

LATINFOCUS CONSENSUS FORECAST

Paraguay • March 2023

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Paraguay



Outlook stable

- Available data indicates that the economy expanded again in Q4, but at a slower annual rate than in Q3 as growth in the economic activity index softened in the period. From a sectorial standpoint, manufacturing and construction output worsened, while the agricultural and energy sectors remained positive contributors to growth. Meanwhile, lower inflation and unemployment in the period should have supported private consumption. That said, average merchandise exports growth slowed during Q4, dented by a more challenging international backdrop. Shifting to this year, early signs suggest that growth is picking up. Domestic demand seemingly strengthened in January: Imports rebounded, and consumer confidence rose amid lower inflation. Moreover, growth in merchandise exports accelerated in January thanks to higher prices for agricultural commodities.
- Following 2022's projected contraction, the economy is seen growing this year on a low base effect and lower inflation and interest rates. That said, global headwinds are set to constrain the external sector. Key factors to watch include weather conditions, April's general elections and regional economic and political instability. FocusEconomics panelists foresee the economy expanding 4.2% in 2023, which is unchanged from last month's estimate, and 4.1% in 2024.
- Inflation declined for the third successive month in February, coming in at 6.9% from January's 7.8% on softer price pressures for food and transportation. Against this backdrop, on 22 February the Central Bank maintained its key rate at 8.50%. Inflation is seen decelerating this year but averaging above the Bank's 4.0% target. FocusEconomics panelists see inflation averaging 5.2% in 2023, which is up 0.1 percentage points from last month's projection, and 4.0% in 2024.

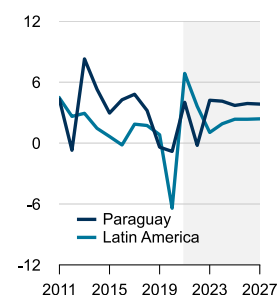
LONG-TERM TRENDS | 3-year averages

	2019-21	2022-24	2025-27
Population (million):	7.3	7.6	7.9
GDP (USD bn):	37.8	44.8	52.7
GDP per capita (USD):	5,208	5,924	6,701
GDP growth (%):	0.9	2.7	3.8
Fiscal Balance (% of GDP):	-4.2	-2.3	-1.5
Public Debt (% of GDP):	33.5	39.1	36.5
Inflation (%):	3.1	6.3	3.9
Current Account (% of GDP):	1.0	-2.2	-0.1
External Debt (% of GDP):	49.7	-	-

Adrià Solanes

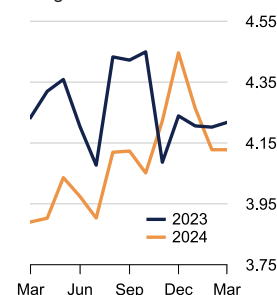
Economist

Economic Growth



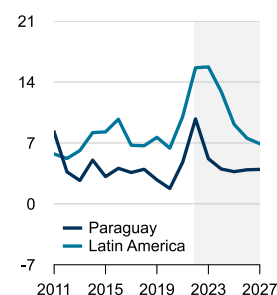
GDP, annual variation in %. Source: Banco Central del Paraguay (BCP).

Change in GDP forecasts



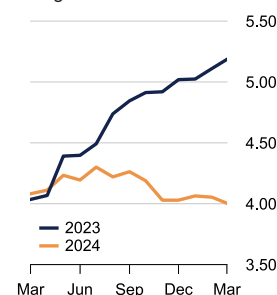
GDP, evolution of 2023 and 2024 forecasts during the last 12 months.

Inflation



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

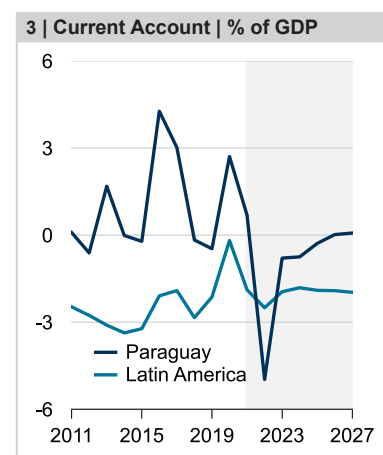
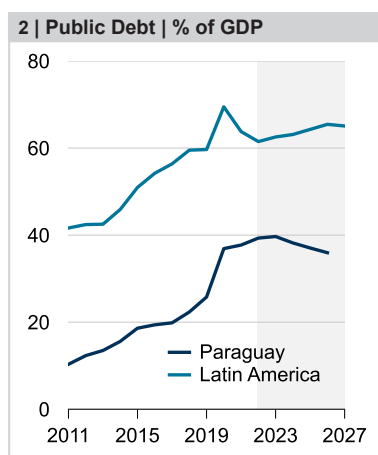
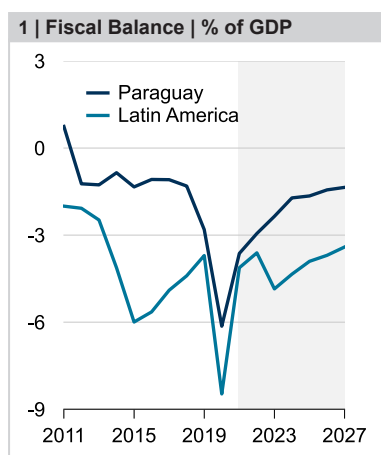
Change in inflation forecasts



Inflation, evolution of 2023 and 2024 forecasts during the last 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)	5,705	5,304	4,887	5,432	5,660	5,906	6,206	6,379	6,697	7,026
GDP (USD bn)	40.2	37.9	35.4	39.9	42.2	44.6	47.5	49.5	52.7	56.0
GDP (PYG bn)	230,576	236,681	239,915	270,634	294,589	327,079	351,358	373,984	409,145	444,732
Economic Growth (Nominal GDP, ann. var. %)	5.2	2.6	1.4	12.8	8.9	11.0	7.4	6.4	9.4	8.7
Economic Growth (GDP, ann. var. %)	3.2	-0.4	-0.8	4.0	-0.2	4.2	4.1	3.7	3.9	3.8
Domestic Demand (ann. var. %)	6.4	0.2	-2.8	10.1	3.5	2.8	3.5	4.0	4.0	3.9
Private Consumption (ann. var. %)	4.3	1.8	-3.6	6.1	1.9	2.9	3.5	3.9	3.9	3.6
Government Consumption (ann. var. %)	3.0	4.7	5.1	2.6	-4.4	2.9	3.4	4.3	4.2	3.7
Fixed Investment (ann. var. %)	6.9	-6.1	5.3	18.2	1.5	5.3	7.2	4.7	4.5	4.5
Exports (G&S, ann. var. %)	-0.4	-3.4	-9.0	2.1	-4.5	5.6	4.3	3.7	4.0	3.8
Imports (G&S, ann. var. %)	8.2	-2.0	-15.2	21.8	10.9	2.9	2.6	3.3	4.0	3.9
Unemployment (% of active population, eop)	5.6	5.7	7.2	6.8	5.7	6.6	-	-	-	-
Fiscal Balance (% of GDP)	-1.3	-2.8	-6.1	-3.6	-2.9	-2.4	-1.7	-1.7	-1.4	-1.4
Public Debt (% of GDP)	22.3	25.8	36.9	37.7	39.3	39.7	38.2	37.0	36.0	-
Monetary and Financial Sector										
Money (ann. var. of M2 %)	6.1	7.2	19.6	6.8	1.7	-	-	-	-	-
Inflation (CPI, ann. var. %, eop)	3.2	2.8	2.2	6.8	8.1	5.0	3.7	3.6	3.9	3.9
Inflation (CPI, ann. var. %, aop)	4.0	2.8	1.8	4.8	9.8	5.2	4.0	3.7	3.9	4.0
Policy Interest Rate (% eop)	5.25	4.00	0.75	5.25	8.50	6.94	5.38	5.17	5.17	5.17
Exchange Rate (PYG per USD, eop)	5,961	6,453	6,907	6,877	7,331	7,329	7,460	7,653	7,889	8,003
Exchange Rate (PYG per USD, aop)	5,731	6,238	6,769	6,776	6,983	7,330	7,395	7,557	7,771	7,946
External Sector										
Current Account Balance (% of GDP)	-0.2	-0.5	2.7	0.7	-5.0	-0.8	-0.7	-0.3	0.0	0.1
Current Account Balance (USD bn)	-0.1	-0.2	1.0	0.3	-2.1	-0.4	-0.4	-0.1	0.0	0.0
Merchandise Trade Balance (USD bn)	0.8	0.5	1.5	0.9	-1.6	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	15.7	15.6	16.5	17.4
Merchandise Imports (USD bn)	12.9	12.3	10.0	13.1	14.8	14.8	15.3	15.2	16.0	16.8
Merchandise Exports (ann. var. %)	2.5	-7.5	-9.5	22.1	-6.0	13.6	5.1	-0.7	5.9	5.0
Merchandise Imports (ann. var. %)	12.1	-5.2	-18.1	30.4	12.8	0.2	3.6	-0.9	5.2	5.4
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	9.8	10.2	10.8	-	-	-
International Reserves (months of imports)	7.4	7.5	11.3	9.1	8.0	8.2	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

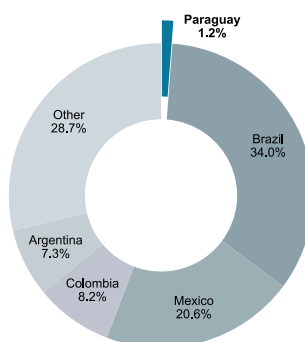
- Favorable conditions for agriculture
- Commitment to structural reforms
- Stable source of income from hydroelectric dams

Weaknesses

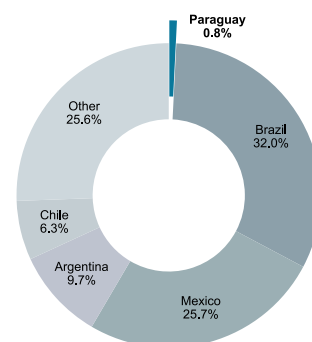
- Vulnerability to commodity price swings
- Dependence on neighboring economies

Paraguay in the Region

Population | %-share in Latin America

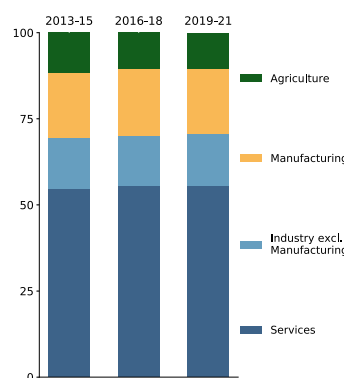


GDP | %-share in Latin America

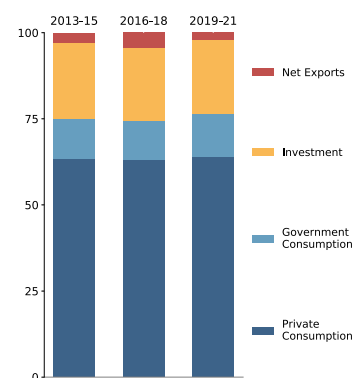


Economic Structure

GDP by Sector | share in %

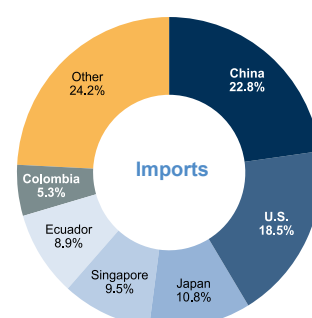
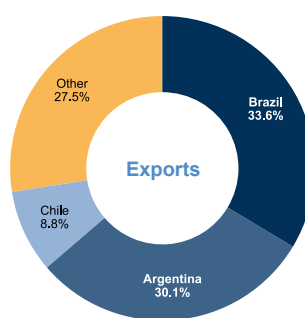


GDP by Expenditure | share in %

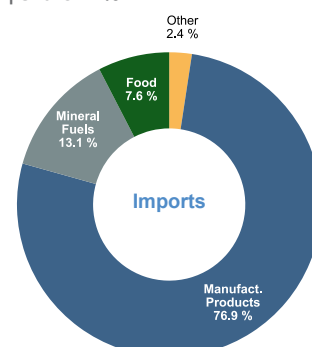
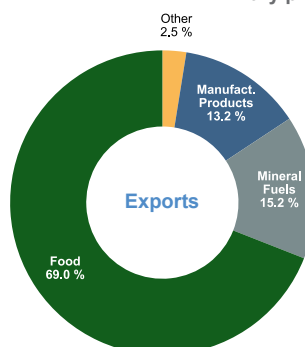


Trade Structure

Primary markets | share in %



Primary products | share in %



Economic Release Calendar

Date	Country	Event
13 March	Uruguay	January Industrial Production
15 March	Argentina	February Consumer Prices
	Ecuador	January Economic Activity
16 March	Brazil	January Economic Activity
17 March	Colombia	January Economic Activity
	Peru	January Economic Activity
20 March	Argentina	March Consumer Confidence (E)
	Chile	Q4 2022 National Accounts
22 March	Brazil	Central Bank Meeting
	Mexico	Q4 2022 National Accounts (by expenditure)
23 March	Argentina	Q4 2022 National Accounts
	Argentina	February Merchandise Trade
24 March	Mexico	January Economic Activity
	Uruguay	Q4 2022 National Accounts
25 March	Brazil	March Consumer Confidence (E)
26 March	Brazil	March Business Confidence (E)
27 March	Brazil	February Balance of Payments
	Mexico	February Merchandise Trade
29 March	Argentina	January Economic Activity
30 March	Mexico	Central Bank Meeting
31 March	Colombia	Central Bank Meeting
	Ecuador	Q4 2022 National Accounts
1 April	Chile	March Business Confidence (E)
3 April	Brazil	March S&P Global Manufacturing PMI
	Chile	February Economic Activity
	Colombia	March Davivienda Manufacturing PMI
	Mexico	March IMEF PMI
	Uruguay	March Consumer Prices
4 April	Chile	Central Bank Meeting
5 April	Brazil	March S&P Global Services PMI
	Colombia	March Consumer Prices
	Colombia	February Merchandise Trade (E)
	Mexico	March Consumer Prices
	Mexico	March Consumer Confidence
6 April	Chile	March Consumer Prices
	Ecuador	March Consumer Prices
7 April	Argentina	February Industrial Production
	Colombia	March Consumer Confidence
	Peru	Central Bank Meeting
	Peru	March Consumer Prices
11 April	Brazil	March Consumer Prices
13 April	Argentina	March Consumer Prices
14 April	Peru	March 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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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

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