



# MACROECONOMIC OUTLOOK OF PARAGUAY

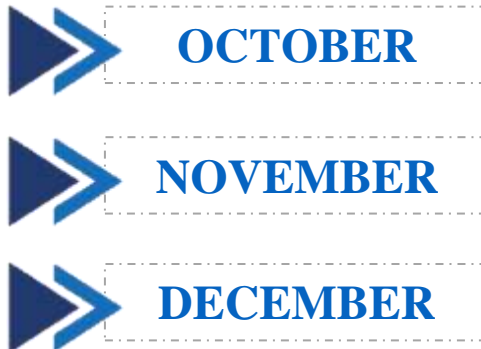
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### YEAR 2022

Click on the months 





## Macroeconomic Outlook of Paraguay

October 2022

**The GDP growth perspective for Paraguay shall grow around 0.2%.** The Central Bank of Paraguay (BCP), according to the GDP Estimations Report 2022, confirms their growth perspectives for the Paraguayan economy as of October, which matches the International Monetary Fund (IMF) estimations. In view of this context, a 3.5% growth is expected for Latin America and the Caribbean in 2022; 2% for Chile, 2.1% for Mexico; 2.7% for Peru; 5.3 for Uruguay; 3% for Bolivia; 2.9% for Ecuador; 4% for Argentina and 2.8% for Brazil.

### “The world economy is going through a series of turbulent problems”

The world economy has been affected by multiple negative shocks; therefore, more economies present a deceleration of the economic growth. The world perspective for growth has been decelerating having a 6.0% fall in 2021 to 3.2% in 2022 and 2.7% in 2023, because of the main economies' deceleration.

**In China,** the GDP in the third quarter registered an inter-annual growth of 3.9%, exceeding the market expectations, fostered, partially, by the encouraging measures implemented by the government. In spite of these good outcomes, the Chinese economy keeps on dealing with COVID-19 consequences as well as difficulties coming

from the real estate sector. The growth projection for the year has a downwards review of 4.1% to 3.3%. In the manufacturing sector, the PMI rate registered a contraction in September, having a 48.1% level. In view of the production, there has been a fall due to the reduction of new orders and sales abroad.

**In Brazil,** the GDP registered an inter-annual growth of 3.2% in the second fiscal quarter of 2022. Considering the previous fiscal quarter, there was a positive variation of 1.2% because of the fixed capital gross establishment and the private consumption. In August, 2022, the Central Bank of Brazil (BCB-Br) registered an inter-annual variation of 4.9% concerning the Economic Activity Rate. In view of the manufacturing sector, the PMI in September was 51.1% and the positive performance has been due to the production increase, the business trust, the employment creation, the reduction of supplies costs and so on. In this way, the growth projection has been revised upwards from 1.2% to 2.5% for 2022.

**In Argentina,** GDP data in the second fiscal year of 2022 show an inter-annual variation of 6.9% and a quarter variation of 1.0% because of the non-livestock sectors, especially the ones of services. In August, 2022, according to the Monthly Estimator of Economic Activity (EMAE), inter-annual expansion of 6.4% has been verified. In the manufacturing sector, a positive inter-annual variation of 7.6% has been observed, and it was fostered by automotive vehicles, textile





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products, and so on. In this context, the GDP expansion forecast for 2022 has improved from 2.8% to 3.5%.

**Concerning the Paraguayan economy**, in the second fiscal quarter of the year the GDP accrued a 2.2% retraction, establishing a growth rate of 0.2%, which was equivalent to what has been reported in July. However there has been a certain sectoral recovery.

According to data provided by the Ministry of Agriculture and Livestock (MAG), concerning production, good outcomes related to soya and corn harvests have been confirmed as well as positive outcomes in wheat production which has avoided a greater fall in agriculture, after being affected by a severe draught during the sowing period 2021/2022.

On the other hand, the livestock projection, has been kept in -2.5% because of the lower pace of cattle slaughtering. In addition, the war conflict between Russia and Ukraine keeps on generating exports volatilities, thus keeping a high uncertainty.

The secondary sector and services have been revived upwards due to a better performance in some sectors related to agriculture, such as flour-milling, bakery and sugar production. Likewise, a greater growth in beverages, tobacco and textiles has been estimated. Electricity and water keep a growth projection around 2.8% mainly because of a greater electricity production by the main hydroelectric plan, Itaipu Binational, concerning 2021, having a greater accrued

water flow, due to the weather conditions recently registered in the Parana River zones.

In view of the construction sector, there has been a downward trend, and there has been a greater fall than the one expected in the second fiscal quarter of 6.9%. This fact has motivated a correction downwards, thus foreseeing a fall around 3% in such activity.

On the other hand, a greater expansion rate is foreseen in the tertiary sector. The general Government such as the commercial activity have been reviewed upwards, whereas a setback has been foreseen for other services because of reductions in transportation, telecommunications and financial brokerage.

### Situation Analysis (BCP)



### Debt Levels & Structures

As of September, 2022, the public indebtedness level has been established at 35.8% of the GDP, and the Gross Public Debt balance of the Total Public Sector amounts to USD 14.670,7 million.

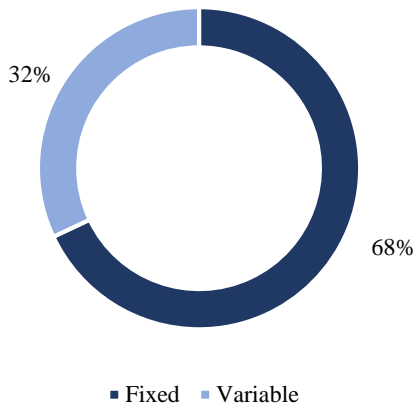
The external debt has amounted to 87.4% and the domestic debt has amounted to 12.6%. The classification per creditor is as follows: 41.4% corresponding to the external bonds; 43.0% corresponding to multilateral and bilateral debts; 12.2% corresponds to Domestic Bonds, being included in these the Deposit Guarantee Fund and the debt issued for the capitalization of the BCP.



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Concerning the debt classification according to the kind of rate, 68% has been acquired on a fixed rate and 32% on a variable rate.

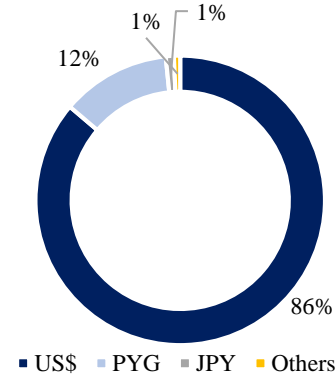
**Figure 1:** Public debt balance according to the rate of interest



Source: Ministry of Finance

The public debt structure per currency presents a greater concentration in USD (86.2%), followed by the PYG (12.2%), JPY (0.9% and others (0.7%). It is worth pointing out that the greater debt proportion in dollars does not represent a risk for the country since Paraguay receives income in dollars as annual royalties for the hydraulic potential use of the Parana River for the production of electricity coming for the binational entities (Itaipu and Yacyreta).

**Figure 2:** Total public debt balance per currency



Source: Ministry of Finance

**Debt Statistic**

Average time of debt maturity: Due to placement in the international markets in greater terms than the ones of the domestic markets, an increase of the average maturity of the Total Public Sector Debt (ATM) has been achieved from 11.6 years (2015) to 12.3 years (April 2021). This allows a greater maneuverability margin of the public debt.

**Table 1:** Debt Average maturity. (years\*)

Years	Total Public Sector		
	External Debt	Domestic Debt	Total Debt
2015	13,2	3,5	11,6
2016	12,3	4,1	11,1
2017	11,5	4,1	10,6
2018	12,7	3,4	12
2019	13,3	3,4	12,6
2020	14,9	4,8	14,3
2021	12,6	7,6	12,3

\* Does not include perpetual debt with the BCP.

Source: Ministry of Finance

**Strategic Guideline**





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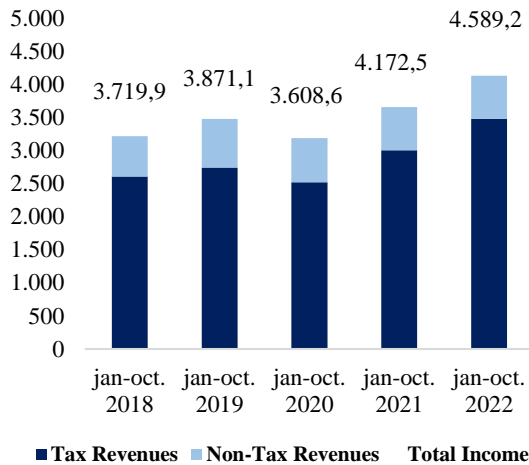
**Total income shows an increase of 10.0% mainly because of the dynamics of the tax revenues.**

In October, 2022, total income accrued reaches US\$ 4,589.23 million, having a positive variation of 10.0% concerning the same period of the previous fiscal year. The good dynamics of tax revenues compensates other non-tax revenues' fall.

This is due to the good collection pace in the Subsecretariat of State of Taxation (SET) and the National Customs Directorate (DNA).

Tax revenues have been increased by 15.7% concerning October of the previous fiscal year.

**Chart 1:** Income accrued as of October, 2022, in million Dollars.



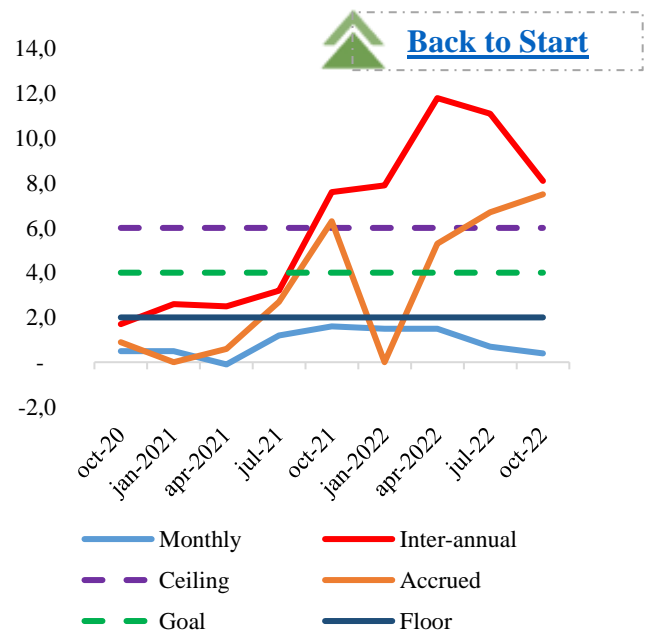
Source: SITUFIN (2022).



**Inflation has kept on decelerating.** The pressure reduction on the commodities price and the economic activity moderation has generated an inflation deceleration. Between January and April, the average monthly rate has been 1.3%, and between May and September, the average rate has been reduced to 0.3%. The inter-annual rate has been reduced from 11.8% in April to 9.3% in September.

The inflation projection for 2022 has been reduced from 8.8% to 8.6%. In addition, the inflation is expected to be near to the goal range by the end of 2023.

**Chart 2:** Inflation as of October, 2022, in percentage



Source: BCP (2022).





### The rate of interest of the Monetary Policy increases

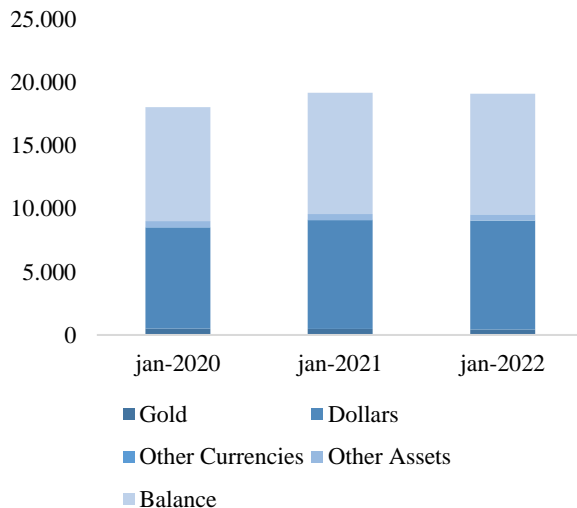
The Monetary Policy Committee decided to increase the Monetary Policy Rate (TPM) and keeps it at 8.5%. The committee has emphasized the moderation of commodities prices; however, the inflation persistence in advanced economies has kept on motivating the upwards trend of the TPM.

#### Monetary Policy Report - BCP

### Net International Reserves

As of October, 2022, the Net International Reserves' stock reaches a US\$ 9,551.1 million balance, around 1% greater than the Net International Reserves' (RIN) balance of the previous month.

**Figure 3:** Composition of RIN in million Dollars.



Source: BCP (2022).

#### Statistical Schedule - BCP

### Trade Balance

As of October, 2022, foreign trade figures (Exports plus Imports) amounted to US\$2,193,216 million, representing 11.41% variation concerning the one accrued in the same period of 2021.

The total accrued exports as of October, 2022 have been US\$998,490 million, having a variation of -15.38% concerning October, 2021.

Total imports accrued as of October, 2022, amount to a total of US\$1,194,725 million, representing an inter-annual variation of -7.79% concerning the one accrued in October, 2021.

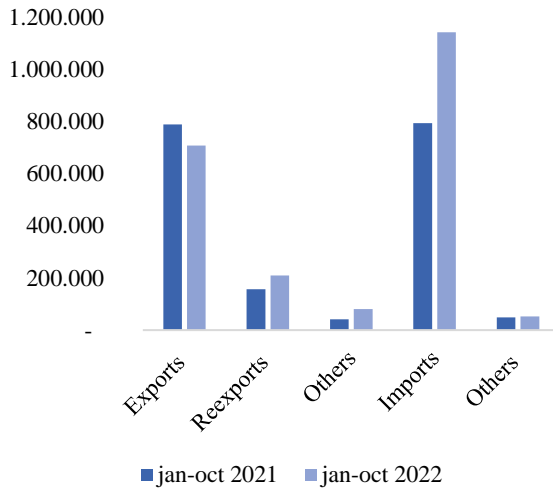
The trade balance as of October, 2022, registered a US\$-196,235 million deficit, representing an inter-annual variation of 69.6% as of the fiscal year in October, 2021.





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**Chart 4:** Balance of Payments, in million Dollars



Source: BCP (2022).

Statistical Schedule -  
BCP





## News

### **Plan for acquisition of electric buses advances to the evaluation phase**

The project called “Public Transportation with no Emissions in the metropolitan area of Asunción “AMA”, through which the electric buses incorporation has been proposed in the metropolitan area of Asuncion, and it was presented by the Ministry of Finance together with other Ministries of the State, advanced to the detailed preparation phase of the project after having being selected by NAMA Facility, a financing agency of large projects which manage funds coming from Germany, Denmark, United Kingdom and the European Union (EU) Committee. In this instance, the proposal shall be determined to be financed.

The project has been submitted this year in April under a shared leadership by several State institutions, such as the Ministry of the Environment and Sustainable Development, the Vice-ministry of Transportation and the Financial Agency of Development (AFD), having the support of the United Nations Development Program (PNUD), through the project called Asuncion, Green City of the Americas – Paths to Sustainability.

If this project is selected, NAMA Facility shall grant our country around US\$ 20 million as non-reimbursable funds (grant) in order to renew public transportation units from internal combustion to electric units.

[Access link to the news \(click\)](#)

### **Economic, consumption and investment recovery are expected for 2023**

According to the projections that supports the income estimation of the General Budget of the Nation (PGN) for fiscal year 2023, the economy recovery is expected with a 4.5% growth for the next year. Likewise, the consumption and investment recovery are also expected.

Concerning the economic recovery, this projection considers better weather conditions that would give place to a primary sector recovery including its different components. Likewise, secondary sectors and services are expected to present a normal development together with a domestic market improvement.

[Access link to the news \(click\)](#)

### **SET obtained a 16.8% growth in the total collection of September**

The total collection (Cash + Tax Credits) corresponding to September, 2022, surpassed by 16.8% concerning the same period of 2021. As a matter of fact, in the ninth month of the year, the Subsecretariat of State of Taxation (SET) collected G. 1,792,374 million (US\$257 million) in cash and G. 155,351 million (US\$ 22 million) in compensations with fiscal taxes, reaching the amount of G. 1,947,725 million (US\$279 million).

It is worth pointing out that collection keeps on showing a remarkable improvement, always supported by the Taxation Administration’s performance, offering the necessary tools in order to strengthen the current economic activity. In this way, there







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has been a total accrued collection of 14.8%, greater than the one of the same period in 2021. Therefore, a positive growth in total collection accrued may be observed. This represents a significant data for financing the commitments of the State.

[Access link to the news \(click\)](#)

### **The Ministry of Finance aims at reforms in order to fight against inequality**

The main challenge for the Ministry of Finance is to apply reforms in different aspects so as to generate tax areas in order to face policies that exercise impact on the population and the fight against inequality, mentioned the Vice-minister of Financial Administration, Marco Elizeche, this morning during his intervention in the Discussion Board called “Challenges to reduce inequalities in Paraguay”, held at Crowne Plaza Hotel, Asuncion.

[Access link to the news \(click\)](#)

### **Knowledge and innovation are key to advance towards social development**

Knowledge and innovation are essential components in view of the development of more efficient public policies, which shall be, at the same time, conducive to a better economic and social development in order to improve life quality of citizens. The aforementioned was emphasized by the Minister of Finance, Oscar Llamosas, during the opening act of the Discussion Board called “Towards a new social agenda”, this morning.

[Access link to the news \(click\)](#)

### **The Census shall provide key information in order to establish efficient public policies**

The national census that is going to be carry out tomorrow shall provide essential information on public policies in order to adequately design social programs addressed to the most vulnerable sectors, mentioned the Director of Economic Studies of the Ministry of Finance, during a television interview.

[Access link to the news \(click\)](#)

### **Mercosur has approved the Paraguayan request of tariff reduction for medicines**

The Trade Committee of the Mercosur (CCM) has approved the reduction of the Common External Tariff (AEC) for 48 more units increase of Brineura medicine, as a response to a request made by Paraguay in the previous meeting. Such resolution took place within the framework of the 191<sup>o</sup> Regular Meeting held in October 19 and 20, having the participation of delegations from Argentina, Brazil, Paraguay and Uruguay.

[Access link to the news \(click\)](#)

### **Report on Public Finances is available in the Web of the Ministry of Finance**

The Report on Public Finances of the Republic of Paraguay is available in the Web of the Minister of Finance since today. This document that includes the analysis of the General Budget of the Nation (PGN) for 2023, and through which the Government communicates the Fiscal Policy in the medium term to international organizations and to the public in general.

[Access link to the news \(click\)](#)





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### **A support of the IMT has been emphasized with the aim of carrying out structural reforms**

The Vice-minister of Economy, Ivan Haas, has mentioned the relevance of the agreement signed with the International Monetary Fund (IMF) concerning the “Policy Coordination Instrument (PCI)”, which is according to the reforms agenda undertaken by the Government. Mr. Haas emphasized the importance of this kind of initiatives in order to achieve a fiscal space within the Budget that allow to continue the investments pace of the last years without representing a greater deficit.

[Access link to the news \(click\)](#)

### **Guide has been submitted for bid processes under Public-Private Partnerships**

With the aim at defining basic guidelines towards the comprehensive process development of bids for projects under the Public-Private Partnerships (PPP), the “Guide for Design and Performance of Bid Process through the Competitive Dialogue”. The event was led by the minister of Finance, Oscar Llamosas, who announced that the expansion and duplication project of Road PY01 shall be the first in the implementation of such process.

[Access link to the news \(click\)](#)

### **It has been emphasized that BECAL is an example of public policy that spreads to governments**

The Program General Coordinator, Andrea Picaso, recalled that BECAL had a specialization program of public officers as a

basis around 20 years ago and in 2021, resources have been obtained in order to start this project, which has already seven years of being implemented. BECAL Program points out the strategic axis defined in the National Plan of Development 2030. There are already 2,700 recipients. However, rates show Paraguay below the region countries concerning investment in advanced human capital.

[Access link to the news \(click\)](#)

### **Paraguay reaches a technical agreement with the Fund in order to move forward with the Policy Coordination Instrument (PCI)**

An experts’ team from the International Monetary Fund (FMI) and from Paraguay has reached an agreement at a technical level on the group of macroeconomic policies and structural reforms that shall support the Policy Coordination Instrument (PCI). Such agreement is as a response to the support request of the national authorities.

[Access link to the news \(click\)](#)





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## Bibliography

Central Bank of Paraguay (October, 2022). Obtained from <https://www.bcp.gov.py/revision-de-la-proyeccion-pib-1373>

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Ministry of Finance. (October, 2022). Obtained from <https://www.hacienda.gov.py/situfin/>





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## SCHEDULE

### Economic Indicators / 2019 – 2022

Annual Figures	2019	2020	2021	2022(*)	Last Data Available	Date
<b>Real Sector</b>						
Population (million)	7.152	7.252	7.353	7.453	7.453	2022
GDP (USD million)	46.360	45.980	47.866	47.962	47.962	oct-22
GDP per cápita (USD)	6.481	6.340	6.510	6.435	6.435	oct-22
GDP (var. annual en %)	-0,4	-0,8	4,1	0,2	0,2	*2022
Total Consumption (annual var. in %)	2,16	-2,29	5,34	1,21	1,21	2022
Capital Investment (annual variation in %)	2,9	3,6	3,0	3,0	3,0	2022
Unemployed Rate (% active population, fdp)	50.505	49.054	50.548	n/d	49.225	2021
<b>Economy Structure</b>						
IMAEP excluding Agriculture and binationals	118,6	115,6	124,4	128,6	128,6	ago-22
Economic opening rate	64,4	59,6	67,4	52,3	52,3	Set 2022
<b>In view of Supply</b>						
Primary Sector	7,4	11,9	-11,6	-9,2	-9,2	*2022
Agriculture	-4,4	9,0	-18,1	-13,0	-13,0	*2022
Livestock	1,2	4,4	6,0	-2,5	-2,5	*2022
Others	-1,1	0,9	6,7	1,3	1,3	*2022
	-3,0	0,8	4,7	0,7	0,7	*2022





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**Secondary Sector**

Industry	-1,2	-1,2	6,7	<b>1,0</b>	<b>1,0</b>	*2022
Construction	2,5	10,5	12,8	<b>-2,0</b>	<b>-2,0</b>	*2022
Binationales	-11,5	-2,3	-8,6	<b>2,8</b>	<b>2,8</b>	*2022
<b>Tertiary Sector</b>	<b>2,5</b>	<b>-3,1</b>	<b>6,9</b>	<b>1,7</b>	<b>1,7</b>	*2022
General Government	4,3	6,4	-2,9	<b>0,5</b>	<b>0,5</b>	*2022
Trade	-1,6	-7,7	15,3	<b>2,8</b>	<b>2,8</b>	*2022
Communications	4,6	6,1	4,5	<b>-1,9</b>	<b>3,8</b>	*2022
Other Services	19,1	-51,9	59,3	<b>27,4</b>	<b>27,4</b>	*2022
Taxes	-2,7	-5,1	9,0	<b>0,7</b>	<b>0,7</b>	*2022

**In view of Demand**

<b>Total Investment</b>	5.876	5.677	6.842	<b>6.851</b>	<b>6.851</b>	2022
<b>Total Consumption</b>	24.873	22.309	23.948	<b>23.894</b>	<b>23.894</b>	2022
<b>Exports</b>	11.668	9.740	10.116	<b>9.447</b>	<b>9.447</b>	2022
<b>Imports</b>	10.973	8.539	10.534	<b>10.641</b>	<b>10.641</b>	2022

**Monetary and Financial Sector**

<b>Inflation (CPI, annual var. in %, average Last 12 months)</b>	2,8	1,6	<b>5,6</b>	<b>10,5</b>	<b>10,5</b>	2022
<b>Inter-banking rate of interest (% , fdp)</b>	3,89	0,56	<b>1,73</b>	<b>8,44</b>	<b>4,3</b>	2021
<b>Monetary Aggregates (annual var. of M2 in %)</b>	6,6	17,2	<b>11,3</b>	<b>-1,4</b>	<b>-1,4</b>	2022
<b>Dollarization Ratio (% of banking deposits in Foreign Currency)</b>	45,3	45,3	<b>46</b>	<b>46</b>	<b>46</b>	2022
<b>Rate of Exchange (PYG per USD, fdp)</b>	6453,1	6900,1	<b>6885,8</b>	<b>6974,2</b>	<b>6974,2</b>	sept-22
<b>Banking sector credits granted to the private sector (% of the GDP)</b>	9	7,6	<b>-1,8</b>	<b>23,9</b>	<b>23,9</b>	2022
<b>Real Salary (annual variation, %)</b>	3,2	1,1	<b>5,5</b>	n/d	<b>5,5</b>	2021

**External Sector**

(Million USD)





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<b>Exports</b>	997.276	1.000.954	<b>1.178.999</b>	<b>998.490</b>	<b>998.490</b>	oct-22
Inter-annual variation in %	-0,07	0,00	<b>0,18</b>	<b>-0,15</b>		oct-22
<b>Imports</b>	1.062.968	851.150	<b>1.210.205</b>	<b>1.194.725</b>	<b>1.194.725</b>	oct-22
Inter-annual variation in %	-0,13	-0,20	<b>0,42</b>	<b>-0,01</b>		oct-22
<b>Trade Balance</b>	-65.692	149.804	<b>-31.206</b>	<b>-196.235</b>	<b>-196.235</b>	oct-22
GDP %	0,33	-0,07	<b>-0,41</b>	<b>-0,41</b>		oct-22
<b>Current Account</b>	-178,5	722,8	<b>-171,9</b>	<b>-378,5</b>	<b>-378,5</b>	ST 2022
GDP %	-0,4	1,6	<b>-0,4</b>	<b>-0,8</b>		2022
<b>Capital and Financial Account</b>	539,3	1.102,60	<b>866,7</b>	n/d	<b>866,7</b>	2021
GDP %	2,3	4,8	<b>3,6</b>			2021
Foreign Direct Investment	1.809,52	1.782,39	<b>1.687,99</b>	<b>2.001,99</b>	<b>2.001,99</b>	ST 2021
GDP %	3,9	3,9	<b>3,5</b>	<b>4,2</b>		2022
<b>International Reserves</b>	7.674,69	9.490,14	<b>9.946,63</b>	<b>9.486,17</b>	<b>9.486,17</b>	oct-22
GDP %	16,6	20,6	<b>20,8</b>	<b>20,5</b>		oct-22
<b>Public Sector</b>						
<b>(GDP %)</b>						
<b>Income</b>	14,2	13,5	<b>13,7</b>	<b>12,8</b>	<b>12,8</b>	oct-22
<i>Which: Taxation Income represents</i>	10,0	9,5	<b>9,8</b>	<b>9,7</b>	<b>9,7</b>	oct-22
<b>Expenses</b>	17,0	19,7	<b>17,3</b>	<b>5,6</b>	<b>5,6</b>	oct-22
<i>Which: Payment of interests represents</i>	0,8	1,1	<b>1,1</b>	<b>1,1</b>	<b>1,1</b>	oct-22
<b>Primary Balance</b>	2,0	5,1	<b>2,6</b>	<b>-0,9</b>	<b>-0,9</b>	oct-22
<b>Taxable income</b>	0,1	2,5	<b>0,7</b>	<b>0,3</b>	<b>0,3</b>	oct-22
<b>Total Debt of the Public Sector</b>	22,9	33,8	<b>33,8</b>	<b>36,1</b>	<b>36,1</b>	oct-22
<b>External Public Debt</b>	18,7	29	<b>29,3</b>	<b>31,8</b>	<b>31,8</b>	oct-22
% of the Total Public Debt	81,7	85,9	<b>86,7</b>	<b>88,1</b>	<b>88,1</b>	oct-22
<b>Domestic Public Debt</b>	4,2	4,8	<b>4,5</b>	<b>4,3</b>	<b>4,3</b>	oct-22
% of the Total Public Debt	18,3	14,1	<b>13,3</b>	<b>11,9</b>	<b>11,9</b>	oct-22
<b>Service of the Domestic Public Debt</b>	1,3	1,6	<b>1,6</b>	<b>0,1</b>	<b>0,1</b>	oct-22





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**References:**

1. Remarks and Sources: Chart prepared by the Directorate of Indebtedness Policy (DPE, Ministry of Finance), including data of the International Monetary Fund (IMF, World Economic Outlook – WEO, 04/2011), Central Bank of Paraguay (BCP, Statistical Schedule) and the Ministry of Finance.
2. The exchange rate corresponds to the one of the last working day of the year.
3. Income and Expenses as of October, 2022 are preliminary.
4. These letters shall have the following meanings: M: month (i.e., M01: January); T: Quarter (i.e., T01: quarter 1); n/a: non-available, ME: Foreign Currency; fdp: end of period.
5. Data after 2012 are preliminary and they may be subject to reviews.
6. The Economy Structure includes data in Guaranies as of 2014. Historical data as well as projections correspond to the BCP.
7. Inflation as of October, 2022 corresponds to the goal rate of inflation established by the BCP.
8. Other services include: transportation; financial intermediation; residential lease; services rendered to companies; hotels and restaurants and services rendered to households.
9. Binational mean currency income as energy cession of Paraguay to Argentina and Brazil, corresponding to the Hydroelectric plants Yacyreta and Itaipu. The Real Sector and Economy Structure projections are figures prepared by the BCP.
10. Public Sector data are figures prepared by the Ministry of Finance. Since 2015, a migration has been performed to the methodology contemplated in the Manual on Statistics of the Public Finances 2001 (MEFP 2001)
11. Exports and imports as of 2022 correspond to October, 2022 (2022, M10). Exports include re-exports and other exports. The inter-annual variation of exports/imports as of October, 2022 (Jan-Nov 2022/Jan-Nov 2021) obtains the accrued variation of exports/imports of the total exports and imports accrued from January to October, 2022, concerning the same period of the year 2021.





## Macroeconomic Outlook of Paraguay

November 2022

**The GDP growth perspective is kept at 0.2%:** The Central Bank of Paraguay (BCP), according to its Monetary Policy Report (IPoM) dated December 2022, keeps the growth perspective for the Paraguayan economy having a 0.2% projection and a 4.5% growth perspective is foreseen for 2023. This information matches the estimations of the International Monetary Fund (IMF) according to its Perspective Report of the World Economy. In view of this context, in 2022, growth is expected to be kept at 3.5% for Latin America and the Caribbean; 2% for Chile; 2.1% for Mexico; 2.7% for Peru; 5.3% for Uruguay; 3% for Bolivia; 2.9% for Ecuador; 4% for Argentina and 2.8% for Brazil.

### Growth Projection for Paraguay



**In China,** the GDP of the third fiscal quarter registered a 3.9% inter-annual growth, surpassing the expectations of the market, and fostered, partly, by the incentive measurements implemented by the government. In spite of this good outcomes, the Chinese economy keeps on dealing with the consequences of the COVID-19, as well as the difficulties derived from the real-state sector. The growth projection for the year had a downward review of 4.1% to 3.3%. In

the manufacturing sector, the PMI registered a contraction in September, having 48.1%. Considering the production, there has been registered a fall due to a reduction of new orders and the sales abroad.

**In Brazil,** the GDP registered an inter-annual growth of 3.2% in the second fiscal quarter of 2022, concerning the previous fiscal quarter, and it presented a positive variation of 1.2%, reflected by the gross formation of fixed capital and the private consumption. In August, 2022, the Central Bank of Brazil (BCB-Br) registered an inter-annual variation of 4.9% concerning the Economic Activity rate. Considering the manufacturing sector, the September PMI was 51.1%. The positive performance has been reflected by the production increase, the managerial confidence, the employment creation, the reduction of costs and supplies and so on. Thus, the growth projection has been reviewed upwards from 1.2% to 2.5% for 2022.

**In Argentina,** the GDP data of the second fiscal quarter of 2022 reflect an inter-annual variation of 6.9% and a quarter variation of 1.0%, shown by the non-agricultural and livestock sectors, especially the service ones. In August, 2022, according to the Monthly Estimator of Economic Activity (EMAE), verified an expansion of 6.4% inter-annually. In the manufacturing sector, there has been observed a positive inter-annual variation of 7.6% fostered by automotive vehicles, textile products, etc. In this context, the GDP







expansion forecast for 2022 improved from 2.8% to 3.5%.

**In Paraguay**, pursuant to data provided by the Ministry of Agriculture and Livestock (MAG) concerning production, there has been good crop outcomes of soya and corn, as well as positive outcomes in wheat production, which have avoided a greater fall in agriculture, that, according to the last review, is -13%, after being affected by a severe drought during the sowing period 2021/2022.

The livestock projection is kept at -2.5%, mainly as a consequence of geopolitical problems of the main exporting markets of bovine meat (social disturbances in Chile and war conflict between Russia and Ukraine).

In the secondary sector, there has been an upward review of 0.8% because of a greater performance in some sectors related to agriculture, such as flour-milling, bakery and sugar production. Also, there is an estimation of a greater growth in beverages, tobacco and textiles.

Electricity and water keep a growth projection around 4.7%, mainly reflected by a greater production of electricity by the main hydroelectric plant, Itaipu Binational, concerning year 2021, which is a result of a greater flow of accumulated water, due to the weather conditions recently registered in the Parana River zones.

According to the construction sector, there has been registered a decreasing trend and

there has been observed a greater fall than it was expected in the second fiscal quarter of 6.9%. This fact has motivated a correction downwards, thus foreseeing a fall around 3% in such activity.

On the other hand, there has been foreseen a greater expansion rate in the tertiary sector. The general government and the commercial activity have been reviewed upwards, whereas there has been foreseen a setback for other services due to reduction in transportation, telecommunications and financial intermediation.

### Situation Analysis (BCP)

#### Debt levels and structures of the Total Public Sector

The Law 1535/2000 “on the Financial Administration of the State”, in its article N° 42, establishes that the public debt shall be classified in domestic and external, and direct and indirect. The direct public debt of the Central Administration is the one assumed by such Central Administration as the main debtor. On the other hand, the indirect debt of the Central Administration is the one established by any natural and artificial, public or private person, different from such Central Administration, but which has its corresponding guarantee or security, duly authorized by law (public entities, second-tier banking, etc.)

As of November, 2022, the public debt level is established at 37.3% of the GDP, and the Gross Public Debt balance of the Total



Subsecretariat of State of Economy

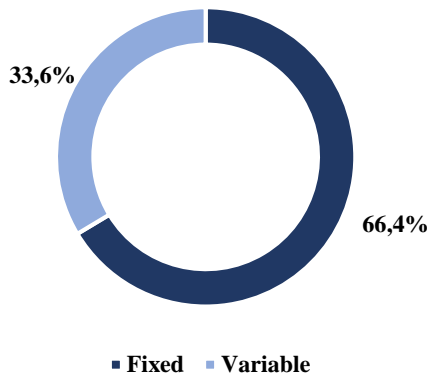
Public Sector amounts to USD 14.936,7 million.

The external debt has been reduced by 0.1% remaining at 88% and the domestic debt increases to 12% concerning the total public debt. The classification per creditor is as follows: the external bonds balance has been reduced by 0.2% concerning the previous month remaining at 40.6%; the multilateral and bilateral debts present an increase of 44.4% and 11.5% corresponds to the Domestic Bonds, being included in these the Deposit Guarantee Fund and the debt issued for the capitalization of the BCP.

Concerning the debt classification according to the kind of rate as of November, 66.4% has been acquired on a fixed rate and 33.6% on a variable rate.

Debt Statistics

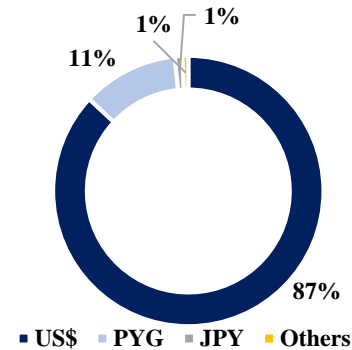
Figure 1: Total public debt balance according to the rate of interest



Source: Ministry of Finance

The public debt structure per currency presents a greater concentration in USD (87%), followed by the PYG (11.5%), JPY (0.9% and others (0.7%). It should be noted that the greater debt proportion in dollars does not represent a risk for the country because Paraguay receives income in dollars as annual royalties for the hydraulic potential use of the Parana River for the production of electricity coming for the binational entities (Itaipu and Yacyreta).

Figure 2: Total public debt balance per currency



Source: Ministry of Finance

**Average time of debt maturity:** Due to placement in the international markets in greater terms than the ones of the domestic markets, an increase of the average maturity of the Total Public Sector Debt (ATM) has been achieved from 11.6 years (2015) to 12.3 years (April 2021). This allows a greater maneuverability margin of the public debt.



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**Table 1:** Debt Average maturity. (years\*)

Total Public Sector			
Years	External Debt	Domestic Debt	Total Debt
2015	13,2	3,5	11,6
2016	12,3	4,1	11,1
2017	11,5	4,1	10,6
2018	12,7	3,4	12
2019	13,3	3,4	12,6
2020	14,9	4,8	14,3
2021	12,6	7,6	12,3

\* Does not include perpetual debt with the BCP.

Source: Ministry of Finance

Strategic  
Guideline

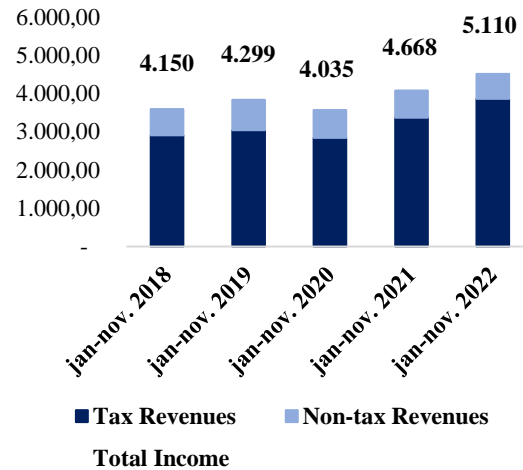
### Financial Situation as of November.

As of November, 2022, there has been a deficit of USD 861.3 million representing 2.2% of the GDP. Also, there has been a positive operating outcome of USD 131.1 million representing 0.3% of the GDP.

### Total income shows an increase of 9.5%.

As of November, 2022, total income accrued reaches USD 5,110.05 million, having a positive inter-annual variation of 9.5%, reflected by the good dynamics of the tax income which registered an increase of 14.5%, corresponding to the collection of the Sub-secretariat of State of Taxation (SET) and the Direction of National Customs (DNA). The mentioned increase compensates the registered fall in social contributions and donations. Also, other income increases by 0.5% due to greater income of Yacyreta (USD 76.4 million in 2022).

**Chart 1:** Income accrued to November, 2022, in million Dollars.



Source: SITUFIN (2022).

SITUFIN  
NOVEMBER 2022

### The total expense shows an accrued increase of 8.0%.

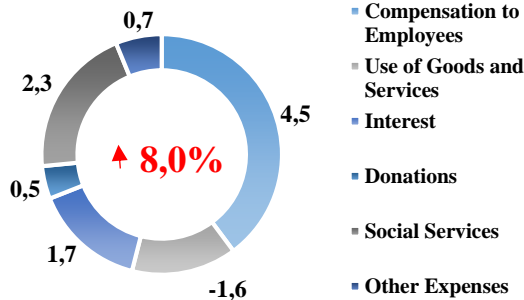
In the accrued variation as of November, 2022 concerning the same month of year 2021, the Total Expense is comprised by: 4.5% corresponding to the Remuneration to employees, -1.6% Interests, 0.5% Donations, 2.3% corresponding to Social Services and 0.7% corresponding to other expenses.

In November, the expenses have an inter-annual growth of 6.2%, mainly reflected by Remunerations, Interests and Social Services.



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**Figure 3:** Composition of percentage accrued expenses as of November, 2022.

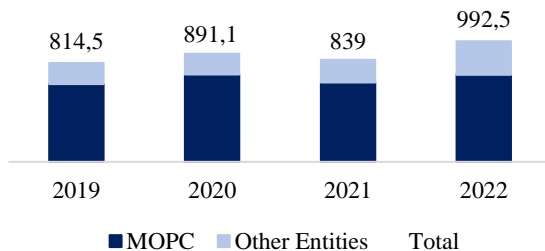


Source: Ministry of Finance

### Investment Level as of November, 2022:

Keeping the strategic investment aimed at the economic recovery, according to the aims of fiscal convergence. The accrued investment in 2022 shows the following figures, totalizing USD 991 million, whereas the Ministry of Public Works and Communications (MOPC) corresponds to USD 716.5 million and other entities to USD 276 million.

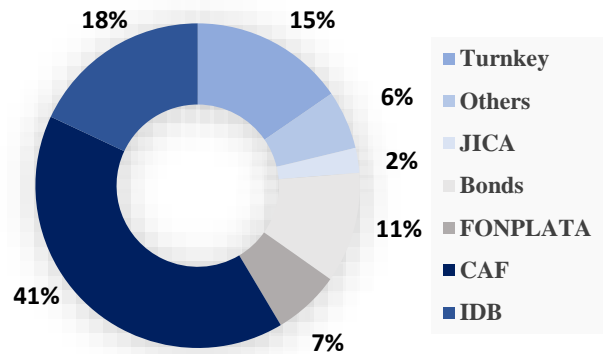
**Figure 4:** Accrued Investment in million Dollars.



Source: Ministry of Finance

**The participation of the MOPC investment per financing organism is classified as follows:** the Development Bank of Latin America - CAF having the greater participation of USD 290.5 million; the Inter American Bank of Development – IDB with USD 129.1 million; Turkey with USD 110.4 million; Bonds with USD 79.1 million; FONPLATA with USD 47.8 million; JICA with 17.8 million and other organisms with 6%.

**Figure 5:** Participation of the MOPC investment per financial organisms.



Source: Ministry of Finance

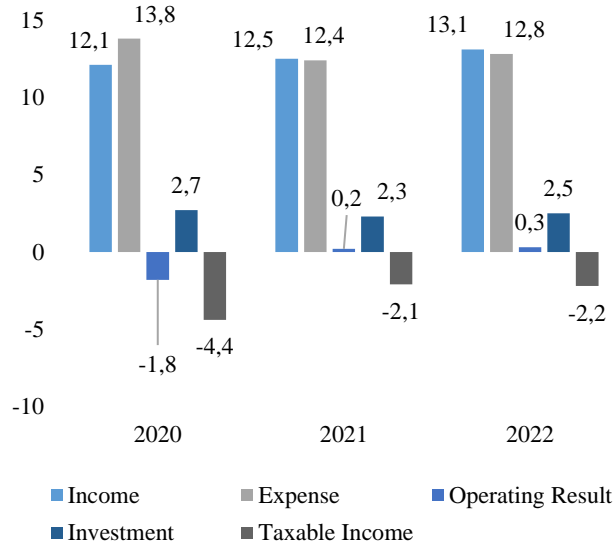
### Fiscal Indicators in GDP percentage

As of November, 2022, there has been a fiscal outcome of -2.2% of the GDP, having an investment level of 2.5%, and being the annualized fiscal outcome amounts to -3.7%, which is shown by the atypical performance of December, 2021.



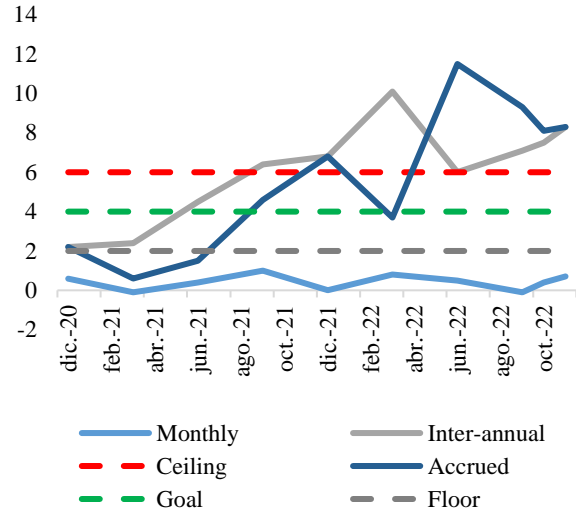
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**Figure 6:** Fiscal Indicators in GDP percentage



Source: Ministry of Finance

**Chart 2:** Inflation to November, 2022, in percentage



Source: BCP (2022).

**The inflation of November, 2022 is placed in 8.3%**, measured by the variation of the Consumer Price Index (IPC), which was 0.7%, a greater rate than 0.5% observed in the same month the previous year. Thus, the accrued inflation amounts to 8.3%, which is greater than 6.8% of the same month the previous year.

[Inflation Report BCP](#)

**The Rate of Interest of the Monetary Policy stands at 8.5%**

The Monetary Policy Committee decided to increase the Monetary Policy Rate (TPM) and is kept at 8.5%. The committee has emphasized the price restraint of commodities. However, the inflation persistence in the advanced economies has kept on motivating the increase of the TPM.

[Monetary Policy Rate BCP](#)

**Net International Reserves**

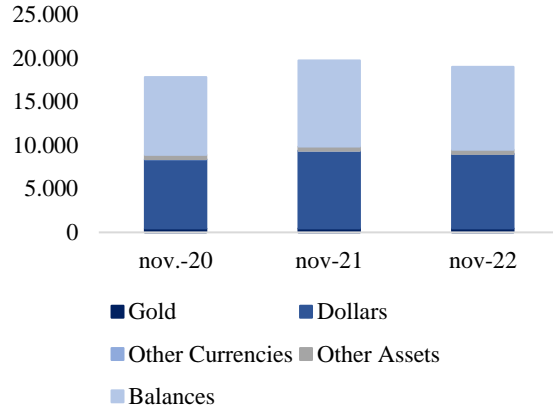
As of November 2022, the Net International Reserves stock only reaches a balance of USD 9,458.2 million, approximately 0.9% lower than the balance of the Net International Reserves (RIN) as of October, 2022.





Subsecretariat of State of Economy

**Chart 3:** RIN composition, in million Dollars.



Source: BCP (2022).

Statistical Schedule  
BCP

### Balance of Trade

As of November, 2022, external commerce figures (Exports plus Imports) amounted to USD 2,464,830 million, which represented a negative variation of 0.04% concerning the accrued of the same period of 2021.

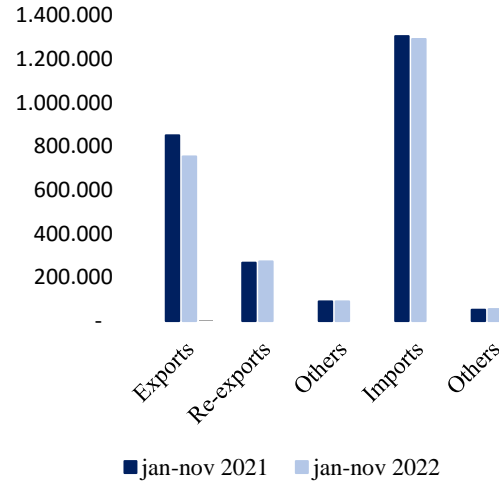
Total exports accrued as of November, 2022, were USD 1,117,893 million, having a variation of -0.08% concerning the same month of 2021.

Total imports accrued as of November, 2022, amounts to a total of USD 1,346,937 million, representing an inter-annual variation of -0.01% concerning the accrued of November, 2021.

The balance of trade as of November, 2022, registers a deficit of USD -229,043 million, representing an inter-annual variation of

55.1% concerning the fiscal year of the same month of 2021.

**Chart 4:** Balance of Trade, in thousands of Dollars



Source: BCP (2022)

Statistical Schedule  
BCP

### Credit Perspective of Paraguay

Paraguay has managed to keep the country risk rating with the three credit rating agencies (Standard & Poor's (S&P), Moody's Investors Service (Moody's) and Fitch Rating (Fitch)). These confirmations are given between three years of international and national contexts affected by external and internal shocks such as the price fall of raw material, pandemic by Covid-19, price rise in fuels and drought that affected the country between 2019 and 2020.





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**Table 2: Sovereign Risk Rating 2022.**

Risk Rating Agency	Rate	Perspective	Last Review
S&P	BB	Stable	18-may-2022
Moody's	Ba1	Positive	04-aug-2022
Fitch	BB+	Stable	22-nov-2022

Source: Ministry of Finance (2022)

The risk rating agencies mention that Paraguay had a government strategy including the advances in the structure reforms that has contributed to keep the risk ratings of the country low in an uncertainty international context. Such reforms include the strengthening of the fiscal institutionality, which have helped to reinforce the credibility in the macroeconomic policies.

Concerning the governance, transparency and anticorruption measures, there have been advances obtained throughout the last 5 years and the boost to the transformation agenda of the State. Also, the institutional commitment has been significant concerning the fiscal management.

In November, 2022, the International Monetary Fund (IMF) has approved a two-year program in Paraguay within the framework of the Policy Coordination Instrument (PCI), aimed at guaranteeing the macroeconomic stability, promoting the economy growth and improving the social protection. This is a non-financial instrument, and concerning Paraguay, it shall

improve the productivity and foster the economic growth.

**Credit Regional Perspective  
Growth**







Subsecretariat of State of Economy

## Other accesses of interest

Please click on the text to address to the Web Site 

### Monetary Policy Reports




-  [National Accounts Report \(Fiscal Quarters\) !\[\]\(ad01570a61779b7b607889007434e36c\_img.jpg\)](#)
-  [Statistic Schedule of the Economic Report](#)
-  [Foreign Trade Report \(Fiscal Quarters\)](#)

-  [Direct Investment](#)
-  [Monetary Policy](#)

### Sustainable Development Objectives ODS

-  [Sustainable Paraguay](#)
-  [ODS Goals](#)

### Ministry of Industry and Trade

-  [MyPIMES](#)
-  [Maquila](#)
-  [Programs and Projects for MyPIMES](#)

### Environmental Actions

-  [Legal Provisions on environmental policies and actions](#)





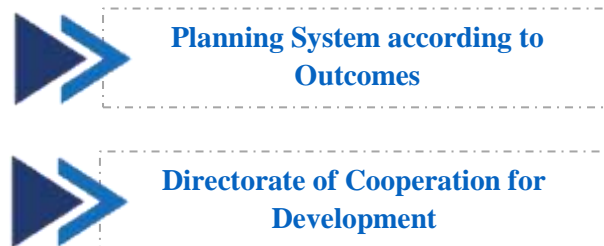


Subsecretariat of State of Economy

### Ministry of Finance



### Technical Secretariat of Planning (STP)



### Financial Agency of Development





## News

### **New Law enacted on Supplies and Public Procurement**

The President of the Republic, Mario Abdo Benitez, enacted the new Law on Supplies and Public Procurement N° 7021/2022, thus granting to the administration of the State a new tool in order to strengthen the government procurement and create an integrated chain of supplies.

[Access link to the news \(click\)](#)

### **December gave growth up to 50% to food and artistic businesses**

The last month of 2022 brought abundance that has reflected the significant upturn experienced by the food and artistic sectors of the country as just in the first two weeks they could be able to surpass the numbers of the previous year.

[Access link to the news \(click\)](#)

### **BCP freezes the rate of interest of the monetary policy and expects to refrain inflation**

Unanimously, the Central Bank of Paraguay managed to keep the monetary policy rate of the country, in 8.50% annual. 2022 would be closed with an inflation of 8.6% according to the projections of the Monetary Policy Report that the inflation of 8.1% in October turned to 8.3% in November.

[Access link to the news \(click\)](#)

### **Paraguay registers exports for USD 9,221 million**

140 countries have been established as exporting destinations; however, Mercosur has been the main destination representing 60.6% of the total shipments. Likewise, it was the main origin of imports, reaching 32.1% of the total imported goods.

[Access link to the news \(click\)](#)

### **Industrial assets having a 9% growth in exports and a record in manufactured goods**

Asuncion, IP Agency. Industrial exports totalize US\$4,954 million until November, which represent a 9% growth concerning year 2021 and a record figure for the manufacturing sector.

[Access link to the news \(click\)](#)

### **Maquila exports keep on growing and they would reach USD 1,000 million**

The Foreign Trade report of the Central Bank of Paraguay (BCP) emphasized that from January to November, the exports value under the maquila system reached USD 945 million, and being 19% greater than the same period the previous year.

[Access link to the news \(click\)](#)

### **Corn shipments have increased 116.4% until November**

As of November of 2022, the corn exports have registered an important increase comparing to the shipments registered in the same period of 2021 according to the last foreign trade report of the Central Bank of Paraguay (BCP).

[Access link to the news \(click\)](#)

### **Budgetary performance of the Public Administration amounted to G. 45.4 billion as of the close of November**

As of the close of November, 2022, the financial resources management of the Public Administration's entities was greater in 10.1% than the same period of 2021, reaching a total amount of G. 45.4 billion, which represents G.42 billion more than that performed in the previous year, reported the Ministry of Finance.

[Access link to the news \(click\)](#)





Subsecretariat of State of Economy

### **The textile industry has been established in Alto Parana having an investment of USD 20 million in order to begin operations in 2024**

A thread mill industry shall be established in Alto Parana under the maquila system, having an initial investment of USD 20 million, a project that shall have four phases. In the initial phase, 100 Paraguayan workers shall be hired and over 600 employees shall be hired in the final phase.

[Access link to the news \(click\)](#)

### **The great North Country: investors and Argentine trademarks set their sight on Paraguay**

An economy in growth, without inflation, having clear game rules and a favorable business climate turned the Paraguayan market place into a destination on trend for entrepreneurs from Argentina and the rest of the region.

[Access link to the news \(click\)](#)

### **Paraguay closes the year with a significant agriculture and livestock recovery**

Agricultural and livestock sectors of Paraguay kept on working in 2022 through the effort of the public and private sectors, which enabled that, in spite of the draught that took place in the beginning of the year, there has been a significant agricultural and livestock recovery in the country.

[Access link to the news \(click\)](#)

### **Paraguay went back to pre-pandemic levels in spite of the situation of the last years according to the World Bank**

The head economist of the Latin American and the Caribbean region of the World Bank (WB), William Maloney, began his masterful conference with his presentation “Paraguay, Evaluation 2022 – Perspectives 2023: Structural reforms as engines of the sustainable

development”. Mr. Maloney emphasized that, in spite of the situation of the last years, Paraguay went back to the pre-pandemic levels. The panel also had the presentations of the Minister of Finance, Oscar Llamosas, and the president of the Central Bank of Paraguay (BCP), Jose Cantero.

[Access link to the news \(click\)](#)

### **Route PY02 has added 123 km highway and it is close to its final stage**

There duplication of the Route PY02 has been set up since this Saturday, in the section that surrounds Coronel Oviedo city. The project reached 123 km of dual carriageway in view of the foreseen 153 km.

[Access link to the news \(click\)](#)

### **BCP released the Foreign Trade report as of November**

The Central Bank of Paraguay (BCP), has updated the Foreign Trade Report as of November, 2022. This report shows greater figures concerning the previous period having a slight reduction as regards to volumes sent. In addition, the balance of trade has shown deficit.

[Access link to the news \(click\)](#)

### **The foreign trade registered exports for over USD 12,700 million as of November**

Total exports as of November, 2022, have reached USD 12,794,0 million, 2.5% lower than USD 13,117.2 million as of November of the previous year, reported the Central Bank or Paraguay (BCP).

[Access link to the news \(click\)](#)





Subsecretariat of State of Economy

**The IBD granted an award to the Ministry of Finance** for investing in Childhood, within the framework of the VII Annual Award 2021 “Performance for Outcomes in Development”.

[Access link to the news \(click\)](#)

**The Executive Branch fosters measures related to support and economic recovery.** In example, the Guarantee Fund for Women finances projects of entrepreneur women. Besides, the Executive Branch has delivered works in Itapua, including improvements of the Regional Hospital of Encarnacion.

[Access link to the news \(click\)](#)

**Real exports of electricity have fallen 27% between January and October**

Real exports of Paraguayan electricity have been reduced by 26.5% between January and October of the present year concerning the same period of time of 2021, according to reports of the Vice-ministry of Mines and Energy. These figures confirm the emphasis of the downwards trend of the real exports of electricity from our country.

[Access link to the news \(click\)](#)

**Itaipu: The economic group suggests to keep the cession and compensation in spite of the criticism.** For 2023, the group assumes the closing of 5.0% upwards. This economic work group, made up of the Government of Mario Abdo Benitez, suggests that the position taken on by Paraguay through time on the surplus cession of Itaipu and the corresponding compensation be kept.

[Access link to the news \(click\)](#)

**The Ministry of Finance, the General Comptrollership of the Republic and Public Procurement consider tools for a more efficient use of public resources.**

The minister of Finance, Oscar Llamosas, headed a work meeting with authorities of the General Comptrollership of the Republic and the National Directorate of Public Procurement (DNCP), aiming at analyzing tools that allow to improve the efficient use of the resources of the State.

[Access link to the news \(link\)](#)

**Survey slightly lowers the inflation expectation to 8.6% for the closing of 2022**

The Survey on Expectations of Economic Variables (EVE) performed by the Central Bank of Paraguay (BCP) in November, mentions that the agents expect the inflation be closed in 8.6% this year, slightly lowering a 0.3%, as in past October the estimated inflation was 8.9%.

[Access link to the news \(click\)](#)

**The Executive Board of the IMF has approved the instrument of policies coordination of Paraguay**

Washington, DC: On November 21, 2022, the Executive Board of the International Monetary Fund (IMF) has approved an Instrument of Policies Coordination (PCI) of two years for Paraguay, related to Economic Work.

[Access link to the news \(click\)](#)

**Fitch keeps the Paraguayan rating in BB+ with a stable perspective.**

The risk rating agency Fitch Ratings after its annual risk review has decided to keep the country rating in BB+, having a stable perspective. This year, Standard & Poor's and Moody's in May and August, respectively, have also confirmed the risk rating and Moody's has also improved the Stable perspective to Positive.

[Access link to the news \(click\)](#)





Subsecretariat of State of Economy

### **The Subsecretariat of State of Taxation and the National Securities Committee (CNV) have signed an agreement in order to encourage investments**

The Subsecretariat of State of Taxation (SET) and the National Securities Committee (CNV) have signed a framework agreement of inter-institutional cooperation aiming at applying policies and procedures that allow to strengthen the taxation control actions. Likewise, the quality improvement of services offered by both institutions for the benefit of society and in order to encourage investments is looked for.

[Access link to the news \(click\)](#)

### **A report on Economic Perspectives of Latin America 2022 has been presented**

The minister of Finance, Oscar Llamosas, has participated this Friday November 25 in the report presentation “Economic Perspectives for Latin America and the Caribbean (LEO): Towards a green and fair transition”. This report was presented by members of the Organization mission for the Economic Cooperation and Development (OCDE). Such event took place in the Crowne Plaza Hotel, and ministers of the Executive Branch and authorities of international organizations have participated.

[Access link to the news \(click\)](#)

### **Week of the Green Economy shall put emphasis on challenges of the climate change.**

With the aim of talking and addressing aspects that contribute to reduce the eventual impacts of the climate change in economy and visualizing the opportunities that our country may have, the Ministry of Finance, the Central Bank of Paraguay (BCP) and the World Bank (WB) organize the third edition of the “Week of the Green Economy. Paraguay before the challenges that bring the climate change to development.

[Access link to the news \(click\)](#)

### **Budgetary Performance amounts to G. 40.4 billion as of the end of October**

As of October, 2022, the financial resources performance of the entities that make up the Central Administration was greater in 11.5% than the one of 2021, reaching a total amount of G. 40.4 billion, which represent G.4.2 billion more than has been performed in the previous year, according to the General Directorate of Budget (DGP), which is under the Subsecretariat of State of Financial Administration.

[Access link to the news \(click\)](#)

### **The Ministry of Finance and OECD have dealt with the economic recovery post-pandemic**

The minister of Finance, Oscar Llamosas, has received in his office to a mission of the Organization for the Economic Cooperation and Development (OECD), and they talked about the multilateral agenda with the organization, especially about actions taken for the post-pandemic recovery of the Covid-19 in Paraguay.

[Access link to the news \(click\)](#)

### **Importance of evaluations to improve public programs is emphasized**

The Ministry of Finance emphasized the contribution to the evaluations performed at a national level for the improvement of the public performance, within the framework of the Budget according to Outcomes (PpR). This was in the framework of its participation in the International Conference of Evaluation for Latin America and the Caribbean ReLAC 2022, which has taken place from November 14 to 18 in the Catholic Pontifical University of Equator, in Quito.

[Access link to the news \(click\)](#)





Subsecretariat of State of Economy

### **BECAL has over 1,100 grant holders in the best universities worldwide**

At the end of the third quarter of this year, the National Program of Post-graduate Scholarships Abroad “Don Carlos Antonio Lopez” (BECAL), under the Ministry of Finance, has 1,142 active grant holders. In view of this amount, 757 are performing master’s degree, doctorates, post-doctorates, as well as teaching training and mobility in the best universities worldwide.

[Access link to the news \(click\)](#)

**One of the greatest food industries from Brazil unshipped in Paraguay.** It was ZAELI Company, whose owner reported that they would be producing food to export to Brazil. Currently, ZAELI has a production line consisting of over 500 products.

[Access link to the news \(click\)](#)

### **The total imports’ value has amounted to USD 12,535 million Dollars, 20.3% more than the previous year**

As of October, 2022, total imports have amounted to USD 12.535,1 million, 20.3% greater concerning the same period the previous year. The registered imports have represented 96.1% of the total, amounting to USD 12,043.3 million, 20.8%. greater concerning the value in October, 2021, whereas the other imports have represented the remaining 3.9%, for USD 419.8 million and a 7.5% increase concerning the value as of October of the previous year.

[Access link to the news \(click\)](#)

### **The SET has updated taxpayer’s list**

The SET has updated the taxpayer’s list under the competence and jurisdiction of the General Directorate of Collection and the Regional Offices, including new taxpayers in the “Small Taxpayers” category. This measure, established through the General Resolution N° 122/2022,

shall rule since December 1 of the present fiscal year.

[Access link to the news \(click\)](#)

### **France and India express interest in Paraguay**

The Indian Ambassador, Yogeshwar Sangwan has emphasized that Paraguay is one of the most stable countries in South America, having low taxes, young population willing to work and cheap electricity. He pointed out that all these factors make the country an attractive destination for investment. The diplomat mentioned that Paraguay is one of the great partners of India in the last years and now, having the Embassy established in Asuncion, the cooperation relationships between both countries shall be strengthen further.

[Access link to the news \(click\)](#)

### **General Budget of the Nation (2023): The Finance Commission of the Senate rejects electoral proposals of the House of Deputies**

The liberal senators Fernando Silva Facetti and Daniel Rojas have stated that the Finance Commission of the Senate shall issue the necessary opinion for tomorrow Tuesday, for the plenary consideration of the expenses plan corresponding to the next year. In this regard, they have stated that from the legislative instance, they are refining the project sent by the House of Deputies, considering the creation of new positions and salary increases that were granted by the legislators in the middle of the electoral period.

[Access link to the news \(click\)](#)

### **The World Bank approves the project aimed at the development of the Costal Area from Asuncion**

The Board of Directors of the World Bank (WB) has approved a financing consisting of USD 105 million in order to develop the Coastal Area thus





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achieving the sustainable transformation of the city.

[Access link to the news \(click\)](#)

### **Brazil and Argentina have represented 59% of exports**

As of the closing of the tenth month, Brazil and Argentina have been the main exports destinations of Paraguay. Thus, the Mercosur is still being consolidated as the main destination of national products having a greater participation than 60%

[Access link to the news \(click\)](#)

### **The foreign investment flows have amounted to USD 192 million in 2021 and they have been increased by 74%**

The foreign direct investment has reached USD 2,263 million last year, being this figure greater than the gross outflow that was USD 2,072 million. In view of this outcome, the net foreign capital was USD 192 million, representing a 74% greater than what has been registered in 2020.

[Access link to the news \(click\)](#)

### **Economic Growth 2023: Where we can expect the rates of interest to lower in order to avoid overheating the market?**

The inflation and economic growth overview is very different to the one we had this year. The prices are expected to converge towards the 4% goal in the second semester of the next year and that the agricultural recovery foster a significant expansion of the GDP. In view of these elements, it is expected that the monetary policy focuses on reducing the interest rate of reference from the current level of 8.50%, also taking into account not to overstimulate a demand that shall already be more dynamic.

[Access link to the news \(click\)](#)

### **Paraguay predicts positive economic perspectives for 2023**

The minister of Finance, Oscar Llamosas, has stated that the growth perspectives for the next year are positive, mainly supported by the recovery of the agricultural sector and the public investment maintenance.

[Access link to the news \(click\)](#)

### **Positive perspective: The Paraguayan economy would grow over 4% in the second semester of 2023**

Experts of the national economy have mentioned the economic perspective considering next year. In this sense, the minister of Finance, Oscar Llamosas and Humberto Colman, member of the board of Directors of The Central Bank of Paraguay (BCP), explained the details in an official presentation offered by the Atlas Bank. Llamosas stated that the Paraguayan economy carries the weather effects that influence the agricultural sector together with the international situation that registers a high inflation peak produced by the high oil cost and the one of food commodities, as well as the high rates of financial interests.

[Access link to the news \(click\)](#)

### **The Dollar went back from November and resumed a downward trend**

After reaching historical exchange rates, the US dollar in Paraguay has lowered again before the local currency and resumed this downward trend, according the records of the Foreign Exchange Office. Concerning the retail dollar or in cash, the exchange rate went back this November, and it was placed in G. 7,160 per unit this last Friday.

[Access link to the news \(click\)](#)





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### **Economic and Commercial subjects have been dealt with in a Mercosur meeting**

The Chamber of Commerce of the Mercosur has had the last meeting of the regular period under the Pro Tempore Presidency of Uruguay, and the works performed during the semester concerning economic and commercial subjects have been analyzed.

[Access link to the news \(click\)](#)

### **Exports of industrial manufacturing products have registered a growth of 13%**

The last month, agro-industry and manufacturing industry have exported products for USD 4,614 million, representing 13% more concerning the accrued figure from January to October, 2021.

[Access link to the news \(click\)](#)

### **In October, the consumer trust has improved according to the BCP**

The last report of the Central Bank of Paraguay (BCP) on the Consumer Trust Index (ICC) shows that it has reached 54.9. This outcome is even greater than the one of the same month in 2021, which was 50.1. This was even better than the last one of September which remained in 48.3 according to the document. Concerning the ICC components, the Economic Situation Index (ISE) has reached 37.7 during the reference month, and it presented an increase concerning the previous month. Besides, this level is over the one corresponding to October of 2021.

[Access link to the news \(click\)](#)

### **The Sub-secretariat of State of Taxation shall have a webinar on the VAT and the e-Kuatia electronic invoicing**

The Sub-secretariat of State of Taxation (SET), within the framework of the training meetings, shall give two virtual talks for free through its Facebook page. One of them shall be on the

Value Added Tax (VAT) and the other one on the Electronic Invoicing “e-Kuatia”. The first webinar shall take place today, Tuesday November 15, at 10:00, and it shall present the basic notions on the Value Added Tax (VAT) as who are the taxpayer, how to register, main obligations, etc.

[Access link to the news \(click\)](#)

### **Economic Activity Monthly Indicator (IMAEP) and Business Figure Estimator (ECN) shall indicate that the prices shall be kept on adjusting in a lower pace**

According to data of the Central Bank of Paraguay (BCP), the Economic Activity Monthly Indicator (IMAEP) has been increased by 4% interannually in September and has accrued a 1.2% fall throughout the year. The activity increase was due to the positive performance of the agricultural and livestock sector, manufacturing, services and the electricity generation.

[Access link to the news \(click\)](#)

### **The Governor’s offices and municipalities have received transfers for G. 1.79 billion during this year**

The Ministry of Finance has transferred a total of G. 1.79 billion to the governor’s offices and municipalities as of October of the present year, according to data of the Department and Municipality Unit (UDM) from the Ministry of Finance. As of the closing of October, municipalities have received resources for G. 969,198 million, whereas governor’s offices have received resources for G. 825,054 million. This was reported by the Departments and Municipalities Unit (UDM) under the Sub-secretariat of State of Financial Administration (SSEAF).

[Access link to the news \(click\)](#)







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### **MOPC has implemented 60% of its budget as of October, 2022**

From January to October, 2022, the Ministry of Public Works and Communications (MOPC) has paid G.3.7 million for work certificates payment and other services, representing 60% of the total foreseen for this year.

[Access link to the news \(click\)](#)

### **It has been reaffirmed that the deductibility of 100% of the VAT shall generate inequity to the system**

The vice-minister of Taxation, Oscar Orue, insisted that the implementation of the Law which deducts 100% of the Value Added Tax (VAT) concerning expenses such as the purchase of food, goods and services directly threatened the equality principle and breaks the tax nature.

[Access link to the news \(click\)](#)

### **Inflation expectations in the mid-term are reduced to 4.3% and accrue 9 months in unpinning**

The economic agents surveyed by the Central Bank of Paraguay (BCP) have kept during over half a year an inflation estimation of 4.5% in view of the monetary policy horizon (18 to 24 months). This has meant a certain distrust concerning projections and objectives established by the bank.

[Access link to the news \(click\)](#)

### **Agents perceive a slow-down of the basic food basket costs**

Agents asked in the Survey on Economic Variables (EVE) corresponding to the present month have reduced their expectation on the inflation level from 8.9% to 8.6%, before a price stabilization throughout these last months. On the other hand, the dollar is expected to keep on with an upwards trend.

[Access link to the news \(click\)](#)

### **Credit portfolios from financial institutions shows a context having high prices**

Credit portfolios of financial institutions totaled Gs. 6.86 billion as of the closing of September; 21.3% greater than the same month of the previous year. This may be due to the current economic situation with high prices, which generate a greater financing need by the agents.

[Access link to the news \(click\)](#)

### **Consumer trust surpasses neutral zone in October**

According to data of the Central Bank of Paraguay, the Consumer Trust Index (ICC) has been 54.9 points in October, surpassing the registered level the last month, that was 48.3, and at the same time of the last year in which it was 50.1.

[Access link to the news \(click\)](#)

### **Entrepreneur sector shows recovery signs after 2 years of complications**

Guillermina Imlach, president of SMEs, explained that the sector is already showing recovery signs, after an improvement has been observed in consumption at a general level and better conditions of the enterprises' financing. One of the attributes mentioned by the micro-enterprises group representative is the ability to overcome adversities and innovate with useful products to launch onto the market.

[Access link to the news \(click\)](#)





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## Bibliography

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International Monetary Fund. (October, 2022). Obtained from <https://www.imf.org/es/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022.-:text=Seg%C3%BAAn%20os%20pron%C3%B3sticos%20el%20crecimiento,crecimiento%20m%C3%A1s%20flojo%20desde%202002>.

Ministry of Finance. (October, 2022). Obtained from <https://www.hacienda.gov.py/situfin/>





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## SCHEDULE

Economic Indicators / 2017 - 2022				
	2019	2020	2021	2022(*)
<b>Real Sector</b>				
Population (million)	7.152	7.252	7.353	7.453
GDP (USD million)	38.757	36.146	39.345	40.005
GDP per cápita (USD)	6.481	6.340	6.504	6.429
GDP (annual variation in %)	3,1	1,1	0,2	-3,4
Total Consumption (annual var in %)	0,02	-0,02	0,06	0,01
Capital Investment (annual var in %)	-0,06	0,05	0,18	-0,01
Unemployed (open)	5,7	7,2	6,8	6,3
<b>Economy Structure</b>				
<b>In view of Supply</b>				
<b>Primary Sector</b>	<b>7,4</b>	<b>11,9</b>	<b>-11,6</b>	<b>-9,2</b>
Agriculture	-4,4	9,0	-18,1	-13,0
Livestock	1,2	4,4	6,0	-2,5
Others	-1,1	0,9	6,7	1,3
<b>Secondary Sector</b>	<b>-3,0</b>	<b>0,8</b>	<b>4,7</b>	<b>0,7</b>
Industry	-1,2	-1,2	6,7	1,0
Construction	2,5	10,5	12,8	-2
Binationals	-11,5	-2,3	-8,6	2,8
<b>Tertiary Sector</b>	<b>2,5</b>	<b>-3,1</b>	<b>6,9</b>	<b>1,7</b>
General Government	4,3	6,4	-2,9	0,5
Trade	-1,6	-7,7	15,3	2,8
Communications	4,6	6,1	4,5	-1,9
Other Services	19,1	-51,9	59,3	27,4





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Taxes	-2,7	-5,1	9,0	0,7
<b>In view of Demand</b>				
Total Investment	6.781,26	5.999,64	7.774,89	7.848,32
Total Consumption	24.833,19	22.548,43	24.240,21	22.704,87
Exports	10.456,80	9.844,63	10.236,77	8.984,79
Imports	10.954,93	8.630,26	10.710,56	10.215,48
<b>Monetary and Financial Sector</b>				
Rate of Exchange (PYG per USD, fdp)	6449,61	6943,98	6815,54	7345,9
Inflation (IPC, annual variation in %, Average, last 12 months)	2,8	2,2	6,8	8,3
Inter-banking rate of interest (% , fdp)	3,88	0,57	2,98	8,52
Monetary Aggregates (annual variation of M2 in %)	7,2	19,6	6,8	0,0
Dollarization Ratio (% of banking deposits in ME)	45,0	45,2	45,6	46,6
Banking sector credits granted to the private sector (% of the GDP)	11	7,7	9,5	12,8
Real Salary (annual variation, %)	3,2	1,1	5,5	5,2
<b>External Sector</b>				
<b>(Million USD)</b>				
<b>Exports</b>	<b>1.038.202</b>	<b>1.007.625</b>	<b>1.208.979</b>	<b>1.117.893</b>
Inter-annual variation in %	-0,14	-0,03	0,20	-0,08
<b>Imports</b>	<b>1.072.161</b>	<b>871.845</b>	<b>1.356.633</b>	<b>1.346.937</b>
Inter-annual variation in %	-0,06	-0,19	0,56	-0,01
<b>Trade Balance</b>	<b>-33.959</b>	<b>135.780</b>	<b>-147.654</b>	<b>-229.043</b>
GDP %	-88	376	-375	-573
<b>Current Account</b>	<b>-218,9</b>	<b>691,7</b>	<b>-348,3</b>	<b>-312,0</b>
GDP %	-0,6	1,9	-0,9	-0,8





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<b>Capital and Financial Account</b>	<b>539,3</b>	<b>1.102,6</b>	<b>866,7</b>	<b>n/d</b>
GDP %	2,8	5,6	4,3	n/d
Direct Foreign Investment	1.848,94	1.834,07	1.849,58	1.961,97
GDP %	4,8	4,7	4,7	4,9
<b>International Reserves</b>	<b>7.674,69</b>	<b>9.490,14</b>	<b>9.946,63</b>	<b>9.511,39</b>
GDP %	19,8	26,3	25,3	23,8
<b>Public Sector</b>				
<b>(GDP %)</b>				
<b>Income</b>	<b>14,2</b>	<b>13,5</b>	<b>13,7</b>	<b>12,7</b>
<i>Which: Taxation Income represents</i>	10,0	9,5	9,8	9,6
<b>Expenses</b>	<b>17,0</b>	<b>19,7</b>	<b>17,3</b>	<b>14,9</b>
<i>Which: Payment of interests represents</i>	0,8	1,1	1,1	1,2
<b>Primary Balance</b>	-2,0	-5,1	-2,5	-0,9
<b>Taxable Income</b>	-2,8	-6,1	-3,6	-2,1
<b>Total Debt of the Public Sector</b>	<b>22,9</b>	<b>33,8</b>	<b>33,8</b>	<b>36,3</b>
<b>Public External Debt</b>	<b>18,7</b>	<b>29</b>	<b>29,3</b>	<b>31,9</b>
% of the Total Public Debt	81,7	85,9	86,7	88,0
<b>Domestic Public Debt</b>	<b>4,2</b>	<b>4,8</b>	<b>4,5</b>	<b>4,4</b>
% of the Total Public Debt	18,3	14,1	13,3	12,0
<b>Service of the Domestic Public Debt</b>	<b>1,3</b>	<b>1,6</b>	<b>1,6</b>	<b>0,3</b>
<b>External</b>				





## References:

1. Remarks and Sources: Chart prepared by the Directorate of Indebtedness Policy (DPE, Ministry of Finance), including data of the International Monetary Fund (IMF, World Economic Outlook – WEO, 04/2011), Central Bank of Paraguay (BCP, Statistical Schedule as of 29/12/2022) and the Ministry of Finance.
2. The exchange rate corresponds to the one of the last working day of the year.
3. Income and Expenses as of November, 2022 are preliminary.
4. These letters shall have the following meanings: M: month (i.e., M01: January); T: Quarter (i.e., T01: quarter 1); n/a: non-available, ME: Foreign Currency; fdp: end of period.
5. Data after 2012 are preliminary and they may be subject to reviews.
6. The Economy Structure includes data in Guaranies as of 2014. Historical data as well as projections correspond to the BCP.
7. Inflation as of November, 2022 corresponds to the goal rate of inflation established by the BCP.
8. Other services include: transportation; financial intermediation; residential lease; services rendered to companies; hotels and restaurants and services rendered to households.
9. Binationals mean currency income as energy cession of Paraguay to Argentina and Brazil, corresponding to the Hydroelectric plants Yacyreta and Itaipu. The Real Sector and Economy Structure projections are figures prepared by the BCP.
10. Public Sector data are figures prepared by the Ministry of Finance. Since 2015, a migration has been performed to the methodology contemplated in the Manual on Statistics of the Public Finances 2001 (MEFP 2001)
11. Exports and imports as of 2022 correspond to November, 2022 (2022, M10). Exports include re-exports and other exports. The inter-annual variation of exports/imports as of November, 2022 (Jan-Nov 2022/Jan-Nov 2021) obtains the accrued variation of exports/imports of the total exports and imports accrued from January to November, 2022, concerning the same period of the year 2021.





## Macroeconomic Outlook of Paraguay

December 2022

**The GDP growth perspective for Paraguay has been kept around 0.2% having an expansion perspective of 4.5% in 2023.**

After a significant fall of the GDP in the first fiscal quarter of 2022 as a consequence of the drought, an inter-annual growth of 2.8% has been observed during the third fiscal quarter thus indicating a recovery. Expectations of positive growth in the fourth fiscal quarter shows in this way 0.2% annual expansion according to projections. Concerning 2023, the Central Bank of Paraguay (BCP), estimates a GDP growth of 4.5% mainly supported by agriculture and livestock.

The worldwide perspective has been kept at the closing of 2022, whereas this has been worsened for 2023 concerning the October report. Next year, a more noticeable deceleration is foreseen in United States and the Eurozone, fostered by more restrictive monetary conditions and the war extension between Ukraine and Russia.

### Growth Projection of Paraguay



**In the United States**, the GDP registered an inter-annual variation of 1.9% as of the third Quarter and an annualized quarter rate of 3.2% as a consequence of exports, the consumption expense, the non-residential fixed investment, the federal government expense and the state governments' expense,

that were partially mitigated by the fixed investment reduction of residence and the private investment in inventory. In this context, the GDP growth perspective has been reviewed upwards from 1.6% to 1.8% for 2022, and a downwards variation is estimated from 0.7% to 0.4% for 2023.

**In China**, there is a sanitary uncertainty that is quite worsened and difficulties presented by the real state sector that have negatively influenced in view of the growth perspective. As a result of the restrictive measures taken by the government in order to face the sanitary situation, the GDP growth perspective has been reduced from 3.9% inter-annually to 2.9% interannually, concerning the previous fiscal quarter. Therefore, the growth for 2022 has been reduced from 3.3% to 3.0% whereas a slight reduction is expected from 5.0% to 4.9% for 2023.

**In Brazil**, a growth increase of 3.6% inter-annual has been observed in the third fiscal quarter of 2022. Concerning the previous fiscal quarter, the variation has been 0.4% because of the positive participation of the fixed capital gross formation, the private consumption and the government consumption that were reduced due to the negative impact of the foreign demand. On the other hand, the growth forecast has been reviewed downwards from 0.99% to 0.89% for 2023, according to the lesser growth perspective of the world economy and the lower costs projection of primary products.





**In Argentina**, GDP data shows an expansion of 5.9% interannual and 1.7% concerning the previous fiscal year, fostered by the private consumption. The GDP expansion forecast for 2022 has significantly improved from 3.5% to 4.9%. However, it has been reduced from 0.9% to 0.7 for 2023 in view of the foreign scenario complexity and the uncertainty regarding de domestic policy overview.

**In Paraguay**, the base scenario for 2023 considers that the GDP growth perspective shall be 4.5% because of the agricultural recovery and good performance related to manufacture, electricity, water and services.

In the **primary sector**, a positive growth of around 20.2% is expected. According to data of the Ministry of Agriculture and Livestock (MAG) the estimated growth concerning the agriculture campaign of 2022/2023 shall be 120% compared to the 2021/2022 harvest. According to **livestock**, after the negative performance in 2022, a recovery has been foreseen for 2023. The expectations of a positive growth are based on the Meat sector improvement, the finalization of the qualification process in the United States market, the auditing conclusion of Canada to the different meat processing plants of the country, for the Paraguayan meat entry to their market, the pork meat qualification in the Taiwan market, as well as the tariff elimination for the giblets' export to the same market. Undoubtedly, these are significant aspects that shall generate a positive impact in the sector recovery.

The **secondary sector**, has a growth base scenario of 2.2% for 2023 fostered by the **manufacturing** industry, especially those related to agriculture and in a lesser extent, the ones related to livestock and construction. A good dynamic is also expected in paper and chemical products' production. In view of **construction**, a marginal growth of 0.5% is estimated because of a reduction in public works' execution, according to the fiscal convergence plan of the government. In view of the private sector, a good dynamic has been observed during the last years, mainly in the corporative axis and households, so these are expected to keep on growing at a moderate pace in 2023. Concerning **water and electricity**, growth is expected to keep dynamic for 2023 due to the favorable weather conditions for the production of electricity by the binationals.

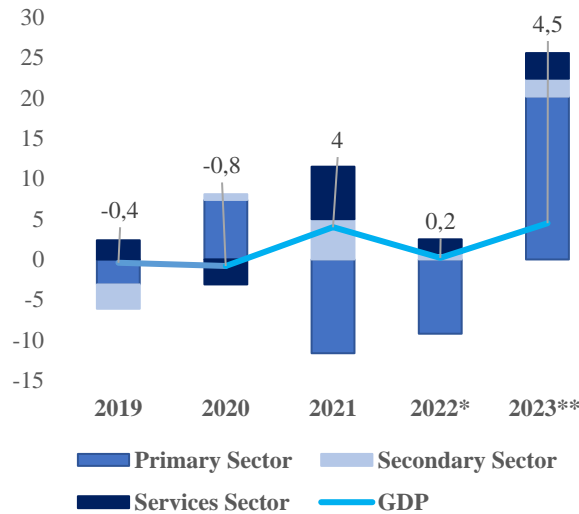
In view of the **services'** sector, the positive growth rate has been kept in 3.2% for 2023, led by transportation, restaurants, hotels, government services, foreign trade, among others.





Subsecretariat of State of Economy

**Chart 1:** Percentage variation per line of business.



\* Preliminary figures

\*\* Projections

Source: Central Bank of Paraguay.

### Situation Analysis (BCP)

Besides, the World Bank in view of its World Perspectives 2023 Report, estimates that the GDP growth perspective for Paraguay has been reviews upwards for 2023 in 5.2% concerning -0.3% of the previous year

### World Economic Perspectives Report

### Debt levels and structures of the Total Public Sector

The Law 1535/2000 “on the Financial Administration of the State”, in its article N° 42, establishes that the public debt shall be classified in domestic and external, and

direct and indirect. The direct public debt of the Central Administration is the one assumed by such Central Administration as the main debtor. On the other hand, the indirect debt of the Central Administration is the one established by any natural and artificial, public or private person, different from such Central Administration, but which has its corresponding guarantee or security, duly authorized by law (public entities, second-tier banking, etc.)

One of the strengths of public finances is the low level of debt. Paraguay has one of the lowest debt levels compared to the countries in the region, it is even below the average of countries with the same credit rating, according to Moody's<sup>1</sup> for groups of countries with the same rating (Ba1) the Public Debt with respect to GDP is 66% on average, while Paraguay is below presenting 36.6% of total Public Debt with respect to GDP and in turn a balance in monetary terms of USD 15,053.7 million at the last month of 2022

Regarding the external debt, it represents 88.5% of the total debt and 11.5% corresponds to internal debt. On the other hand, the classification of the debt by creditor registers a greater participation of Multilaterals and Bilaterals with 45.2%, followed by 40.3% with respect to international Bonds, while in terms of internal debt it registers 11.5% corresponding to internal Bonds that include the debt issued for the Capitalization of BCP and the Deposit Guarantee Funds.

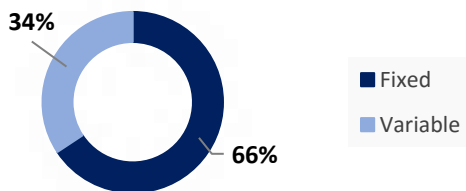
<sup>1</sup> Credit opinión feb 2023



Subsecretariat of State of Economy

The classification of the total public sector debt based on interest rate rates shows a decrease in debt at fixed rates and an increase at variable rates with respect to the year 2021. However, the debt at a fixed rate is higher than the purchased at a variable rate.

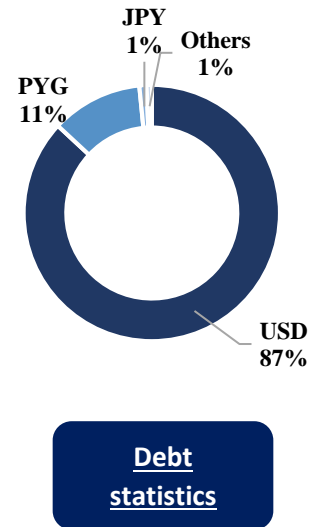
**Figure 1:** Balance of total public debt by interest rate.



Source: Ministry of Finance.

**The public debt structure by type of currency** presents a greater concentration in USD (87.4%), followed by PYG (11.0%), JPY (0.9%) and others (0.6%). It should be noted that the greater proportion of debt in dollars does not represent a risk for the country, since Paraguay receives income in dollars as annual royalties for the use of the hydraulic potential of the Paraná River for the production of electrical energy, coming from the binational entities (Itaipú and Yacretá).

**Figure 2:** Balance of Total Public Debt by currency.



[Debt statistics](#)

**Average time of debt maturity:** Due to placement in the international markets in greater terms than the ones of the domestic markets, an increase of the average maturity of the Total Public Sector Debt (ATM) has been achieved from 11.6 years (2015) to 12.3 years (April 2021). This allows a greater maneuverability margin of the public debt.

**Table 1:** Debt Average maturity. (years\*)

Years	Total Public Sector		
	External Debt	Domestic Debt	Total Debt
2015	13,2	3,5	11,6
2016	12,3	4,1	11,1
2017	11,5	4,1	10,6
2018	12,7	3,4	12
2019	13,3	3,4	12,6
2020	14,9	4,8	14,3
2021	12,6	7,6	12,3

\* Does not include perpetual debt with the BCP.

Source: Ministry of Finance

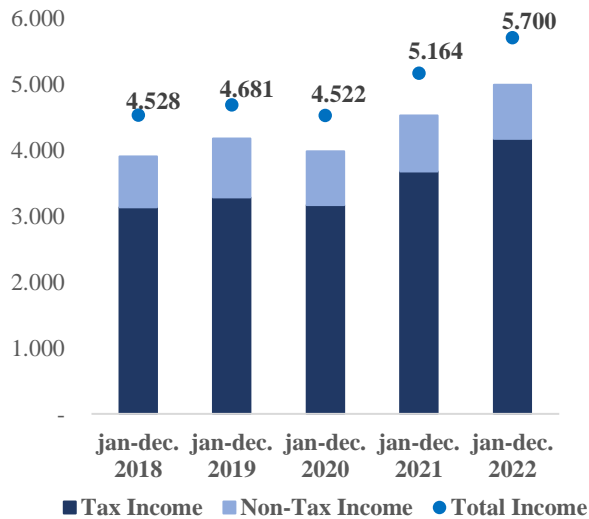
[Strategic Guideline](#)



**Concerning the Financial Situation as of December, 2022**, has been closed having a fiscal deficit accrued of 3.0% of the GDP according to the fiscal convergence plan.

**The total income shows a 9.5% increase.** Total income accrued has reached USD5,699.87 million as of December, 2022, having a positive inter-annual variation of 10.6% fostered by taxes that have increased 13.5% concerning the previous year, corresponding to the tax collection of the Subsecretariat of State of Taxation (SET) as well as the National Directorate of Customs (DNA). The aforementioned increase has compensated the fall registered in social contributions and grants. Besides, other income has been kept in 0.5%

**Chart 2:** Income accrued as of December, 2022, in million dollars.

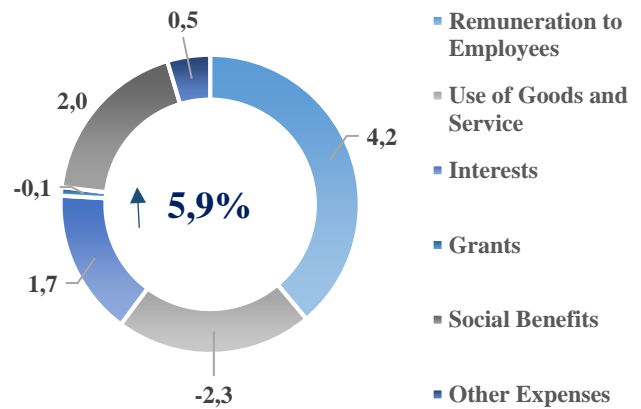


Source: SITUFIN.

**SITUFIN December 2022**

**The total expense shows a 5.9% increase.** In view of the accrued variation as of December, 2022 concerning the same month of the year 2022, there has been observed a total expense increase of 5.9%. This growth is mainly due to the Remuneration to employees, Interests and Social Benefits.

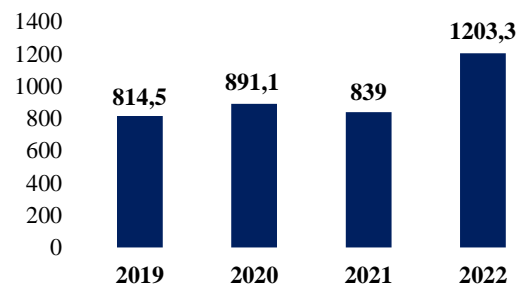
**Chart 3:** Structure of percentual accrued expenses as of December, 2022.



Source: Ministry of Finance.

**Investment level as of December, 2022:** The strategic investment has been aimed at the economic recovery according to the fiscal convergence goals.

**Chart 3.** Accrued investment in million Dollars.



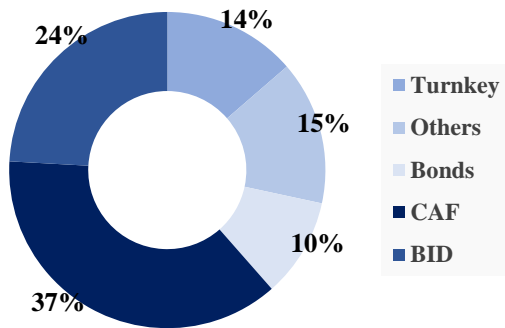
Source: Ministry of Finance



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**Investment in the MOPC by financing Organization.** The Ministry of Public Works and Communications' investment (MOPC) as of December, 2022, show the following figures as to financing organizations: USD 84.6 million corresponding to **Bonds**; USD 113.8 million referring to **Turnkey projects**; USD 201.2 million from **Inter-American Development Bank (IDB)**, USD 311.7 million from the **Andean Development Corporation (CAF)** and USD 122.9 million coming from **other** organizations.

**Chart 4:** Investment in MOPC, per financing organization.

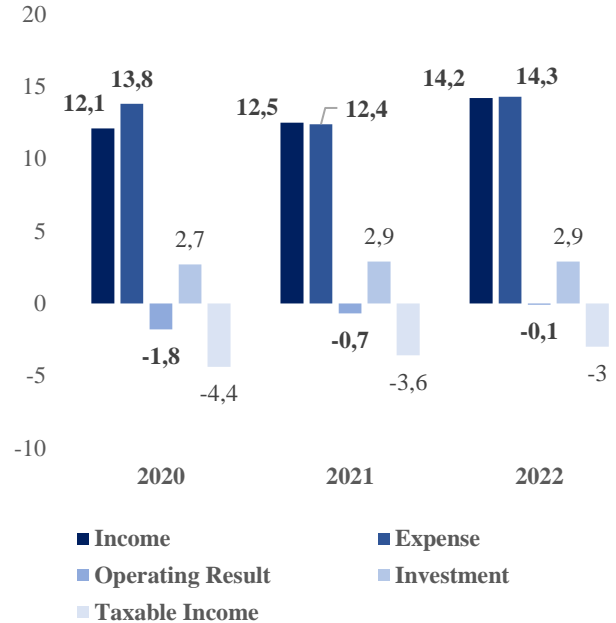


Source: Ministry of Finance.

### Fiscal indicators in GDP percentage

A fiscal outcome of -3.0% of the GDP has been presented as of December, 2022, having an investment level of 2.9%, being the updated fiscal outcome of 3.0% of the GDP, below the 3.6% reached in 2021 concerning the fiscal convergence plan.

**Chart 4:** Fiscal indicators in GDP percentage.



Source: Ministry of Finance.

### Inflation Report - BCP

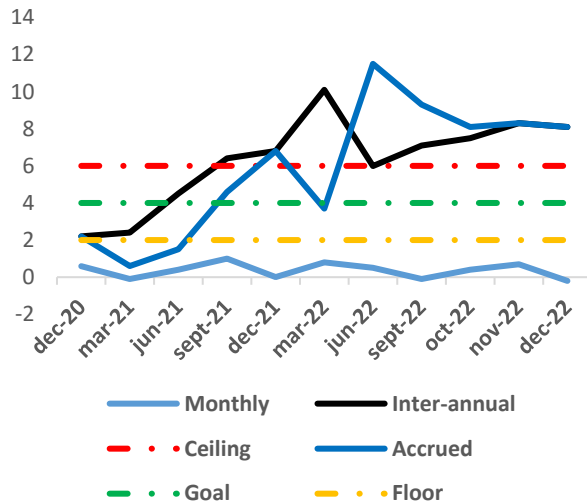
**Inflation projections for 2022 and 2023 have been kept in 8.6% and 4.1% respectively** due to small pressures of foreign costs observed from the third fiscal quarter. The moderate dynamic of the domestic economic activity and the adjustments' transmission of the monetary policy rate were key in order to restrain the inflation acceleration during the last months.





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**Chart 5:** Inflation as of December 2022, in percentage.



Source: Central Bank of Paraguay

**Statistic Schedule - BCP**

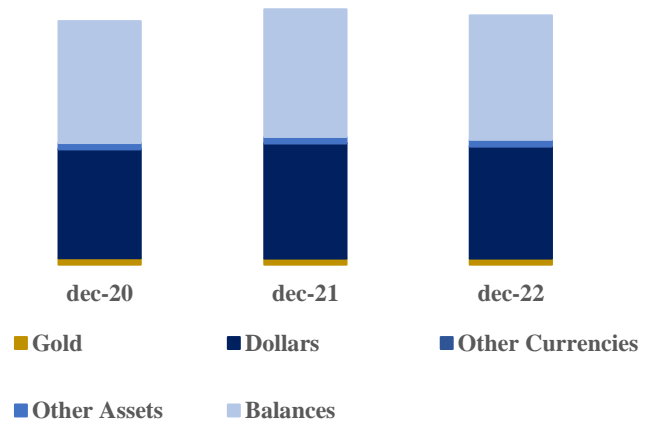
**The Rate of Interest of the Monetary Policy has been kept in 8.5%.** The Monetary Policy Committee (CPM) has decided to keep the Monetary Policy Rate (TPM) in 8.5%. The CPM has emphasized the persistent moderation in commodity prices, as well as lower perspective of economic growth for 2023 in the region and at a worldwide level as well. Likewise, the contraction profile of the monetary policy is expected to contribute to the gradual convergence of inflation according to the goals at the end of 2023.

**Rate of Monetary Policy - BCP**

**Net International Reserves**

The Stock of Net International Reserves has reached a balance of USD 9,717.9 million as of December, 2022, showing a positive variation of 2.2% concerning November, 2022 and it consists of USD 475.3 million corresponding to Gold; USD 8,736.9 million Dollar; USD 11.3 million in other currencies and USD 494.5 concerning other assets.

**Chart 6:** Structure of RIN, in million Dollar



Source: Own preparation based on data of the BCP (2022).

**Statistic Schedule - BCP**

**Trade Balance**

Foreign trade figures (exports plus imports) represent USD 1,378,452 million as of December, 2022, which shows a positive variation of 4.4% concerning the same month of 2021.

Total exports accrued as of December, 2022 were USD 1,069,066 million, having a variation of 9.9% concerning the same month of 2021.



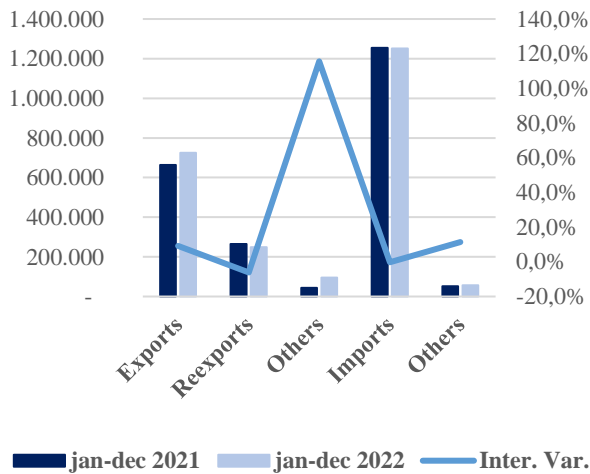


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Total imports accrued in December, 2022 amount to a total of USD 1,309,386 million, representing a small inter-annual variation of 0.3% concerning the one accrued as of December, 2021.

**The trade balance as of December 2022**, registers a deficit of USD 240,320.0 million, representing an inter-annual variation of -27.8% concerning the same month, the previous year.

**Chart 7: Payment Balance, in thousands of dollars.**



Source: Central Bank of Paraguay.

**Statistic Schedule - BCP**

**Credit Perspective of Paraguay**

Paraguay has managed to keep the country risk rating with the three credit rating agencies (Standard & Poor's (S&P), Moody's Investors Service (Moody's) and Fitch Rating (Fitch)). These confirmations are given between three years of international and national contexts affected by external and internal shocks such as the

price fall of raw material, pandemic by Covid-19, price rise in fuels and drought that affected the country between 2019 and 2020.

**Table 2: Sovereign Risk Rating 2022.**

Risk Rating Agency	Rate	Perspective	Last Review
S&P	BB	Stable	18-may-2022
Moody's	Ba1	Positive	04-aug-2022
Fitch	BB+	Stable	22-nov-2022

Source: Ministry of Finance.

The risk rating agencies mention that Paraguay had a government strategy including the advances in the structure reforms that has contributed to keep the risk ratings of the country low in an uncertainty international context. Such reforms include the strengthening of the fiscal institutionality, which have helped to reinforce the credibility in the macroeconomic policies.

**Credit Regional Perspective Growth**








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## Other accesses of interest


Please click on the text to address to the Web Site 


### Monetary Policy Reports

 [National Accounts Report \(Fiscal Quarters\)](#) 

 [Statistic Schedule of the Economic Report](#)

 [Foreign Trade Report \(Fiscal Quarters\)](#)

 [Direct Investment](#)


 [Monetary Policy](#)


### Sustainable Development Objectives ODS


 [Sustainable Paraguay](#)

 [ODS Goals](#)

### Ministry of Industry and Trade

 [MyPIMES](#)

 [Maquila](#)

 [Programs and Projects for MyPIMES](#)

### Environmental Actions

 [Legal Provisions on environmental policies and actions](#)





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## Ministry of Finance







## News

### January 26, 2023

#### **The Milk Route of the Chaco region has closed 2022 having a 35% of advance**

Plot 1 awarded to Consorcio Vias de Occidente, from Heisecke SA building company and Vialtec SA, whose date of beginning was December 1, 2021, which corresponds to Cruce- Pioneros-Paratodo section, including accesses to Santa Cecilia and Lolita that in 13 months has advanced 26%.

Plot 2 includes 64 km, and at least 200 people are working in this project, covering Cruce de los Pioneros-Paratodo from km 48.4 including Paratodo-Cruce Douglas from km 5.2, Aceval access and Campo Aceval-Cruce Infante Avalos Sanchez section, from km 0 to km 29.5. [View More.](#)

### January 21, 2023

#### **Paraguay has a new customer in the United Kingdom after sending the first coils' container**

The country keeps on adding destinations and new buyers in different segments of its foreign trade. During the week, the porcine sector has been announced to the Taiwanese market and the last Friday a new shipment has been communicated, this time related to the household cleaning products. This was indicated by the Network of Investments and Exports (Rediex) AND the Ministry of Industry and Trade (MIC) concerning the export of coils having a lavender and citronella fragrance which shall reach the European market for the boreal summer. [View More.](#)

### January 20, 2023

Paraguay pays and cancels the first Bond issued in the international market

The Republic of Paraguay, within the framework of the prudent performance strategy of the public debt, has cancelled the first Bond issued in the international market in the year 2013. Such Bond, which had an initial issuance of USD 500 million in a 3.625% rate to 10 years of term, having a reopening performed in 2015 for USD 280 million that totaled a face value of USD 780 million. Such issuances resources were aimed at financing the investments' program in works of infrastructure, electricity and households that was implemented by the Government during the last years. [View More.](#)

### January 13, 2023

#### **BCP estimates a commercial surplus of USD 820 million for 2023**

The trade balance would register again a surplus balance this year because of an upturn in exports of the main commodities, after the historic commercial deficit of USD 1,316 million observed in 2022. The Central Bank estimates that exports would grow by 16%, due to a better agricultural production overview, whereas shipments would grow by 9.6%. [View More.](#)

#### **The maquila regime has achieved an exports' record of over USD 1,000 million during 2022**

The Ministry of Industry and Trade (MIC) has confirmed that assets transformed under the maquila regime in 2022 has achieved a new record, the total exports achievement of USD 1,036 million, which represents an estimated growth of 20% concerning USD 865 million exported in 2021. [View More](#)





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### **In the last Foreign Trade Report, BCP recognizes that exports have been reduced by 1.5%**

The Central Bank of Paraguay (BCP), has issued the Foreign Trade report from Paraguay, the last one of 2022 showing a reduction of 1.5% in exports concerning the previous period and an increase of 16.1% of imports compared to the previous 12 months. [View More](#)

**January 6, 2023**

### **The Executive Branch enacts the General Budget Law 2023**

The Executive Branch has enacted the Law N° 7.050 this Thursday that approves the General Budget of the Nation (PGN) for the fiscal year 2023. The president of the Republic, Mario Abdo Benitez, has approved the law passed by National Congress and he has signed yesterday the General Budget of The Nation (PGN) 2023 that amounts to over G. 105 billion. [View More](#)

**January 5, 2023**

### **The Paraguayan meat sector projects this year to entry U.S.A. and Canada markets**

The president of the Meat Paraguayan Chamber (CPC), Randy Ross has mentioned that the sector that he represents has as a goal this year, to achieve that meat products from Paraguay may take part in competition in the United States and Canadian markets. [View More](#)

### **Tax pressure has reached 10.4% at closing of the previous year**

The Ministry of Finance, in its Financial Situation report (Situfin), has reported that 2022 has closed having a tax pressure of 10.4%. The Minister of Finance, Oscar Llamosas, has emphasized this fact as this represents a 1.4% increase concerning 9% that was managed in 2021. [View More](#)

### **Going back to the Selective Consumption Tax (ISC): Petrol stations analyze a new increase in fuel costs**

After almost one year of having kept the reduction of the taxable base of the Selective Consumption Tax (ISC) for fuels, the Government has adjusted the tax values. [View More](#)

### **Greater taxes and lower costs: ¿Why should we wait that our reserves begin to generate earnings just from this year on?**

The investments' return of international reserves of the BCP left a loss of -0.3% as of the closing of 2022, but it is expected that from 2023 on it begin to grant earnings up to 3.9%, in view of the scenario of rates of interest's increase that is occurring worldwide to restrain inflation and the perspectives of a better normalization from this year on. [View More](#)

**January 4, 2023**

### **Credits are formalized for drinking water and sewerage works for four cities of the countryside**

President Mario Abdo Benitez has signed this morning the bill "That approves the loan agreement subscribed with the Andean Development Corporation (ADC), aimed at financing the Sanitation Program of Intermediary Cities". Such plan should be approved in the Congress and it shall benefit four cities of the countryside. [View More](#)

### **The dollar has started the first week of the year in a stable way and with no more increases**

The dollar has begun the first week of the year 2023 in a stable level, being around G. 7,330 at the sell rate, in the retail market, without reaching again its historical peak. [View More](#)





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### January 3, 2023

#### **The Financial Development Agency (AFD) adjusts its rates of interests for new credit requests**

The Financial Development Agency (AFD) adjusted the rates of interest for the new credit requests from January, 2023. This measure is taken in a lesser extent upwards of the rates of interest that were given in the national and international financial system by the investors. [View More](#)

#### **Shipments having animal origin have closed a successful 2022**

Exports of meat, giblets and other products having animal origin have reached the best figures of the last five years in 2022, generating income for over USD 2,197 million for the livestock sector. According to data provided by the National Service of Quality and Animal Health (Senacsa), over 608 million of kg of meat, giblets and other products of animal origin have been exported as of 2022, generating a total income of 2,197,493,487 dollars. [View More](#)

#### **Stock exchange transactions added USD 2,900 million in 2022 and establish a goal of USD 3,000 million for this year**

After the behavior observed during 2022, the Stock Exchange of Asuncion (BVA) has established as a goal of this year, to achieve a value close to the record of USD 3,300 million of 2021. The last month of 2022 has presented positive outcome for the stock exchange, making that the gap in the accrued volume of transactions be reduced from -18.4% to -13.7% from the previous month, in view of the negotiations of 2021. The transactions negotiated in December, 2022 would be then be approached to USD 500 million, after which the value accrued reached USD 2,400 million as of November. [View More](#)

### January 2, 2023

#### **The public investment has closed with positive levels and it was key for the economic sustainability**

2022 has closed having a public investment level of G. 8,384.5 thousand million (USD 1,203.3 million) which represents 2.9% of the Gross Domestic Product GDP). This is a greater figure than the one registered in 2021, which means a 6.4% growth. [View More](#)

#### **Customs aims at a greater technologic investment to fight smuggling**

The National Directorate of Customs expect to have a better logistics this year with the aim of increasing controls of all the products that enter the country in terms of commercialization, in order to face smuggling. The Director of Customs, Julio Fernandez, mentioned that the entity has not invested in new scanners since a long time, but the arrival of a new one is expected in 2023. [View More](#)

#### **Customs has closed 2022 with the best historical collection: G. 13.5 billion**

Customs has closed 2022 having three significant records, which was the outcome of an increase of the customs' collection and the economic recovery after the pandemics. The main achievement was the greatest annual collection of the whole institutional history, totalizing the amount of G. 13,504,563,062,830, well above G. 12 billion obtained in 2021. [View More](#)

#### **Taxation closes 2022 collecting 14.7% more than 2021**

The final report of the Subsecretariat of State of Taxation (SET) mentions a closing greater than the previous period, a greater and positive percentage reached in the last months of 2022. Therefore, the collection reaches G. 1,214,182





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million, which represents around US\$ 168 million. [View More](#)

### **Paraguay could measure the food insecurity in the country for the first time.**

The 2022 National Population and Housing Census, which included the IV Indigenous Census, reached a historical coverage level of 97.5%, at the country level. For the National Institute of Statistics (INE) it was a great challenge to organize the technical and human scheme that had to previously carry out pilot tests, digital cartography using first-rate technology, prepare the questionnaires and send them to various points of the national territory, to finally do the general registration of inhabitants on November 9. [View More](#)

### **Imports affected by a deficient navigability of the main rivers**

2022 has closed as it was announced: the forecasts related to complications with the river have been fulfilled; however, during the importing merchandise entry for the end of the year, there has been no significant harm as usually occurs in October, November and December, at least in the previous years. [View More](#)

### **A better overview for inflation in 2023, in view of the expectations' establishment**

Paraguay managed to close 2022 having a lower inflation to the projection of 8.6%, thus generating a much more encouraging overview for 2023 concerning the return to the inflation goal. BCP estimates that the prices' variation of the family shopping basket shall reach 4% in the second semester of the year, after reaching a maximum peak of 11.8% in April last year. [View More](#)

### **December 28, 2022**

#### **This year shall close having a deficit of 3% pursuant to what has been authorized by the PGN**

In spite of being a year influenced by different adverse conditions, it is expected that 2022 be closed with a deficit pursuant to what has been authorized in the Law on Budget of the 3% and lower to what has been reached last year, which was 3.7%. [View More](#)

#### **The hydroelectrical plant Itaipu has reached a new historical mark in generation of energy**

A new milestone for the binational undertaking, a worldwide leader in generation of clean and renewable energy, reinforces the strategic relevance of the central hydroelectric plan for the sustainable development and the energy security of the two countries co-owners. [View More](#)

### **December 27, 2022**

#### **December has brought growth up to 50% to gastronomic and artistic businesses**

The last month of 2022 has brought of abundance which has been reflected by the significant upturn that experience gastronomic and artistic sectors of the country, as only in the first two weeks they could overcome the previous years' numbers. [View More](#)

#### **BCP freezes the rate of interest of the monetary policy and expects to restrain inflation**

Unanimously, the Central Bank of Paraguay has resolved to keep the rate of monetary policy of the country in 8.50% annual. [View More](#)





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## December 21, 2022

### **S&P credit rating shall attract new investments**

The risk rating agency report of Standard & Poor's has arrived in a good moment. The risk rating improved from BB- to BB is positive as facilitates that the credit cost be lesser. This is an essential tool for investors at the moment of placing their capitals in a debt instrument in a determined market. [View More](#)

### **Paraguay registers exports for USD 9,221 million**

For Paraguay, there has been established over 140 countries as exports' destinations; however, Mercosur has been established as the main destination representing 60.6% of the total of shipments. Likewise, it was the main origin of imports, reaching 32.1% of the total imported. [View More](#)

### **Industrial assets having a 9% growth in exports and a record for manufacturing products**

Asuncion, IP Agency. Industrial exports totalize US\$ 4,954 million until November, which represents a 9% growth concerning 2021 and a record figure for the manufacturing sector. [View More](#)

## December 20, 2022

### **Maquila exports keep on growing and they would reach USD 1,000 million**

A foreign trade report of the Central Bank of Paraguay (BCP) has stated that from January to November the exports' value under the maquila regime has reached USD 945 million, being 19% greater than the same period of the previous year. [View More](#)

## December 19, 2022

### **The budgetary implementation of the Central Administration has amounted to G. 45.4 billion at the closing of November**

As of the closing of November, 2022, the implementation of financial resources of entities that comprise the Central Administration was greater in 10.1% than the one of the same period of time of 2021, reaching a total amount of G. 45.4 billion, representing G. 4.2 billion more than it was implemented in the previous year, reported the Ministry of Finance. [View More](#)

### **Corn shipments have increased 116.4% as of November**

As of November, 2022, corn exports have registered a significant increase compared to shipments registered in the same period of time of 2021 according to the last report of foreign trade of the Central Bank of Paraguay (BCP). [View More](#)





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## Bibliography

Central Bank of Paraguay (October, 2022). Obtained from <https://www.bcp.gov.py/revision-de-la-proyeccion-pib-1373>

International Monetary Fund. (October, 2022). Obtained from <https://www.imf.org/es/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022#:text=Seg%C3%BAAn%201os%20pron%C3%B3sticos%20el%20crecimiento,crecimiento%20m%C3%A1s%20flojo%20desde%202001>.

Ministry of Finance. (October, 2022). Obtained from <https://www.hacienda.gov.py/situfin/>





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## SCHEDULE

<u>Economic Indicators / 2019 – 2022</u>				
Annual Figures	2019	2020	2021	2022(*)
<b>Real Sector</b>				
Population (million)	7.152	7.252	7.353	7.453
GDP (USD million)	38.757	36.146	39.345	40.005
GDP per cápita (USD)	6.481	6.340	6.504	6.429
GDP (var. annual en %)	3,2	1,0	0,3	2,8
Total Consumption (annual var. in %)	0,02	-0,02	0,06	0,01
Capital Investment (annual variation in %)	-0,1	0,05	0,2	-0,01
Unemployed Rate (% active population, fdp))	5,7	7,2	6,8	6,3
<b>Economy Structure</b>				
<b>In view of Supply</b>				
<b>Primary Sector</b>	<b>-3,1</b>	<b>7,4</b>	<b>-11,6</b>	<b>-9,2</b>
Agriculture	-4,4	9,0	-18,2	-13,0
Livestock	1,2	4,4	6,2	-2,5
Others	-1,1	0,9	6,8	1,3
<b>Secondary Sector</b>	<b>-3,0</b>	<b>0,7</b>	<b>5,0</b>	<b>0,8</b>
Industry	-1,1	-1,3	6,9	1,0
Construction	2,5	10,5	12,8	-3,0
Binationals	-11,5	-2,3	-7,6	4,7
<b>Tertiary Sector</b>	<b>2,4</b>	<b>-3,1</b>	<b>6,5</b>	<b>1,7</b>
General Government	4,3	6,4	-3,4	0,5
Trade	-1,2	-8,1	14,3	4,5
Communications	4,6	6,1	4,5	-2,3
Other Services	0,06	-0,04	0,10	0,07





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Taxes	-2,7	-5,1	9,0	<b>0,7</b>
<b>In view of Demand</b>				
Total Investment	6.781,3	5.999,6	7.774,9	7.964,6
Total Consumption	24.833,2	22.548,4	24.240,2	23.041,3
Exports	11.649,1	9.844,6	10.236,8	9.117,9
Imports	10.954,9	8.630,3	10.710,6	10.366,9
<b>Monetary and Financial Sector</b>				
Rate of Exchange (PYG per USD, fdp)	6.449,6	6.944,0	6.815,5	7.238,7
Inflation (IPC, annual variation in %, Average, last 12 months)	2,8	2,2	6,8	8,1
Inter-banking rate of interest (% , fdp)	3,89	0,60	4,31	8,47
Monetary Aggregates (annual variation of M2 in %)	7,2	19,6	6,8	1,9
Dollarization Ratio (% of banking deposits in ME)	43,9	44,0	44,7	46,4
Banking sector credits granted to the private sector (% of the GDP)	11,0	7,7	9,5	11,9
Real Salary (annual variation, %)	3,2	1,1	5,5	5,2
<b>External Sector</b>				
<b>Million USD)</b>				
<b>Exports</b>	<b>1.013.062</b>	<b>1.085.960</b>	<b>973.200</b>	<b>1.069.066</b>
Inter-annual variation in %	0,04	0,07	-0,10	0,10
<b>Imports</b>	<b>1.122.882</b>	<b>1.026.197</b>	<b>1.305.900</b>	<b>1.309.386</b>
Inter-annual variation in %	0,04	-0,09	0,27	0,003
<b>Trade Balance</b>	<b>-109.820</b>	<b>59.763</b>	<b>-332.700</b>	<b>-240.320</b>
GDP %	-283	165	-846	-601
<b>Current Account</b>	<b>-218,9</b>	<b>691,7</b>	<b>-303,7</b>	<b>-844,2</b>
GDP %	-0,6	1,9	-0,8	-2,1
<b>Capital and Financial Account</b>	<b>539,3</b>	<b>1.102,6</b>	<b>866,7</b>	<b>n/d</b>
GDP %	2,8	5,6	4,3	n/d







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Direct Foreign Investment	1.848,9	1.834,1	1.849,6	1.969,5
GDP %	4,8	5,1	4,7	4,9
<b>International Reserves</b>	<b>7.674,7</b>	<b>9.490,1</b>	<b>9.946,6</b>	<b>9.717,9</b>
GDP %	19,8	26,3	25,3	24,3
<b>Public Sector</b>				
<b>GDP %</b>				
<b>Income</b>	<b>14,2</b>	<b>13,5</b>	<b>13,7</b>	<b>12,70</b>
<i>Which: Taxation Income represents</i>	10,0	9,5	9,8	<b>9,60</b>
<b>Expenses</b>	<b>17,0</b>	<b>19,7</b>	<b>17,3</b>	<b>14,90</b>
<i>Which: Payment of interests represents</i>	0,8	1,1	1,1	<b>1,20</b>
<b>Primary Balance</b>	-2,0	-5,1	-2,5	<b>-0,01</b>
<b>Taxable Income</b>	-2,8	-6,1	-3,6	<b>-0,02</b>
<b>Total Debt of the Public Sector</b>	<b>22,9</b>	<b>33,8</b>	<b>33,8</b>	<b>36,6</b>
<b>Public External Debt</b>	<b>18,7</b>	<b>29,0</b>	<b>29,3</b>	<b>32,4</b>
% of the Total Public Debt	81,7	85,9	86,7	88,5
<b>Domestic Public Debt</b>	<b>4,2</b>	<b>4,8</b>	<b>4,5</b>	<b>4,2</b>
% of the Total Public Debt	18,3	14,1	13,3	11,5
<b>Service of the Domestic Public Debt</b>	<b>1,3</b>	<b>1,6</b>	<b>1,6</b>	<b>0,1</b>
<b>External</b>				





## References:

1. Remarks and Sources: Chart prepared by the Directorate of Indebtedness Policy (DPE, Ministry of Finance), including data of Central Bank of Paraguay (BCP, Statistical Schedule as of 29/12/2022) and the Ministry of Finance.
2. The exchange rate corresponds to the one of the last working day of the year.
3. Income and Expenses as of December, 2022 are preliminary.
4. These letters shall have the following meanings: M: month (i.e., M01: January); T: Quarter (i.e., T01: quarter 1); n/a: non-available, ME: Foreign Currency; fdp: end of period.
5. Data after 2012 are preliminary and they may be subject to reviews.
6. The Economy Structure includes data in Guaranies as of 2014. Historical data as well as projections correspond to the BCP.
7. Inflation as of December, 2022 corresponds to the goal rate of inflation established by the BCP.
8. Other services include: transportation; financial intermediation; residential lease; services rendered to companies; hotels and restaurants and services rendered to households.
9. Binational mean currency income as energy cession of Paraguay to Argentina and Brazil, corresponding to the Hydroelectric plants Yacyreta and Itaipu. The Real Sector and Economy Structure projections are figures prepared by the BCP.
10. Public Sector data are figures prepared by the Ministry of Finance. Since 2015, a migration has been performed to the methodology contemplated in the Manual on Statistics of the Public Finances 2001 (MEFP 2001)
11. Exports and imports as of 2022 correspond to December, 2022 (2022, M12). Exports include re-exports and other exports. The inter-annual variation of exports/imports as of December, 2022 (Jan-Dec 2022/Jan-Dec 2021) obtains the accrued variation of exports/imports of the total exports and imports accrued from January to December, 2022, concerning the same period of the year 2021.

