

LATINFOCUS CONSENSUS FORECAST

Paraguay • August 2023

PARAGUAY	2
CALENDAR	5
NOTES	7

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Paraguay



Outlook improves

- Year-on-year GDP growth sped up significantly to 5.2% in Q1 from 1.7% in Q4 2022. Private spending and exports grew at a quicker pace, while public spending rebounded and fixed investment contracted at a softer rate. Turning to Q2, data points to strengthening momentum: In April–May, economic activity growth accelerated relative to Q1, as agriculture, electricity output, manufacturing and services remained supportive. Additionally, declining inflation throughout the period likely supported private spending. On the flip side, merchandise exports expanded at a softer rate in Q2 than in Q1 amid a deteriorating external demand backdrop. In other news, in late July, President-elect Peña—who is due to take office on 15 August—said that talks with Brazil regarding the financial terms of the binational Itaipu hydroelectric dam would start on 13 August.
- Paraguay is seen among the fastest-growing economies in LATAM in 2023. Improved weather conditions after last year’s drought and lower inflation will support activity. Key factors to watch include regional economic and political stability and the El Niño weather pattern: if mild, it will likely support agriculture, while if strong, it could cause floods and hamper crops. FocusEconomics panelists see GDP expanding 4.3% in 2023, which is up by 0.1 percentage points from one month ago, and expanding 3.8% in 2024.
- Inflation came in at 3.5% in July (June: 4.2%), falling below the Central Bank’s 4.0% target. The deceleration was chiefly driven by softer price pressures for food and lower transportation prices. Meanwhile, on 21 July, the Central Bank maintained its key rate at 8.50%. Inflation is seen remaining close to target in H2. FocusEconomics panelists see consumer prices rising 5.2% on average in 2023, which is unchanged from one month ago, and rising 3.8% on average in 2024.

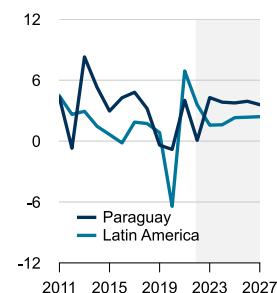
LONG-TERM TRENDS | 3-year averages

	2019-21	2022-24	2025-27
Population (million):	7.3	7.6	7.9
GDP (USD bn):	37.7	44.3	53.1
GDP per capita (USD):	5,195	5,865	6,747
GDP growth (%):	0.9	2.7	3.8
Fiscal Balance (% of GDP):	-4.2	-2.4	-1.5
Public Debt (% of GDP):	33.4	41.7	-
Inflation (%):	3.1	6.3	3.9
Current Account (% of GDP):	0.2	-2.8	-1.1
External Debt (% of GDP):	50.9	-	-

Adrià Solanes

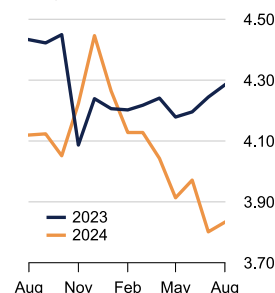
Economist

Economic Growth



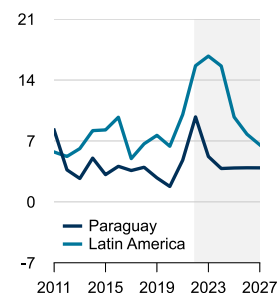
GDP, annual variation in %. Source: Banco Central del Paraguay (BCP).

Change in GDP forecasts



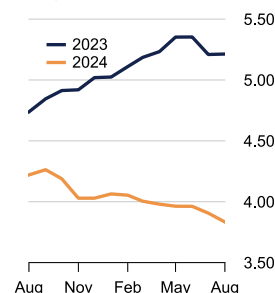
GDP, evolution of 2023 and 2024 forecasts during the last 12 months.

Inflation



Consumer Price Index (CPI), annual average variation in %. Source: BCP.

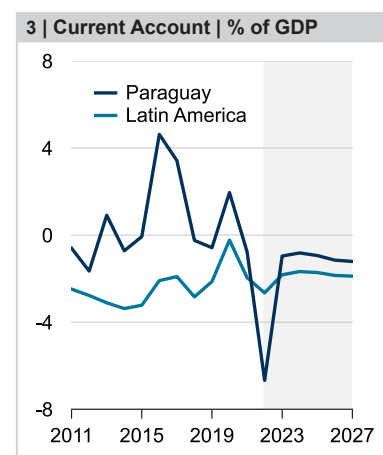
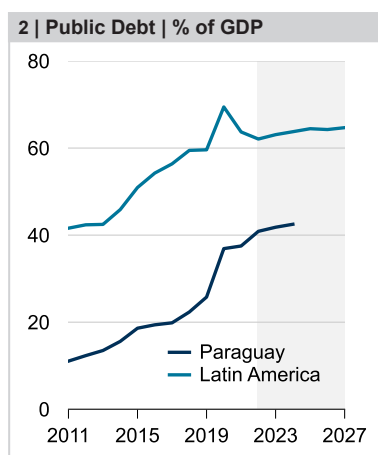
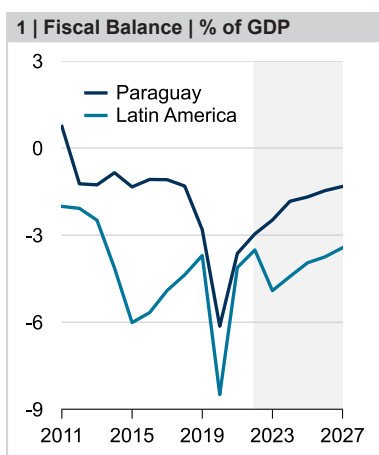
Change in inflation forecasts



Inflation, evolution of 2023 and 2024 forecasts during the last 12 months.

Economic Indicators | 2018 - 2027

Annual Data	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Real Sector										
Population (million)	7.1	7.2	7.3	7.4	7.5	7.6	7.7	7.8	7.9	8.0
GDP per capita (USD)	5,690	5,297	4,872	5,414	5,579	5,844	6,172	6,442	6,745	7,054
GDP (USD bn)	40.1	37.9	35.3	39.8	41.6	44.1	47.3	50.0	53.0	56.2
GDP (PYG bn)	230,576	236,681	239,915	270,634	291,336	324,394	347,753	373,267	402,738	432,327
Economic Growth (Nominal GDP, ann. var. %)	5.2	2.6	1.4	12.8	7.6	11.3	7.2	7.3	7.9	7.3
Economic Growth (GDP, ann. var. %)	3.2	-0.4	-0.8	4.0	0.1	4.3	3.8	3.8	3.9	3.6
Domestic Demand (ann. var. %)	6.4	0.2	-2.8	10.1	2.5	1.4	4.4	3.8	3.9	3.5
Private Consumption (ann. var. %)	4.3	1.8	-3.6	6.1	2.2	2.5	3.3	3.5	3.9	3.4
Government Consumption (ann. var. %)	3.0	4.7	5.1	2.6	-5.7	3.8	1.6	3.1	4.1	3.4
Fixed Investment (ann. var. %)	6.9	-6.1	5.3	18.2	-2.3	1.5	6.5	6.5	4.9	3.5
Exports (G&S, ann. var. %)	-0.4	-3.4	-9.0	2.1	-1.6	7.6	4.9	4.6	-	-
Imports (G&S, ann. var. %)	8.2	-2.0	-15.2	21.8	5.6	4.8	4.1	4.1	-	-
Unemployment (% of active population, eop)	5.6	5.7	7.2	6.8	5.7	-	-	-	-	-
Fiscal Balance (% of GDP)	-1.3	-2.8	-6.1	-3.6	-3.0	-2.5	-1.8	-1.7	-1.5	-1.3
Public Debt (% of GDP)	22.3	25.8	36.9	37.5	40.9	41.8	42.5	-	-	-
Monetary and Financial Sector										
Money (ann. var. of M2 %)	6.2	7.2	19.1	6.8	3.0	-	-	-	-	-
Inflation (CPI, ann. var. %, eop)	3.2	2.8	2.2	6.8	8.1	4.7	3.7	3.8	3.9	3.8
Inflation (CPI, ann. var. %, aop)	4.0	2.8	1.8	4.8	9.8	5.2	3.8	3.9	3.9	3.9
Policy Interest Rate (% eop)	5.25	4.00	0.75	5.25	8.50	7.20	5.55	5.17	5.17	5.17
Exchange Rate (PYG per USD, eop)	5,960	6,464	6,897	6,906	7,366	7,329	7,390	7,547	7,641	7,746
Exchange Rate (PYG per USD, aop)	5,746	6,246	6,789	6,798	7,006	7,348	7,359	7,469	7,594	7,693
External Sector										
Current Account Balance (% of GDP)	-0.2	-0.6	2.0	-0.8	-6.7	-1.0	-0.8	-0.9	-1.1	-1.2
Current Account Balance (USD bn)	-0.1	-0.2	0.7	-0.3	-2.8	-0.4	-0.4	-0.5	-0.6	-0.7
Merchandise Trade Balance (USD bn)	0.6	0.2	1.2	0.6	-1.9	0.2	0.0	0.1	0.0	0.0
Merchandise Exports (USD bn)	13.2	12.1	11.0	13.2	12.8	14.7	15.5	15.8	16.4	17.3
Merchandise Imports (USD bn)	12.6	11.9	9.7	12.6	14.7	14.5	15.4	15.8	16.4	17.3
Merchandise Exports (ann. var. %)	1.5	-8.1	-9.6	20.7	-3.1	14.5	5.4	2.4	3.6	5.4
Merchandise Imports (ann. var. %)	11.6	-5.5	-18.3	29.4	17.1	-1.7	6.5	2.3	3.7	5.7
Foreign Direct Investment (USD bn)	0.2	0.2	0.1	0.1	0.5	-	-	-	-	-
International Reserves (USD bn)	8.0	7.7	9.5	9.9	9.8	10.0	10.9	-	-	-
International Reserves (months of imports)	7.6	7.7	11.7	9.5	8.0	8.3	8.5	-	-	-
External Debt (USD bn)	15.8	16.4	19.8	21.4	-	-	-	-	-	-
External Debt (% of GDP)	39.4	43.2	55.9	53.6	-	-	-	-	-	-



Notes and sources

Note: FocusEconomics Consensus Forecasts are highlighted in grey.

Long-term chart period from 2011 to 2027 unless otherwise stated. The Latin America regional aggregate excludes Venezuela. All data are from Central Bank of Paraguay (BCP, *Banco Central del Paraguay*), the International Monetary Fund (IMF) and Ministry of the Treasury (MH, *Ministerio de Hacienda*). Forecasts based on FocusEconomics Consensus Forecast.

1 Balance of central government as % of GDP. Source: MH and BCP.

2 Public sector debt as % of GDP. Source: IMF.

3 Current account as % of GDP. Source: IMF.

Fact Sheet

General Data

Official name:	Republic of Paraguay
Capital:	Asunción (3.2m)
Other cities:	Ciudad del Este (0.2m) Pedro Juan Caballero (0.1m)
Area (km2):	406,752
Population (million, 2019 est.):	7.4
Population density (per km2, 2019):	18.1
Population growth rate (% , 2019 est.):	1.2
Life expectancy (years, 2019 est.):	77.9
Illiteracy rate (% , 2018):	6.0
Language:	Spanish, Guaraní
Measures:	Metric system
Time:	GMT-4

Economic Infrastructure

Telecommunication (2018)

Telephones - main lines (per 100 inhabitants):	4.4
Telephones - mobile cellular (per 100 inhabit.):	107
Internet Users (per 100 inhabitants):	65.0
Broadband Subscriptions (per 100 inhabitants):	4.6

Energy (2017)

Primary Energy Production (trillion Btu):	546
Primary Energy Consumption (trillion Btu):	518
Electricity Generation (billion kW-h):	59.2
Electricity Consumption (billion kW-h):	11.6
Oil Consumption (thousand bpd):	60.1
CO2 Emissions (million metric tons):	7.2

Transportation (2018)

Airports:	799
Railways (km):	30.0
Roadways (km):	74,676
Waterways (km):	3,100
Chief Ports:	Asunción

Political Data

President:	Mario Abdo Benítez*
Last elections:	30 April 2023
Next elections:	2028
Central Bank President:	José Cantero Sierra

*Santiago Peña is president-elect and will take office on 15 August.

Long-term Foreign Currency Ratings

Agency	Rating	Outlook
Moody's:	Ba1	Positive
S&P Global Ratings:	BB	Stable
Fitch Ratings:	BB+	Stable

Strengths

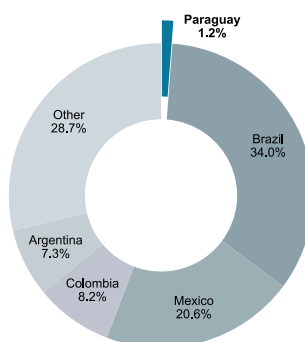
- Favorable conditions for agriculture
- Commitment to structural reforms
- Stable source of income from hydroelectric dams

Weaknesses

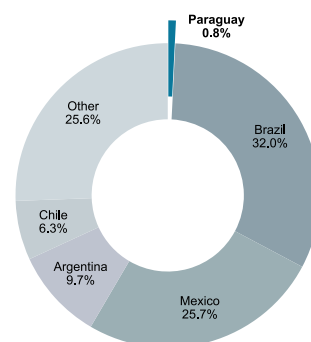
- Vulnerability to commodity price swings
- Dependence on neighboring economies

Paraguay in the Region

Population | %-share in Latin America

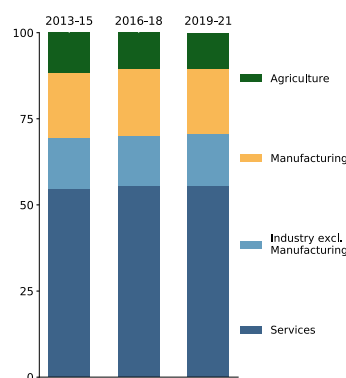


GDP | %-share in Latin America

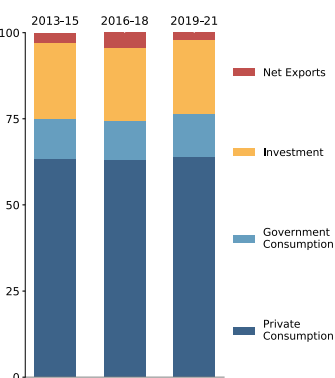


Economic Structure

GDP by Sector | share in %

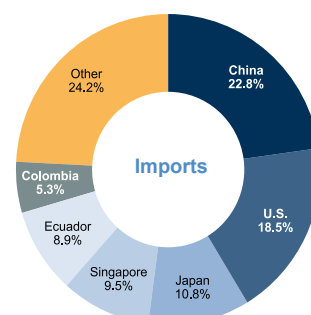
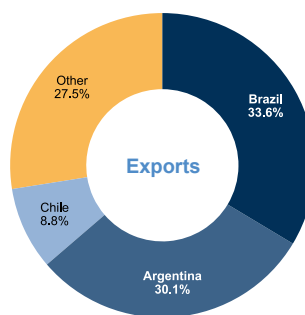


GDP by Expenditure | share in %

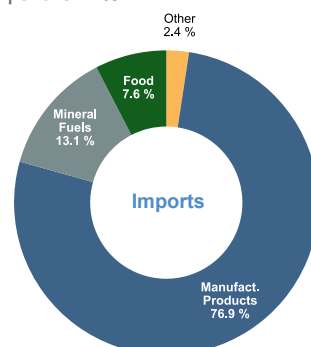
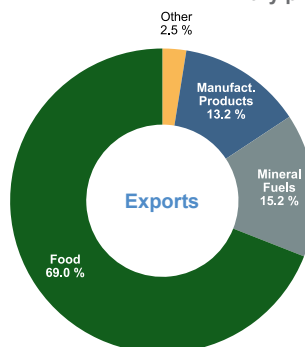


Trade Structure

Primary markets | share in %



Primary products | share in %



Economic Release Calendar			
Date	Country	Event	
7 August	Colombia	July Consumer Confidence	
	Mexico	July Consumer Confidence	
8 August	Chile	July Consumer Prices	
9 August	Argentina	June Industrial Production	
	Mexico	July Consumer Prices	
10 August	Mexico	Central Bank Meeting	
11 August	Argentina	July Consumer Prices	
	Brazil	July Consumer Prices	
	Peru	Central Bank Meeting	
	Peru	July Merchandise Trade	
	Uruguay	June Industrial Production	
15 August	Colombia	Q2 2023 National Accounts	
	Colombia	June Economic Activity	
	Uruguay	Central Bank Meeting	
16 August	Ecuador	June Economic Activity	
	Peru	Q2 2023 National Accounts	
17 August	Brazil	June Economic Activity	
18 August	Chile	Q2 2023 National Accounts	
	Peru	June Economic Activity	
20 August	Argentina	August Consumer Confidence (E)	
22 August	Argentina	July Merchandise Trade	
23 August	Argentina	June Economic Activity	
25 August	Brazil	July Balance of Payments	
28 August	Brazil	August Economic Sentiment (E)	
	Mexico	July Merchandise Trade	
	Brazil	August S&P Global Manufacturing PMI	
1 September	Brazil	Q2 2023 National Accounts	
	Chile	July Economic Activity	
	Chile	August Business Confidence (E)	
	Colombia	August Davivienda Manufacturing PMI	
	Mexico	August IMEF PMI	
	Peru	August Consumer Prices	
	5 September	Brazil	August S&P Global Services PMI
		Chile	Central Bank Meeting
Colombia		August Consumer Prices	
Colombia		August Merchandise Trade (E)	
Mexico		August Consumer Confidence	
6 September	Uruguay	August Consumer Prices	
	Ecuador	August Consumer Prices	
7 September	Argentina	July Industrial Production	
	Colombia	August Consumer Confidence	
	Mexico	August Consumer Prices	
8 September	Chile	August Consumer Prices	

(P) Preliminary estimate. (E) Approximate date.

Economic Release Calendar

Date	Country	Event
8 September	Peru	August Merchandise Trade
	Peru	Central Bank Meeting

(P) Preliminary estimate. (E) Approximate date.

Notes and Statements

PUBLICATION NOTE

Consensus forecasts are mean averages of projections of economic forecasters surveyed by FocusEconomics for our monthly publication. Quarterly averages may not correspond to the annual figures due to different forecast panels.

The GDP-weighted averages for the regional aggregates and the world refer to economies surveyed by FocusEconomics on a monthly basis. Weights are based on Consensus Forecasts for nominal GDP (USD billion).

The regional aggregates include the following countries:

Latin America (23 countries): Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Trinidad and Tobago and Uruguay.

Andean Community (4 countries): Bolivia, Colombia, Ecuador and Peru.

Central America and Caribbean (13 countries): Belize, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Puerto Rico and Trinidad and Tobago.

Mercosur (4 countries): Argentina, Brazil, Paraguay and Uruguay.

World: 131 countries, comprising around 98% of global output.

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MAJOR ECONOMIES & SWITZERLAND G7 countries (United States, Canada, Japan, United Kingdom, Euro area, France, Germany & Italy), Switzerland and overview of the BRIC countries

EURO AREA Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain

NORDIC ECONOMIES Denmark, Finland, Iceland, Norway and Sweden

CENTRAL & EASTERN EUROPE Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia

CIS PLUS COUNTRIES Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan

SOUTH-EASTERN EUROPE Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Greece, Kosovo, North Macedonia, Montenegro, Romania, Serbia and Turkey

EAST & SOUTH ASIA Bangladesh, China, Hong Kong, India, Korea, Mongolia, Pakistan, Sri Lanka, Taiwan, Australia and New Zealand

ASEAN ECONOMIES Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam, Australia and New Zealand

LATIN AMERICA Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela

CENTRAL AMERICA & THE CARIBBEAN Belize, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Puerto Rico and Trinidad and Tobago

MIDDLE EAST & NORTH AFRICA Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, United Arab Emirates and Yemen

SUB-SAHARAN AFRICA Angola, Botswana, Cameroon, Côte d'Ivoire, DR Congo, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

REAL SECTOR GDP per capita, Economic Growth, Consumption, Investment, Industrial Production, Unemployment Rate, Fiscal Balance and Public Debt

MONETARY & FINANCIAL SECTOR Money, Inflation Rate, Policy Interest Rate, 10-Year Bond Yield and Exchange Rate

EXTERNAL SECTOR Current Account, Trade Balance, Exports, Imports, International Reserves and External Debt

PRICE FORECASTS FOR 35 COMMODITIES IN 4 MAIN GROUPS

ENERGY Brent Crude Oil, WTI Crude Oil, Coking Coal, Gasoil (European market), Gasoline (U.S. benchmark), Natural Gas (Europe), Natural Gas (U.S.), Thermal Coal and Uranium

BASE METALS Alumina, Aluminium, Cobalt, Copper, Iron Ore, Lead, Molybdenum, Nickel, Steel (European and U.S. markets), Tin and Zinc

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