



Nicaragua

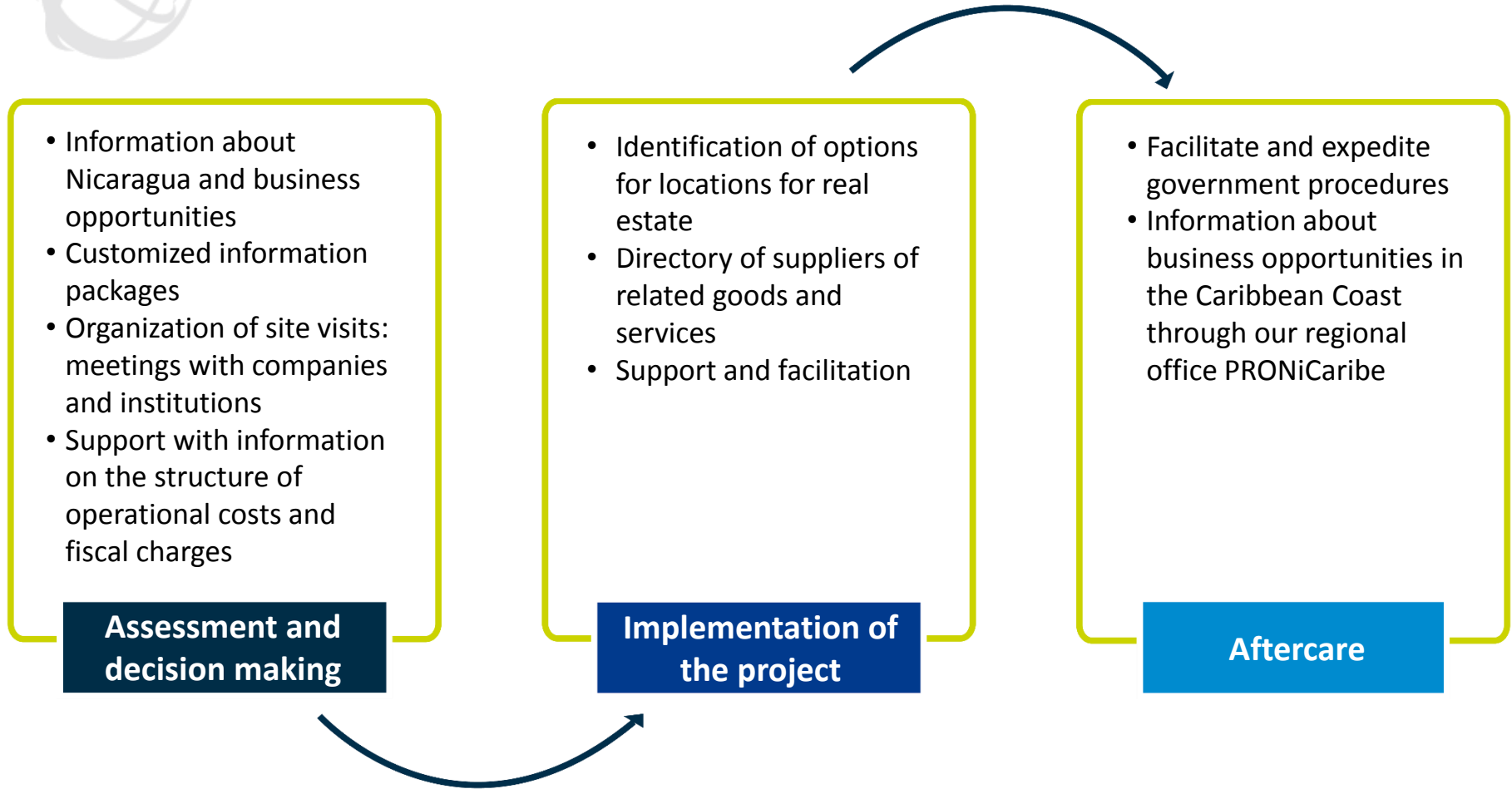
¡Crezcamos Juntos! Let's Grow Together!

Country Presentation • 2017

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OUR SERVICES



PRONicaragua is the Official Investment Promotion Agency of the Government of Nicaragua.



COUNTRY PROFILE

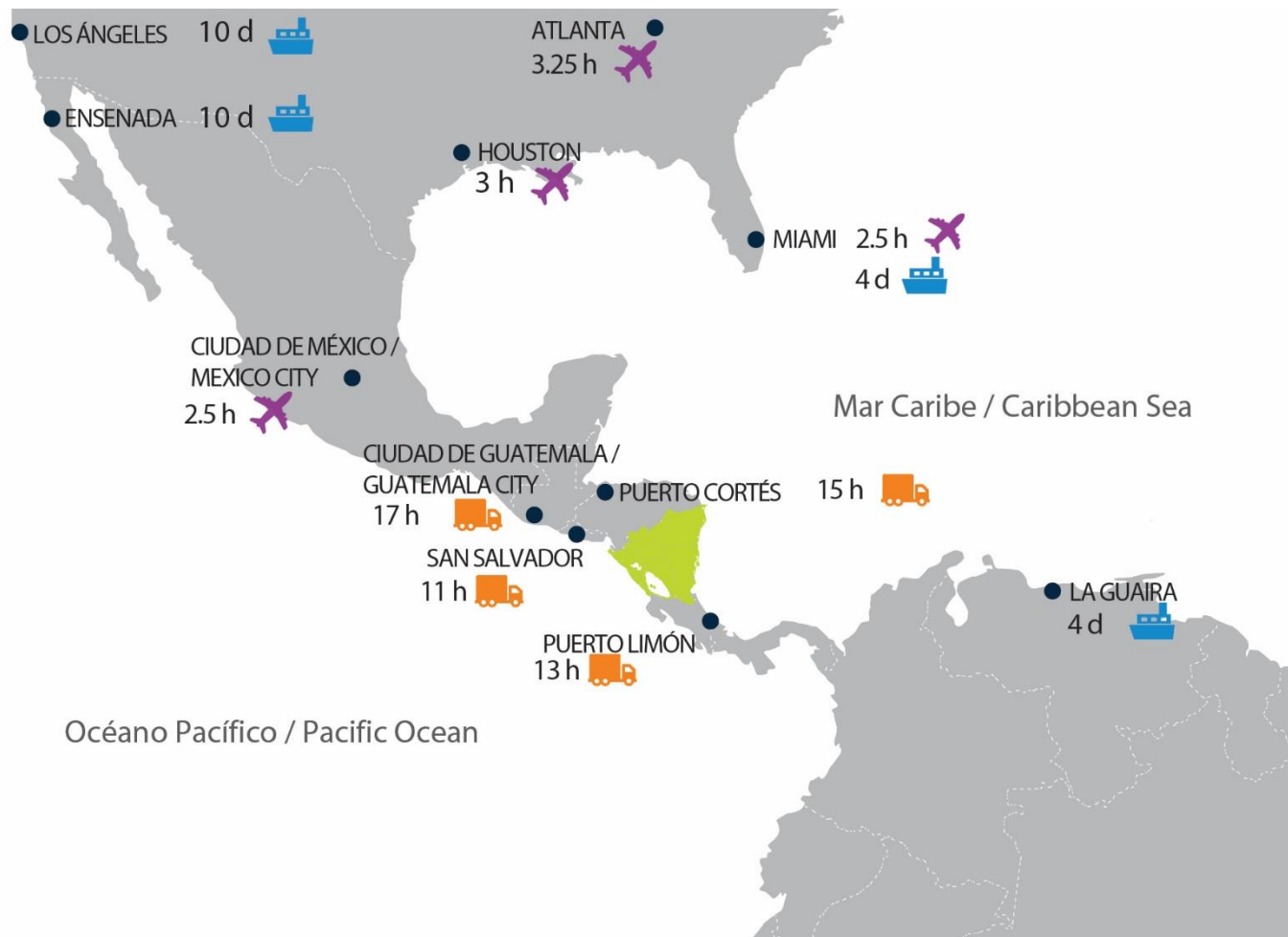


Capital Managua
Area 130,373 km²
Official Language Spanish
Population 6.3 million
Currency Córdoba
Exchange Rate (2017 Average) C\$30.05 = US\$1.00
Time Zone UTC/GMT – 6 hours





STRATEGIC LOCATION





2016 ECONOMIC FIGURES



Gross Domestic Product US\$13.23 billion (4.7% growth vs 2015)

GDP per capita US\$2,090

Exports US\$4.83 billion

FDI Inflows* US\$1.44 billion

Gross International Reserves US\$2.44 billion (2.5 times the monetary base)

Inflation 3.13%

Devaluation of Currency 5% annual vs. US Dollar

*Sources: Central Bank of Nicaragua, Ministry of Development, Industry and PRONicaragua. *Estimated data*

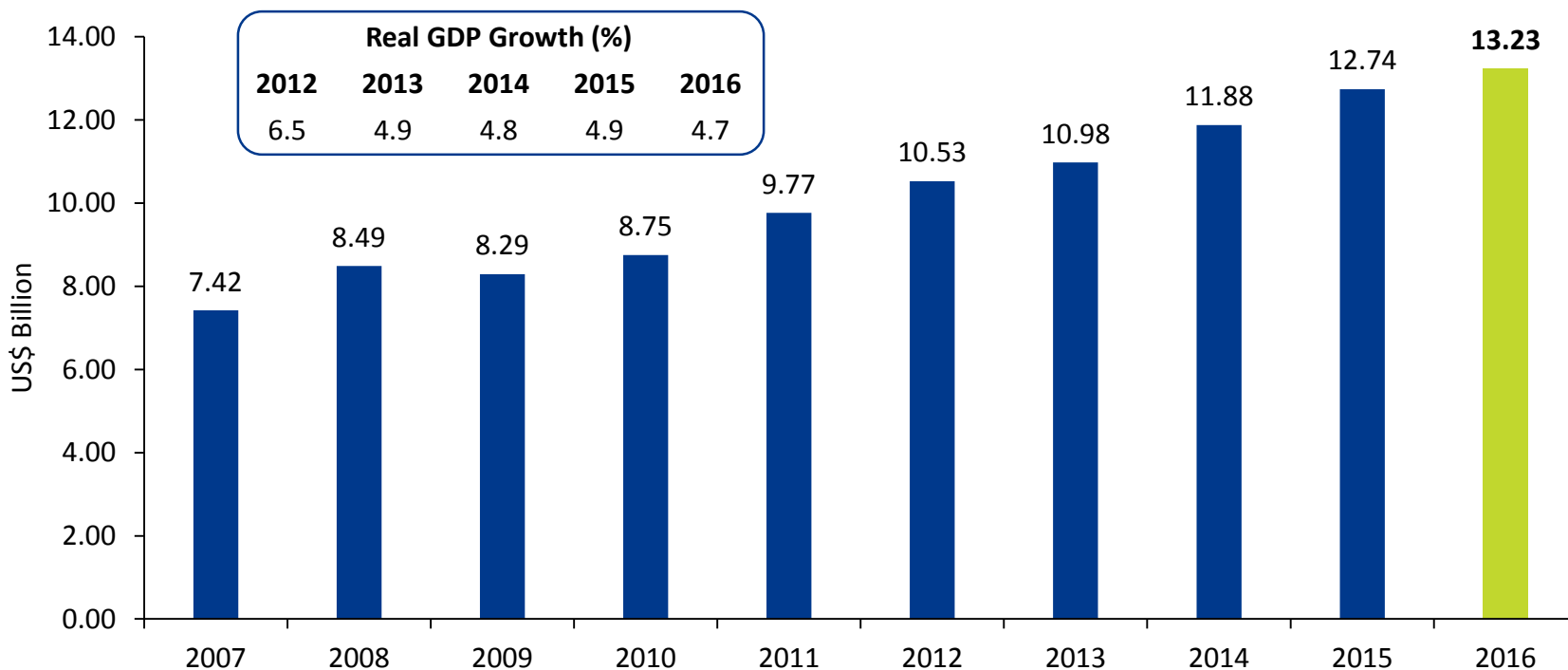




ECONOMIC GROWTH



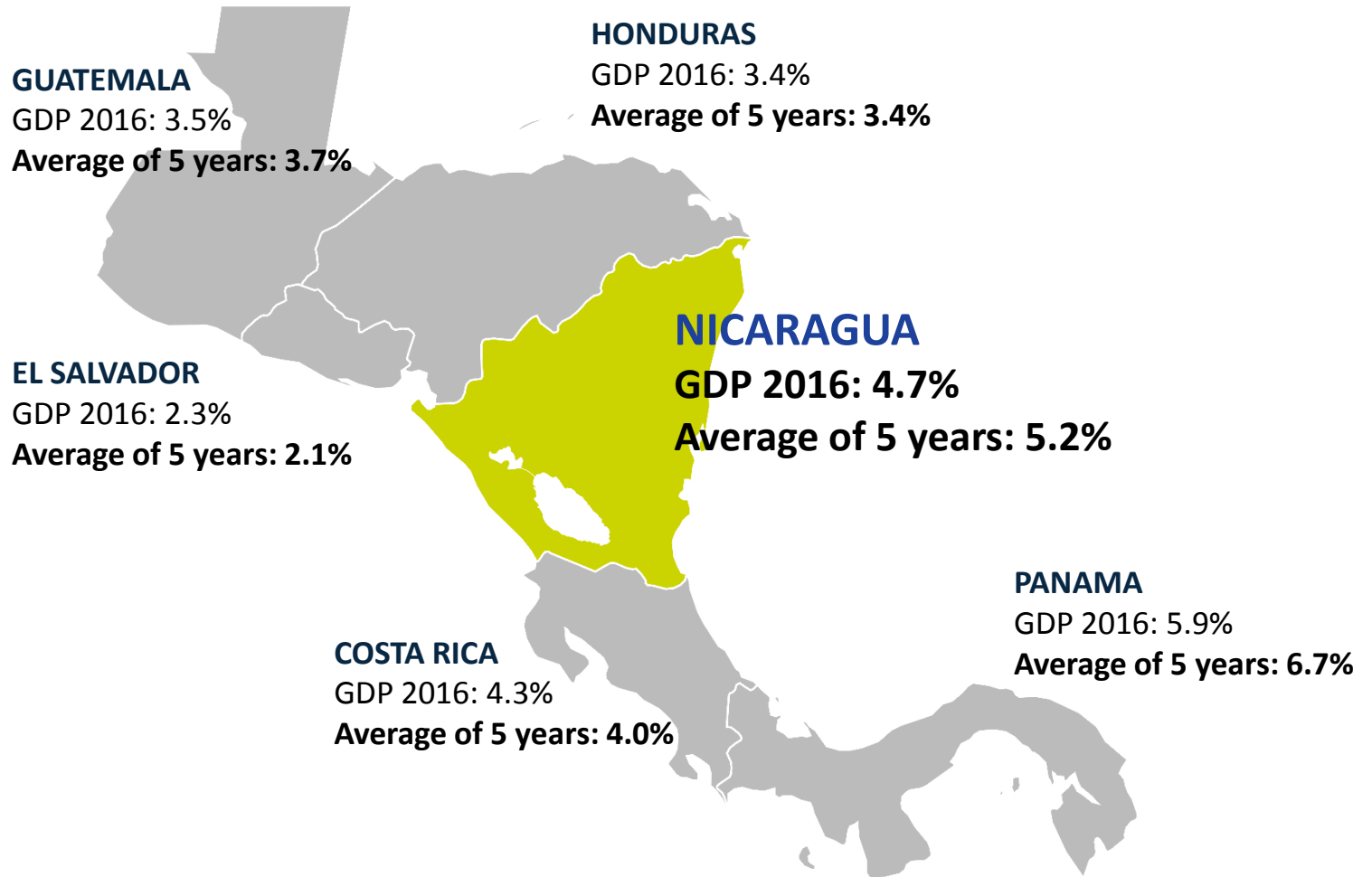
Gross Domestic Product



According to the Economic Commission for Latin America and the Caribbean, Nicaragua will be **the third fastest growing country** in Latin America and the Caribbean in 2017, after Panama and the Dominican Republic.



GDP GROWTH IN THE REGION





ECONOMIC STABILITY



Nicaragua maintains positive relations with different multilateral organizations such as the International Monetary fund (IMF), World Bank (WB), the Inter-American Development Bank (IDB), and the Central American Bank for Economic Integration (BCIE).



- On July 2017: **Moody's** updated Nicaragua's credit rating outlook from "stable" to "positive" and maintained the rating on **B2**.
- On August 2017: **Fitch Ratings** ratified the **B+** rating to Nicaragua with stable outlook.
- On February 2016: **Standard & Poor's** assigned **B+** for credit ratings, local and foreign currency. The perspective of the qualification is long term steady.

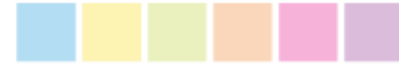
MOODY'S

**STANDARD
& POOR'S**

FitchRatings

“The macroeconomic policies implemented by the Government of Nicaragua are positive, and should serve as an example for Latin America”

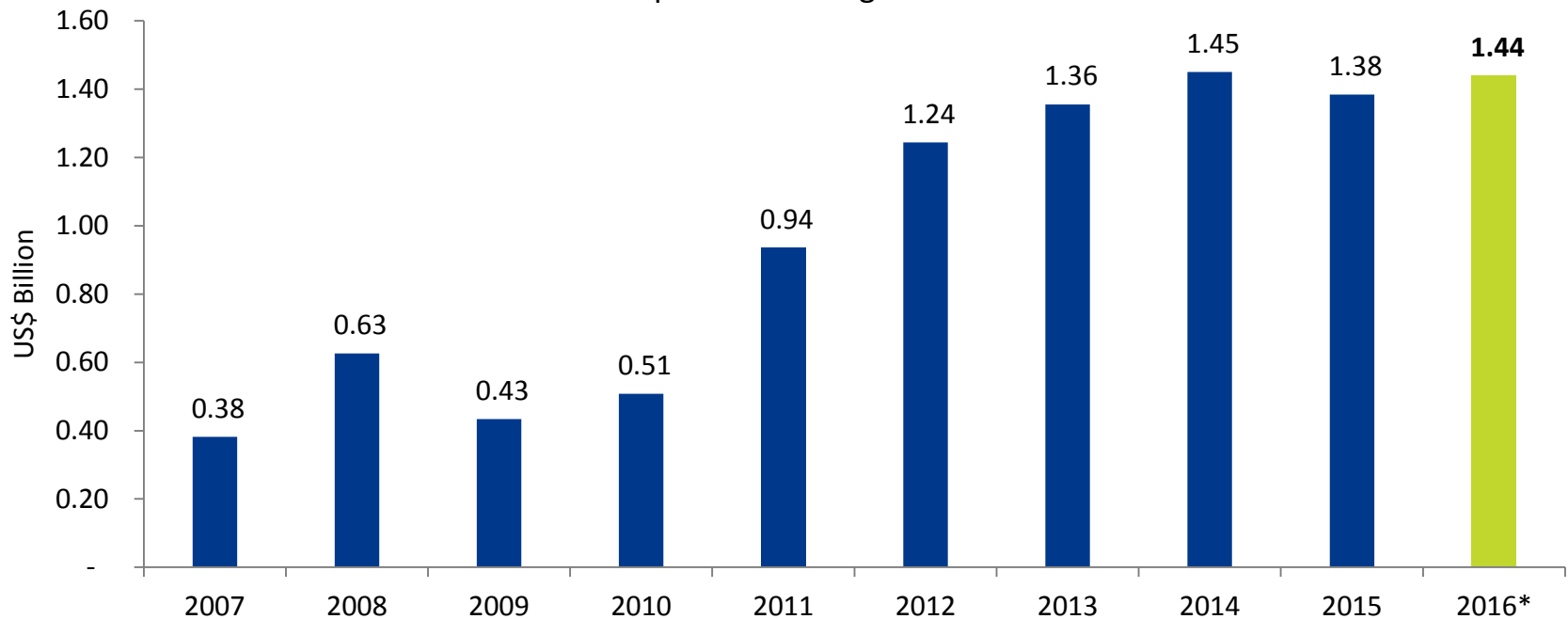
Min Zhu, Deputy Managing Director of the IMF



EVOLUTION OF FOREIGN DIRECT INVESTMENT

Foreign Direct Investment Inflows

16% compound annual growth rate



In 2016, it is expected that the sectors that have attracted higher FDI revenues are: industry, financial, trade and services, telecommunications, and energy.

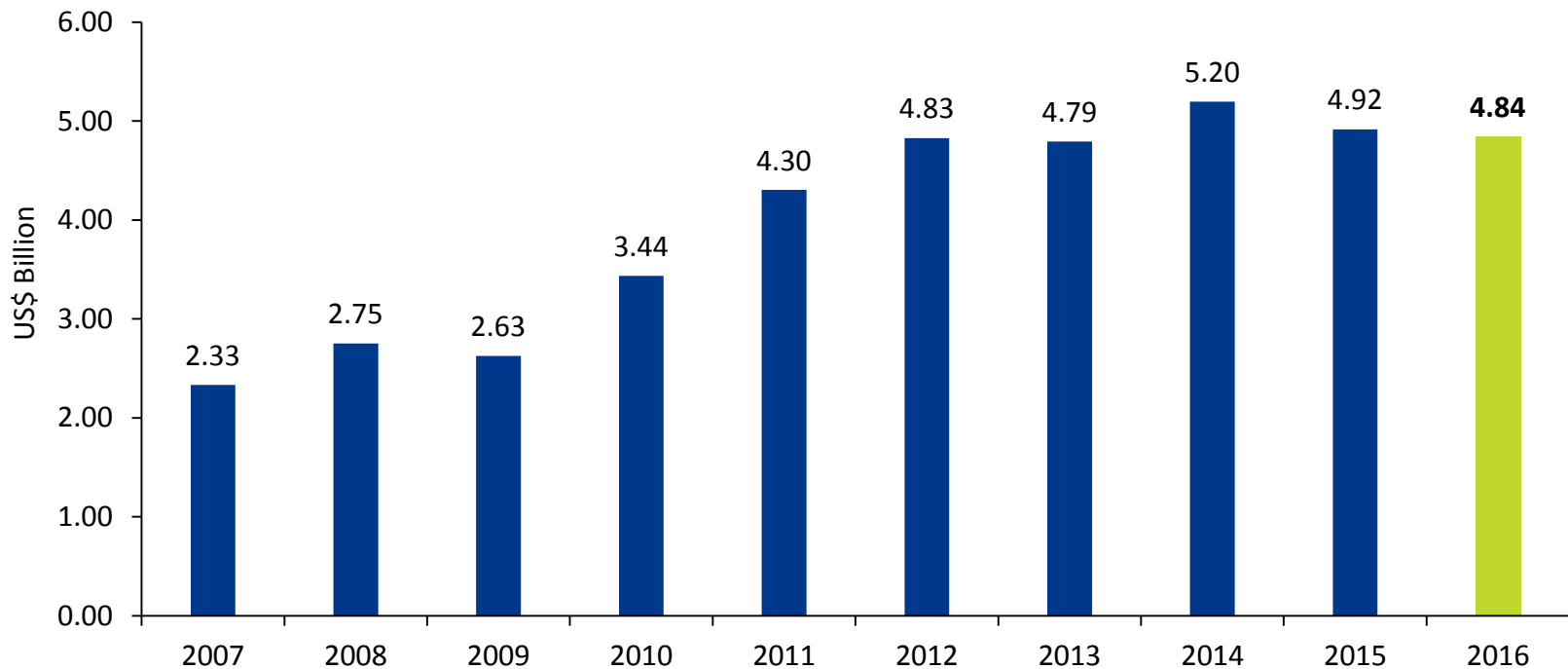


EVOLUTION OF EXPORTS



Total Exports

8% compound annual growth rate



In 2016, the main export destinations were: the United States, Central America, Mexico, the European Union, and Venezuela.



MAIN EXPORT PRODUCTS



2016 Main Export Products (% of total value)



Textile and Apparel (31.6%)



Cigars and Tobacco (4.1%)



Automotive Harnesses (13.7%)



Dairy Products (3.7%)



Bovine Meat (8.7%)



Sugar (2.2%)



Coffee (8.3%)



Peanuts (1.6%)



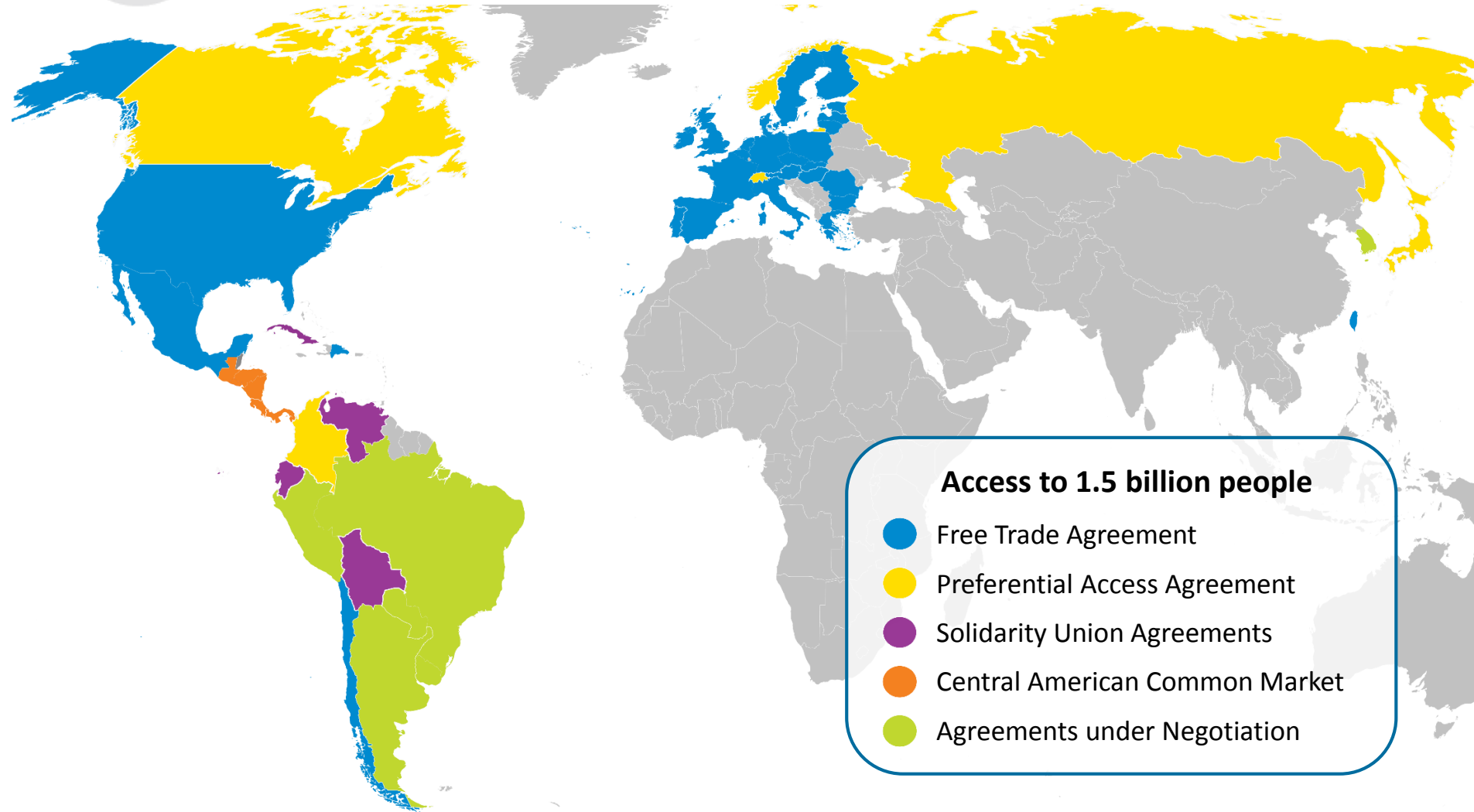
Gold (7.4%)



Beans (1.3%)



AN IDEAL EXPORT PLATFORM





MARKET ACCESS



Nicaragua constantly seeks to increase its access to the world's most important markets in order to consolidate itself as the ideal export platform.

Agreements Countries

Free Trade Agreements

United States, Mexico, Panama, Taiwan, Dominican Republic, Chile, South Korea & European Union.

Central American Common Market

Nicaragua, Guatemala, El Salvador, Honduras & Costa Rica. Additionally, free movement of capital, services and human resources among CA-4 countries.

Generalized System of Preferences

Japan, Norway, Canada, Russia and Switzerland.

ALBA agreement

Venezuela, Ecuador, Granada, Saint Lucia, Bolivia, Cuba, Antigua & Barbuda, Dominica, and Saint Vicente and the Grenadines.

Agreements under Negotiation

Canada, Peru, Bolivia,
ALADI (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, and Cuba).

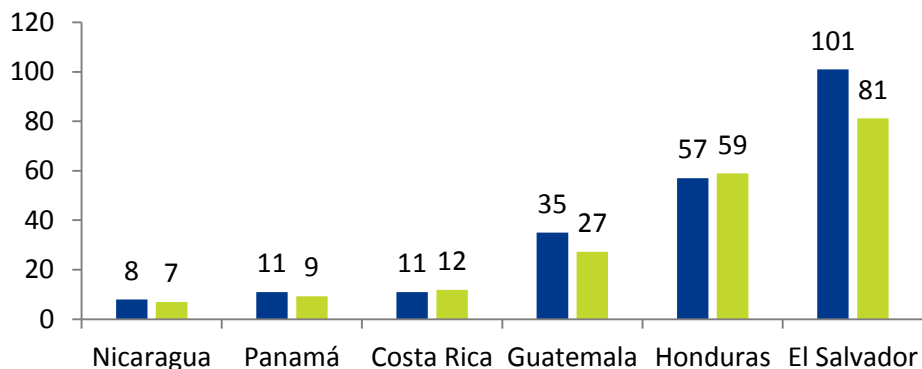


SAFETY INDICATORS

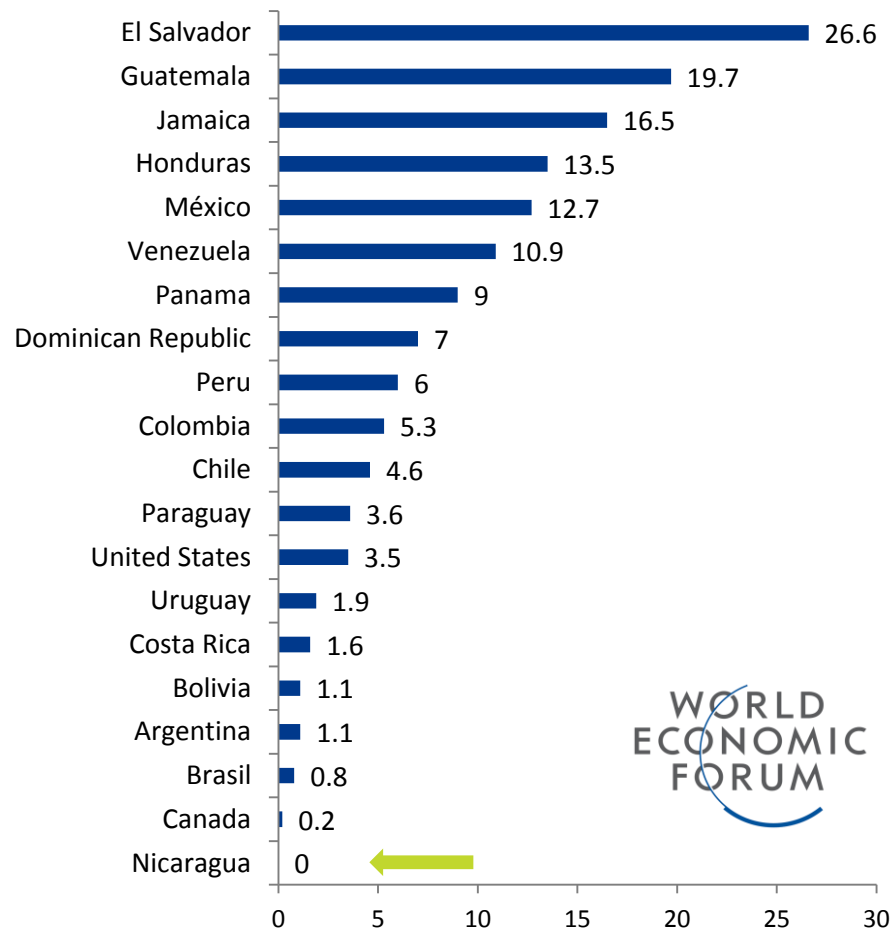


Homicide Rate in Central America (per every 100,000 inhabitants)

■ 2015 ■ 2016



Crime and Theft as Major Problem for Doing Business in America in 2016

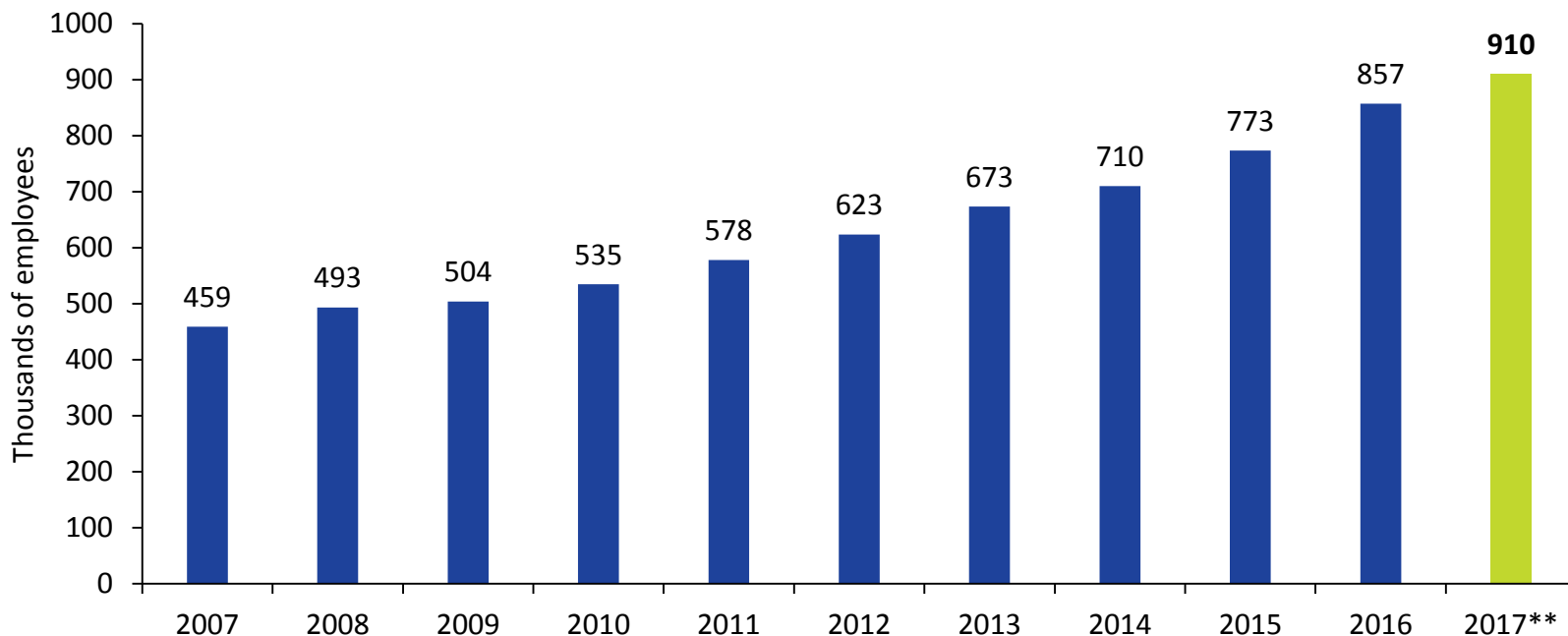




LABOR FORCE



Average of Formal Employment



Indicators

Population under 39 years old 76.1%
Labor Force 3.2 million

Unemployment* 4.0%
Underemployment* 42.6%



2017 MINIMUM WAGE



Salaries include social benefits (49%)

Sector	Monthly in US\$	Hourly in US\$
Construction, Financial Establishments and Insurance	418.76	2.01
Electricity, Gas and Water, Commerce, Restaurants and Hotels, Transport, Warehouse and Communications	343.22	1.65
Mines and Quarry	336.06	1.61
Fishing	284.52	1.36
Free Zones Regime Industry	250.14	1.20
Community, Social, Domestic and Personal Services	262.32	1.26
Manufacturing Industry	251.60	1.21
Central and Municipal Government	233.35	1.12
Micro and Small Craft Industry and National Tourism	201.05	0.96
Agricultural*	187.12	0.90



MODEL OF DIALOGUE AND CONSENSUS

The Government of Nicaragua, the private sector and workers coordinate efforts and design strategies to:

- 1. Promote economic development**
- 2. Generate new decent jobs**
- 3. Reduce poverty**

Governmental entity chaired by the President with government and private sector representatives, to follow up on agreements and promote better working relationships.

The model of dialogue and consensus has been included in the article 101 of the Political Constitution of Nicaragua.

Signing of tripartite agreement between government, private sector and union leaders to fix minimum wage increases and social responsibility strategies in the long term.

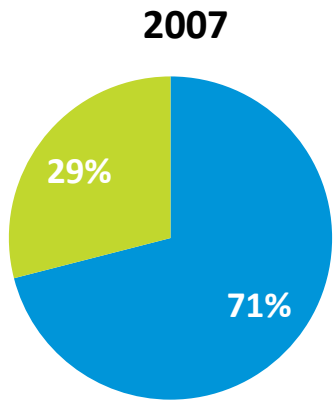
More than 100 laws passed by consensus with the Superior Council of the Private Enterprise (COSEP).



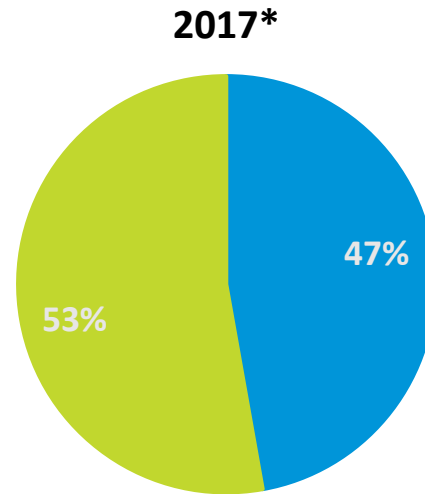
DEVELOPING THE ENERGY SECTOR

Since 2007, the Nicaraguan government has proposed to increase generation capacity, expand coverage, and create green energy as part of its country development strategies.

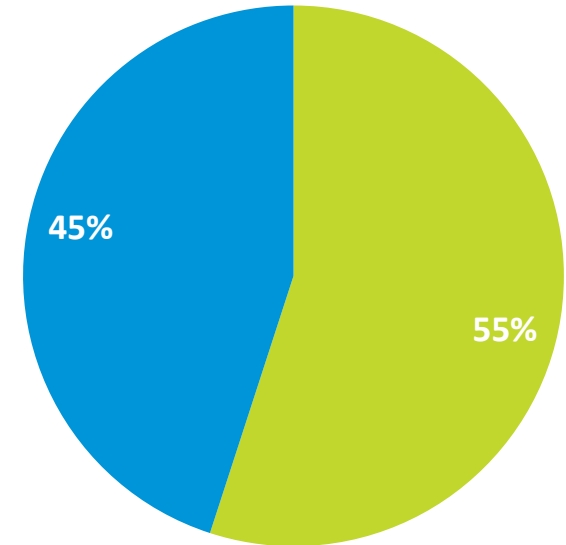
Goal 2020



Installed Capacity: 819 MW



Installed Capacity: 1,396 MW



Installed Capacity: 1,942 MW

■ Hydrocarbons ■ Renewable Energy

Installed capacity has increased **70%** from 2007 to 2016.
The coverage reached **90%** of the national territory in 2016 vs **52%** in 2007.



LEGAL FRAMEWORK FOR FOREIGN INVESTMENT



The **Foreign Investment Promotion Law (344)** offers investors fundamental guarantees such as:

- Full currency convertibility
- Freedom to expatriate all capital and profits
- Full international ownership
- No discriminatory treatment for foreign investors
- Full protection of intellectual property rights, patents, and brands
- Access to loans through local banks, according to their terms and conditions of approval.

Nicaraguan legislation allows the setup of companies with 100 percent of foreign capital; in other words, the participation of national partners is not necessary.

Additionally, the **Mediation and Arbitration Law (Law 540)** governs two alternate methods to the judicial process to expeditiously solve any dispute resulting from contractual relations between parties.

“Over the last five years, Nicaragua evolved from a 3.2% growth rate in GDP to 4.7%, and it is the nation – after Panama – with the fastest growth in Central America”.

*Forbes México “Nicaragua, the new jewel of Business in Central America” –
March 2016*

Forbes
México



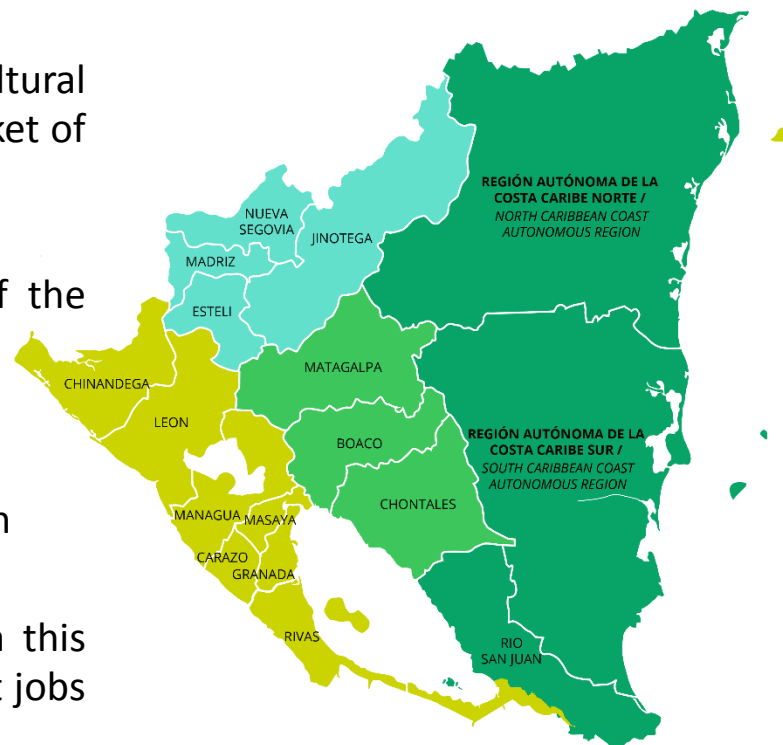
INVESTMENT OPPORTUNITIES



ABOUT THE AGRIBUSINESS AND FORESTRY SECTOR



- Nicaragua is a country with a long agricultural tradition and was even known as “The breadbasket of Central America.”
- The agribusiness & forestry sectors are one of the main drivers of the economy, representing:
 - 14.3% of gross domestic product
 - 43.2% of total exports
 - 31.5% of the economically active population
- Over the last five years, formal employment in this sector has grown by 39%, reaching 78,524 direct jobs and 215,000 indirect ones in 2016.



Main Agro-Exports

- Bovine meat (8.7%)
- Dairy products (3.7%)
- Coffee (8.3%)
- Sugar (2.2%)
- Cigar and Tobacco (4.1%)
- Peanuts (1.6%)



FAVORABLE CONDITIONS FOR THE SECTOR

- Nicaragua has 3.9 million hectares of land suitable for agriculture activities. The country possesses the most competitive land costs in the region.
- The country's diverse geography and climate allows for a wide range of agricultural crops and products.
- More than 9,300 km² of surface water and abundant underground water.
- The Government of Nicaragua grants generous fiscal incentives for agricultural, forestry, fishery and agro industrial activities, as well as all export – oriented activities.
- The country has the lowest hourly labor costs per hour in the region (including fringe benefits):
 - US\$0.86 for the agricultural sector
 - US\$1.16 for the industrial sector
 - US\$1.20 for the free zones sector



INVESTMENT OPPORTUNITIES



Nicaragua offers excellent conditions for investment in different agroindustry sub-sectors .

Agro export Products

- Coffee, cocoa, okra, fruits, cassava, tubers, ornamentals, among others

Aquaculture

- Shrimp, lobsters and fish

Dairy and livestock

- Processed milk (dairy products and powder milk) and meat

Food industry

- Processed foods (snacks, cookies, sweets and confectionary)
- Grains and milled products

Forestry

- Plantations of valuable timber
- Carbon credits

Present in Nicaragua



Local Name	LALA
Origin	Mexico
Investment	US\$50 million
Beginning of Operations	2014
Employees	150 approx.
Capacity	300,000 liters of milk/day
Products	Dairy products
Markets	Central America, Venezuela and the Caribbean
Process	Collection and processing of milk
Location	San Benito, Managua



“The support that we have received from PRONicaragua has allowed us to establish a good relationship with all Government institutions.”
- Miguel Schumann



ABOUT THE LIGHT MANUFACTURING SECTOR



- The manufacturing industry of Nicaragua employs around 157,500 people. Export of manufactured goods in 2016 reached US\$2.10 billion.
- The U.S, Mexico, Venezuela, Panama and Korea represent sources of capital for important manufacturing projects in the country. The country registers an estimate of US\$1.55 billion of foreign direct investment over the last five years.
- Some of the most important sub-sectors include:
 - Automotive harnesses
 - Apparel
 - Footwear
 - Medical devices
- The tripartite agreement between the government, private sector and union leaders seek to solve issues related to the development of investments under the free zone regime, including topics such as minimum wage salaries and benefits for workers.

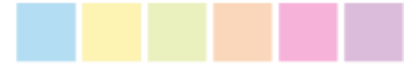


FAVORABLE CONDITIONS FOR THE SECTOR

- Nicaragua offers generous fiscal incentives under the Free Zones regime for industrial projects with export focus for a period of up to 20 years.
- The country has trade agreements in effect that allow preferential access to the world most important markets, including the United States and the European Union.
- There is a vast labor force of approximately 3.2 million people of which 46% are underemployed and have the potential to work in light manufacturing activities.
- Nicaragua is the ideal destination for labor-intensive operations as it has the lowest hourly labor costs per hour of the region (including fringe benefits):
 - US\$1.16 for the industry sector
 - US\$1.20 for the free zone sector
- The Free Zone sector offers investors the value of predictability of labor costs, as these are agreed upon years in advance. The current Agreement established wages for the 2014 – 2017 period.



INVESTMENT OPPORTUNITIES



Textile and Apparel

Textile production:

- Knitted fabrics (cotton and synthetic)
- Twill and other woven cotton fabrics

Apparel production:

- Denim and twill garments.
- Sportswear and uniforms for athletic varsity teams
- Single transformation: boxers, brassieres, jackets, woven pajamas, woven shirts, baby wear, etc.
- Medical garments, work and institutional uniforms

Accessories:

- Buttons, zippers, elastic and bags for pants.

Auto Parts and Accessories:

- Autowire harnesses
- Carpets and seat covers
- Seatbelts
- Wooden dash boards

Footwear:

- Leather footwear
- Security boots
- Synthetic footwear

Disposable medical devices

Industrial operations intensive in labour

Present in Nicaragua

ANIGER

GILDAN
ACTIVEWEAR

 **YAZAKI**

Dräxlmaier 



DRÄXLMAIER

Local Name	Dräxlmaier
Origin	German
Investment	US\$16 million
Beginning of Operations	2009
Employees	2,000 approx. (full capacity)
Process	Production of autowire harnesses
Markets	United States and Mexico
Location	Nindiri, Masaya, Nicaragua

Five years after its initial investment in Nicaragua, Dräxlmaier completed its second expansion.

ABOUT THE OUTSOURCING SERVICES SECTOR

- The outsourcing services industry in Nicaragua began in 2003 employing 12 agents. The industry presently employs more than 8,900 people in the country.
- There are more than 47 companies in this sector, exporting a wide range of services to the United States, Europe and Latin America. Customer services, telemarketing, patent research, development of software and website development are some of the key services offered.
- Between 2007 and 2016, an approximate US\$82 million have been invested in this sector .
- Outsourcing companies have become an important source of jobs for a wide amount of young people that graduate annually from the national university system.

Multinational telecommunications providers:



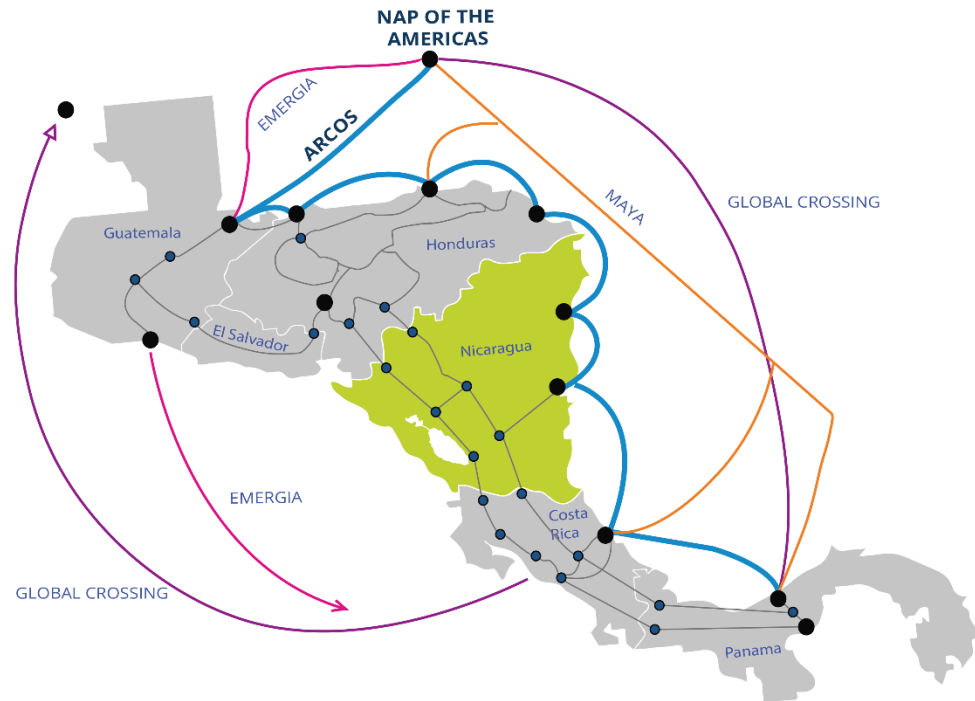


FAVORABLE CONDITIONS FOR THE SECTOR



- Nicaragua's labor costs for agents are among the most competitive in the region:
 - **US\$550 for bilingual agents**
 - **US\$350 for Spanish-speaking agents**
- Only 2 hours flight from the main cities in the United States, and sharing the same time zone facilitate providing superior services important market.
- Generous free zone incentives for companies that export services, for a period over 20 years.

Modern infrastructure telecommunications infrastructure, redundancy and reliability Internet service through connections to submarine cable networks ARCOS, MAYA y Emergia.





INVESTMENT OPPORTUNITIES



Nicaragua offers excellent conditions for investment in different outsourcing functions, such as:

Business Processing Outsourcing (BPO)

- Contact centers
- Collections
- Telemarketing

Knowledge Process Outsourcing (KPO)

- Patent design & Development
- Architectural Services
- Digital Marketing

Shared Services Centers (SSC)

- Recruitment
- Accounting
- Legal Advice

Present in Nicaragua



SITEL



SPi Global



CONVERGY'S



Peoplewalking
OPEN TECHNOLOGY



CONCENTRIX
A SYNnex Corporation Company



rain



Local Name	Peoplewalking
Origin	Barcelona, Spain
Investment	US\$80,000
Beginning of Operations	2014
Employees	14
Processes	Open source software development
Markets	Spain, Italy, Senegal, Chile, Argentina
Location	Managua, Mina Building

“One of the key factors in taking the decision to invest in the country was the human factor, mainly the level of preparation and commitment of Nicaraguan collaborators”.

-Isaac Freijo, CEO Peoplewalking



FISCAL INCENTIVES FOR INVESTMENTS



FISCAL INCENTIVES



Tax Concertation Law (Law 822)

Benefits for Exporters

- Exports are exempt from paying Value Added Tax (IVA) and Selective Consumption Tax (ISC).
- 1.5% of FOB value of exports is deductible from Income Tax.

Benefits for Agricultural Producers

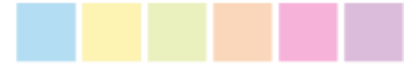
- Article 127: Establishes a list of products that are exempt from the Value Added Tax, including products from the agricultural sector.
- Article 274: Establishes a list of agricultural products, including raw materials, intermediate goods, machinery, capital goods, spares, parts and accessories, that are exempt from Value Added Tax and Selective Consumption Tax.

Benefits for the Forestry Sector

- Registered plantations have a 50% exemption of the Municipal Tax on Incomes (IMI) and 50% exemption of the Income Tax.
- 100% exemption from Property Tax (IBI).
- 100% exemption from payment of duties and taxes on imports to companies of secondary and tertiary processing.
- Companies may use up to 50% of their Income Tax to invest in forestry plantations.



FISCAL INCENTIVES



Temporary Admissions System (Law 382)

A tax system that allows both the entry of goods into the national customs territory and local purchase of goods exempt from payment of duties and taxes. Companies that export directly or indirectly, at least 25% of its total sales and an export value not less than US\$50,000, are eligible for this scheme.

Goods qualifying under this regime are:

- Intermediate goods and raw materials
- Capital goods directly involved in the production process
- Materials and equipment required for the production process



FISCAL INCENTIVES



Free Zones Incentives Law (Law 917)

Nicaragua offers significant fiscal incentives under the free zones regime for industrial companies with an export – oriented focus.

100% of exemption in:

- Income tax ¹
- Import taxes for machinery, equipment, and raw materials
- Municipal tax
- Sales tax
- capital and property tax
- real state taxes

¹Valid for 10 years with the possibility to be extended once with previous authorization.





NICARAGUA'S VALUE OFFER

A Competitive Cost Structure

Low labor costs + generous fiscal incentives
+ FTAs with main international markets

High degree of social cohesion resulting from dialogue between the Government, the private sector and workers

Pro-business government that understands the value of foreign investment and supports their successful development.

High levels of personal safety and great quality of life.





NEW INVESTMENT PROJECTS 2016



Total Investment:
33 projects
+US\$680 millions
14,700 employment



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