

LATINFOCUS CONSENSUSFORECAST

Paraguay • January 2023

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Paraguay



Outlook stable

- National accounts data revealed that the economy rebounded in the third quarter, registering a 2.8% expansion, which contrasted Q2's 3.4% shrinkage. The recovery was due to accelerations in private consumption and exports, and weaker contractions in government consumption and fixed investment. Turning to Q4, high-frequency data hints that the economy expanded further, albeit at a softer rate. Economic activity growth in October–November averaged lower compared with Q3, dented by weaker manufacturing output during the period. Additionally, merchandise exports contracted in the same quarter, weighed on by a more challenging international backdrop. More positively, household spending should have remained robust due to lower inflation in Q4 as a whole.
- After 2022's projected contraction, the economy is seen returning to growth this year. Domestic activity will be boosted by lower inflation and interest rates. However, global headwinds will constrain the external sector. Key factors to watch include extreme weather events, regional political and economic instability and April's general elections. FocusEconomics panelists foresee the economy expanding 4.2% in 2023, which is unchanged from last month's estimate, and 4.3% in 2024.
- Inflation inched down to 8.1% in December, from November's 8.3%. In recent months, inflation has retreated into single-digit territory. Accordingly, on 20 December, the Central Bank maintained its key rate at 8.50%. This year, inflation is seen decelerating but ending slightly above the Central Bank's 4.0% target. FocusEconomics panelists see inflation ending 2023 at 4.7%, which is up 0.1 percentage points from last month's projection, and 2024 at 3.6%.

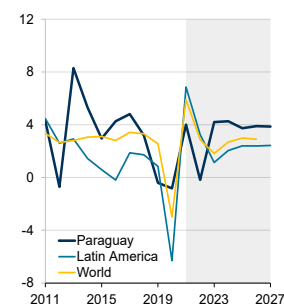
LONG-TERM TRENDS | 3-year averages

	2019-21	2022-24	2025-27
Population (million):	7.3	7.6	7.9
GDP (USD bn):	37.8	45.3	53.8
GDP per capita (USD):	5,208	5,989	6,842
GDP growth (%):	0.9	2.8	3.8
Fiscal Balance (% of GDP):	-4.2	-2.4	-1.5
Public Debt (% of GDP):	33.5	38.8	36.5
Inflation (%):	3.1	5.7	3.9
Current Account (% of GDP):	1.0	-1.7	-0.1
External Debt (% of GDP):	49.7	-	-

Adrià Solanes

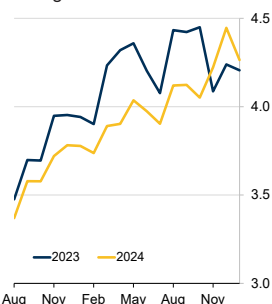
Economist

Economic Growth



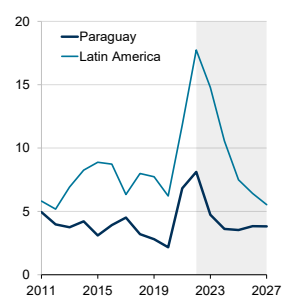
GDP, annual variation in %.
Source: Banco Central del Paraguay (BCP).

Change in GDP forecasts



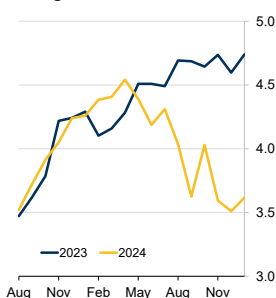
GDP, evolution of 2023 and 2024 forecasts during the last 18 months.

Inflation



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

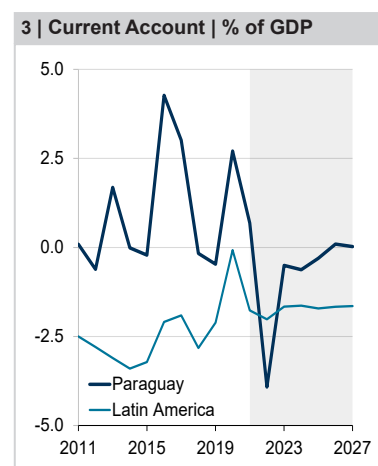
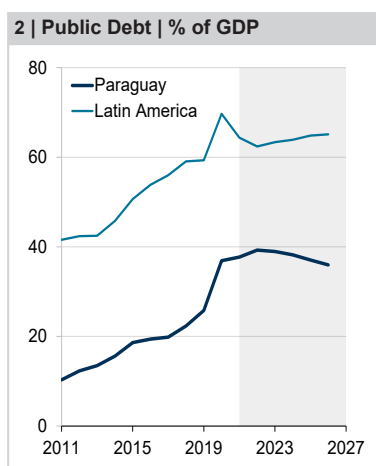
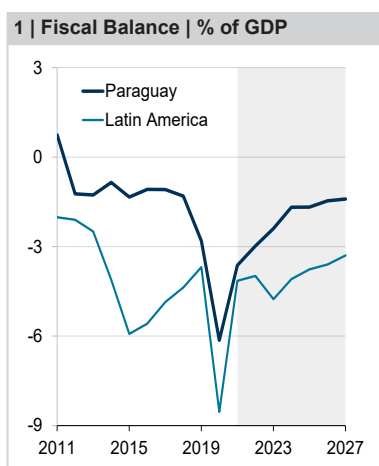
Change in inflation forecasts



Inflation, evolution of 2023 and 2024 forecasts during the last 18 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)	5,705	5,304	4,887	5,432	5,672	5,986	6,308	6,517	6,841	7,167
GDP (USD bn)	40.2	37.9	35.4	39.9	42.3	45.2	48.3	50.6	53.8	57.1
GDP (PYG bn)	230,576	236,681	239,915	270,634	295,252	328,598	350,624	373,006	404,373	437,557
Economic Growth (Nominal GDP, ann. var. %)	5.2	2.6	1.4	12.8	9.1	11.3	6.7	6.4	8.4	8.2
Economic Growth (GDP, ann. var. %)	3.2	-0.4	-0.8	4.0	-0.2	4.2	4.3	3.7	3.9	3.9
Domestic Demand (ann. var. %)	6.4	0.2	-2.8	10.1	3.7	2.9	3.6	4.1	4.0	3.9
Private Consumption (ann. var. %)	4.3	1.8	-3.6	6.1	1.9	3.4	3.7	4.0	4.0	3.8
Government Consumption (ann. var. %)	3.0	4.7	5.1	2.6	-3.8	2.2	2.5	4.5	4.2	3.7
Fixed Investment (ann. var. %)	6.9	-6.1	5.3	18.2	1.6	5.9	7.4	5.0	4.7	4.6
Exports (G&S, ann. var. %)	-0.4	-3.4	-9.0	2.1	-5.6	5.8	4.6	3.6	4.0	3.8
Imports (G&S, ann. var. %)	8.2	-2.0	-15.2	21.8	9.4	3.4	3.1	3.3	4.0	3.9
Unemployment (% of active population, eop)	5.6	5.7	7.2	6.8	6.6	6.6	7.0	7.0	7.0	-
Fiscal Balance (% of GDP)	-1.3	-2.8	-6.1	-3.6	-3.0	-2.4	-1.7	-1.7	-1.5	-1.4
Public Debt (% of GDP)	22.3	25.8	36.9	37.7	39.3	39.0	38.2	37.0	36.0	-
Monetary and Financial Sector										
Money (ann. var. of M2 %)	6.1	7.2	19.6	6.8	-	-	-	-	-	-
Inflation (CPI, ann. var. %, eop)	3.2	2.8	2.2	6.8	8.1	4.7	3.6	3.5	3.8	3.8
Inflation (CPI, ann. var. %, aop)	4.0	2.8	1.8	4.8	9.8	3.6	3.7	3.9	3.9	4.0
Policy Interest Rate (% eop)	5.25	4.00	0.75	5.25	8.50	6.69	5.38	5.17	5.17	5.17
Exchange Rate (PYG per USD, eop)	5,961	6,453	6,907	6,877	7,331	7,200	7,321	7,434	7,604	7,723
Exchange Rate (PYG per USD, aop)	5,731	6,238	6,769	6,776	6,983	7,266	7,261	7,377	7,519	7,664
External Sector										
Current Account Balance (% of GDP)	-0.2	-0.5	2.7	0.7	-3.9	-0.5	-0.6	-0.3	0.1	0.0
Current Account Balance (USD bn)	-0.1	-0.2	1.0	0.3	-1.7	-0.2	-0.3	-0.2	0.0	0.0
Merchandise Trade Balance (USD bn)	0.8	0.5	1.5	0.9	-1.5	0.2	0.4	0.4	0.6	0.5
Merchandise Exports (USD bn)	13.7	12.7	11.5	14.0	13.2	15.0	15.8	15.7	16.7	17.6
Merchandise Imports (USD bn)	12.9	12.3	10.0	13.1	14.7	14.8	15.4	15.3	16.1	17.2
Merchandise Exports (ann. var. %)	2.5	-7.5	-9.5	22.1	-6.1	13.6	5.4	-0.2	6.2	5.4
Merchandise Imports (ann. var. %)	12.1	-5.2	-18.1	30.4	12.1	1.0	3.9	-0.5	5.4	6.3
Foreign Direct Investment (USD bn)	0.2	0.2	0.1	0.1	-	-	-	-	-	-
International Reserves (USD bn)	8.0	7.7	9.5	9.9	9.7	10.2	10.7	-	-	-
International Reserves (months of imports)	7.4	7.5	11.3	9.1	7.9	8.3	8.4	-	-	-
External Debt (USD bn)	16.4	16.7	19.4	20.1	-	-	-	-	-	-
External Debt (% of GDP)	40.7	44.0	54.8	50.2	-	-	-	-	-	-



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.

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

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

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:	22 April 2018
Next elections:	30 April 2023
Central Bank President:	José Cantero Sienna

Long-term Foreign Currency Ratings

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

Strengths

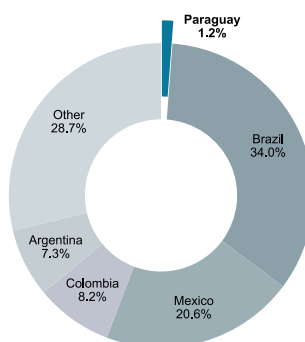
- Favorable conditions for agriculture
- Commitment to structural reforms
- Stable source of income from hydroelectric dams

Weaknesses

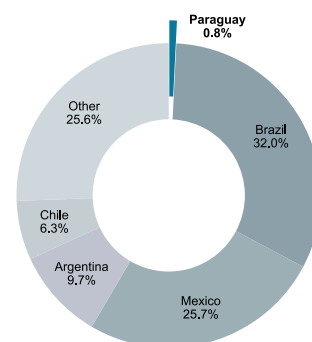
- Vulnerability to commodity price swings
- Dependence on neighboring economies

Paraguay in the Region

Population | %-share in Latin America

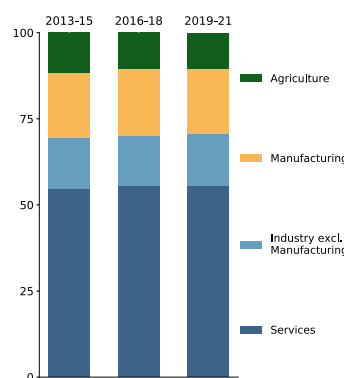


GDP | %-share in Latin America

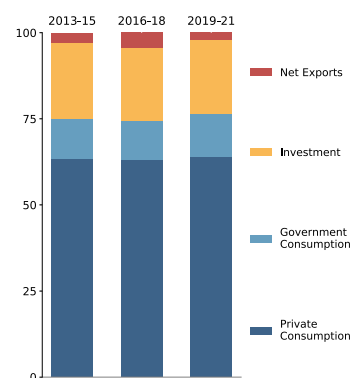


Economic Structure

GDP by Sector | share in %

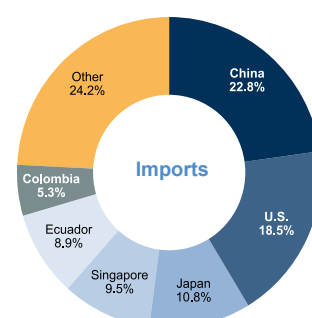
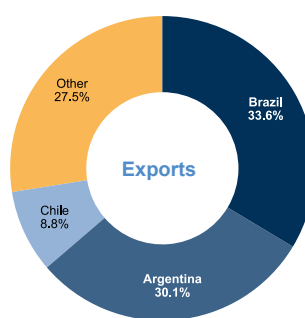


GDP by Expenditure | share in %

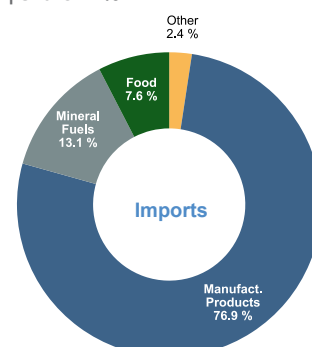
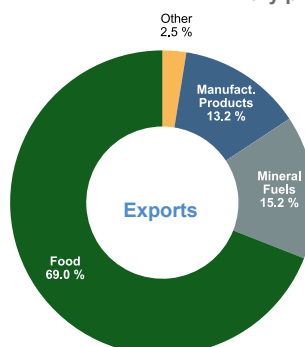


Trade Structure

Primary markets | share in %



Primary products | share in %



Economic Release Calendar

Date	Country	Event
17 January	Ecuador	November Economic Activity
20 January	Argentina	December Merchandise Trade
	Argentina	January Consumer Confidence (E)
	Peru	November Economic Activity
23 January	Brazil	January Business Confidence (E)
	Brazil	January Consumer Confidence (E)
25 January	Argentina	November Economic Activity
	Mexico	November Economic Activity
26 January	Brazil	December Balance of Payments
	Chile	Central Bank Meeting
27 January	Colombia	Central Bank Meeting
	Mexico	December Merchandise Trade
31 January	Mexico	Q4 2022 National Accounts (P)
1 February	Brazil	January S&P Global Manufacturing PMI
	Brazil	Central Bank Meeting
	Chile	December Economic Activity
	Chile	January Business Confidence (E)
	Colombia	January Davivienda Manufacturing PMI
	Mexico	January IMEF PMI
3 February	Brazil	December Industrial Production
	Mexico	January Consumer Confidence
	Peru	January Consumer Prices
	Uruguay	January Consumer Prices
4 February	Colombia	January Consumer Prices
5 February	Colombia	December Merchandise Trade (E)
6 February	Ecuador	January Consumer Prices
7 February	Colombia	January Consumer Confidence
8 February	Argentina	December Industrial Production
	Chile	January Consumer Prices
9 February	Brazil	January Consumer Prices
	Brazil	December Retail Sales
	Mexico	January Consumer Prices
	Mexico	Central Bank Meeting
10 February	Peru	Central Bank Meeting
	Peru	January Merchandise Trade

(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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ECONOMIC FORECASTS FOR KEY INDICATORS IN 132 COUNTRIES IN 12 REGIONS

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, 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

PRECIOUS METALS Gold, Silver, Palladium and Platinum

AGRICULTURAL Cocoa, Coffee, Corn, Cotton, Palm oil, Soybeans, Sugar, Rice, Wheat and Wool

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