córdoba-denominated securities rose to 7.2 percent of GDP, while the stock of dollar-denominated securities diminished to 0.4 percent of GDP. To ensure this transition, BCN maintained córdoba yields considerably above the dollar yields for about a year (January 2023 until February 2024). This created a significant premium to hold local-currency instruments, as the crawling rate was 0. As the transition from US$ to local currency securities was completed, and inflation declined faster, córdoba yields were gradually lowered from 9.5 percent to 6.4 percent by October-2025, narrowing the spread with dollar yields to about 1.4 percentage points (text chart).[2]





2. These actions improved the policy transmission from the reference rate to the local currency interbank market rate, but the pass-through to retail markets remains weak. While the interbank rate in córdoba increased above the reference rate from June 2023 until May 2025, the differential remained close to 0. While the interest rate differential between lending and deposit

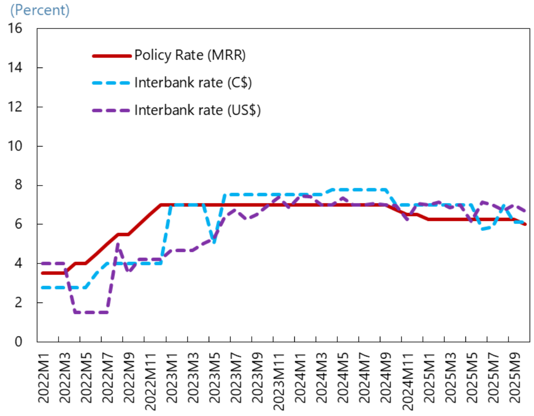
[1] Prepared by Jessie Kilembe.

[2] BCN bills (*letras del BCN*) used for liquidity management are short-term marketable securities. They are issued in both domestic and foreign currency, with maturities ranging from 7 day to 12 months. Open market operations are conducted weekly through, competitive multiple-price auctions. The BCN is a price taker, with auction yields reflecting prevailing market liquidity conditions. Competitive bids are accepted from the highest price up to the cut-off yield, while non-competitive bids clear at the weighted average price of the accepted competitive bids.

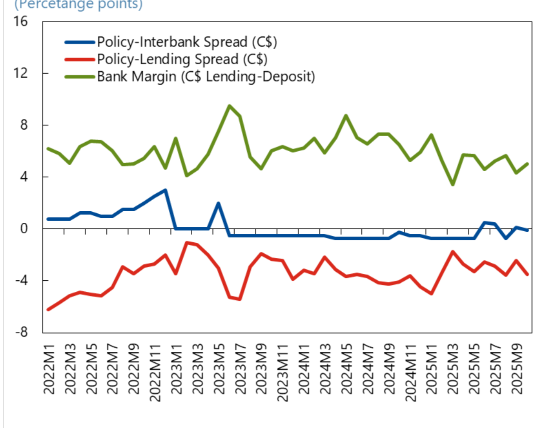
rates in córdoba remains relatively large, at about 5 percent by October-2025, it has narrowed over the past three years, and it is lower than the US$ interest differential of 6 percent. Cross-currency differentials varied, with córdoba loans often having lower costs than dollar loans, while córdoba deposits only occasionally provided higher returns.[3] This suggests that borrowing has occasionally been more attractive in córdoba, whereas incentives for saving in local currency have remained weaker and favored deposit dollarization.

3. The remaining interest differentials (between lending and deposit rates in córdoba, and cross-currency for both deposit and loans) underscores that more progress is needed in improving monetary transmission mechanism. This becomes particularly important since the real policy (reference) rate turned positive since 2023Q4, with Nicaraguan inflation declining, and therefore could have more economic impact if the transmission would be more effective. With a declining share of foreign currency deposits from about 72.3 percent in early 2021 to 66.6 percent of total deposits by September 2025, driven by faster growth of córdoba deposits compared to dollar deposits, and all credit and deposit card transactions in local currency, further progress can be expected. However, two thirds of deposits remained in US$, and 87.4 percent of credit is conducted in US$, only modestly declining from 91 percent in early 2021. Sustained efforts to deepen domestic capital markets, de-dollarize, and strengthen incentives for local currency intermediation will be important to consolidate recent de-dollarization gains and enhance the effectiveness of monetary policy.

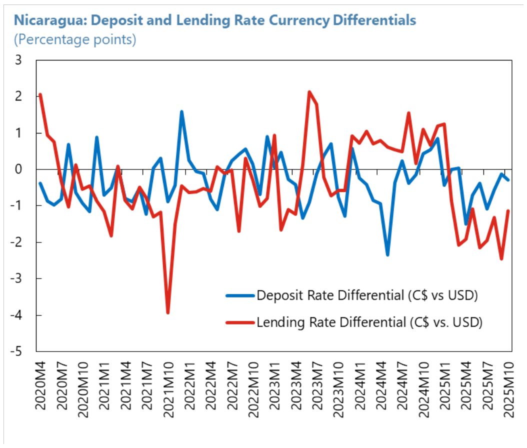
Nicaragua: Policy Rate Transmission to Market Rates
(Percent)

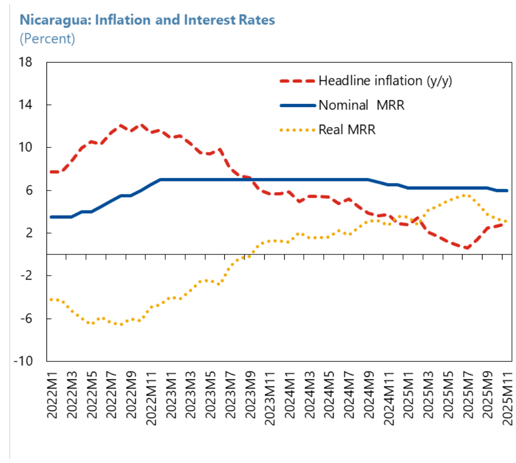


Nicaragua: Policy-Market Spreads and Bank Margin
(Percetange points)



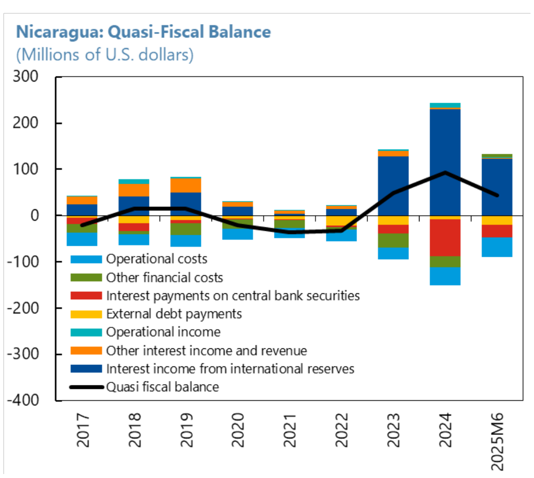
[3] Differentials are córdoba rates minus U.S. dollar rates. A negative lending differential indicates córdoba loans are less expensive than U.S. dollar loans. A negative deposit differential indicates that córdoba deposits yield less than U.S. dollar deposits.

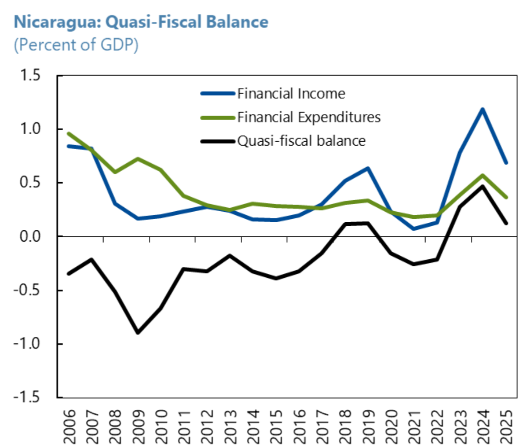




Source: BCN.

4. With the increase in the stock of BCN securities in córdoba, the quasi-fiscal balance surplus achieved in recent years has narrowed rapidly in 2025H1. Historically (between 2006-2022), the quasi-fiscal balance was negative. With the rapid increase in international reserves in the past couple of years,[4] the quasi-fiscal balance position improved. By 2024, the financial income reached record levels, outweighing the increase in sterilization costs. However, as those costs increased sharply along with the increase in the stock of local currency securities, the quasi-fiscal surplus narrowed to 0.1 percent of GDP in June 2025, from 0.5 percent of GDP in 2024.





Source: BCN.

[4] Net foreign assets rose substantially from 12.5 percent of GDP in early 2022 to 25.1 percent of GDP by July 2025.

Annex VI. Status of Commitments Under the RCF/RFI (November 2020)[1]

Authorities' Commitments in LOI	Current Status
Publish procurement contracts of crisis mitigation spending, including beneficial ownership information of companies awarded procurement contracts.	**Implemented.** Published all COVID-related public procurement contracts since October 15, 2020 (amounts, the specific nature of the goods or services procured and their price per unit where applicable), the names of the awarded entities and their beneficial owner(s), and the names of the public officials awarding the contracts). See the website of the General Directorate of State Procurement (here). As of January 31, 2022, 155 contracts have been published, for a total amount of C$595,208,660.84 and US$179,664,831.58, of which 100 percent are completed (here).
Facilitate the tracking and reporting of the use of COVID-19 related resources by channeling externally sourced emergency assistance through a *dedicated subaccount of the treasury single account*.	**Implemented.** The authorities opened current accounts in dollars at the BCN and book-entry accounts in córdobas. These accounts will be audited in the context of the external audits of all COVID-related expenditures.
Conduct an external and independent audit for all COVID-19 related expenditures, including funds channeled through the UNOPS and the WFP.	**Implemented.** Two external and independent audits of the use of funds by the central government have been published (covering the execution of funds from April 1, 2020, to May 31, 2021, published on the government's website in November 2022, and covering the execution of funds from June 1, 2021, until June 30, 2022 on the government website in November 2023). UNOPS and WFP reports have not been published.

[1] Nicaragua—Requests for Purchase Under the Rapid Financing Instrument and Disbursement Under the Rapid Credit Facility.

Authorities' Commitments in LOI	Current Status
Publish the financial statements of the five largest SOEs (ENACAL, ENATREL, ENEL, EPN and PETRONIC) covering the period 2015-2019 and *commit to gradually expand the annual reporting of financial statements to all SOEs*, including audit reports from the Comptroller General.	**Partially implemented.** Currently, there are seven SOEs—BFP, EAAI, ENACAL, ENATREL, ENEL, EPN, and PETRONIC—publishing financial statements online. The authorities continue to expand publications of financial statements to include all SOEs and have not yet published the audit reports from the Comptroller General.
Strengthen the effectiveness of the AML/CFT framework in accordance with the action plan already agreed with the FATF.	**In progress.** The authorities have developed a more comprehensive and robust AML/CFT risk identification and understanding that includes and covers all relevant stakeholders and sectors. In 2021, the National AML/CFT/CFP Commission approved the National Risk Strategy, which resulted in the formulation of an Action Plan for the period 2021-25. The FATF found that the Action Plan has aligned the AML/CFT framework with international standards. Stronger efforts are needed to ensure proper and effective implementation of the AML/CFT framework.

Annex VII. Past Fund Policy Advice

Recommendations	Current Status
Fiscal Policy	
Ensure fiscal sustainability by reviewing expenditures while safeguarding social spending and promoting growth.	**In progress**. Expenditures have been prioritized through budgetary reallocation to mitigate the social impact of external shocks in line with financing, while containing spending pressures. Consolidation continues, with under execution of budget (current and capital expenditures).
Improve the operating efficiency and sustainability of INSS and SOEs.	**In progress.** The March 2019 pension system reforms reduced the INSS deficit and the associated transfers from the central government, some of the measures initially announced still need to be implemented (i.e., the change of minimum number of contributions required to receive a reduced pension and the reduction on the minimum pension). Further reforms are needed to ensure sustainability of the INSS and mitigate risks from SOEs.
Achieve greater transparency of the fiscal accounts to be able to assess and manage fiscal risks better and enhance fiscal governance.	**In progress**. The Ministry of Finance regularly publishes the annual fiscal risks reports online since 2022. Efforts to publish financial reports and include all operations of SOEs, decentralized entities, and municipalities in the measure of the overall fiscal stance need to continue.
Monetary and Financial Policy	
Increase the provisions of distressed loans.	**Completed**. The level of provisions relative to total distressed assets has increased reaching pre-crisis levels.
Develop contingency plans and enhance the framework for bank resolution to increase the resilience of the financial sector against downside risks.	**In progress**. The legal framework for crisis resolution and emergency liquidity assistance has been revised in early 2025 in line with previous advice and international best practices. Contingency plans still need to be developed.
Enforce regular financial reporting by the rural credit and savings cooperatives.	**Completed**. The expansion of the prudential supervisory perimeter following a principle of proportionality has been introduced with the

Recommendations	Current Status
	passage of laws in early 2025, and the largest cooperatives are now supervised by SIBOIF.
Adopt the recommendations of the FATF to protect the integrity of financial transactions and mitigate the exposure to illicit flows.	**In progress**. For details see Annex VI and ¶32.
Strengthen the external position over the medium term to maintain the resilience of the crawling peg exchange rate regime.	**In progress**. Gross international reserves reached a historical high of US$7.3 billion (35 percent of GDP) by end-August 2025, due to prudent policies amid strong remittance inflows and favorable terms of trade.
Structural Policy and Governance	
Improve competitiveness by strengthening government institutions in the areas of contract enforcement and the efficiency of the legal framework in settling disputes, protection of property rights, investor protection, property registration, and resolution of insolvencies.	**Backtrack**. The authorities have made progress in strengthening property and land registries, which are managed by the Judicial Power and have been increasingly articulated with other registries and data sources administered by the government. Contract enforcement, dispute settlement, and the protection of property rights still face challenges. Lack of independence of the judiciary significantly hampers reliability and impartiality of court decisions. Large transfers of property to the state have been criticized in United Nations Group of Experts for Human Rights in Nicaragua, the UN Special Rapporteur for Judicial Independence, and the Inter-American Court of Human Rights for recurring violations of due process.
Improve infrastructure, invest in human capital	**In progress**. The recent closures of health organizations and universities and transferring the functions to the state of most NPOs, have allowed for free access to education and health, although not to the same coverage of items. Investment in infrastructure ramped up with the opening of new hospitals, public roads (main highways), and the construction of a new airport, and deep water port.
Strengthen the existing asset declaration regime for high-level public officials, including through its publication and other further efforts targeted at politically exposed persons.	**In progress**. By April 2025, 85 percent of asset declarations were submitted electronically). Pending measures include (i) expanding the categories of information requested to ensure

Recommendations	Current Status
	it also covers interests and assets beneficially owned; and (ii) Streamlining public access, ensuring that relevant information from the declaration is accessible on-line for top officials, without requiring a prior consultation process.
Strengthen anti-corruption measures.	**In progress.** See paras 39 and 41.
Ensure fair and impartial access to the court system and to recourse in legal and administrative proceedings.	**No progress**.
Implement key recommendations of the 2021 Assessments report.	**In progress.** The authorities continue to clean up the BCN balance sheet from past legacy loans to the economy, to advance the preparations to move to the IFRS accounting standards, with IMF TA. New law 1232 has increased central bank autonomy and allowed for recapitalization.
Capacity Development	
Improve data coverage.	**In progress**. Efforts are needed to expand sources of data in the real sector and incorporate the results of the 2018 household survey in the national accounts; harmonize public sector debt with external sector debt data; monitor assets and liabilities of public enterprises; and improve coverage of FDI statistics and BoP more broadly to reduce errors and omissions.
Resume the timely publication of data to maintain business confidence and ensure policy credibility.	**In progress**. Extensive TA has been provided to improve statistical methodologies, but statistical gaps remain. However, the frequency of publication of some statistics (fiscal and labor market) has improved and authorities continue to work with STA and CAPTAC-DR to implement further recommendations. However, BCN no longer publishes detailed BoP data in an excel format.
Adhere to the multi-year roadmap of financial sector TA, as developed under the FSSR.	**In progress**. With the implementation of the new financial sector laws, more than two thirds of the 2019 FSSR recommendations have been implemented, and the authorities requested TA on a couple of priority areas.

Annex VIII. Data Issues

Table 1. Nicaragua: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/

B

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	B	B	B	B	B
	Detailed Questionnaire Results						
Data Quality Characteristics							
Coverage	C	B	C	A	A		
Granularity 3/	B		B	B	C		
			B		B		
Consistency			B	C		B	
Frequency and Timeliness	B	A	C	B	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is broadly adequate for surveillance, but data quality can be improved in national accounts, fiscal, monetary, and external sector statistics. Further efforts are needed to improve source data in the real sector, particularly for tourism, manufacturing, and retail; incorporate the results of the 2017/18 household survey in the national accounts remains pending; conclude and disseminate new series using 2019 as a benchmark; harmonize public sector debt with external sector debt data; improve timeliness of fiscal data; enhance the breakdown of financial assets and liabilities; reduce high errors and omissions; monitor assets and liabilities of public enterprises; and improve coverage of FDI statistics. Revisions to the national accounts are common and they may impact the team's baseline projections and authorities should continue efforts to improve data provision and consistency by informing about methodological changes. There has also been some improvement in the frequency of fiscal and labor market statistics publication.

Changes since the last Article IV consultation. The overall assessment remains broadly unchanged from the one conducted during the 2024 Article IV consultation. The publication of international reserves remains timely, but since May 2025, some components of the balance of payments data, such as monthly remittances, are no longer published with the same level of detail or frequency; this has not affected surveillance, as the authorities are expected to continue providing the data to the Fund in a timely manner. Revisions to official national accounts data are a standard practice, but it remains important for the authorities to improve the timely communication of methodological changes or the rationale behind significant revisions.

Corrective actions and capacity development priorities. Efforts are needed to expand data sources (for instance, in the real sector, incorporating information from household surveys into the national account and completening and disseminating new series with the 2019 year as a benchmark). Improvements in statistical methodologies and compilation are needed, particularly to address high errors and omissions in the BOP. The scarcity of poverty data should also be addressed, as current assessments continue to rely on supplementary sources.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Not applicable.

Other data gaps. Staff uses World Bank's Macro Poverty Outlook statistics to estimate poverty given lack of national data since 2014. Gender and climate data gaps are significant and the last available Census data is from 2005. Recent delays in the latest census highlight further data limitations and capacity constraints. Capacity development work should continue to address these shortcomings.

Table 2. Nicaragua: Data Standards Initiatives

Nicaragua participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in February 2005 but is yet to disseminate the data recommended under the e-GDDS through a National Summary Data Page.

Table 3. Nicaragua: Table of Common Indicators Required for Surveillance
(As of December 5, 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Nicaragua[8]	Expected Timeliness[6,7]	Nicaragua[8]
Exchange Rates	10/31/2025	11/11/2025	D	M	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	10/31/2025	11/11/2025	D	M	M	...	1M	...
Reserve/Base Money	Sep-25	Nov-25	M	M	M	M	2M	1-2D,2-3W,2M
Broad Money	Aug-25	Nov-25	M	M	M	M	1Q	2M
Central Bank Balance Sheet	Aug-25	Nov-25	M	M	M	M	2M	1-2D,2-3W,2M
Consolidated Balance Sheet of the Banking System	Aug-25	Nov-25	M	M	M	M	1Q	2M
Interest Rates[2]	Aug-25	Nov-25	M	M	M	D,W	...	2W
Consumer Price Index	Oct-25	11/7/2025	M	M	M	M	2M	15D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Aug-25	Nov-25	M	M	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Aug-25	Nov-25	M	M	Q	M,Q	1Q	2M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Aug-25	Nov-25	Q	Q	Q	M	2Q	4M
External Current Account Balance	2025Q2	Oct-25	Q	Q	Q	A,Q	1Q	3M,3-4M,6-9M
Exports and Imports of Goods and Services	Sep-25	10/27/2025	M	M	M	M	12W	2M
GDP/GNP	2025Q2	Sep-25	Q	Q	Q	A	1Q	1M
Gross External Debt	2025Q2	Sep-25	M	M	Q	M,Q	2Q	1M
International Investment Position	2025Q2	Oct-25	Q	Q	A	Q	3Q	4M

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

NICARAGUA

December 22, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Western Hemisphere Department
(In consultation with other departments)

CONTENTS

FUND RELATIONS

(As of November 30, 2025)

Membership Status: Joined: March 14, 1946; Article VIII

General Resources Account:	**SDR Million**	**Percent Quota**
Quota	260.00	100.00
Fund holdings of currency (Exchange Rate)	238.34	91.67
Reserve Tranche Position	32.50	12.50

SDR Department:	**SDR Million**	**Percent Allocation**
Net cumulative allocation	373.74	100.00
Holdings	273.55	73.19

Outstanding Purchases and Loans:	**SDR Million**	**Percent Quota**
Emergency Assistance[1]	10.83	4.17
RCF Loans	43.33	16.67

Latest Financial Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved** (SDR Million)	**Amount Drawn** (SDR Million)
ECF[2]	October 5, 2007	October 31, 2011	78.00	78.00
ECF[2]	December 13, 2002	December 12, 2016	97.50	97.50
ECF[2]	March 18, 1998	March 17, 2002	148.96	115.32

Outright Loans:

Type	**Date of Commitment**	**Date Drawn**	**Amount Approved** (SDR Million)	**Amount Drawn** (SDR Million)
RCF	November 20, 2020	December 7, 2020	43.33	43.33
RFI	November 20, 2020	December 7, 2020	86.67	86.67

Projected Payments to Fund
(SDR Million; based on existing use of resources and present holdings of SDRs):

			Forthcoming		
	2025	**2026**	**2027**	**2028**	**2029**
Principal	10.83	8.67	8.67	8.67	8.67
Charges/Interest	-	2.80	2.77	2.77	2.77
Total	10.83	11.47	11.44	11.44	11.44

[1] Emergency Assistance may include ENDA, EPCA, and RFI.

[2] Formerly PRGF.

Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	Dec 2000
Assistance committed by all creditors (US$ Million) [3]	3,308.00
Of which: IMF assistance (US$ million)	82.20
(SDR equivalent in millions)	63.54
Completion point date	Jan 2004
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	63.54
Interim assistance	2.55
Completion point balance	60.99
Additional disbursement of interest income [4]	7.62
Total disbursements	71.16

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million) [5]	140.48
Financed by: MDRI Trust	91.79
Remaining HIPC resources	48.70
II. Debt Relief by Facility (SDR Million)	

			Eligible Debt
Delivery date:	**GRA**	**PRGT**	**Total**
January 2006	N/A	140.48	140.48

Implementation of Catastrophe Containment and Relief (CCR) Trust: Not Applicable.

Exchange Rate Arrangements:

The currency of Nicaragua is the Nicaraguan córdoba. Nicaragua's de jure exchange rate arrangement is classified as a crawling peg, while the de facto exchange rate arrangement is classified as a stabilized arrangement. The central bank buys/sells any amount of foreign currency from/to financial institutions at the official exchange rate. In August 2023, BCN announced that as of January 1, 2024, the annual crawling rate was reduced to 0 percent from 1 percent. In November 2024 it was announced that the crawling rate for 2025 would remain at 0 percent.

[3] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[4] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

[5] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Previously, in January 2023, the BCN had reduced it to 1 percent from 2 percent. As of November 30, 2025, the official exchange rate was C$36.6243 per U.S. dollar.

Nicaragua accepted the obligations under Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, except for an exchange restriction arising out of Nicaragua's participation in the SUCRE regional payments arrangement (Unitary System of Regional Compensation of Payments).

Article IV Consultation:

The previous consultation was completed by the Executive Board on January 29, 2025 (Country Report No. 25/40).

Safeguards Assessment:

An update safeguard assessment of the Banco Central de Nicaragua (BCN) was completed in November 2021. The assessment found that progress in implementing safeguards recommendations has been limited since the previous assessment in 2009. Despite legal amendments in 2010, and 2025 vulnerabilities persist in some legal safeguards for the BCN's autonomy and transparency and accountability practices. In addition, financial reporting and internal audit continue to deviate from international standards. That said, while the central bank law does not provide for an Audit Committee, the BCN has since established one in line with the safeguards recommendation to provide oversight of audit and control processes. The external audit mechanism has also been enhanced through formalization of a Board-approved auditor selection and rotation policy, and BCN continues to reconcile legacy assets and liabilities in its balance sheet to improve transparency.

Financial Sector Assessment Program (FSAP) Participation:

An FSAP update was completed in October 2009, and the Financial System Stability Assessment report for Nicaragua was issued on April 28, 2010. A Financial Sector Stability Review (FSSR) was conducted in January-February 2019.

Technical Assistance:

Nicaragua has received substantial technical assistance. The schedule below details assistance provided since December 2020.

Department	Purpose	Time of Delivery
	Fiscal	
CAPTAC	Risk Management	Jan., April & November 2020
CAPTAC	Risk Management	April, Sept. & November 2021
CAPTAC	Risk Management	January 2022
FAD	Fiscal Transparency, Control of COVID-19 Spending, and Supervision of State-Owned Enterprises	November 2020
FAD	Fiscal Risks Related to State-Owned Enterprises	April-June 2021
CAPTAC	Macroeconomic fiscal risks, FRAT tool	November 2021
CAPTAC	Tax Audit	March 2022
FAD	Fiscal Transparency Evaluation	March 2022
CAPTAC/FAD	Tax Administrations	August 2022
CAPTAC	Strengthen Tax Audit Procedures	September 2022
CAPTAC	Strengthen Risk Management	November 2022
FAD	Risk management	November 2024
	Monetary and Financial Sector	
CAPTAC	External Auditors' Support to Credit Risk Supervision	February-March 2021
CAPTAC/MCM	Monetary Operations Scoping Mission	August 2021
CAPTAC	Liquidity Forecasting and Management	November 2021
CAPTAC	Central Bank's Foreign Exchange Operations	October 2022
CAPTAC	IFRS Selected Issues Training	February 2023
CAPTAC	Semi Structural Model Update	February 2023
CAPTAC/MCM	Securities Investor Protection	June 2023
CAPTAC/MCM	Semi Structural Model Calibration	January 2024
CAPTAC/MCM	Semi Structural Model Training	March-May 2025
	Statistics	
CAPTAC	External Sector Statistics	April 2020
CAPTAC	National Accounts Statistics	June & October 2020
CAPTAC	Producer Price Index	August 2020 & March 2022
CAPTAC	Government Accounts and Harmonization with GFSM 2014	October 2020
CAPTAC	Government Finance Statistics (GFS)	July-Aug. & December 2021
CAPTAC	National Accounts Statistics (NAS)	June-July 2021
CAPTAC	Quarterly NAS and seasonal adjustment	August 2021
CAPTAC	Public Debt Statistics	September-October 2021
CAPTAC	Quarterly Supply and Use Table	February 2022
CAPTAC	PPI-Price Statistics	March 2022
CAPTAC	Quarterly National Accounts Statistics (2008 SNA)	April 2022
CAPTAC	GFS and Public Sector Debt Statistics	February & August 2022
CAPTAC	Quarterly NAS and Economic Surveys	November 2022
CAPTAC	Government Finance Statistics	February & August 2023
CAPTAC	External Sector Statistics BOP-IIP	October 2024

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank: http://www.worldbank.org/en/country/nicaragua

Inter-American Development Bank: https://www.iadb.org/en/who-we-are/country-offices/nicaragua

Central American Bank for Economic Integration: https://www.bcie.org/en/member-countries/founders/republic-of-nicaragua

MAIN WEBSITES OF DATA

Central Bank of Nicaragua (https://www.bcn.gob.ni/)

National accounts

Monthly indicator of economic activity (IMAE)

Balance of payments

International reserves

Interest rates

Monetary and financial indicators

Exchange rates

Ministry of Finance (http://www.hacienda.gob.ni/hacienda/finanzaspublicas/finanzas.html)

Fiscal accounts

Central government budget

Public debt

National Institute of Development Information (https://www.inide.gob.ni/)

Consumer price index

Labor and employment

Household income and expenditure survey

Poverty and inequality

Superintendency of Banks (https://www.siboif.gob.ni/)

Balance sheets and income statements

Financial soundness indicators

NICARAGUA

December 22, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

Approved By
Ana Corbacho and Jacques Miniane/Anna Ivanova (IMF) and Oscar Calvo-Gonzalez and Manuela Francisco (IDA)

Prepared by staff of the International Monetary Fund and the International Development Association.

Nicaragua: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	Moderate
Overall risk of debt distress	Moderate
Granularity in the risk rating	Substantial Space to absorb shocks
Application of judgment	No

Nicaragua's risk of external and overall public debt distress is assessed as moderate. Nicaragua maintains a strong debt carrying capacity.[1] *In the baseline scenario, external and public debt burden indicators—including the present values (PV) of the external and public debt to GDP ratios—remain below their respective thresholds, reflecting the concessional profile of Nicaragua's external debt. However, the PV of external debt to GDP ratio is vulnerable under combined shocks and breaches the threshold under the most extreme scenario. Similarly, the PV of public debt to GDP is vulnerable to a growth shock and breaches the benchmark under the most extreme scenario. Downside risks stem from vulnerability to external shocks and natural disasters. Given the limited availability of new concessional external financing, reinforcing policy buffers will be important to mitigate fiscal pressures and safeguard debt sustainability.*

[1] Nicaragua's debt-carrying capacity remains assessed as strong. The Composite Index (CI) is estimated at 3.06 and is based on the 2024 World Bank's CPIA and the October 2025 WEO.

PUBLIC DEBT COVERAGE

1. Nicaragua's public debt is reported at the consolidated public sector (CPS) level, with relatively broad coverage under the baseline scenario. The public debt coverage used in this Debt Sustainability Analysis (DSA) includes the consolidated debt of the budgetary central government, local government, the state-owned enterprises (SOEs) guaranteed debt, and the Central Bank of Nicaragua (BCN).[2] There is no non-guaranteed state-owned-enterprises' debt recorded in Nicaragua. Data pertaining to extra-budgetary funds and non-guaranteed state-owned enterprises has been excluded; the former is omitted due to insufficient data availability, while the latter is not included as no non-guaranteed state-owned enterprise debt is recorded in Nicaragua (Text Table 1). Authorities are receiving IMF technical assistance and to enhance debt transparency, expand debt reporting, and improve monitoring and coverage of other elements of the general government and SOEs, including broadening institutional coverage. While the World Bank's sustainable development finance policy (SDFP) supported reforms aimed at improving debt management, transparency, and fiscal sustainability, some of these reforms were not completed. As an IDA-eligible country at moderate risk of external debt distress, Nicaragua is required to prepare Performance and Policy Actions (PPAs) in FY26 to be eligible to receive the SDFP incentive in FY27. Debt data from the social security system (INSS) is excluded, as the INSS does not borrow directly, and the central government debt to the INSS has been paid in full by end-2022.

2. The DSA is conducted on a residency basis. In the case of Nicaragua, there are no foreign holdings of local currency debt issued domestically (as in previous DSAs). Consistent with previous DSAs since 2013, this DSA assumes the provision of expected Heavily Indebted Poor Countries (HIPC) debt relief by Non-Paris Club creditors that have yet to provide it (see ¶16).[3]

3. To account for gaps in debt data coverage, a stress test on contingency liabilities is detailed in ¶17.

Text Table 1. Nicaragua: Public Debt Coverage Under the Baseline Scenario

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	X
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

Public debt coverage and the magnitude of the contingent liability tailored stress test

1	The country's coverage of public debt	The central, state, and local governments, central bank, government-guaranteed debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.5	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2	
4	PPP	35	percent of PPP stock	2.24	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)			9.7	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

Source: National Authorities and IMF Staff Calculations.

[2] Given data limitations, local government domestic debt with private domestic creditors is included only for the Municipality of Managua (ALMA), the largest of 153 municipalities. In addition, debt data from SOEs used in the compilation of the consolidated public sector is also included.

[3] All discussions in this note refer to this definition of public debt. Therefore, there are differences with official statistics, which include debt pending HIPC relief.

BACKGROUND ON DEBT

4. **Nicaragua's debt for 2024 has declined compared to the previous DSA (Text Table 2 and Table 2)**[4] due to sustained growth, continued fiscal tightening, improvements in tax administration and effective debt management. During 2024, nominal GDP growth outpaced debt accumulation, resulting in a declining debt-to-GDP ratio. The total stock of public debt decreased by about 4¾ percent of GDP in 2024, to 45.1 percent of GDP (from 49.8 percent of GDP in 2023).[5]

5. **External public and publicly guaranteed (PPG) debt declined, reaching 36 percent of GDP at end-2024 (Table 2).** All PPG external debt is in medium and long-term maturity instruments. The external debt profile continues to be concentrated in concessional and official debt, with multilateral creditors accounting for 78.5 percent of total external debt (Text Table 3). The largest external creditors are Central American Bank for Economic Integration (CABEI, 28 percent of total external debt stock), followed by Inter-American Development Bank (IDB, 27 percent), and the World Bank (11 percent) at end-2024. Nicaragua is eligible for loans on blend terms (including a concessional element) from most multilaterals, including from the IMF. The remaining 21 percent of external PPG debt is held mostly by bilateral creditors (primarily Japan, South Korea, Germany, India, Kuwait, and Costa Rica). Private debt remains minimal (0.5 percent of total external debt).

Text Table 2. Nicaragua: Public and Private Debt

	Current DSA					DSA 2024				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
	(in percent of GDP)									
Public sector debt	**57.2**	**53.1**	**49.8**	**45.1**	**43.2**	**57.4**	**53.0**	**49.4**	**46.8**	**44.9**
Public sector debt external debt (incl. guarantees)	**44.6**	**42.6**	**39.4**	**36.0**	**34.9**	**44.8**	**42.5**	**39.3**	**38.9**	**38.0**
Medium and long-term debt	44.6	42.6	39.4	36.0	34.9	44.8	42.5	39.3	38.9	38.0
Short-term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector domestic debt	**12.5**	**10.5**	**10.4**	**9.1**	**8.3**	**12.6**	**10.5**	**10.1**	**7.9**	**6.9**
Medium and long-term debt	12.4	10.4	10.4	9.1	8.3	12.5	10.4	10.1	7.9	6.9
Short-term debt	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Private sector debt	**39.5**	**35.7**	**31.1**	**27.9**	**25.5**	**39.7**	**35.6**	**31.0**	**28.6**	**26.2**

Sources: National authorities and IMF staff calculations.

6. **A substantial stock of external debt owed to Non-Paris Club creditors is still pending debt relief under the HIPC Initiative.**[6] In this DSA, the debt stock has already been adjusted downwards to reflect total expected debt relief amounting to about US$1.3 billion as of December 2024. This refers largely to the central bank's debt. All five Non-Paris Club creditors have engaged in negotiations with the authorities

[4] Nicaragua: 2024 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Nicaragua, February 2025.

[5] On composition of total public external debt, at end-2024, 79 percent is owed by the non-financial public sector and 21 percent by the BCN. The official debt statistics include the general IMF SDR allocation (non-reimbursable) received in 2021 of 2 percent of GDP.

[6] The decision point and completion point were reached in December 2000 and January 2004, respectively. See Text Table 3 for details.

regarding the terms of possible debt relief agreements; however, the negotiation and reconciliation processes are still ongoing.

7. Public domestic debt stood at 9.1 percent of GDP at end-2024 (or about 20 percent of total public debt). In terms of maturity, public domestic debt is mainly held in medium- and long-term instruments (mostly 3 and 5 years). On the composition, by end-2024, central government debt accounted for 29 percent of total public domestic debt (declining from 41 percent in 2023) largely in government bonds ("*Bonos de la República*"), while the BCN accounted for 71 percent of total public domestic debt (rising from 59 percent in 2023).[7]

[7] The central bank's domestic debt consists of its own issued securities, including bank bonds (*bonos bancarios*), other securities placed through auctions (*otros títulos*) and banking securities (*títulos bancarios*) issued for monetary operations.

Text Table 3. Nicaragua: Composition of External Debt

	2016	2017	2018	2019	2020	2021	2022	2023	2024
	(In millions of U.S. dollars)								
Total	**5,042**	**5,546**	**5,950**	**6,279**	**6,957**	**7,806**	**8,123**	**8,549**	**8,658**
Multilateral	**3,333**	**3,775**	**4,141**	**4,427**	**5,053**	**5,927**	**6,261**	**6,662**	**6,795**
IMF	228	219	196	181	369	705	673	680	604
World Bank	531	595	624	691	772	873	887	917	976
IADB	1,698	1,957	2,017	2,107	2,212	2,360	2,381	2,362	2,307
CABEI	638	741	1,016	1,134	1,332	1,604	1,917	2,268	2,444
Others	237	264	288	314	367	385	403	435	464
Bilateral	**1,675**	**1,732**	**1,758**	**1,800**	**1,852**	**1,831**	**1,815**	**1,842**	**1,819**
Paris Club	158	179	189	211	231	223	215	217	209
Non-Paris Club	1,517	1,552	1,569	1,588	1,621	1,607	1,601	1,625	1,610
Commercial	**35**	**39**	**51**	**53**	**52**	**49**	**46**	**45**	**44**
Banks	10	14	14	18	19	17	16	16	14
Suppliers and others	25	25	36	35	33	31	30	29	30
	(In percent of GDP)								
Total	**38.0**	**40.2**	**45.7**	**49.4**	**54.6**	**54.9**	**52.0**	**48.0**	**44.0**
Multilateral	**25.1**	**27.4**	**31.8**	**34.8**	**39.7**	**41.7**	**40.0**	**37.4**	**34.5**
IMF	1.7	1.6	1.5	1.4	2.9	5.0	4.3	3.8	3.1
World Bank	4.0	4.3	4.8	5.4	6.1	6.1	5.7	5.1	5.0
IADB	12.8	14.2	15.5	16.6	17.4	16.6	15.2	13.3	11.7
CABEI	4.8	5.4	7.8	8.9	10.5	11.3	12.3	12.7	12.4
Others	1.8	1.9	2.2	2.5	2.9	2.7	2.6	2.4	2.4
Bilateral	**12.6**	**12.6**	**13.5**	**14.2**	**14.5**	**12.9**	**11.6**	**10.3**	**9.2**
Paris Club	1.2	1.3	1.4	1.7	1.8	1.6	1.4	1.2	1.1
Non-Paris Club	11.4	11.3	12.0	12.5	12.7	11.3	10.2	9.1	8.2
Commercial	**0.3**	**0.3**	**0.4**	**0.4**	**0.4**	**0.3**	**0.3**	**0.3**	**0.2**
Banks	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Suppliers and others	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2
	Share of total external debt (percent)								
Multilateral	**66.1**	**68.1**	**69.6**	**70.5**	**72.6**	**75.9**	**77.1**	**77.9**	**78.5**
IMF	4.5	4.0	3.3	2.9	5.3	9.0	8.3	8.0	7.0
World Bank	10.5	10.7	10.5	11.0	11.1	11.2	10.9	10.7	11.3
IADB	33.7	35.3	33.9	33.6	31.8	30.2	29.3	27.6	26.6
CABEI	12.7	13.4	17.1	18.1	19.2	20.5	23.6	26.5	28.2
Others	4.7	4.8	4.8	5.0	5.3	4.9	5.0	5.1	5.4
Bilateral	**33.2**	**31.2**	**29.6**	**28.7**	**26.6**	**23.5**	**22.3**	**21.5**	**21.0**
Paris Club	3.1	3.2	3.2	3.4	3.3	2.9	2.6	2.5	2.4
Non-Paris Club	30.1	28.0	26.4	25.3	23.3	20.6	19.7	19.0	18.6
Commercial	**0.7**	**0.7**	**0.8**	**0.8**	**0.7**	**0.6**	**0.6**	**0.5**	**0.5**
Banks	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.2
Suppliers and others	0.5	0.5	0.6	0.6	0.5	0.4	0.4	0.3	0.3

Source: Central Bank of Nicaragua (includes pending debt relief).

Note: The 2021 IMF figure reflects the general SDR allocation, which is recorded as debt in the authorities' data classification.

MACROECONOMIC BACKGROUND AND ASSUMPTIONS

8. Economic activity remained robust in 2024. In 2024, real GDP grew by 3.6 percent (compared to 4.4 percent in 2023, Text Table 4), supported by solid remittances, robust consumer credit, and rapid disinflation. Export volumes declined, driven by weaker Free Trade Zones (FTZ) exports (manufacturing and coffee). Furthermore, continuing restrained public consumption and moderating growth in private investment also weighed on economic activity. Headline inflation declined to 2.8 percent at end-2024, from 5.6 percent in 2023. The current account surplus narrowed from 8.2 percent of GDP in 2023 to 4.2 percent of GDP in 2024, driven by a deterioration in the goods and services trade balances. Gross international reserves (GIR) continued to accumulate, reaching US$5.8 billion by end-2024 (about 6.7 months of next-year imports, excluding *maquila*). In 2025, real GDP grew by 3.9 percent in the first half and by October 2025 inflation reached 2.7 percent, and GIR reached US$7.6 billion (about 36 percent of GDP) due to very high gold and coffee prices, and increased remittances.[8]

9. The fiscal consolidation continued, maintaining a strong fiscal position. The consolidated public sector (CPS)[9] a surplus of about 3 percent of GDP in 2024. The increase in public investment and social benefits, of about 1 percent of GDP, was offset by a similar increase in tax revenues. Public debt continued to decline, and the central government deposits increased.[10] These trends continued in 2025, with the CPS recording a similar performance in Q32025.

10. The short-term outlook remains broadly favorable. Under baseline policies, real GDP is expected to reach 3.8 percent in 2025, and moderate to 3.4 percent in 2026. The baseline scenario assumes a projected slowdown in remittances,[11] impacting private consumption, and incorporates the impact of the 18 percent U.S. tariffs on non-agricultural products except gold[12] and the phased-in tariffs announced by the United States Trade Representative (U.S.T.R.) on December 10, 2025. Over the medium term, real GDP is expected to grow by 3½ percent, supported by higher public investment and an expanding labor force, and

[8] In 2025, higher remittances inflows have been observed compared to 2024, as elsewhere in the region, likely reflecting migrants sending more money home as a precaution, ahead of the implementation of tighter U.S. immigration policies.

[9] The CPS includes the non-financial public sector (NFPS) and quasi fiscal operations of the central bank. The NFPS comprises the budgetary central government, the social security fund (INSS), one local government (ALMA), and non-financial public enterprises.

[10] From 12 percent of GDP in December 2023 to 14.9 percent of GDP in July 2025.

[11] Due to an expected increase in the U.S. deportations of undocumented migrants, and the termination of the parole and Temporary Protected Status programs affecting Nicaragua.

[12] See IMF WTO tracker as of August 9th, 2025: WTO Tariff & Trade Data | Analysis / Tariff actions. Effective mid-November 2025, the U.S. announced tariff reductions on a large set of agricultural products, including coffee and beef, further lowering the effective tariff burden for Nicaragua, to about 14.8 percent.

the small output gap is expected to close.[13] The decline in remittances and the lower growth rates in non-agricultural exports, will lead to a narrowing in the current account to a broadly balanced position by 2030. Despite a projected gradual moderation in GIR growth, reserves coverage is expected to remain ample (Text Table 4 and 5).

Text Table 4. Nicaragua: Medium-Term Macroeconomic Framework

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Prel.			Projections			
Growth and prices					(Annual percentage change)						
Real GDP growth	-2.2	10.5	3.6	4.4	3.6	3.8	3.4	3.4	3.4	3.4	3.4
Output gap 1/	-5.5	0.1	-0.1	0.6	0.7	0.9	0.7	0.5	0.2	0.1	0.0
Consumer price inflation (end of period)	2.9	7.2	11.6	5.6	2.8	2.5	2.7	2.7	2.7	2.7	2.7
					(Percent of GDP, unless otherwise indicated)						
Consolidated public sector											
Revenue (including grants)	30.5	32.6	33.2	32.8	33.3	33.1	33.5	33.5	33.5	33.3	33.0
Expenditure	33.5	34.4	32.9	30.0	30.4	30.8	31.9	31.4	31.2	31.0	30.6
Primary fiscal balance	-1.4	-0.3	1.8	4.7	5.0	4.2	4.2	4.8	5.3	5.3	5.6
Cyclically adjusted primary fiscal balance (NFPS)	0.1	-0.2	1.9	3.9	3.8	3.3	3.2	3.7	4.3	4.4	4.8
Overall balance, after grants	-3.0	-1.8	0.3	2.9	2.9	2.4	1.6	2.1	2.3	2.3	2.4
Public sector debt	58.6	57.2	53.1	49.8	45.1	43.2	42.4	42.3	42.1	41.3	40.1
Balance of payments											
Current account	3.8	-2.8	-2.9	8.2	4.2	9.3	5.2	3.2	1.8	0.5	-0.1
Gross international reserves (US$ million) 2/	3,003	3,828	4,173	5,190	5,820	8,018	9,050	9,805	10,302	10,317	10,266
In months of imports excl. maquila	5.1	5.5	5.6	6.3	6.7	8.5	9.1	9.3	9.2	8.8	8.3
Net international reserves (US$ million) 3/	1,887	2,531	3,011	4,249	5,115	7,258	8,157	8,752	9,073	9,012	8,880

Sources: National authorities; World Bank; and IMF staff calculations.
1/ Percentage change between real GDP and real potential GDP as a share of real potengial GDP.
2/ Excludes the Deposit Guarantee Fund for Financial Institutions (FOGADE).
3/ Excludes the FOGADE and reserve requirements for FX deposits.

11. **The Central Bank of Nicaragua (BCN) began the easing cycle in late 2024, maintained a zero-crawling exchange rate, and continued to promote greater use of local currency.** The monetary reference rate (MRR) was cut by 100 basis points to 6 percent, in four steps between (2024Q4, early 2025 and October 2025).[14] The exchange rate crawling rate was maintained at 0 percent and will remain so in 2026, as announced on October 20, 2025. The BCN continued to promote the local currency use by incentivizing the use of córdoba-denominated instruments and mandating that all credit and debit card transactions, as well as announced prices, be done and posted exclusively in córdobas, respectively, from January 2025.

12. **The banking system continues to remain reportedly well capitalized, profitable, and liquid.** With a steady increase in credit throughout 2024 and 2025, as asset quality continued to improve. Non-performing loans (NPL), declined to 1.1 percent of total loans in October 2025, from 1.7 percent in December 2023. Capital adequacy ratio (CAR), at 19.1 percent at end-October 2025, reflects the prudent

[13] Most exporters are expected to try to preserve U.S. market share by absorbing the increased tariff rate, through margin compression. Nicaragua has one of lowest labor and electricity costs in the region. Additional mitigating factors include the fact that gold, one of the largest Nicaraguan exports, is exempt from tariffs, and gold prices continues to increase.

[14] BCN remained a net buyer of foreign exchange, although those purchases declined due to slower FX inflows than in 2023.

management of banks as well as an increase in capital requirements introduced in February 2025. Profitability increased steadily and remained high. Financial conditions are assessed as neutral. Bank deposits continued to grow steadily at 13.7 percent y/y, while credit to the private sector continued to decelerate, reaching 12.5 percent y/y in October 2025.

Text Table 5. Nicaragua: Key Macroeconomic Assumptions Underlying the DSA

	2024	2025	2026	2027	2028	2029	2030	2031-2045 Avg
Real GDP (annual percentage change)								
Current DSA	3.6	3.8	3.4	3.4	3.4	3.4	3.4	3.4
Previous DSA	4.0	4.0	3.8	3.5	3.5	3.5	3.5	3.5
Consumer prices (period average)								
Current DSA	4.6	2.5	2.7	2.7	2.7	2.7	2.7	2.7
Previous DSA	3.8	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total revenues (inc.grants)								
Current DSA	33.3	33.1	33.5	33.5	33.5	33.3	33.0	32.1
Previous DSA	33.2	33.2	33.1	33.2	33.2	33.1	32.6	32.1
Total Expenditure								
Current DSA	30.4	30.8	31.9	31.4	31.2	31.0	30.6	29.9
Previous DSA	31.4	32.0	31.9	32.4	32.4	32.5	32.0	31.3
Overall Balance								
Current DSA	2.9	2.4	1.6	2.1	2.3	2.3	2.4	2.2
Previous DSA	1.8	1.1	1.2	0.8	0.7	0.6	0.6	0.8
Current Account Balance								
Current DSA	4.2	9.3	5.2	3.2	1.8	0.5	-0.1	-3.6
Previous DSA	6.7	6.4	4.2	2.8	1.2	-0.1	0.0	-1.3

Sources: National authorities and IMF staff calculations.

13. Staff projections of the fiscal position reflect authorities' plans, including for increased capital spending, and the required ongoing transfers from the central government to social security (INSS) to cover its deficit.[15] [16] They include:

- *Strengthening revenues,* sustained by enhanced revenue mobilization, by eliminating tax exemptions and addressing collection gaps.
- *Higher capital spending,* primarily greater investment of SOEs (water and electricity).

[15] The INSS financial position has shifted from sustained deficits to a near balanced position, as benefit spending was lower relative to GDP (as benefits grew more slowly than GDP) and other income (government transfers) increased. However, with weakening contributions, diminished liquidity and deeper negative technical reserves, its financial position remains fragile, underscoring sensitivity to shifts in revenues or expenditures (benefits), persistent long-term solvency risk, and sustained government transfers (1/2 percent of GDP per year recently, but expected to grow to 1 percent of GDP in the medium-term). Reform implementation requires broad stakeholder consensus.

[16] Projections show a moderate increase in capital spending, reflecting the execution in the past few years. Execution rates of expenditures averaged about 97–98 percent of the approved budget during 2020–2024, mainly reflecting slower implementation of externally financed capital projects. Revenue collections exceeded budget targets each year (by an average of around 4 percent), leading the authorities to close fiscal years with slightly smaller than planned spending and correspondingly higher fiscal balances.

14. External financing continues to diminish, narrowing fiscal space and constraining policy implementation. Since 2024 Nicaragua became a net payer as diminishing multilateral disbursements are not yet offset by bilateral loans,[17] and debt service increased more, reflecting mostly the amortization of the pandemic multilateral loans. Going forward, gross financing needs are projected to be met mostly through fiscal surpluses, increased disbursements from CABEI and China and the use of government deposits. Concessional borrowing from IFIs is expected to stay constrained.[18] Since new market borrowing remains costly, given the current financial conditions,[19] staff support the authorities' prudent debt management and financing strategies and recommend that any new borrowing be on transparency and concessional terms as much possible, to maintain debt sustainability. Promoting domestic capital markets for longer-term borrowing will gradually diversify and enhance the range of available financing sources.

15. Realism tools indicate that the baseline assumptions are broadly consistent with cross-country comparisons and Nicaragua's historical experience:

- **Drivers of debt dynamics (Figure 3).** With sustained fiscal consolidation, external public and publicly guaranteed (PPG) debt rose in recent years, decreased in the past few years, and is projected to continue to decline, consistent with previous debt sustainability analyses (DSAs). The unexplained residual shown in Figure 3 remains sizable without arrears or debt restructuring, as noted in earlier DSAs, but this may be attributed to inconsistencies in accounting.[20]

- **Realism of projected fiscal adjustment (Figure 4).** The baseline forecast for fiscal adjustment is below the top 25 percent of historical primary fiscal deficit adjustments for low-income countries (LICs). However, considering Nicaragua's susceptibility to natural disasters, this could slow economic growth and negatively affect the planned fiscal adjustment trajectory.

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[17] Earlier contracted multilateral loans have lower remaining disbursements as they are near completion, or are terminated, and only one new loan has been contracted with CABEI.

[18] Recently contracted debt in 2025 focused on infrastructure financing, including a loan from CABEI and commercial debt from China. The approved medium-term debt management strategy (MTDS) for 2024-27 prioritizes concessional external borrowing while diversifying financing sources (including from non-traditional creditors) and developing the domestic debt market to strengthen fiscal sustainability and resilience.

[19] Nicaragua could expand borrowing through issuing domestic and external bonds; however, this would raise debt-servicing costs. New domestic borrowing has declined significantly given overall fiscal surpluses, have relatively shorter maturity, and domestic interest rates remain higher than international rates. Nicaragua has not issued Eurobonds. New bilateral creditors have emerged and begun to fill part of this financing gap, though such flows differ from multilateral support in terms of predictability and conditions. Should Nicaragua issue Eurobonds it would likely incur higher risk premium, despite better economic management and fundamentals than many peers in the rating group, given the expected country political risk premium. Although more costly, Eurobonds could broaden the investor base, diversify financing sources, and serve as a more resilient complement to bilateral borrowing as the external financing mix evolves. Fitch ratings affirmed Nicaragua's long-term credit rating at 'B' with a stable outlook in May 2025, citing strong fiscal and external buffers, while underscoring ongoing risks from U.S policy shifts and weak governance.

[20] On external sector, the authorities are receiving technical assistance to reduce errors and omissions in the balance of payments. Similar, efforts are underway to address fiscal accounting discrepancies between above-the-line and below-the-line data.

- **Consistency between fiscal adjustment and growth (Figure 4)**. Over the medium term, GDP growth is projected to stabilize around 3½ percent.[21] However, the real GDP growth rate stays below pre-crisis and historical averages, mainly due to lower capital accumulation and productivity, as firms compress their margins to adapt to the increased tariffs.

- **Consistency between investment and growth (Figure 4).** The role of public investment in growth within the current DSA reflects a projected increase in capital expenditure funded by projected bilateral loans, although the rise is more moderate than in the previous DSA, while the contribution from private investment is expected to keep growing.[22]

COUNTRY CLASSIFICATION AND STRESS TESTS

16. Nicaragua's current debt carrying capacity is classified as strong. The debt carrying capacity classification is strong under the Composite Indicator (CI) calculated based on the October 2025 WEO with the 2024 World Bank CPIA of 3.06. The debt carrying capacity remains unchanged from the 2024 DSA (Text Table 5).[23, 24] The relevant indicative threshold for the strong category is 55 percent for the PV of debt-to-GDP ratio, 240 percent for the PV of debt-to-exports ratio, 21 percent for the debt service-to-exports ratio, and 23 percent for the debt service-to-revenue ratio, respectively (Text Table 6). These thresholds are applicable to the public and publicly guaranteed external debt. The benchmark for the PV of total public debt under strong debt carrying capacity is 70 percent. To account for specific risks, the natural disaster and commodity price shock tailored stress tests are applied for Nicaragua.

17. The contingent liability tailored stress test is calibrated to account for gaps in public sector debt coverage, and contingent liability risks. The contingent liability stress test applied is set at 9.7 percent of GDP. For other entities of the general government this is set at 0.5 percent of GDP to account for contingent liabilities of INSS, while for SOE debt, this is maintained at the LIC-DSF default value due to lack of data.[25] To proxy potential fiscal costs from public private partnerships (PPP) distress, the PPP shock is set

[21] The baseline scenario, constructed under the 18 percent U.S. tariff, includes staff' assumptions that most exporters will try to preserve U.S. market share by absorbing the tariff differential compared to regional competitors through margin compression, given the much lower Nicaraguan labor costs, and on net migration and thereby remittances. Real GDP is expected to grow by 3½ percent, supported by higher public investment and an expanding labor force. External demand is expected to slow moderately in 2025-26 and gradually increase in the medium-term (October 2025 WEO). Compared to the 2024 Article IV projections, and October 2024 WEO, real GDP converges slower to its potential.

[22] Public investment increases in the current DSA, but along a lower and more gradual path than in the previous DSA projection. The private investment to GDP ratio differs because it reflects the stronger outturn in the first half of 2025, which pushed up the ratio.

[23] As in the previous DSA, the updated ten-year moving average CPIA rating was used.

[24] Other components of the CI score are real growth rate, import coverage of reserves, import coverage of reserves squared, remittances, and world economic growth (see specific values in Text Table 6).

[25] The size of explicit contingent liabilities (arising from guarantees and on-lending) could be larger than the reported minimal government-guaranteed debt. Therefore, maintaining the default shock is appropriate. See 2024 Nicaragua AIV staff report (Annex III).

at 2.2 percent of GDP representing 35 percent of Nicaragua's PPP capital stock.[26] Currently, risks in the financial sector are moderated with sufficient capital, provisioning, and liquid assets. Therefore, maintaining the default financial sector contingent liability shock at 5 percent rate is adequate.

Text Table 6. Nicaragua: Calculation of the Composite Indicator (CI)

Debt Carrying Capacity	Strong

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Strong	Strong 3.06	Strong 3.10	Strong 3.08

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.39	3.15	1.21	40%
Real growth rate (in percent)	2.72	3.57	0.10	3%
Import coverage of reserves (in percent)	4.05	52.72	2.14	70%
Import coverage of reserves^2 (in percent)	-3.99	27.80	-1.11	-36%
Remittances (in percent)	2.02	15.36	0.31	10%
World economic growth (in percent)	13.52	3.04	0.41	13%
CI Score			3.06	100%
CI rating			Strong	

Sources: National authorities and IMF staff calculations.

Text Table 7. Nicaragua: PPG External Debt Thresholds and Total Public Debt Benchmarks

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	240
GDP	55
Debt service in % of	
Exports	21
Revenue	23

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	70

Sources: National authorities and IMF staff calculations.

[26] Consistent with the LIC DSF guidance note, the PPP stock is calculated as 35 percent of the country's PPP capital stock from the World Bank database.

DEBT SUSTAINABILITY

A. External Debt Sustainability Analysis

18. The external risk of debt distress is projected to remain moderate. Under the baseline scenario, the PPG external debt is expected to gradually decline to 29.5 percent of GDP in 2035 (Table 1). The present value of PPG external debt is projected to remain below the threshold of 55 percent, increasing from 19.9 percent to 23 percent of GDP over the 10-year projection period (Table 3 and Figure 1). The other external debt burden indicators remain well below their respective thresholds under the baseline scenario throughout the projection horizon. The PV of external debt-to-exports ratio is projected to increase from 47.4 percent to 63.2 percent. The debt service-to-exports ratio is projected to increase from 6.1 percent to 6.6 percent by 2035, as exports are impacted by the introduction of higher U.S. tariffs. The debt service-to-revenue ratio is projected to decline from 7.8 percent to 7.5 percent, respectively (Figure 1). At the same time, private external debt is projected to decline as the debt owed to Venezuela is paid down.[27] The standardized tests show that a combination of shocks has the largest negative impact on the debt trajectory (Table 3 and Figure 1). Under the most extreme shock, the PV of debt-to-GDP ratio breaches its threshold in 2027 at 56 percent before gradually declining to reach 51 percent in the long term.

B. Public Sector Debt Sustainability Analysis

19. The overall risk of debt distress is projected to remain moderate. Under the baseline scenario, total public sector debt is projected to reach 43.2 percent of GDP in 2025 and further decline to 40.1 percent of GDP by 2030. Therefore, total public sector debt remains well below the 70 percent of GDP benchmark through the projection horizon (Table 2). Domestic public debt is projected to reach 4.4 percent of GDP by 2035. The PV of debt-to-revenues will reach 85.1 percent by 2035, while the debt service to revenue ratio indicates a decrease, reaching 8.3 percent by 2035. Under the most extreme shock scenario of lower growth, the PV of public debt breaches the benchmark in 2032 at 73 percent and remains above the benchmark through the projection horizon (Table 4 and Figure 2).

20. Domestic debt remains well below the median level observed across LICs (Figure 6). The domestic-public-debt-to-GDP ratio is projected to remain below the average for countries using the LIC-

[27] Nicaragua's collaboration with Venezuela was agreed upon on April 2007 and based on a broad framework for oil import-related financing as well as other financing (e.g., FDI) and debt servicing schemes (through in-kind repayments). PDVSA, a Venezuelan state-owned oil company, supplied petroleum and was a financial agent for FDI and other arrangements in Nicaragua. ALBANISA (51% stake owned by PDVSA and 49% stake owned by PETRONIC, Nicaragua's state-owned oil company) imported oil from PDVSA and sold in Nicaragua at market prices. Under the agreement, 100 percent of the oil bill was paid by ALBANISA to PDVSA within 90 days. On behalf of PDVSA, 50 percent of the oil bill (FOB) was then transferred to Caja Rural Nacional (CARUNA), a privately owned Nicaraguan financial cooperative, in the form of a long-term loan (payable over 25 years, with a 2-year grace period, 2 percent interest, and grant element of 30 percent). Of the funds received, 38 percent were used for quasi-fiscal operations (e.g., subsidies and transfers for electricity and transport, and public sector wage bonuses) and the remainder used to finance for-profit projects. Payments to PDVSA for oil or the debt service on oil financing could be made in cash or in kind (World Bank, Nicaragua Systematic Country Diagnostic, 2017).

DSF framework. Similarly, the domestic debt service to GDP is projected to remain below the average of countries using the LIC-DSF through 2035.

RISK RATING AND VULNERABILITIES

21. The short-term outlook remains broadly favorable. The baseline projections incorporate the impact of the changes in U.S. immigration and trade policies[28], including the 18 percent reciprocal U.S. tariffs on non-agricultural products except gold, effective mid-November 2025, and the phased-in additional U.S. tariffs.[29] The baseline also includes the limited impact of U.S. immigration policies on net migration and remittances, which is expected to be larger in 2026, due to the termination of the CHNV parole program and TPS, and limited thereafter.[30] The outlook remains subject to high uncertainty, and risks tilted on the downside in the medium-term. Downside risks, include commodity price volatility, weaker global growth and tighter U.S. immigration and trade policies.[31] Stricter and wider international sanctions, prolonged global uncertainty and natural disasters, would also impact negatively on growth. Over the medium term uncertainty persists, related to the U.S.T.R. 301 investigation, including if the announced phased-in tariffs will be changed,[32] including their timeline. Upside short-term risks include more favorable terms of trade and higher public capital spending, which could also raise inflation above the projected

[28] The U.S. tariff rate implemented for Nicaraguan exports in 2025 was close to zero until April 1, consistent with the pre-2025 tariff rate for Nicaragua within the Central America Free Trade Agreement-Dominican Republic (CAFTA-DR). It increased to 10 percent from April 2 until August 8, and to 18 percent from August 9 until November 11, and has been effectively 14 percent since November 13. Since August 9, Nicaragua's tariff rate has been higher than that of all regional competitors (whose tariffs remain around 10 percent or lower). In addition, on November 13, 2025, the U.S. government announced new trade frameworks with El Salvador and Guatemala, that reduced effective tariff rates, including on textiles and apparel. On November 14, 2025, the U.S. government eliminated tariffs for a broad set of agricultural products for all countries, including coffee and beef, both Nicaragua's key exports.

[29] On December 10, 2024, the U.S. Trade Representative (U.S.T.R.) initiated an investigation under the Section 301 of the U.S. Trade Act of 1974 regarding Nicaragua's acts, policies and practices related to labor and human rights and rule of law. On October 20, 2025, the U.S.T.R published the report of the investigation, concluding that Nicaragua's acts, policies, and practices constitute abuses of labor and human rights, and fundamental freedoms, and dismantling of rule of law protections, representing unreasonable actions, which burden or restrict U.S. commerce. On December 10, 2025, the U.S.T.R. announced trade measures against Nicaragua, including a phased-in tariff on imports to the U.S. not originating under CAFTA-DR effective January 1, 2026 (0 percent in 2026, 10 percent in 2027, and 15 percent in 2028), which would stack on existing tariff measures, including the current 18 percent reciprocal tariff. The announcement also noted that changes to the rates and phased-in timeline depend on progress on these issues. The higher U.S. tariffs, including the phased-in additional tariffs are expected to have a limited short-term impact on economic activity, as the effective tariff rate increase until 2027 is expected to be limited (increasing from 14 percent on December 18, 2025), and it is expected to be absorbed through margin compression, and over the medium term firms are expected to increase the CAFTA-DR utilization rates even higher than the current 70 percent rates, to absorb the additional tariff increases. However, higher costs of compliance, and lower margins will put pressure on investment over the medium-term.

[30] In 2025H2, the United States terminated the protected status from deportations for people under the Cuba, Haiti, Nicaragua, and Venezuela (CHNV) parole program and the Temporary Protected Status (TPS) program for Nicaragua. The U.S. has also introduced, effective in 2026, a 1 percent tax on remittances transfers, except on those done via banks, debit, or credit cards, or those sent by U.S. permanent residents or citizens.

[31] External sustainability remains heavily dependent on sustained remittance inflows; a material slowdown would weaken the current account and weigh on the NIIP. The baseline scenario is conservative.

[32] Including by eliminating the additional tariffs.

baseline. Maintaining prudent policies would help sustain growth and strengthen Nicaragua's capacity to respond to shocks.

22. Nicaragua remains at moderate risk of external and overall debt distress, unchanged from the previous DSA. For external debt, within the moderate risk rating, the granularity assessment indicates that Nicaragua has substantial space to absorb shocks (Figure 5). Under the baseline scenario, all external debt burden indicators remain under the threshold over the 10-year projection horizon with one debt burden indicator breaching the threshold under the shock scenario. The PV of public debt-to-GDP ratio is projected to remain below the threshold over the 10-year projection horizon, under the baseline scenario. Conversely, under the stress scenario of growth shocks, the PV of public debt-to-GDP ratio breaches its threshold in 2032 and is projected to remain above the threshold over the projection horizon.

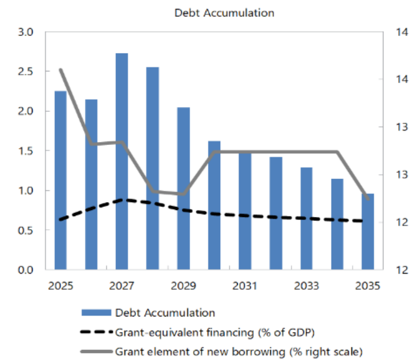
AUTHORITIES' VIEWS

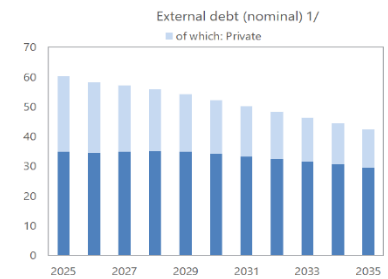
23. The authorities agreed with staff's assessment that Nicaragua's debt remains sustainable, with moderate external and overall risk of debt distress and substantial space to absorb shocks. Considering Nicaragua's vulnerabilities, the authorities remain committed to maintaining prudent fiscal policy and sound debt management practices to safeguard debt sustainability.

Table 1. Nicaragua: External Debt Sustainability Framework, Baseline Scenario, 2022–45
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	78.3	70.4	63.9	60.4	58.3	57.2	55.9	54.2	52.2	42.4	22.9	78.6	51.8
of which: public and publicly guaranteed (PPG)	42.6	39.4	36.0	34.9	34.5	34.9	35.1	34.8	34.1	29.5	16.0	38.7	33.2
Change in external debt	-5.9	-7.8	-6.5	-3.6	-2.0	-1.2	-1.3	-1.7	-2.0	-2.0	-1.5		
Identified net debt-creating flows	-12.9	-23.8	-17.4	-17.1	-12.2	-9.7	-8.0	-6.2	-5.3	-1.0	1.3	-9.0	-6.2
Non-interest current account deficit	1.7	-9.5	-5.3	-10.7	-5.7	-4.3	-2.9	-2.0	-1.5	2.5	4.3	-0.4	-1.7
Deficit in balance of goods and services	14.9	12.8	16.8	14.0	14.7	15.3	16.0	16.4	16.4	15.9	14.6	12.2	15.8
Exports	50.4	46.3	41.3	41.9	40.7	39.7	38.6	37.8	37.3	36.3	34.9		
Imports	65.3	59.1	58.1	56.0	55.4	55.0	54.6	54.3	53.6	52.2	49.5		
Net current transfers (negative = inflow)	-19.7	-25.5	-25.9	-28.8	-25.4	-24.9	-24.3	-23.8	-23.2	-19.1	-17.2	-16.2	-22.8
of which: official	-0.2	-0.2	-0.2	-0.1	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.9		
Other current account flows (negative = net inflow)	6.4	3.3	3.9	4.1	5.0	5.2	5.4	5.4	5.4	5.7	6.9	3.6	5.3
Net FDI (negative = inflow)	-8.1	-6.0	-6.5	-5.6	-5.0	-4.6	-4.4	-4.0	-3.6	-3.4	-3.1	-6.3	-4.1
Endogenous debt dynamics 2/	-6.4	-8.3	-5.6	-0.9	-1.4	-0.8	-0.8	-0.3	-0.2	0.0	0.2		
Contribution from nominal interest rate	1.2	1.3	1.1	1.3	0.6	1.1	1.0	1.5	1.5	1.4	0.9		
Contribution from real GDP growth	-2.7	-3.0	-2.3	-2.2	-1.9	-1.9	-1.8	-1.8	-1.7	-1.4	-0.8		
Contribution from price and exchange rate changes	-5.0	-6.5	-4.4	...	...	...	...	...	...	...	...		
Residual 3/	7.0	16.0	10.9	13.6	10.1	8.5	6.8	4.5	3.3	-1.0	-2.8	7.7	4.2
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	19.4	19.9	20.7	22.1	23.2	23.8	23.9	23.0	12.7		
PV of PPG external debt-to-exports ratio	...	...	46.9	47.4	51.0	55.7	60.1	62.9	64.2	63.2	36.4		
PPG debt service-to-exports ratio	5.1	5.2	5.7	6.1	5.5	5.5	5.6	5.7	5.8	6.6	5.6		
PPG debt service-to-revenue ratio	7.8	7.4	7.1	7.8	6.7	6.6	6.5	6.6	6.6	7.5	5.9		
Gross external financing need (Million of U.S. dollars)	780.6	-908.1	-456.4	-1,461.7	-636.0	-164.4	87.7	436.2	611.5	1,914.1	3,534.4		
Key macroeconomic assumptions													
Real GDP growth (in percent)	3.6	4.4	3.6	3.8	3.4	3.4	3.4	3.4	3.4	3.4	3.4	2.8	3.4
GDP deflator in US dollar terms (change in percent)	6.3	9.1	6.7	4.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.5	2.9
Effective interest rate (percent) 4/	1.6	1.8	1.8	2.2	1.0	1.9	1.9	2.8	3.0	3.4	4.1	2.0	2.7
Growth of exports of G&S (US dollar terms, in percent)	19.1	4.7	-1.4	10.4	3.0	3.5	3.4	4.0	4.6	5.8	5.8	4.7	5.2
Growth of imports of G&S (US dollar terms, in percent)	22.4	3.0	8.7	4.8	5.1	5.5	5.5	5.5	5.0	5.6	5.6	5.5	5.4
Grant element of new public sector borrowing (in percent)	...	...	...	13.6	12.8	12.8	12.3	12.3	12.7	12.2	12.2	...	...
Government revenues (excluding grants, in percent of GDP)	33.0	32.6	33.1	33.0	33.2	33.1	33.1	32.9	32.6	31.8	32.9	29.9	32.6
Aid flows (in Million of US dollars) 5/	33.6	34.8	31.6	69.0	93.5	98.9	100.7	103.5	108.2	146.1	657.8	...	...
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	0.6	0.8	0.9	0.8	0.8	0.7	0.6	1.1	...	...
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	16.3	20.5	19.5	20.2	21.8	23.8	26.2	52.6	...	...
Nominal GDP (Million of US dollars)	15,633.8	17,812.6	19,694.3	22,737.5	24,145.3	25,640.3	27,227.9	28,913.8	30,704.1	44,029.4	71,198.5	...	...
Nominal dollar GDP growth	10.0	13.9	10.6	8.7	6.2	6.2	6.2	6.2	6.2	6.2	6.2	5.4	6.4
Memorandum items:													
PV of external debt 7/	...	...	47.2	45.3	44.5	44.3	44.0	43.2	42.1	35.8	19.5		
In percent of exports	...	...	114.4	108.1	109.4	111.7	113.9	114.1	112.9	98.6	55.9		
Total external debt service-to-exports ratio	22.7	22.5	22.9	22.4	19.7	20.6	19.6	19.9	19.3	16.1	10.9		
PV of PPG external debt (in Million of US dollars)	...	...	3,812.4	4,255.1	4,714.3	5,334.5	5,952.0	6,476.2	6,918.8	8,962.4	9,046.5		
(PVt-PVt-1)/GDPt-1 (in percent)	...	...	...	2.2	2.1	2.7	2.6	2.0	1.6	1.0	-0.1		
Non-interest current account deficit that stabilizes debt ratio	7.6	-1.6	1.2	-7.1	-3.7	-3.1	-1.6	-0.3	0.5	4.4	5.8		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Εα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ε=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

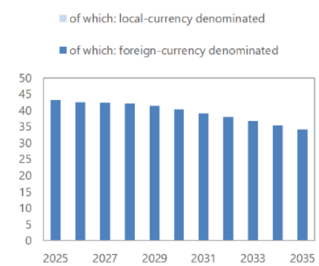
Table 2. Nicaragua: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–45

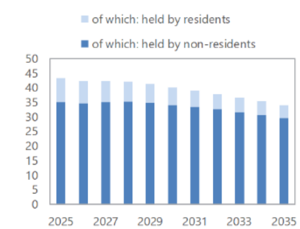
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	53.1	49.8	45.1	43.2	42.4	42.3	42.1	41.3	40.1	33.9	17.0	49.0	39.5
of which: external debt	42.6	39.4	36.0	34.9	34.5	34.9	35.1	34.8	34.1	29.5	16.0	38.7	33.2
Change in public sector debt	-4.0	-3.4	-4.7	-1.9	-0.9	-0.1	-0.2	-0.8	-1.1	-1.3	-2.6		
Identified debt-creating flows	-6.1	-10.7	-9.2	-7.2	-6.1	-6.7	-7.0	-6.8	-6.9	-6.1	-7.6	-2.0	-6.6
Primary deficit	-1.8	-4.7	-5.0	-4.2	-4.2	-4.8	-5.3	-5.3	-5.6	-5.3	-7.4	-0.2	-5.2
Revenue and grants	33.2	32.8	33.3	33.1	33.5	33.5	33.5	33.3	33.0	32.2	33.9	30.5	32.9
of which: grants	0.2	0.2	0.2	0.1	0.3	0.3	0.4	0.4	0.4	0.4	0.9		
Primary (noninterest) expenditure	31.4	28.1	28.3	28.9	29.4	28.7	28.2	28.0	27.4	26.8	26.5	30.4	27.7
Automatic debt dynamics	-4.3	-5.9	-4.2	-2.9	-2.0	-2.0	-1.7	-1.5	-1.3	-0.7	-0.2		
Contribution from interest rate/growth differential	-5.3	-6.5	-4.2	-2.9	-2.0	-2.0	-1.7	-1.5	-1.3	-0.7	-0.2		
of which: contribution from average real interest rate	-3.3	-4.2	-2.5	-1.3	-0.5	-0.6	-0.3	-0.1	0.0	0.4	0.4		
of which: contribution from real GDP growth	-2.0	-2.3	-1.7	-1.6	-1.4	-1.4	-1.4	-1.4	-1.4	-1.2	-0.6		
Contribution from real exchange rate depreciation	1.0	0.5	0.0	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.0	7.3	4.5	5.3	5.3	6.7	6.8	6.0	5.8	4.7	5.0	2.6	5.6
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	28.4	28.2	28.5	29.5	30.2	30.3	30.0	27.4	13.6		
PV of public debt-to-revenue and grants ratio	...	...	85.5	85.1	85.1	88.0	90.0	90.9	90.9	85.1	40.3		
Debt service-to-revenue and grants ratio 3/	14.5	7.3	10.0	9.5	8.3	8.0	8.0	7.9	7.8	8.3	6.2		
Gross financing need 4/	3.0	-2.3	-1.7	-1.6	-1.6	-2.1	-2.6	-2.7	-3.0	-2.7	-5.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	3.6	4.4	3.6	3.8	3.4	3.4	3.4	3.4	3.4	3.4	3.4	2.8	3.4
Average nominal interest rate on external debt (in percent)	1.9	1.6	1.8	1.6	1.4	1.3	1.9	2.4	2.8	4.0	4.9	1.4	2.6
Average real interest rate on domestic debt (in percent)	-2.5	-3.3	0.5	1.8	3.9	3.5	3.6	3.1	3.0	3.2	3.6	1.5	3.6
Real exchange rate depreciation (in percent, + indicates depreciation)	2.0	1.1	0.0	...	...	...	...	...	...	...	...	3.3	...
Inflation rate (GDP deflator, in percent)	8.4	10.8	7.3	4.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	6.1	2.9
Growth of real primary spending (deflated by GDP deflator, in percent)	-1.3	-6.5	4.2	6.1	5.1	1.1	1.7	2.6	1.2	3.2	3.2	3.1	3.0
Primary deficit that stabilizes the debt-to-GDP ratio 5/	2.2	-1.4	-0.3	-2.4	-3.3	-4.7	-5.0	-4.5	-4.4	-4.0	-4.7	0.2	-4.1
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments, central bank, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Nicaragua: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–35

(Percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	20	21	22	23	24	24	24	24	24	23	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	20	25	29	30	30	29	26	22	16	10	3
B. Bound Tests											
B1. Real GDP growth	20	22	26	27	28	28	28	28	28	27	27
B2. Primary balance	20	28	37	38	39	39	39	39	38	38	37
B3. Exports	20	25	35	36	37	37	37	37	36	35	34
B4. Other flows 3/	20	37	54	**55**	**55**	**55**	**55**	**55**	54	51	49
B5. Depreciation	20	26	21	22	23	23	23	23	23	23	23
B6. Combination of B1-B5	20	40	**56**	**57**	**58**	**58**	**58**	**58**	**56**	54	51
C. Tailored Tests											
C1. Combined contingent liabilities	20	31	32	34	34	34	34	34	34	34	33
C2. Natural disaster	20	32	34	36	37	37	38	38	38	38	38
C3. Commodity price	20	21	22	23	24	24	24	24	24	23	23
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	55	55	55	55	55	55	55	55	55	55	55
PV of debt-to-exports ratio											
Baseline	47	51	56	60	63	64	65	65	65	64	63
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	47	61	72	79	80	78	71	59	44	27	9
B. Bound Tests											
B1. Real GDP growth	47	51	56	60	63	64	65	65	65	64	63
B2. Primary balance	47	69	93	98	102	104	105	105	104	104	103
B3. Exports	47	67	104	110	114	116	117	118	116	113	110
B4. Other flows 3/	47	91	135	142	146	148	149	149	147	141	135
B5. Depreciation	47	51	42	46	49	50	50	50	50	50	50
B6. Combination of B1-B5	47	96	124	143	148	150	151	151	148	143	137
C. Tailored Tests											
C1. Combined contingent liabilities	47	76	82	87	90	92	93	93	93	92	91
C2. Natural disaster	47	81	88	94	99	102	104	106	107	107	108
C3. Commodity price	47	51	56	60	63	64	65	65	65	64	63
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	240	240	240	240	240	240	240	240	240	240	240
Debt service-to-exports ratio											
Baseline	6	5	6	6	6	6	6	6	6	6	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	6	5	6	7	7	7	7	6	7	6	6
B. Bound Tests											
B1. Real GDP growth	6	5	6	6	6	6	6	6	6	6	7
B2. Primary balance	6	6	7	8	8	8	8	8	9	11	11
B3. Exports	6	5	8	9	9	9	9	9	10	12	12
B4. Other flows 3/	6	5	8	10	10	10	11	11	13	16	16
B5. Depreciation	6	5	6	5	5	5	5	5	5	4	5
B6. Combination of B1-B5	6	5	9	10	11	11	11	11	14	16	16
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	7	7	7	7	7	8	9	9	10
C2. Natural disaster	6	6	7	7	8	8	8	8	10	10	11
C3. Commodity price	6	5	6	6	6	6	6	6	6	6	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	21	21	21	21	21	21	21	21	21	21	21
Debt service-to-revenue ratio											
Baseline	8	7	7	7	7	7	7	7	7	7	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	8	6	7	8	8	8	8	7	8	7	7
B. Bound Tests											
B1. Real GDP growth	8	7	8	8	8	8	8	8	8	8	9
B2. Primary balance	8	7	8	9	9	9	9	9	11	12	13
B3. Exports	8	6	8	9	9	9	9	9	10	12	12
B4. Other flows 3/	8	6	9	12	12	12	12	12	15	18	18
B5. Depreciation	8	8	8	7	7	7	7	7	7	6	7
B6. Combination of B1-B5	8	7	11	13	13	13	13	13	16	19	19
C. Tailored Tests											
C1. Combined contingent liabilities	8	7	8	8	8	8	9	9	11	11	11
C2. Natural disaster	8	7	9	9	9	9	9	9	11	12	12
C3. Commodity price	8	6	7	7	7	7	7	7	7	7	8
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Nicaragua: Sensitivity Analysis for Key Indicators of Public Debt, 2025-35
(Percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	28	29	29	30	30	30	30	29	29	28	27
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	28	32	37	42	45	49	52	55	57	59	61
B. Bound Tests											
B1. Real GDP growth	28	34	44	51	57	62	67	**73**	**78**	**82**	**87**
B2. Primary balance	28	36	44	45	46	46	45	45	45	44	43
B3. Exports	28	33	41	42	42	41	41	40	40	38	37
B4. Other flows 3/	28	45	61	62	62	61	61	60	59	56	53
B5. Depreciation	28	32	30	28	26	23	20	18	15	12	9
B6. Combination of B1-B5	28	33	36	31	32	32	31	31	31	30	30
C. Tailored Tests											
C1. Combined contingent liabilities	28	39	40	41	41	41	41	41	40	40	39
C2. Natural disaster	28	40	42	43	44	44	44	45	45	45	44
C3. Commodity price	28	31	38	43	48	53	57	62	66	70	**73**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	85	85	88	90	91	91	91	90	89	87	85
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	85	96	110	124	136	148	160	169	177	184	190
B. Bound Tests											
B1. Real GDP growth	85	102	132	152	170	188	207	223	239	254	269
B2. Primary balance	85	107	133	136	137	138	139	138	138	136	134
B3. Exports	85	97	122	124	125	125	126	124	123	119	115
B4. Other flows 3/	85	133	182	184	185	186	187	185	181	174	166
B5. Depreciation	85	95	90	84	78	70	63	54	46	37	27
B6. Combination of B1-B5	85	100	108	94	95	96	97	96	95	94	92
C. Tailored Tests											
C1. Combined contingent liabilities	85	115	120	122	124	124	126	125	124	123	121
C2. Natural disaster	85	119	125	129	132	134	137	137	138	138	138
C3. Commodity price	85	94	112	130	146	161	176	189	203	216	228
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	9	8	8	8	8	8	8	8	8	8	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	9	8	8	9	9	10	10	11	12	13	15
B. Bound Tests											
B1. Real GDP growth	9	9	10	11	12	13	14	15	16	18	21
B2. Primary balance	9	8	9	10	10	10	11	10	12	13	14
B3. Exports	9	8	9	10	10	10	10	10	11	12	12
B4. Other flows 3/	9	8	11	13	13	13	13	13	16	19	19
B5. Depreciation	9	9	10	9	9	8	8	7	6	6	5
B6. Combination of B1-B5	9	8	8	8	8	8	8	8	8	8	8
C. Tailored Tests											
C1. Combined contingent liabilities	9	8	10	10	10	9	10	10	12	12	12
C2. Natural disaster	9	8	10	10	10	10	10	10	13	13	13
C3. Commodity price	9	8	9	9	10	11	12	13	14	16	18
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

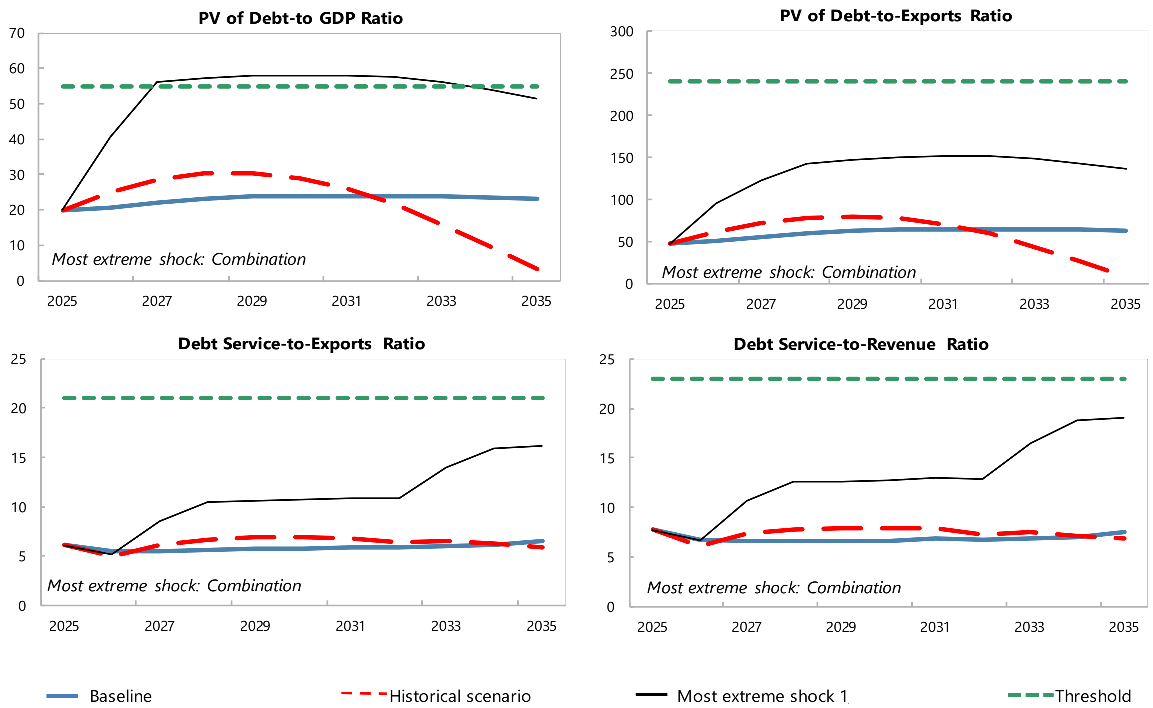
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 1. Nicaragua: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2025-35



Customization of Default Settings		
Tailored Stress	Size	Interactions
Combined CL	Yes	
Natural disaster	No	No
Commodity price	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

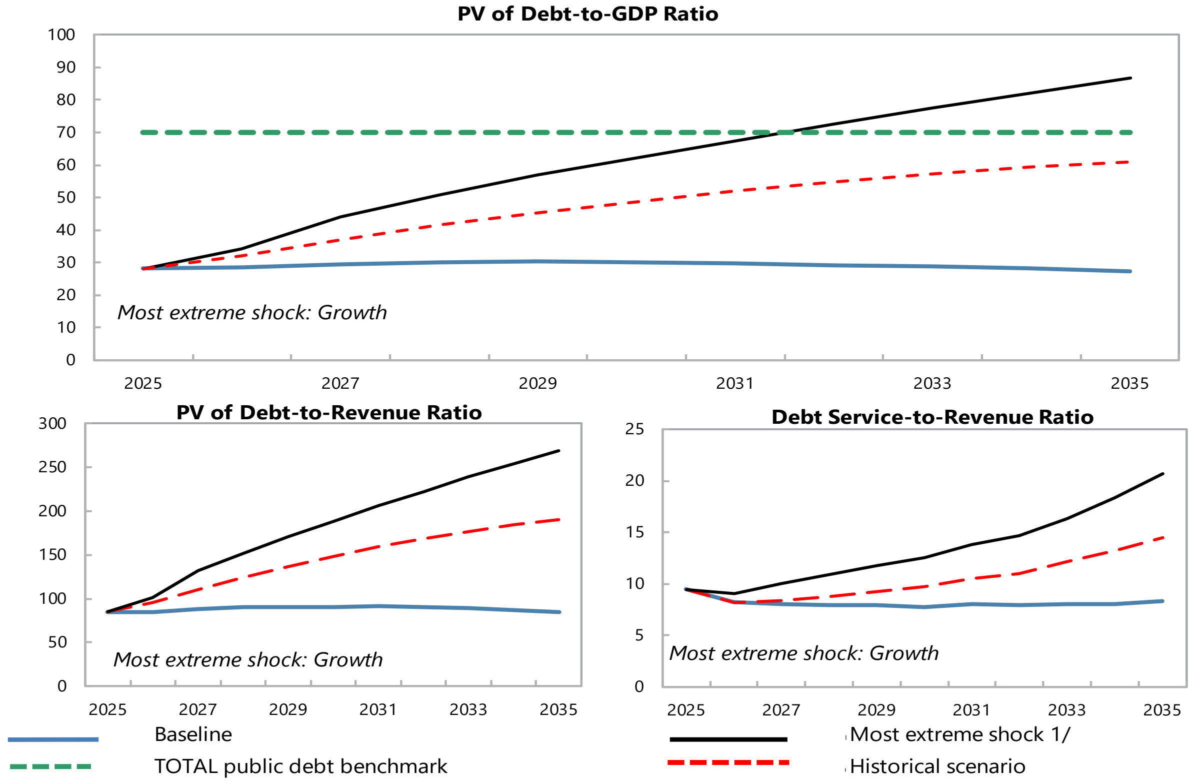
Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	5.8%	5.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	17	17
Avg. grace period	6	6

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Nicaragua: Indicators of Public Debt Under Alternative Scenarios, 2025-35



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	100%	100%
Domestic medium and long-term	0%	0%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	5.8%	5.8%
Avg. maturity (incl. grace period)	17	17
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	7.1%	7.1%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	4.8%	4.8%

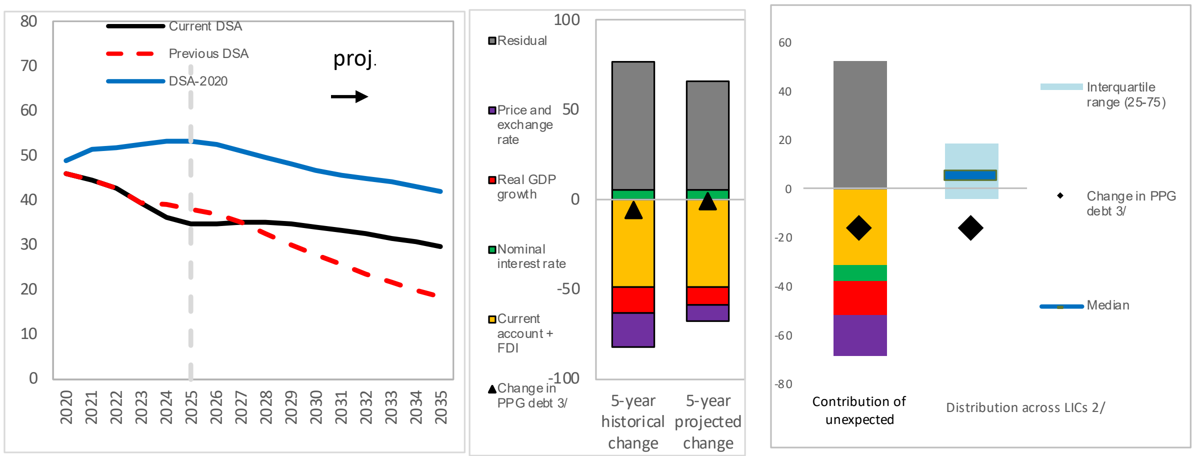
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Nicaragua: Drivers of Debt Dynamics – Baseline Scenario

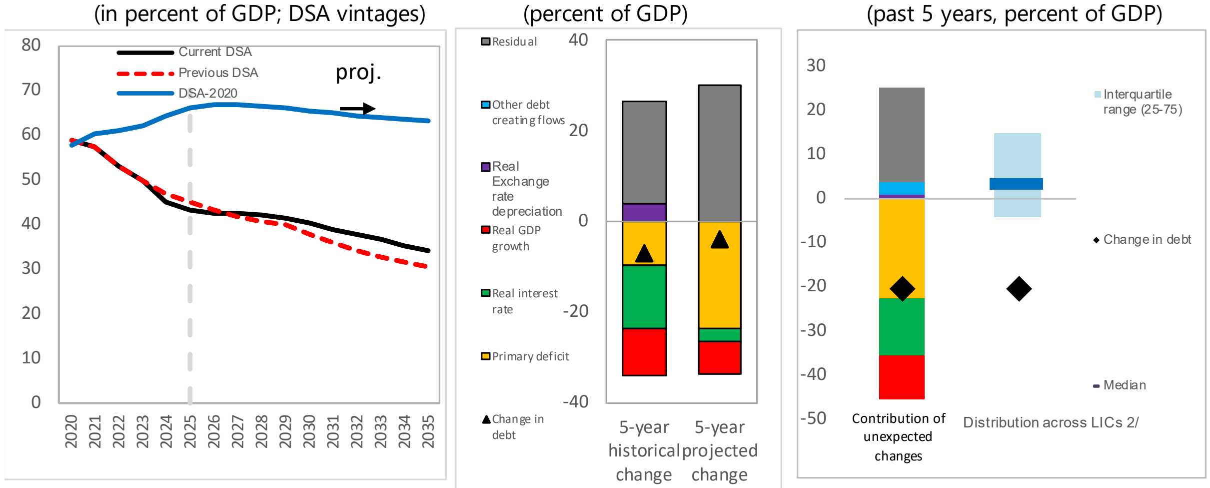
External Debt

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-Creating Flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public Debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-Creating Flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



1/ Difference between anticipated and actual contributions on debt ratios.

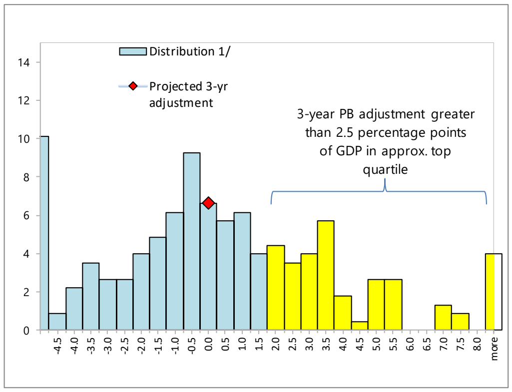
2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Nicaragua: Realism Tool

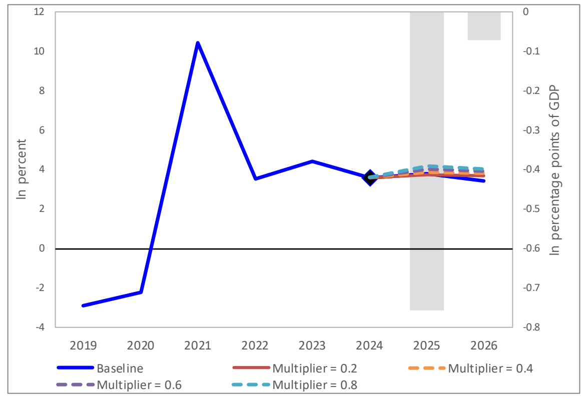
3-Year Adjustment in Primary Balance

(Percentage points of GDP)



1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

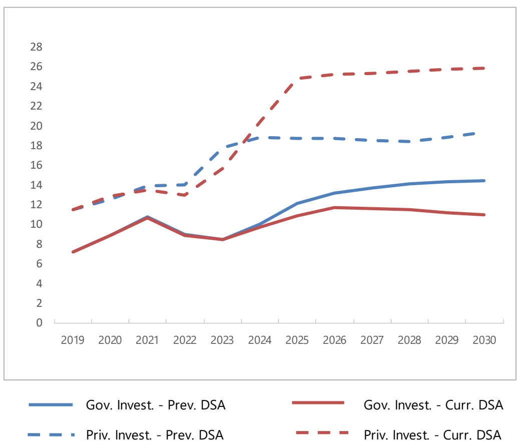
Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates

(percent of GDP)



Contribution to Real GDP growth

(percent, 5-year average)

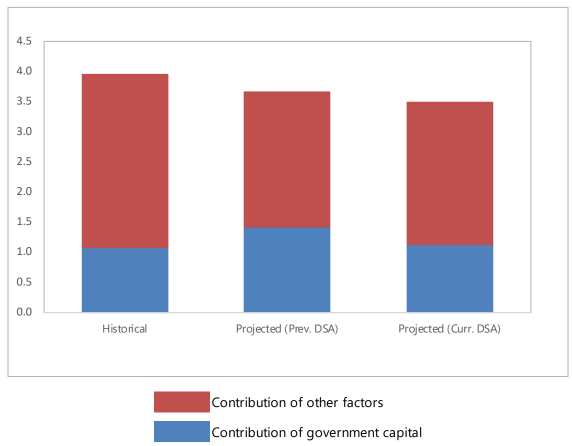
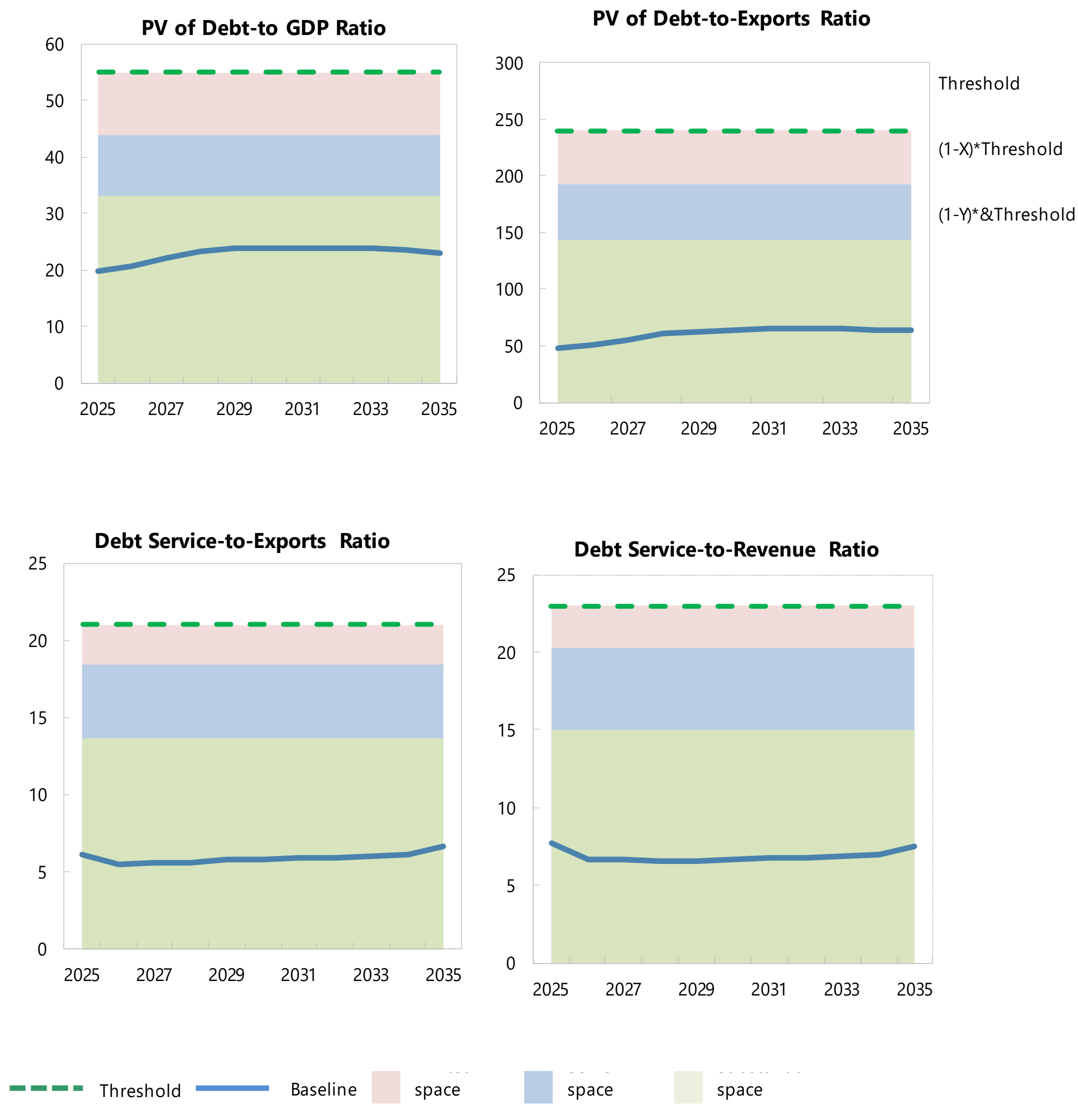


Figure 5. Nicaragua: Qualification of the Moderate Category, 2025-2035 [1/]

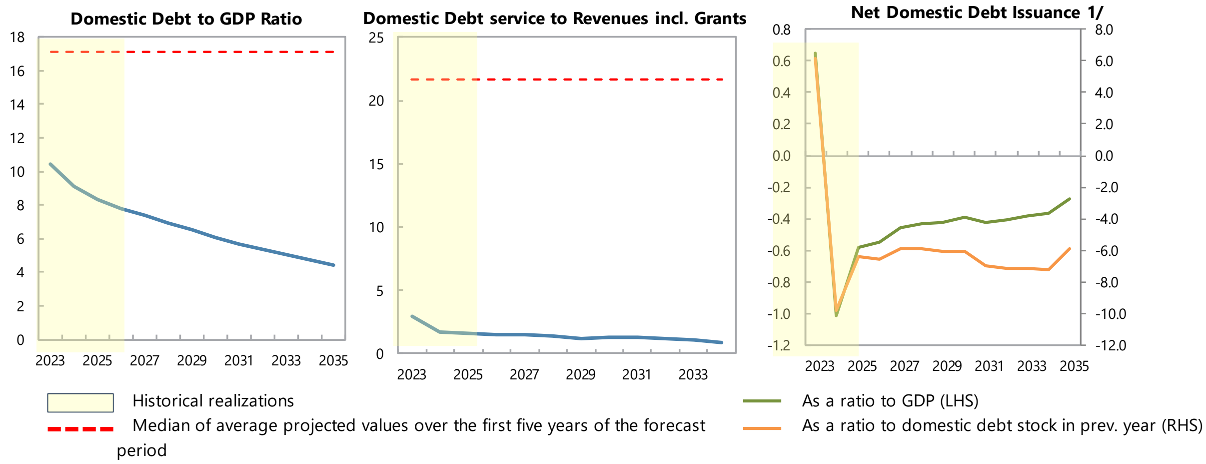


Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Figure 6. Nicaragua: Indicators of Domestic Public Debt, 2023-2035

(Percent)



Borrowing Assumptions (average over 10-year	Value
Shares in new domestic debt issuance	
Medium and long-term	45%
Short-term	55%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	7.1%
Avg. maturity (incl. grace period)	2
Avg. grace period	1
Domestic short-term debt	
Avg. real interest rate	4.8%

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.