

LATINFOCUS CONSENSUS FORECAST

Paraguay • October 2023

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PUBLICATION DATE 10 October 2023
FORECASTS COLLECTED 3 October 2023 - 8 October 2023
INFORMATION AVAILABLE Up to and including 8 October 2023
NEXT EDITION 7 November 2023

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Paraguay



Outlook stable

- As expected, GDP growth sped up in Q2, clocking in at 5.9% year on year, following a downwardly revised 4.9% in Q1. Underlying economic activity may have grown even more quickly; excluding a slump in inventories, GDP growth was 9.3%. Overall, domestic demand expanded more than in the prior quarter, while net exports rose slightly less. Turning to Q3, in July, growth of economic activity remained robust at 6.9% year on year. The statistical office said that the agricultural, construction, electricity and services sectors drove growth, while the manufacturing sector dragged on growth. Consumer spending in Q3 was likely boosted by the recent cuts to interest rates by the Central Bank, as well as declining inflation; consumer confidence reached close to four-year highs in July–August.
- Paraguay’s GDP growth will be one of Latin America’s rapident in 2023. However, this will be mostly due to the low base effect from 2022’s stagnation. Nonetheless, underlying activity should be boosted by lower inflation and better weather after last year’s drought. El Niño is a key risk—agriculture would be supported by moderate rainfall but hurt by heavy rainfall. FocusEconomics panelists see GDP expanding 4.3% in 2023, which is unchanged from one month ago, and expanding 3.9% in 2024.
- Inflation rose to 3.5% in September (August: 2.9%). This was still below the Central Bank’s 4.0% target, however. Average inflation should remain around the Central Bank’s target in Q4 and in 2024. Meanwhile, the Central Bank cut its policy rate by another 25 basis points on 20 September to 8.00%. FocusEconomics panelists see consumer prices rising 4.9% on average in 2023, which is down by 0.1 percentage points from one month ago, and rising 3.6% on average in 2024.

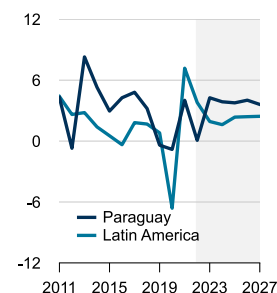
LONG-TERM TRENDS | 3-year averages

	2019-21	2022-24	2025-27
Population (million):	7.3	7.6	7.9
GDP (USD bn):	37.7	44.3	53.2
GDP per capita (USD):	5,194	5,860	6,763
GDP growth (%):	0.9	2.8	3.8
Fiscal Balance (% of GDP):	-4.2	-2.6	-1.5
Public Debt (% of GDP):	33.4	42.1	-
Inflation (%):	3.1	6.1	3.8
Current Account (% of GDP):	0.2	-2.7	-1.1

Matthew Cunningham

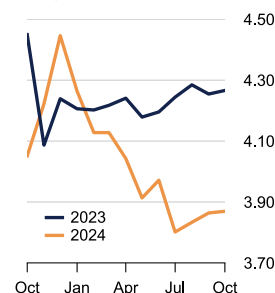
Economist

Economic Growth



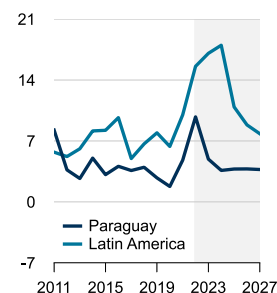
GDP, annual variation in %. Source: Banco Central del Paraguay (BCP).

Change in GDP forecasts



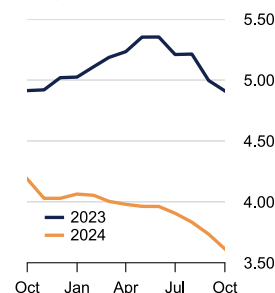
GDP, evolution of 2023 and 2024 forecasts during the last 12 months.

Inflation



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

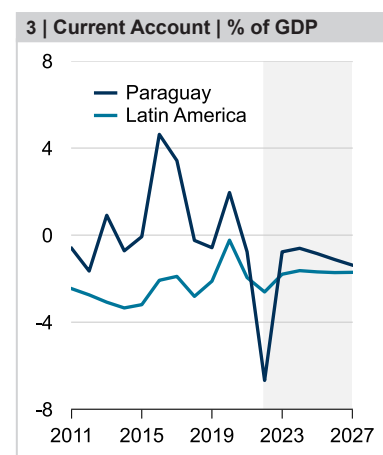
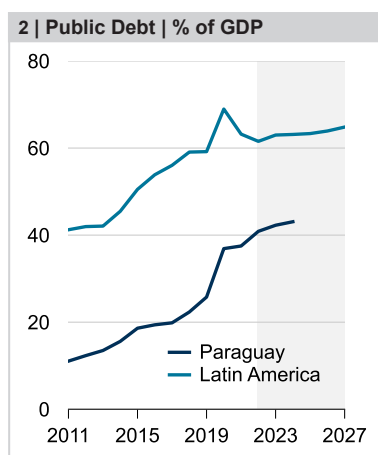
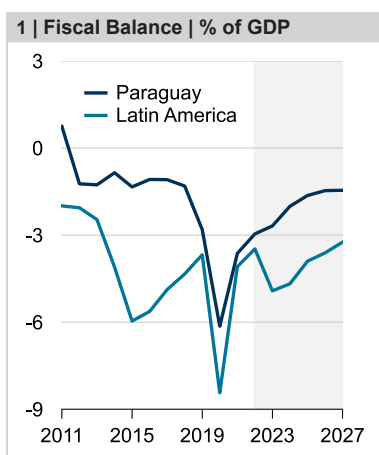
Change in inflation forecasts



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	5,845	6,157	6,436	6,772	7,082
GDP (USD bn)	40.1	37.9	35.3	39.8	41.6	44.2	47.1	49.9	53.2	56.4
GDP (PYG bn)	230,576	236,681	239,915	270,634	291,336	324,485	346,903	372,432	402,623	431,451
Economic Growth (Nominal GDP, ann. var. %)	5.2	2.6	1.4	12.8	7.6	11.4	6.9	7.4	8.1	7.2
Economic Growth (GDP, ann. var. %)	3.2	-0.4	-0.8	4.0	0.1	4.3	3.9	3.8	4.0	3.6
Domestic Demand (ann. var. %)	6.4	0.2	-2.8	10.1	2.5	0.5	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	3.4	4.0	3.5
Government Consumption (ann. var. %)	3.0	4.7	5.1	2.6	-5.7	4.0	2.0	2.0	4.1	3.4
Fixed Investment (ann. var. %)	6.9	-6.1	5.3	18.2	-2.3	-0.3	6.5	7.2	4.9	3.6
Exports (G&S, ann. var. %)	-0.4	-3.4	-9.0	2.1	-1.6	10.1	4.3	3.7	-	-
Imports (G&S, ann. var. %)	8.2	-2.0	-15.2	21.8	5.6	3.8	3.9	3.5	-	-
Unemployment (% of active population, eop)	5.6	5.7	7.2	6.8	5.7	6.4	-	-	-	-
Fiscal Balance (% of GDP)	-1.3	-2.8	-6.1	-3.6	-3.0	-2.7	-2.0	-1.6	-1.5	-1.5
Public Debt (% of GDP)	22.3	25.8	36.9	37.5	40.9	42.3	43.1	-	-	-
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	4.1	3.6	3.6	3.7	3.5
Inflation (CPI, ann. var. %, aop)	4.0	2.8	1.8	4.8	9.8	4.9	3.6	3.8	3.8	3.7
Policy Interest Rate (% eop)	5.25	4.00	0.75	5.25	8.50	6.90	5.40	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	7,527	7,597	7,699
Exchange Rate (PYG per USD, aop)	5,746	6,246	6,789	6,798	7,006	7,348	7,360	7,459	7,562	7,648
External Sector										
Current Account Balance (% of GDP)	-0.2	-0.6	2.0	-0.8	-6.7	-0.8	-0.6	-0.9	-1.1	-1.4
Current Account Balance (USD bn)	-0.1	-0.2	0.7	-0.3	-2.8	-0.3	-0.3	-0.4	-0.6	-0.8
Merchandise Trade Balance (USD bn)	0.6	0.2	1.2	0.6	-1.9	0.1	0.0	0.1	0.1	0.0
Merchandise Exports (USD bn)	13.2	12.1	11.0	13.2	12.8	14.6	15.4	15.8	16.4	17.3
Merchandise Imports (USD bn)	12.6	11.9	9.7	12.6	14.7	14.5	15.4	15.6	16.3	17.3
Merchandise Exports (ann. var. %)	1.5	-8.1	-9.6	20.7	-3.1	13.9	5.5	2.3	3.7	5.7
Merchandise Imports (ann. var. %)	11.6	-5.5	-18.3	29.4	17.1	-1.8	6.1	1.8	3.9	6.2
Foreign Direct Investment (USD bn)	0.2	0.3	0.1	0.2	0.5	-	-	-	-	-
International Reserves (USD bn)	8.0	7.7	9.5	9.9	9.8	9.9	10.4	-	-	-
International Reserves (months of imports)	7.6	7.7	11.7	9.5	8.0	8.2	8.1	-	-	-
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 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

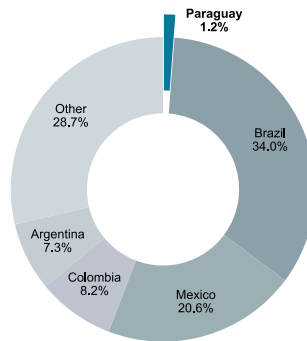
- Favorable conditions for agriculture
- Commitment to structural reforms
- Stable source of income from hydroelectric dams

Weaknesses

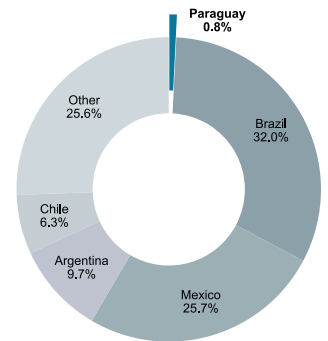
- Vulnerability to commodity price swings
- Dependence on neighboring economies

Paraguay in the Region

Population | %-share in Latin America

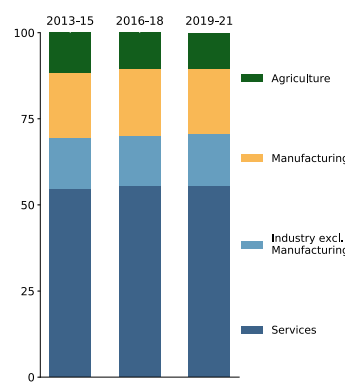


GDP | %-share in Latin America

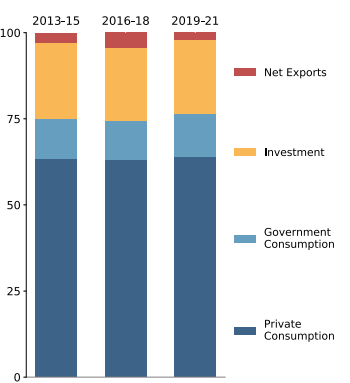


Economic Structure

GDP by Sector | share in %

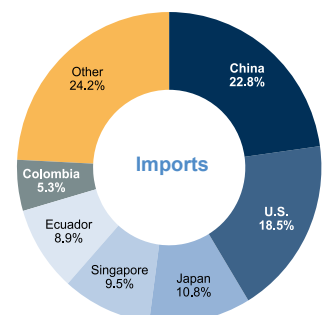
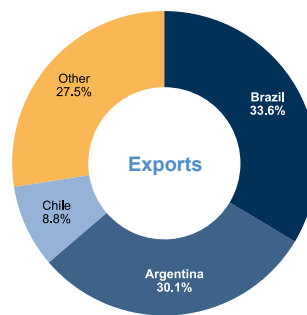


GDP by Expenditure | share in %

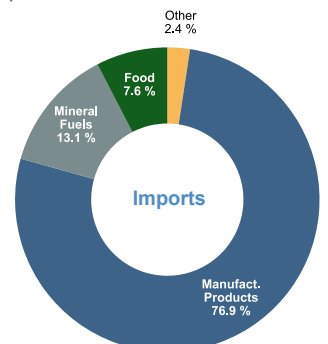
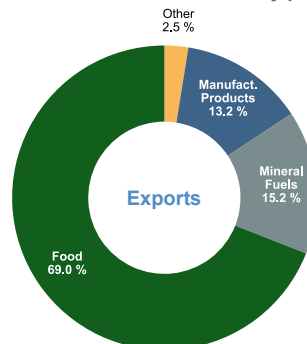


Trade Structure

Primary markets | share in %



Primary products | share in %



Economic Release Calendar

Date	Country	Event
9 October	Mexico	September Consumer Prices
11 October	Brazil	September Consumer Prices
12 October	Uruguay	August Manufacturing Production
14 October	Argentina	September Consumer Prices
17 October	Brazil	August Economic Activity
	Ecuador	August Economic Activity
18 October	Colombia	August Economic Activity
20 October	Argentina	October Consumer Confidence (E)
	Argentina	August Economic Activity
	Argentina	September Merchandise Trade
	Peru	August Economic Activity
23 October	Mexico	August Economic Activity
26 October	Brazil	September Balance of Payments
	Chile	Central Bank Meeting
27 October	Colombia	Central Bank Meeting
	Mexico	September Merchandise Trade
28 October	Brazil	October Economic Sentiment (E)
31 October	Mexico	Q3 2023 National Accounts (P)
1 November	Brazil	October S&P Global Manufacturing PMI
	Brazil	Central Bank Meeting
	Chile	October Business Confidence (E)
	Colombia	October Davivienda Manufacturing PMI
	Mexico	October IMEF PMI
2 November	Chile	September Economic Activity
3 November	Peru	October Consumer Prices
	Uruguay	October Consumer Prices
4 November	Colombia	October 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

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