

LATINFOCUS CONSENSUSFORECAST

Paraguay • November 2023

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Paraguay

Growth to remain region's fastest in 2024

Paraguay

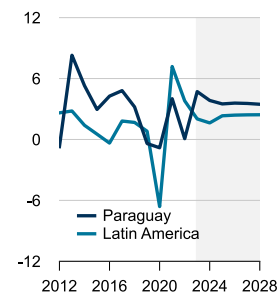


Matthew Cunningham
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LONG-TERM TRENDS | 3-year averages

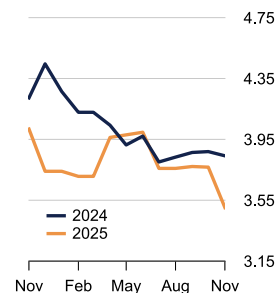
	2020-22	2023-25	2026-28
GDP growth (%):	1.1	4.0	3.5
Fiscal Balance (% of GDP):	-4.2	-2.1	-1.5
Public Debt (% of GDP):	38.4	-	-
Inflation (%):	5.5	4.1	3.8
Current Account (% of GDP):	-1.9	-0.6	-0.8

Economic Growth



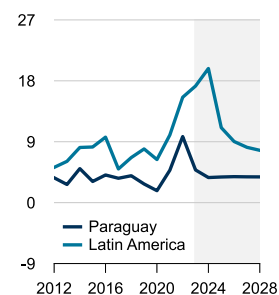
GDP, annual variation in %. Source: Banco Central del Paraguay (BCP).

Change in GDP forecasts



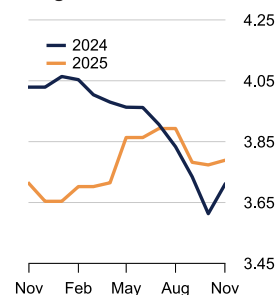
GDP, evolution of 2024 and 2025 forecasts during the last 12 months.

Inflation



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

Change in inflation forecasts



Inflation, evolution of 2024 and 2025 forecasts during the last 12 months.

Economic overview: GDP grew an impressive 5.9% in Q2, and 9.3% excluding a slump in inventories. Turning to Q3, our panelists expect growth to have cooled, but to have remained robust. The economic activity index was up 5.4% year on year in July–August, with the statistical office stating that growth was driven by the electricity, manufacturing and services sectors. Consumer spending was likely aided by declining inflation plus recent cuts to interest rates by the Central Bank; consumer confidence in the quarter averaged at the highest level since Q1 2019. Less positively, growth of quarterly rolling business sales fell to 2.2% in August, from 2.9% at the end of Q2. Looking at the external sector, exports rose more slowly in annual terms in Q3 than in Q2, while merchandise imports contracted at a weaker pace.

GDP outlook: After being boosted by a low base effect this year, GDP growth is projected to slow in 2024. Nonetheless, the expansion is projected to remain the rapidest in Latin America, boosted by stronger private spending and fixed investment as the Central Bank rolls back its rate hikes. Lower inflation will further aid momentum. FocusEconomics panelists see GDP expanding 3.8% in 2024, which is down by 0.1 percentage points from one month ago, and expanding 3.5% in 2025.

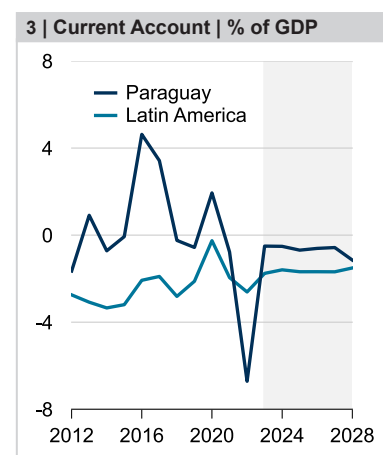
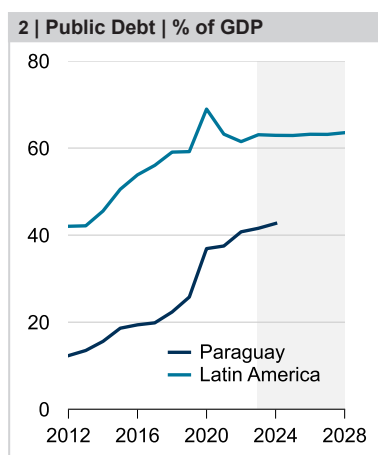
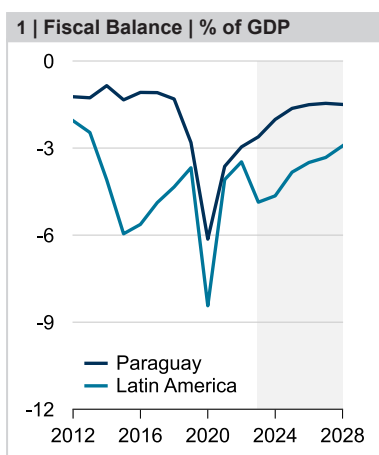
Inflation: Inflation was stable at 3.5% in October, remaining below the Central Bank's 4.0% target. Inflation should continue to average below the Central Bank's target in Q4 and in 2024. A key risk is posed by El Niño; if moderate, the rains it causes could boost agriculture, while if severe, they could cause crop damage and stoke food inflation. FocusEconomics panelists see consumer prices rising 3.7% on average in 2024, which is up by 0.1 percentage points from one month ago, and rising 3.8% on average in 2025.

Monetary policy: At its last meeting on 31 October, the Central Bank of Paraguay lowered its benchmark rate by 25 basis points to 7.75%. This was in line with our Consensus Forecast, which projects that the Bank will continue to ease rates by the end of the year and further in 2024. A key upside risk is posed by higher commodity prices amid El Niño and the Israel-Hamas war. FocusEconomics panelists see the policy interest rate ending 2024 at 5.55% and ending 2025 at 5.25%.

Currency: The guarani traded at PYG 7,415 per USD on 3 November, depreciating 1.7% month on month. The currency was weighed on by a continued rise in U.S. Treasury yields. In response, Paraguay's Central Bank sold USD 66.2 million in FX reserves in October to support the guarani. The currency should remain roughly stable from current levels through end-2024. FocusEconomics panelists see the guarani ending 2024 at PYG 7,444 per USD and ending 2025 at PYG 7,602 per USD.

Economic Indicators | 2019 - 2028

Annual Data	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Real Sector										
Population (million)	7.2	7.3	7.4	7.5	7.6	7.7	7.8	7.9	8.0	8.1
GDP per capita (USD)	5,297	4,872	5,414	5,579	5,833	6,128	6,375	6,698	6,994	7,272
GDP (USD bn)	37.9	35.3	39.8	41.6	44.1	46.9	49.5	52.7	55.7	58.7
GDP (PYG bn)	236,681	239,915	270,634	291,336	324,200	347,001	372,081	403,634	433,603	463,586
Economic Growth (Nominal GDP, ann. var. %)	2.6	1.4	12.8	7.6	11.3	7.0	7.2	8.5	7.4	6.9
Economic Growth (GDP, ann. var. %)	-0.4	-0.8	4.0	0.1	4.7	3.8	3.5	3.6	3.5	3.5
Private Consumption (ann. var. %)	1.8	-3.6	6.1	2.2	2.6	3.6	3.7	3.8	3.4	3.3
Government Consumption (ann. var. %)	4.7	5.1	2.6	-5.7	3.1	2.3	2.3	3.8	3.3	3.2
Fixed Investment (ann. var. %)	-6.1	5.3	18.2	-2.3	-0.1	5.2	5.0	3.6	3.7	3.7
Exports (G&S, ann. var. %)	-3.4	-9.0	2.1	-1.6	10.4	4.3	3.7	-	-	-
Imports (G&S, ann. var. %)	-2.0	-15.2	21.8	5.6	3.4	3.9	3.5	-	-	-
Unemployment (% of active population, aop)	6.6	7.7	7.5	6.8	6.4	6.3	6.3	6.2	6.2	6.2
Fiscal Balance (% of GDP)	-2.8	-6.1	-3.6	-3.0	-2.6	-2.0	-1.6	-1.5	-1.5	-1.5
Public Debt (% of GDP)	25.8	36.9	37.5	40.8	41.6	42.7	-	-	-	-
Monetary and Financial Sector										
Money (ann. var. of M2 %)	7.2	19.1	6.8	3.0	-	-	-	-	-	-
Inflation (CPI, ann. var. %, eop)	2.8	2.2	6.8	8.1	4.0	3.7	3.7	3.8	3.7	3.8
Inflation (CPI, ann. var. %, aop)	2.8	1.8	4.8	9.8	4.8	3.7	3.8	3.8	3.8	3.8
Policy Interest Rate (% eop)	4.00	0.75	5.25	8.50	7.00	5.55	5.25	5.17	5.17	5.17
Exchange Rate (PYG per USD, eop)	6,464	6,897	6,906	7,366	7,348	7,444	7,602	7,726	7,838	7,954
Exchange Rate (PYG per USD, aop)	6,246	6,789	6,798	7,006	7,357	7,396	7,523	7,664	7,782	7,896
External Sector										
Current Account Balance (% of GDP)	-0.6	1.9	-0.8	-6.7	-0.5	-0.5	-0.7	-0.6	-0.6	-1.1
Current Account Balance (USD bn)	-0.2	0.7	-0.3	-2.8	-0.2	-0.2	-0.3	-0.3	-0.3	-0.7
Merchandise Trade Balance (USD bn)	0.2	1.2	0.6	-1.9	-0.1	-0.1	-0.1	-0.2	-0.2	-0.5
Merchandise Exports (USD bn)	12.1	11.0	13.2	12.8	14.8	15.8	16.2	16.9	17.8	18.1
Merchandise Imports (USD bn)	11.9	9.7	12.6	14.7	14.9	15.9	16.3	17.0	17.9	18.7
Merchandise Exports (ann. var. %)	-8.1	-9.6	20.7	-3.1	15.3	7.1	2.4	4.0	5.3	2.1
Merchandise Imports (ann. var. %)	-5.5	-18.3	29.4	17.1	1.2	6.8	2.6	4.1	5.4	4.0
Foreign Direct Investment (USD bn)	0.3	0.1	0.2	0.5	-	-	-	-	-	-
International Reserves (USD bn)	7.7	9.5	9.9	9.8	9.9	10.4	-	-	-	-
International Reserves (months of imports)	7.7	11.7	9.5	8.0	7.9	7.9	-	-	-	-
External Debt (USD bn)	16.4	19.8	21.4	-	-	-	-	-	-	-
External Debt (% of GDP)	43.2	55.9	53.6	-	-	-	-	-	-	-
Monthly Data										
	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23
Inflation (CPI, mom var. %)	1.20	0.47	0.39	0.39	0.00	-0.31	0.00	-0.16	0.47	0.47
Inflation (CPI, ann. var. %, eop)	7.8	6.9	6.4	5.3	5.1	4.2	3.5	2.9	3.5	3.5
Exchange Rate (PYG per USD, eop)	7,365	7,303	7,195	7,275	7,297	7,290	7,297	7,298	7,314	7,471



Notes and sources

Note: FocusEconomics Consensus Forecasts are highlighted in grey.

Long-term chart period from 2012 to 2028 unless otherwise stated. The Latin America regional aggregate excludes Venezuela. All data are from the Central Bank of Paraguay (BCP, *Banco Central del Paraguay*), the International Monetary Fund (IMF) and Ministry of the Treasury (MH, *Ministerio de Hacienda*). See below for details. 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:	Santiago Peña
Last elections:	30 April 2023
Next elections:	2028
Central Bank President:	José Cantero Sienra

Long-term Foreign Currency Ratings

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

Strengths

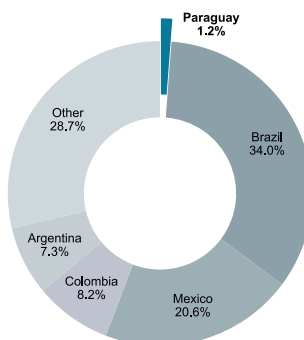
- Favorable conditions for agriculture
- Commitment to structural reforms
- Stable source of income from hydroelectric dams

Weaknesses

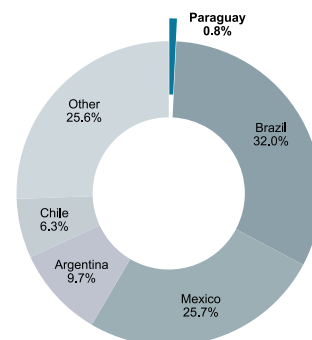
- Vulnerability to commodity price swings
- Dependence on neighboring economies

Paraguay in the Region

Population | %-share in Latin America

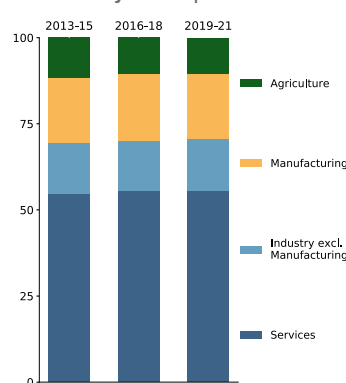


GDP | %-share in Latin America

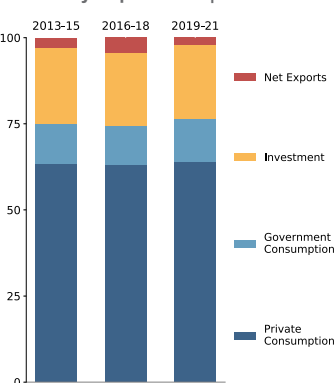


Economic Structure

GDP by Sector | share in %

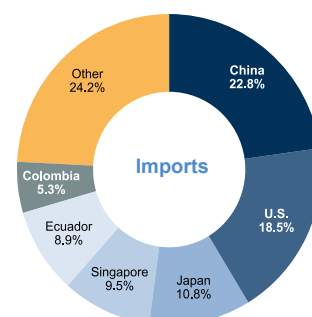
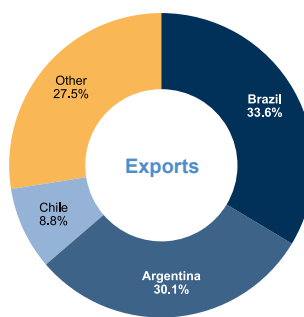


GDP by Expenditure | share in %

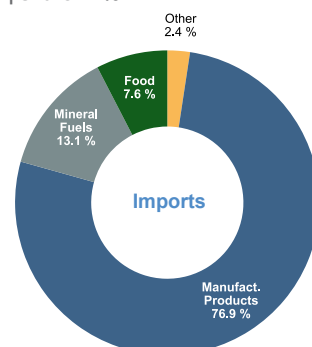
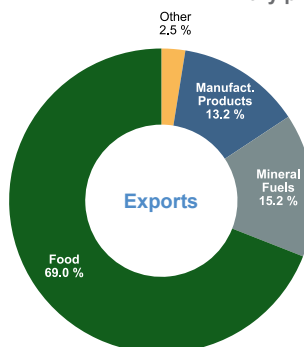


Trade Structure

Primary markets | share in %



Primary products | share in %



Economic Release Calendar

Date	Country	Event
6 November	Brazil	October S&P Global Services PMI
	Brazil	September Balance of Payments
7 November	Colombia	October Consumer Confidence
8 November	Argentina	September Industrial Production
	Chile	October Consumer Prices
	Ecuador	October Consumer Prices
9 November	Mexico	Central Bank Meeting
	Mexico	October Consumer Prices
10 November	Brazil	October Consumer Prices
	Peru	Central Bank Meeting
	Peru	September Merchandise Trade
	Uruguay	September Manufacturing Production
15 November	Argentina	October Consumer Prices
	Colombia	Q3 2023 National Accounts
	Colombia	September Economic Activity
16 November	Uruguay	Central Bank Meeting
17 November	Brazil	September Economic Activity
	Ecuador	September Economic Activity
	Peru	Q3 2023 National Accounts
	Peru	September Economic Activity
	Argentina	November Consumer Confidence (E)
20 November	Chile	Q3 2023 National Accounts
	Argentina	October Merchandise Trade
22 November	Argentina	September Economic Activity
23 November	Argentina	September Economic Activity
27 November	Brazil	October Balance of Payments
	Mexico	October Merchandise Trade
28 November	Brazil	November Economic Sentiment (E)
1 December	Brazil	November S&P Global Manufacturing PMI
	Chile	October Economic Activity
	Chile	November Business Confidence (E)
	Colombia	November Davivienda Manufacturing PMI
	Mexico	November IMEF PMI
	Peru	November Consumer Prices

(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, 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

PRECIOUS METALS Gold, Silver, Palladium and Platinum

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