WORLD RANK: 100

REGIONAL RANK: 20

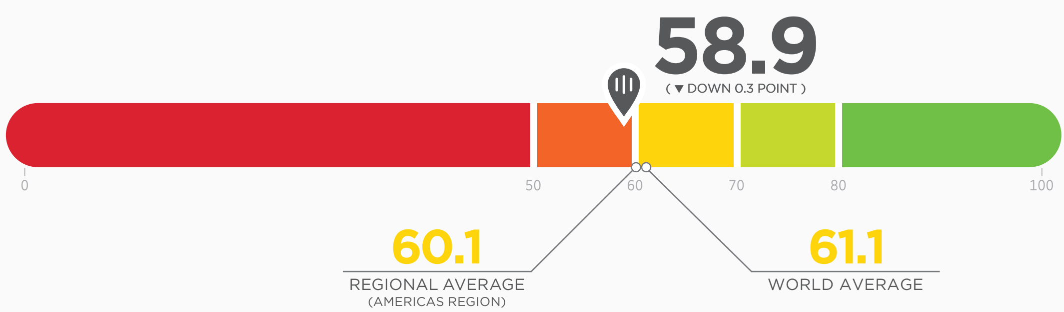
ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

NICARAGUA

Nicaragua's economic freedom score is 58.9, making its economy the 100th freest in the 2018 *Index*. Its overall score has decreased by 0.3 point, with lower scores for **investment freedom** and **government integrity** outweighing an improvement in the **judicial effectiveness** indicator. Nicaragua is ranked 20th among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Nicaragua's government styles itself as "pragmatic," and the country has enjoyed a period of sustained economic growth, but unless policy deficiencies are corrected, a weaker outlook in coming years could leave it far behind other countries in the region. Efforts to improve the business environment have fallen short, and state-owned enterprises continue to receive favored treatment. Fiscal reforms are needed to offset continuing declines in assistance from Venezuela. Institutional weaknesses and an inefficient judicial system are failing to protect property rights and combat corruption.

ECONOMIC FREEDOM SCORE

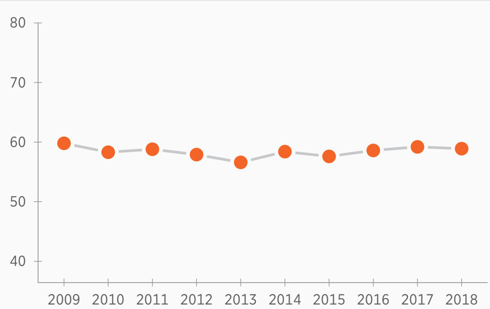


NOTABLE SUCCESSES: Trade Freedom and Monetary Stability

CONCERNS: Rule of Law, Financial Freedom, and Labor Freedom

OVERALL SCORE CHANGE SINCE 2014: +0.5

FREEDOM TREND



QUICK FACTS

POPULATION:
6.2 million

GDP (PPP):
$33.6 billion
4.7% growth in 2016
5-year compound annual growth 4.9%
$5,452 per capita

UNEMPLOYMENT:
5.9%

INFLATION (CPI):
3.1%

FDI INFLOW:
$887.8 million

PUBLIC DEBT:
31.1% of GDP

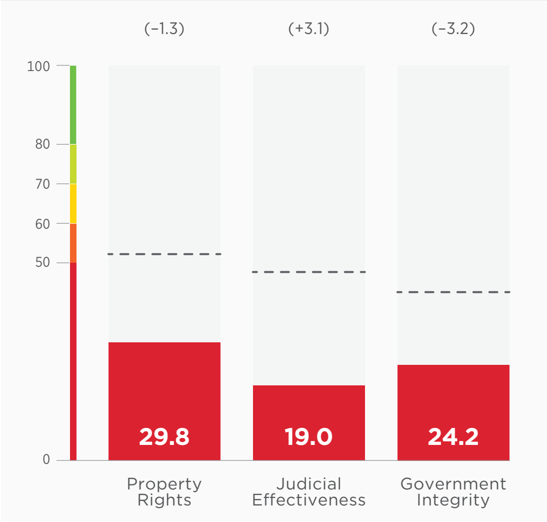
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: In the late 1970s, the Sandinista National Liberation Front (FSLN), led by Daniel Ortega, overthrew the authoritarian Somoza political dynasty. Ortega was de facto ruler of a provisional FSLN-led government until he lost several free and fair elections. He was finally elected to a five-year presidential term with 38 percent of the vote in 2006 and has been reelected three times, most recently in November 2016 elections that international observers deemed neither free nor fair. Ortega has severely weakened democratic institutions and taken full control of the four branches of government: the executive, the legislature, the judiciary, and the Supreme Electoral Council. Agricultural goods and textile production account for 50 percent of exports. Nicaragua remains Central America's poorest nation.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

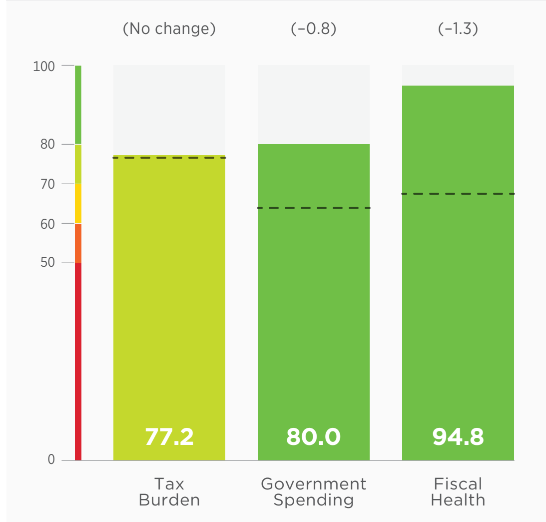
12 ECONOMIC FREEDOMS | NICARAGUA

RULE OF LAW



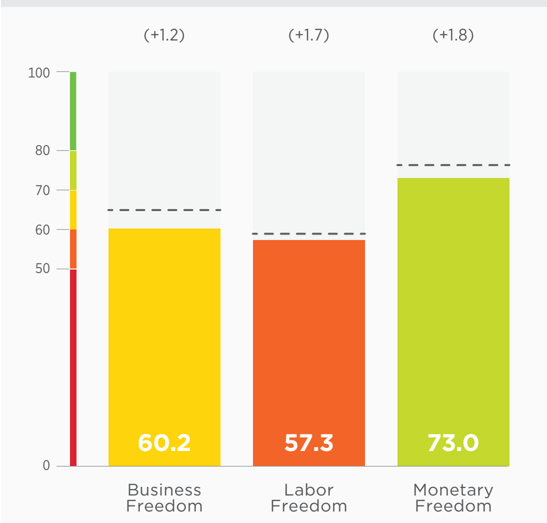
There are legal provisions safeguarding property rights and contracts, but enforcement is hit or miss. The judiciary is prone to corrupt practices and lengthy delays, and the Supreme Court is politicized. Nicaragua has one of the region's more corrupt governments. Anticorruption probes are directed primarily against political opponents of the Ortega family, which is the greatest threat to the rule of law.

GOVERNMENT SIZE



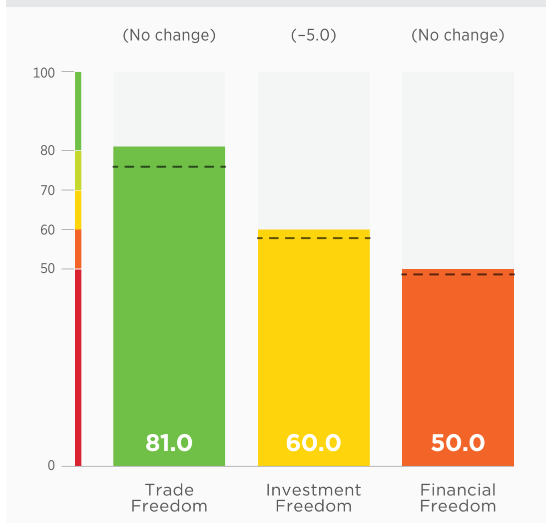
The top individual income and corporate tax rates are 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 22.0 percent of total domestic income. Over the past three years, government spending has amounted to 25.8 percent of total output (GDP), and budget deficits have averaged 1.4 percent of GDP. Public debt is equivalent to 31.1 percent of GDP.

REGULATORY EFFICIENCY



Weak governmental institutions, inconsistent rule of law, and extensive executive control create significant challenges for business owners in Nicaragua. Underemployment is chronic, and nearly three-quarters of all employment is in the informal economy. The government controls the prices of butane gas, electricity for small consumers, and pharmaceuticals. It also regulates and heavily subsidizes the energy and water sectors.

OPEN MARKETS



Trade is significant for Nicaragua's economy; the combined value of exports and imports equals 96 percent of GDP. The average applied tariff rate is 2.0 percent. Nontariff barriers impede trade. Government openness to foreign investment is above average. The financial sector remains vulnerable to state interference. The high cost of long-term financing continues to hinder more dynamic private-sector growth.