



PARAGUAY

2026 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT FOR PARAGUAY

September 2026

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with Paraguay, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its August 28, 2026 consideration of the staff report that concluded the Article IV consultation with Paraguay.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on August 28, 2026, following discussions that ended on June 26, 2026, with the officials of Paraguay on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 30, 2026.
- An **Informational Annex** prepared by the IMF staff.

The document listed below has been or will be separately released.

Selected Issues

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IMF Executive Board Concludes 2026 Article IV Consultation with Paraguay

FOR IMMEDIATE RELEASE

- *Paraguay's economy continues to show remarkable resilience, supported by strong macroeconomic fundamentals and reform efforts. Sustained structural reform implementation will be key to lifting productivity and ensuring durable and inclusive growth over the medium term.*
- *Fiscal policy should remain anchored on restoring compliance with the Fiscal Responsibility Law (FRL) while protecting essential spending, and strengthening public financial management and settling expenditure arrears to preserve fiscal policy credibility.*
- *The current monetary policy settings are appropriate in the near term and there would be scope for gradual further easing of the monetary policy stance if the energy shock proves temporary, inflation expectations remain anchored, and economic activity moderates as projected.*

Washington, DC – August 28, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Paraguay.¹ The authorities have consented to the publication of the Staff Report prepared for this consultation.²

Paraguay has recorded strong macroeconomic performance. After expanding 6.6 percent in 2025, real GDP grew 5.8 percent year on year (y-o-y) in 2026 Q1, underpinned by strong performance of services, manufacturing, agriculture, construction, and energy distribution. Growth in 2026 is expected to reach 4.4 percent and to moderate to its potential of 3.8 percent over the medium term. Risks around the outlook are balanced. Headline inflation reached 2.1 percent, y-o-y, in June as higher domestic fuel prices were offset by decreases in some food segments and imported durables because of a stronger guaraní. Headline inflation is projected to reach the central bank's target of 3.5 percent this year. The current account deficit declined in 2025 to 2.5 percent of GDP and is expected to reach 2.6 percent in 2026. The guaraní appreciated 23.1 percent against the U.S. dollar in nominal terms, y-o-y, and 8.6 percent year to date in June 2026. Net international reserves stood at around USD11 billion in end-June and gross reserves are well within adequacy thresholds.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² *Option 1:* Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/pr/ry page.

The fiscal deficit reached 2 percent of GDP in 2025 and it is expected to increase to 3.5 percent of GDP in 2026 owing mainly to the partial clearance of expenditure arrears accumulated over 2023-2025 and weaker revenues owing to the appreciation of the guaraní. As of June, 2026, tax revenue grew by 2.1 percent, y-o-y, cumulatively, driven by internal taxes, while customs revenue shrunk by 11.5 percent. Non-tax revenue declined 11.3 percent y-o-y, owing mainly to the guaraní appreciation.

Overall credit growth has moderated, and the banking sector remains well capitalized, liquid, and profitable. After peaking in early 2025 at 22.8 percent, credit growth reached 6.8 percent in December, y-o-y, and 3.2 percent in May 2026. However, consumer credit still expanded at 22.8 percent. In May 2026, banks' liquid assets stood at 24.3 percent of total liabilities and capital adequacy ratios at 14 percent and 17.3 percent (Tier 1 and total regulatory capital ratios, respectively), well above the 8 percent and 12 percent minimums.

Executive Board Assessment³

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Paraguay's continued strong macroeconomic performance, underpinned by sound policies and sustained structural reforms, and positively noted favorable medium-term growth prospects and balanced risks to the outlook. However, noting heightened external uncertainty and domestic vulnerabilities, Directors underscored the need to maintain prudent macroeconomic policies and continue to advance structural reforms to strengthen resilience and support durable and inclusive growth.

Directors welcomed the authorities' commitment to restore compliance with the Fiscal Responsibility Law (FRL) by 2028. They highlighted that sustained efforts to improve tax administration and broaden the tax base, and to strengthen expenditure efficiency, would support fiscal consolidation and create space for priority social and development spending. Directors highlighted the criticality of a timely clearance of expenditure arrears and of strengthening public financial management to preserve fiscal policy credibility, and welcomed the authorities' efforts to that end. They also supported reviewing and strengthening the fiscal framework, once consolidation goals have been achieved.

Noting elevated external uncertainties, Directors agreed that monetary policy decisions should remain data-driven. They concurred that Paraguay's credible inflation-targeting framework and flexible exchange rate have supported macroeconomic stability, and underscored that the exchange rate should continue to play a key role in absorbing external shocks. Directors encouraged additional efforts to enhance liquidity and FX management frameworks and to strengthen central bank autonomy and governance.

Directors noted that while financial sector risks appear contained, rapid consumer credit growth warrants close monitoring and readiness to act if signs of weaker underwriting standards emerge. They highlighted that developing a macroprudential toolkit, especially of borrower-based tools, will help strengthen the authorities' ability to contain vulnerabilities. Directors urged the authorities to complete the approval of the

³ At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

updated National Risk Assessment and promptly address any identified gaps to further strengthen the AML/CFT framework.

Directors welcomed the authorities' structural reform efforts and underscored that their sustained implementation will be key to increasing productivity and ensuring durable and inclusive growth. They encouraged the authorities to pursue additional reforms to reduce informality, building on recent gains. Directors also encouraged the authorities to further strengthen governance and anti-corruption institutions to support the investment climate. They also stressed that continuing with climate-related reforms, including those initiated under the RSF, would further strengthen Paraguay's resilience to natural disasters.

It is expected that the next Article IV consultation with Paraguay will be held on the standard 12-month cycle.

4/ Average annual change: a positive change indicates an appreciation.



PARAGUAY

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

July 30, 2026

KEY ISSUES

Context. Paraguay's economy continues to perform robustly, supported by strong macroeconomic fundamentals and sustained progress in structural reforms. Poverty has declined, inflation has remained contained, foreign reserves are adequate, and public debt is sustainable. Recent investment-grade upgrades and low sovereign spreads further underscore Paraguay's strong fundamentals.

Outlook and Risks. Real GDP growth is projected to reach 4.4 percent in 2026 and to moderate to its potential of about 3.8 percent over the medium term. Inflation is expected to converge to the central bank's target of 3.5 percent in 2026. The current account deficit is expected to narrow gradually and remain largely FDI-financed. Risks are balanced.

Key Policy Recommendations

Fiscal Policy. The commitment to restore compliance with the Fiscal Responsibility Law by 2028 while protecting priority spending is welcome and should be complemented with sustained revenue mobilization efforts. Settling domestic arrears in a timely manner—a key reason behind the delay in fiscal consolidation—and strengthening public financial management are critical to preserve the credibility of fiscal policy.

Monetary and exchange rate policies. The mildly above-neutral monetary stance remains appropriate in the near term with some space for easing under the baseline over the next year. Nevertheless, given heightened uncertainty, monetary policy decisions should remain data-driven. The flexible exchange rate should continue to act as a key shock absorber.

Financial sector policies. Although systemic risk appears contained, rapid consumer credit growth calls for close monitoring. Developing borrower-based macroprudential tools, such as debt-service-to-income limits, would strengthen the authorities' ability to contain vulnerabilities.

Structural reforms. Sustaining structural reform implementation is key to durable and inclusive growth. Additional reductions in informality and further strengthening governance and anti-corruption institutions are critical to unlock productivity gains and support investment. Climate-related reforms initiated under the RSF should continue to strengthen Paraguay's resilience to natural disasters.

Approved By
Dora Iakova (WHD)
and Eugenio Cerutti
(SPR)

Discussions were held in Asunción during June 15-26, 2026. The staff team comprised Fabian Valencia (head), Keiichi Nakatani, Svetlana Vtyurina (all WHD), Lisa Kolovich (SPR), Maximiliano Appendino (Resident Representative) and Pablo Alonso Mendez (local economist). Diego Gutiérrez and Astrid Baigorria Borea (both WHD) provided research and administrative assistance. Jorge Corvalan (OED) attended the policy meetings. The team met with the President of Paraguay Santiago Peña, the Minister of Economy and Finance (MEF) Óscar Lovera, Central Bank of Paraguay (BCP) President Carlos Carvallo Spalding, other senior officials from the government, civil society organizations, representatives of the financial and nonfinancial private sector, and development partners.

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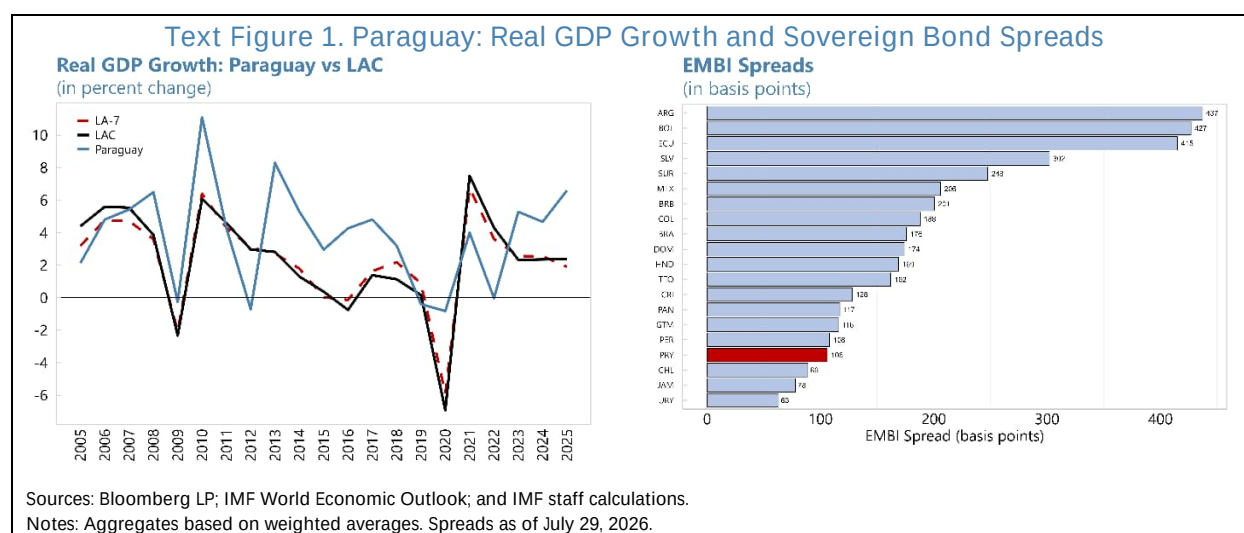
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CONTEXT

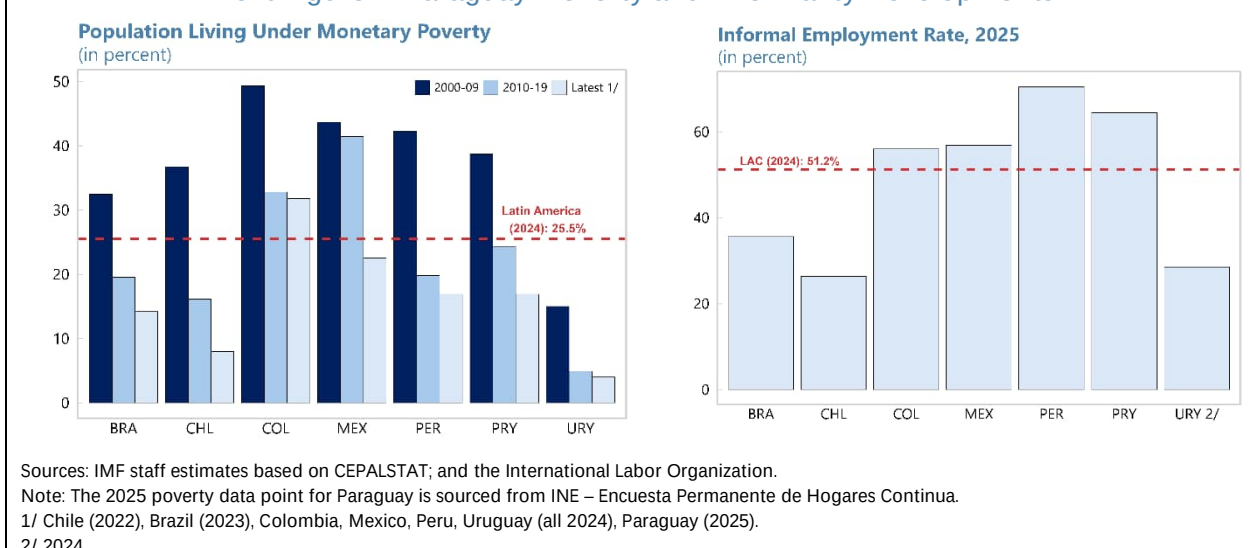
1. Paraguay has delivered a strong macroeconomic performance anchored in sound policies, macroeconomic stability, and structural reforms. Growth has been robust and resilient, supported by a credible inflation-targeting regime with a flexible exchange rate. External buffers have strengthened, and fiscal discipline is being restored. Sovereign spreads declined to be among the lowest in the region while Paraguay attained investment grade (IG) rating from two rating agencies (Moody's in mid-2024 and S&P in December 2025). A wide range of structural reforms were aimed at boosting private investment and job creation and strengthening climate resilience, governance, public sector efficiency, and capital market development.¹ Social inclusion improved through expanded transfer programs, stronger protection of vulnerable groups, and better targeting of social assistance. Poverty levels declined and stabilized below the regional average.



2. Alongside these commendable achievements, important challenges remain. Informality is declining but remains high (Text Figure 2, Figure 1a (Selected Issues Paper)) and further reductions will be key to unlocking productivity gains. Gaps in public financial management (PFM) resulted in the accumulation of domestic arrears to suppliers which pose risks to the credibility of fiscal policy and the completion of the fiscal consolidation plan. The economy also remains exposed to weather shocks, underscoring the need to continue strengthening resilience to natural disasters. Paraguay's low dependence on fossil fuels has helped mitigate the effects of the energy shock, highlighting the importance of preserving and expanding its renewable electricity matrix. Continuing implementation of the structural reform agenda—in governance, capital market development, and public sector efficiency—will be essential to lift productivity, diversify the economy, and support inclusive growth.

¹ See [Staff Report](#) (January 2026) for the final reviews of the arrangements under the Policy Coordination Instrument (PCI) and Resilience and Sustainability Facility (RSF).

Text Figure 2. Paraguay: Poverty and Informality Developments

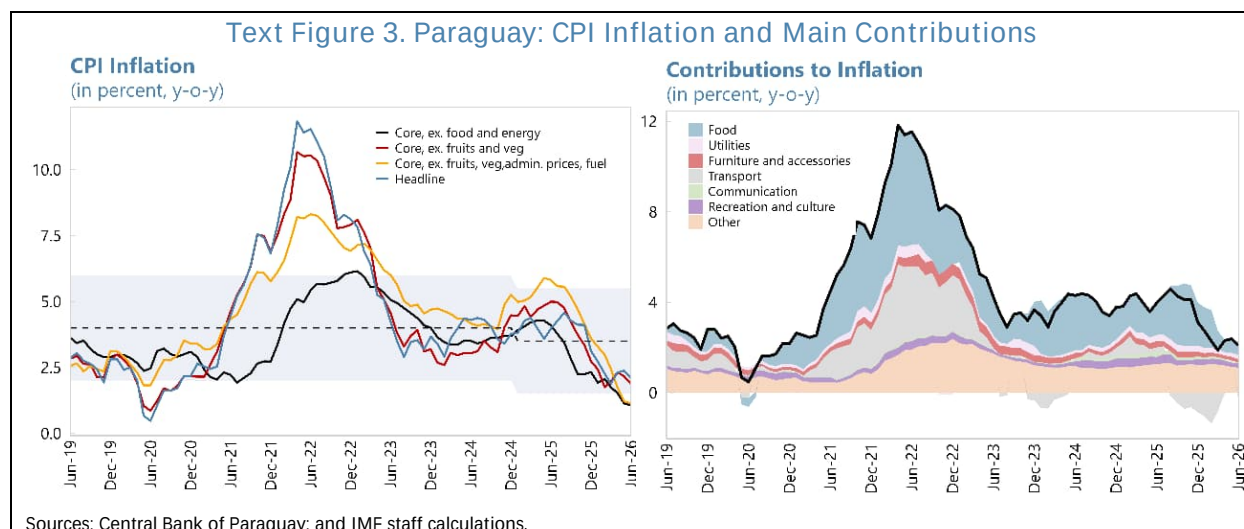


RECENT ECONOMIC DEVELOPMENTS

3. Real GDP continues to show strong momentum in 2026 driven by domestic demand. After expanding 6.6 percent in 2025, real GDP grew 5.8 percent year on year (y-o-y) in 2026 Q1, underpinned by strong performance of services, manufacturing, agriculture, construction, and energy distribution. On the expenditure side, growth was propelled by strong private consumption—buoyed by favorable trends in goods and services—and by gross fixed capital formation, explained mainly by construction and machinery, equipment, and motor vehicles. Net exports improved, reflecting robust soybean exports and lower machinery and equipment imports. The monthly activity indicator (IMAEP) grew 5.6 percent cumulatively y-o-y for Jan-May 2026. The unemployment rate stood at 5.3 in Q1 2026, compared to 5.5 percent in Q1 2025.

4. Headline inflation has been below the central bank's target since end-2025. It reached 2.1 percent, y-o-y, in June, primarily explained by the 12.4 percent, y-o-y, increase from transport fuel prices (5.3 percent share in the basket), and the 5.9 and 10.1 percent, y-o-y, increase in beef and food services, respectively. The result was offset by decreases in some food segments and imported durables because of a stronger guaraní. Measures of core inflation stood between 1.1 and 1.9 percent, y-o-y. Services inflation stood at 4.2 percent, y-o-y, in June.

Text Figure 3. Paraguay: CPI Inflation and Main Contributions



5. The current account deficit declined in 2025, and the external position is assessed as broadly in line with the level implied by fundamentals and desirable policies (Annex II). In 2025, soy exports declined due to the lingering effects of the 2024 drought and persistently low global prices, while hydroelectricity exports remained subdued as domestic electricity consumption increased. However, beef, cereals, soy oil, and services exports expanded. Total goods imports increased, driven by the dynamism of private consumption and investment. The current account deficit (CAD) was largely financed by robust FDI inflows and other capital flows. In 2026H1, exports rebounded—led by soy—36 percent increase in volume, 42 percent increase in values—reflecting favorable weather conditions and a surge in international soy prices, while fuel-related imports increased modestly (18 percent). The guaraní appreciated 23.1 percent against the U.S. dollar in nominal terms, y-o-y, and 8.6 percent year to date in June 2026. Net international reserves stood at around USD11 billion in end-June (gross reserves are well within adequacy thresholds, at about 142 percent of the IMF's reserve adequacy metric for 2025).

6. The fiscal deficit was close to its objective in 2025 while revenue performance was weighed down in 2025–26 by the appreciation of the guaraní. The deficit reached 2 percent of GDP, only slightly above the 2025 budget target of 1.9 percent. After an impressive increase of 1 percentage points of GDP in 2024, overall tax revenue plateaued at around 11 percent of GDP mainly because of lower customs revenue due to the guaraní appreciation. In 2026, tax revenue grew by 2.1 percent, y-o-y, cumulatively through June, driven by internal taxes, while customs revenue shrunk by 11.5 percent. Non-tax revenue declined 11.3 percent y-o-y, owing mainly to the guaraní appreciation. Current primary expenditure grew by 16.3 percent, y-o-y, while capital expenditure increased modestly by 3.3 percent.

7. The authorities are integrating outstanding expenditure arrears into the budget execution. They completed the verification of obligations to suppliers, launched in late 2025, that accumulated over 2023–2025. In April 2026, they reported a total of around USD 1.3 billion (around 2 percent of GDP) of arrears to the suppliers of the Ministries of Public Works and Communications,

and Public Health. Their settlement will add to recorded expenditure.² By end-May, the authorities reported clearing about one third of these obligations and, in their preliminary estimates, they would clear about 70 percent of arrears this year—including through factoring operations—and the rest in 2027.

8. The public debt-to-GDP ratio declined substantially in 2025. A 6-percentage point one-year reduction, resulting in a debt ratio of 38 percent of GDP, reflected mainly the steep appreciation of the guaraní and high GDP growth (Annex III). The authorities have been steadily de-dollarizing public debt, with the fraction of dollar-denominated debt coming down to 80 percent in 2025. Guaraní-denominated global bonds have been issued for three consecutive years, including USD 1 billion-equivalent guaraní-denominated bond in February 2026, together with the 30-year dollar-denominated Eurobonds for USD 300 million. Guaraní global bonds were included in the GBI-EM Global Diversified Index in April 2026.

9. Overall credit growth has moderated, and the banking sector remains well capitalized, liquid, and profitable. After peaking in early 2025 at 22.8 percent, credit growth reached 6.8 percent in December, y-o-y, and 3.2 percent in May 2026. However, consumer credit still expanded at 22.8 percent. In May 2026, banks' liquid assets stood at 24.3 percent of total liabilities and capital adequacy ratios at 14 percent and 17.3 percent (Tier 1 and total regulatory capital ratios, respectively), well above the 8 percent and 12 percent minimums. The banking system remains profitable with a return over assets (ROA) of 2.3 percent and return over equity (ROE) of 19.3 percent. Nonperforming loan (NPL) ratios stood at 2.6 percent for total credit and 5.1 percent for consumer loans.

OUTLOOK AND RISKS

10. Real GDP growth is projected to moderate and stay in line with potential over the medium term, while inflation is projected to converge to the target this year. Growth is projected at 4.4 percent in 2026, with potential at about 3.8 percent. Private consumption and investment are expected to maintain their strong momentum in 2026, and drive growth over the medium term, supported by low unemployment, stable access to credit, and Paraguay's strong appeal as an investment destination—driven by macroeconomic stability, ongoing structural reforms, and sovereign IG rating. Paraguay's growth has been largely insulated from the impact from the war in the Middle East, owing to its fully renewable electricity generation and favorable soybean production and price developments, which result in a net positive terms-of-trade shock supporting domestic demand. The impact of higher oil prices on inflation has been offset by the stronger guaraní, with inflation expected to converge to the BCP's 3.5 percent target in 2026. Soy, electricity production, and meat exports are expected to perform strongly. The CAD is projected at

² Reported unpaid claims to pharmaceutical companies reached around USD 1,000 million (1.6 percent of GDP) and to construction companies around 300 million (0.5 percent of GDP), respectively, of which USD 320 million were cleared this year. Obligations to construction companies include disputed interests for USD100 million accrued from expenditure arrears accumulated under the previous administration, whose settlement is pending a legal reform currently in Congress

2.6 percent of GDP in 2026, as import growth—driven by capital goods for investment—keeps pace with export growth. The CAD is then expected to increase slightly in 2027 and narrow steadily over the medium term as new export capacity comes online and would be largely financed by robust FDI inflows.³

Text Table 1. Paraguay: Medium-Term Outlook for Selected Macroeconomic Indicators
(in percent of GDP, unless otherwise indicated)

	2024	2025	Proj.					
			2026	2027	2028	2029	2030	2031
(In Percent of GDP, unless otherwise indicated)								
Real GDP growth (in percent)	4.7	6.6	4.4	3.8	3.8	3.8	3.8	3.8
Output Gap (in percent of potential GDP)	-2.2	0.6	0.2	0.0	0.0	0.0	0.0	0.0
Per capita GDP (U.S. dollars, thousands)	7.0	7.7	9.9	10.7	11.3	11.9	12.5	13.2
Consumer prices (end of period; in percent)	3.8	3.1	3.5	3.5	3.5	3.5	3.5	3.5
Terms of trade (annual percent change)	-3.1	0.1	3.0	1.2	-0.2	0.2	0.0	0.0
External current account	-3.3	-2.5	-2.6	-2.9	-2.6	-2.4	-2.2	-2.1
Gross international reserves (in US\$ billion)	9.6	10.7	11.0	11.3	11.6	11.9	12.2	12.6
Central government fiscal balance	-2.5	-2.0	-3.5	-2.7	-1.5	-1.5	-1.5	-1.5
Public sector debt	44.6	38.2	36.7	37.1	36.3	35.7	35.2	34.7

Sources: Central Bank of Paraguay; Ministry of Finance; and IMF staff estimates and projections.

11. Risks to the outlook are balanced (Annex IV).

Main downside risks are:

- Climate shocks, such as droughts can reduce agricultural output, electricity production and exports, and affect transportation through lower water levels in rivers, and its impact on growth may be amplified through the impact on the financial sector by real-financial feedback effects if the shock is severe enough.⁴
- Domestic fiscal contingencies associated with the sustainability of social security health funds and other fiscal contingent liabilities, including from the pension system, constitute medium- to long-term fiscal risks.
- A prolonged war in the Middle East that triggers further and more persistent increases in energy and fertilizer prices and tightening of global financial conditions—consistent with the

³ FDI is projected to pick up in the near term to over 2 percent of GDP during 2026-2028, owing to significant private investment from Paracel (paper pulp from eucalyptus foresting) and ATOME (green fertilizer producer). ATOME would constitute the first industrial-scale green fertilizer plant in the world, with investments for USD 665 million (1.1 percent of GDP). The start of construction is pending an agreement on electricity tariffs with the government.

⁴ Selected Issues paper "Drivers and Sustainability of Credit Growth in Paraguay" by M. Appendino, P. Alonso, and E. Kopp (ICD).

severe downside scenario presented in the April 2026 World Economic Outlook—could reduce some FDI flows, impacting investment and growth and increase inflation above the target.

Main upside risks include:

- Stronger-than-expected agricultural output and new export markets could boost growth (the Philippines, Singapore, and Panama have recently become new markets for meat). Over the longer-term, the EU-Mercosur trade agreement, and associated improvements in product quality and certification (the program SiCALIDAD) could also boost exports above projections.
- Prolonged high oil prices could attract more investments into renewable energy projects and increase external demand for biofuels leading to higher soy exports.
- Structural reforms and large-scale investments in the pipeline could result in higher productivity growth and capital accumulation than envisaged in staff's estimates of potential growth (Annex V). The IG rating could help attract stronger-than-expected FDI and other capital inflows (Annex VI). An acceleration of investments related to artificial intelligence attracted by fully renewable electricity generation and/or following the EU-Mercosur trade agreement, which has been ratified, are also possible.

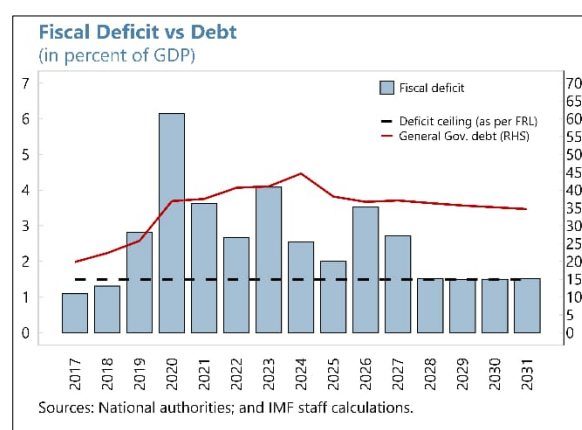
Authorities' Views

12. The authorities broadly agreed with the staff's assessment of the outlook. They also see real GDP growth remaining robust in the near and medium terms with BCP estimating potential output growth at 4 percent, slightly higher than staff's baseline projection of 3.8 percent. They also saw the risks around the outlook as balanced.

POLICY DISCUSSIONS

A. Fiscal Policies

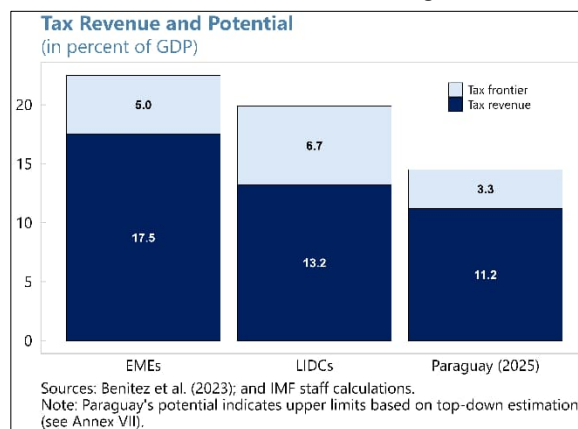
13. Fiscal consolidation should remain geared towards restoring compliance with the Fiscal Responsibility Law (FRL) while avoiding an undue compression of essential spending. The 2026 deficit is expected to reach 3.5 percent of GDP, compared to the original target of 1.5 percent of GDP owing to the partial clearance of arrears, along with weak revenue performance due to the appreciation of the guaraní, and higher spending on health.⁵ The authorities adopted Decree 6120 to facilitate expenditure



⁵ Additional financing needs will be met through existing facilities with MDBs and domestic financing supported by strong interest by both domestic and foreign investors.

prioritization and introduce tighter expenditure control measures but with the estimated savings of up to 0.4 percent of GDP, it will not be enough to offset the above factors. Therefore, to avoid unduly compressing priority spending—health, education, security, and social protection—the authorities' updated fiscal consolidation plan now envisages restoring compliance with the FRL in 2028.

14. Further revenue mobilization efforts are needed to achieve consolidation goals to entrench fiscal sustainability and create fiscal space for development spending needs. The authorities should sustain efforts on improving tax administration efficiency and broadening the tax base, including through further expansion of electronic invoicing; stronger compliance enforcement supported by the sustained implementation of the Compliance Risk Management Framework; and continue promoting economic formalization (¶30). Together, these initiatives are expected to yield an additional



1.2 percentage points of GDP in revenues over the medium term under staff's baseline projections. However, these gains would materialize gradually, requiring additional efforts beyond administrative measures. To this end, staff also advised conducting a review of tax expenditures (estimated at 1-2 percent of GDP) with a view to rationalizing exemptions and closing loopholes. Options include better targeting tax incentives for electric vehicles; narrowing deductions under the Personal Income Tax (PIT); and revisiting reduced VAT rates for basic consumption goods as protecting vulnerable households through targeted social programs is a more efficient instrument than broad-based tax relief. Staff analysis suggests potential additional revenue of around 3 ppt of GDP through improving efficiency and reducing tax expenditures (Annex VII).

15. Staff underscored the criticality of publicly disclosing a plan to settle remaining arrears and of strengthening PFM to preserve the credibility of fiscal policy. Settling these claims in a timely manner and recording and reporting them transparently in fiscal statistics would reinforce the hard-won credibility of fiscal policy. To prevent new arrears, closer alignment between the budget and cash-flow planning, and stronger expenditure monitoring and controls are needed. This should include completing the rollout and ensuring full enforcement of the Ministry of Economy and Finance's integrated system for the management of goods and services (SIGEBYS)—a system tracking spending at various stages of procurement whose rollout began under the PCI—and advancing with its interoperability with expenditure planning and control systems across line ministries. Further progress towards accrual-basis recording of expenditure to reduce the lag between the delivery of goods and services and their recognition in the fiscal deficit would enhance transparency.

16. Staff advised sustaining efforts to increase expenditure efficiency. The authorities are steadily implementing the civil service reform enacted in January 2025, which defines clear career

progression rules, guarantees merit-based hiring, and promotes objective evaluations and greater transparency across public institutions. With support from IMF capacity development (CD), the authorities are developing a civil service pay scale based on responsibilities, skills, and experience. To mitigate implementation risks, staff advised adopting salary adjustments gradually to ensure the wage bill remains contained. Public investment management should continue to be strengthened, including through stronger monitoring and ex-post evaluation more closely integrated into the budget process, and through multi-year investment programming anchored in long-term development priorities. Supported by Fund CD and development partners, the authorities are also strengthening the new PPP framework under the law enacted in 2024.

17. The recent reform of the public pension system, Caja Fiscal, is a welcome step but further efforts may be needed over the medium term. The reform is expected to stabilize the pension funds' burden on the budget at around 0.6-0.7 percent of GDP in the medium term. The reform included the introduction of minimum retirement ages in sectors that lacked them, the extension of the minimum contribution periods, and an increase in the contribution rate from 16 to 19 percent for the sectors in deficit. The Civil Service Reform also allowed contractual employees to start contributing to the public pension system from mid-2026, which in the near term will also help alleviate the pension funds' burden on the budget. Over the medium term, additional reforms may be necessary to ensure the sustainability of the public pension system, which could be considered in the context of a comprehensive review of the public and private employees' pension schemes.

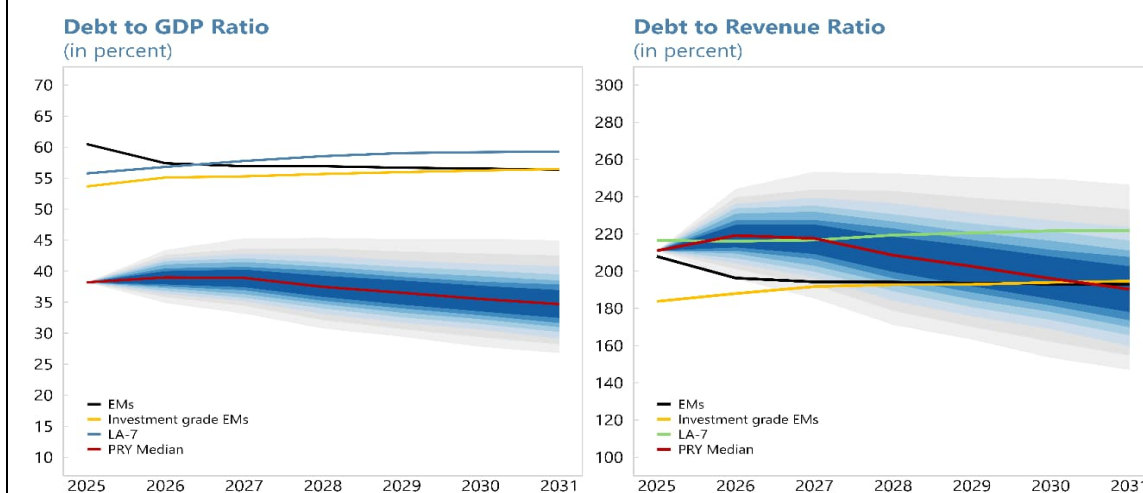
18. Once consolidation goals have been achieved, a review of the fiscal framework should ensure it remains aligned with Paraguay's evolving economic fundamentals and development financing needs. Debt remains sustainable backed by favorable interest-growth differentials and projected completion of the fiscal consolidation plan (Annex III). The 2013 FRL has served Paraguay well by providing an anchor for fiscal policy. However, the economy's growth prospects, financing conditions, and development spending needs have evolved since the enactment of the FRL. A holistic review of the fiscal framework including tax regime and fiscal rules should ensure it remains adequate. Some areas where the FRL could be strengthened include introducing a debt anchor and calibrating operational deficit targets to ensure that public debt remains below that anchor with high probability and greater clarity on restoring compliance when exceptional clauses are triggered (Annex VII).

Box 1. Entrenching Fiscal Sustainability¹

Staff analysis suggests the debt-to-GDP ratio would remain comfortably below peers under the baseline, but additional revenue efforts would entrench sustainability further given the low revenue base. Confidence bands of debt indicators based on the past 20 years of the volatility of key debt-driving forces (following IMF, 2018) point to comfortable margins in the debt-to-GDP ratio. However, those margins need to also consider Paraguay's low revenue base.

After replicating the analysis using the debt-to-revenue ratio, Paraguay appears closer to the emerging market average and expected to reach the average among emerging market economics with IG sovereign rating under the baseline forecasts.

Figure 1. Paraguay: Debt Indicators



Source: IMF staff calculations.

Once fiscal consolidation is complete—guided by the FRL—a holistic review of the fiscal framework could offer an opportunity to enhance it in several dimensions. The FRL contains key features such as the fiscal balance target, a primary current expenditure growth cap (inflation + 4 percent), and an escape clause in the case of national emergencies. However, key areas where there is room to enhance it include: adding a debt anchor to better guide annual operational targets; clarifying criteria to trigger the escape clause and adding specific provisions on restoring compliance when the escape clause is triggered; and enhancing clarity on whether the deficit target is applicable to the ex-ante or ex-post fiscal deficit. Enhancements along these lines would further cement the FRL as a fiscal policy anchor, helping more effectively guide expectations on medium- to long-term objectives.

¹ Prepared by Kei Nakatani.

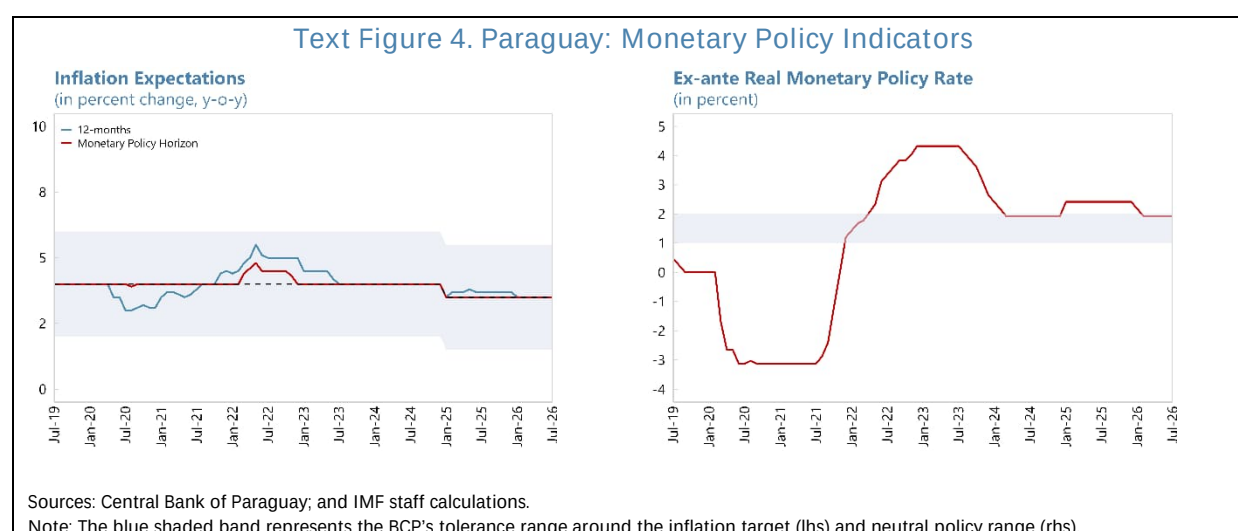
Authorities' Views

19. The authorities agreed that the FRL should continue to anchor fiscal policy in the near term and confirmed their intention to reach the FRL's deficit ceiling of 1.5 percent of GDP by 2028. They noted that this temporary deviation follows from the impact of arrears regularization on recorded expenditure, the revenue effects of the guaraní's appreciation, and the need to protect priority spending on education, security, social protection, and health. While committed to keeping statutory tax rates unchanged, they plan to continue improving tax compliance and to assess options to reduce tax expenditures. Once consolidation objectives are achieved, the authorities agreed that a comprehensive review of the fiscal framework would be appropriate.

20. The authorities agreed with staff's recommendations to strengthen public financial management. SIGEBYS is being progressively rolled out across the public sector, with full coverage of central and decentralized government entities expected by September 2026, excluding public enterprises, to which the system will be extended in a subsequent phase. They are also working to integrate SIGEBYS with line ministries' monitoring platforms to improve tracking of budget execution and procurement needs. In parallel, they are tightening controls over work orders through prior certification of budget availability and by moving responsibility for expenditure commitments closer to the initiating spending units. Together with shorter pharmaceutical contracts and stronger oversight of procurement and spending execution through a more active role of the office of strategic inputs, these measures should strengthen fiscal discipline, improve expenditure management, and reduce the risk of new arrears. These improvements will also facilitate better planning at the budget stage and closer alignment between budget, financial and cash-flow planning during execution. SIBEGYS includes the accrual stage of budget execution, and the completion of its rollout should facilitate further progress in recording public expenditure on an accrual basis.

B. Monetary and Exchange Rate Policies

21. The current mildly above neutral monetary policy stance remains appropriate in the near term. After almost two years holding the policy rate at 6 percent, the BCP lowered it to 5.5 percent in early 2026 in the context of headline inflation falling below the target. Medium-term inflation expectations remain well anchored at the BCP's target of 3.5 percent and unaffected by the energy shock. As the economy continues to perform strongly, with a small but positive output gap, the current monetary policy stance is appropriate—the ex-ante real policy rate at 2 percent is at the upper limit of the estimated neutral range of 1-2 percent. If the energy shock proves to be transitory, inflation expectations remain well anchored, and growth moderates as projected, there is some space to ease the policy stance further into neutral territory over the next year. Nevertheless, given heightened uncertainty and the risk of a protracted energy shock, monetary policy decisions should continue to be guided by incoming data.



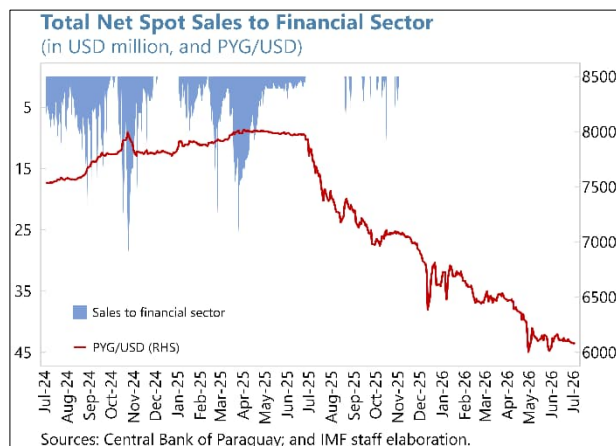
22. A credible inflation targeting regime with a flexible exchange rate has served Paraguay well. The exchange rate should continue to play a key role as an absorber of external shocks. In the context of a shallow FX market and seasonal flows, the BCP intervenes in the foreign exchange market to avoid excessive volatility in the exchange rate; however, the BCP has not intervened so far in 2026. The BCP maintains a strong reserve position and is committed to transparency regarding its FX operations and publishes detailed reports of its foreign exchange activities on its website. Nevertheless, as the economy is expected to see higher capital inflows owing to the ongoing structural reforms and IG sovereign rating, some enhancements of monetary and exchange rate policy frameworks will help further strengthen liquidity and FX management and deepen money markets. Key recommendations from recent Fund CD include:

- Reintroducing short-term liquidity management operations with a fixed-rate and full allotment to improve liquidity management flexibility; widen the interest rate corridor to stimulate money market activity and improve price discovery; and increase reserve requirement averaging flexibility. Development of secondary market for government securities is also important (¶27);
- Adopting a dual FX intervention framework (combining scheduled compensatory auctions and discretionary passive order-book operations) thereby addressing purchases of government FX flows on the one hand and disorderly market conditions on the other; and enhancing communication (better distinguishing intervention types and objectives).

23. Progress in addressing the recommendations from the 2024 safeguards assessment has been mixed. The BCP has advanced elements of its assurance mechanisms and risk management framework. However, progress on key institutional reforms has been limited, particularly in strengthening autonomy and governance through legal amendments. Important recommendations remain outstanding, including enhancing oversight arrangements—most notably through changes to the composition of the Audit Committee.

Authorities' Views

24. The authorities broadly agreed with the staff's recommendations although they see the monetary stance as broadly neutral, which they note gives them space to move in any direction. They underscored their evidence-based approach to monetary policy decisions, particularly in the context of global uncertainty, including due to geopolitical tensions. They also reiterated that the exchange rate will continue to play a key role as an external shocks absorber. They welcome MCM CD's recommendations on targeted enhancements to the liquidity



management and FX intervention frameworks and noted these are still under analysis by the technical staff of the BCP.

C. Financial Sector Policies

25. Systemic risk appears contained but rapid consumer credit growth and exposure to climate shocks warrant monitoring. Financial soundness indicators continue to point to a financially sound banking system (¶9), while liquidity remains adequate.⁶ Non-bank lending institutions are relatively small but are part of Paraguay's regulated financial landscape and contribute importantly to credit provision especially to micro-, small- and medium-sized enterprises (MSMEs). [Stress tests](#) conducted by the BCP corroborate the system's resilience even under a sharp economic slowdown. Staff analysis also suggests that the banking system is resilient to a range of adverse scenarios. However, under the most extreme scenarios amplification effects could emerge through real-financial linkages, as banks would seek to rebuild voluntary capital buffers.⁷

26. The increased financial deepening and inclusion has been recently accompanied by a sharp expansion in consumer credit, which calls for vigilance and readiness to act if warranted.⁸ Between 2016 and September 2025, individuals with accounts reached 4.1 million (approximately 68 percent of population), with a jump from approximately 1.5 to 2.8 accounts per person ([Superintendency of Banks](#)). Customers with loans doubled to 2.2 million by 2025. This was in part due to the launch of the Instant Payment System in 2022, and the recent launch of SIP system that allows bank payments with the QR code. While the sustained expansion of consumer credit—largely driven by credit cards—coincides with stronger domestic demand and increased financial inclusion, it warrants close monitoring and readiness to act if signs of weaker underwriting standards emerge. Developing a macroprudential toolkit, especially of borrower-based tools aimed at promoting sustainable household indebtedness, such as debt-service-to-income limits, would strengthen the authorities' ability to contain vulnerabilities. The upcoming financial sector assessment under the FSAP Program, planned for 2027, will be an opportunity for a comprehensive review of the regulatory framework.

27. Recent reforms provide a strong foundation for additional efforts to deepen domestic capital markets. The new Securities and Products Market Law modernizes regulation in line with international standards, focusing on investor protection, transparency, and corporate governance. The establishment of the Pension Funds Superintendency also marks an important milestone. Ensuring it is adequately resourced will be critical for sustaining the implementation process of this important reform. However, domestic local-currency government bond markets remain

⁶ In April, the BCP approved the Liquidity Coverage Ratio (LCR) regulation, which should help increase the system's resilience to periods of liquidity stress.

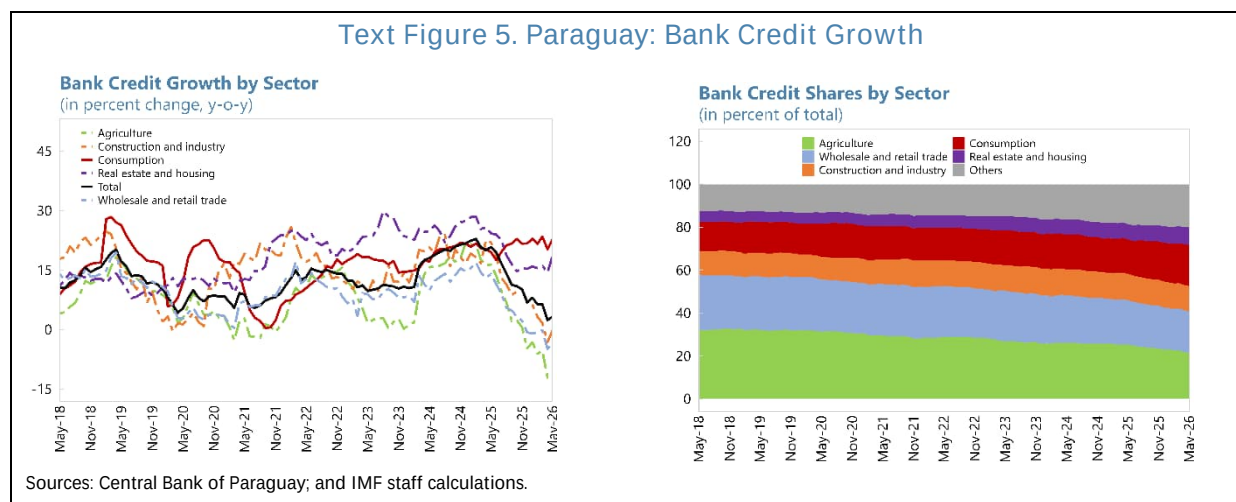
⁷ Staff applied a macro-financial modeling tool developed by the IMF Institute for Capacity Development (ICD). The most extreme scenarios combine a drought calibrated to the experiences in 2019 and 2022, and further asset quality deterioration—3pps increase in the banking system's NPL ratio—in addition to the endogenous deterioration due to the drought (see Selected Issues paper).

⁸ See [Staff Report](#) (January 2026) and Annex in [Staff Report](#) (July 2024).

thin—locally-issued bonds account for only 5.8 percent of public debt. A recent joint Fund-World Bank CD diagnostic of local currency bond markets found areas with relatively strong institutional and macro foundations and others with persistent weaknesses in primary and secondary market functioning, liquidity, and investor diversification. Developing a reliable local-currency yield curve would facilitate the pricing of longer-term financial instruments, including mortgages, and strengthen monetary policy transmission. This would require gradually increasing government bond issuance in local markets—in coordination with the BCP to avoid overlapping tenors—and broadening the investor base, including by easing legal restrictions on the Social Security pension fund's (IPS) investments in government bonds.

28. Paraguay has continued to make comprehensive reforms to the AML/CFT legal and supervisory frameworks and these efforts should continue. With Fund support, the authorities have developed and are now implementing risk-based supervisory (RBS) tools, enhancements to Financial Intelligence Unit's operational capabilities, and are currently preparing amendments to the AML/CFT Law (1015). Staff urged the authorities to move ahead with the approval of the updated National Risk Assessment (NRA) as it will guide the work towards Financial Action Task Force of Latin America (GAFILAT) review in 5 years. Gaps identified during the updated NRA should be addressed expeditiously, and a comprehensive revision of all sector-specific AML/CFT regulations to include the necessary risk elements and support the recent reforms should be conducted. Intelligence and supervisory authorities are impacted by the limited resources available to conduct AML/CFT activities. Support from key stakeholders is critical for the timely and orderly implementation of these comprehensive reforms, along with the provision of necessary resources.

Text Figure 5. Paraguay: Bank Credit Growth



Authorities' Views

29. The authorities broadly agreed with staff's recommendation to remain vigilant on consumer credit, while viewing its growth as driven by greater financial inclusion, strong economic activity, and improving labor market conditions, and therefore not as an immediate concern. They noted that overall delinquency rates remain low and stable. While considering current safeguards appropriate, they welcomed advice on developing a macroprudential toolkit.

They also highlighted that the updated Financial Inclusion Strategy emphasizes financial literacy to support prudent household financial decisions. The authorities concurred with staff's recommendation to continue developing domestic capital markets. They are advancing implementation of the law establishing the Superintendency of Pensions, including through the preparation of new regulations on pension fund investment opportunities. The authorities are also exploring legal amendments to grant the Superintendency budgetary autonomy. Over time, they aim to strengthen the Superintendency's institutional capacity so that it can propose further reforms, which could include those oriented towards expanding the domestic investor base. The authorities noted that, while approval of the National Risk Assessment is pending, they are already preparing an action plan to address the identified gaps.

D. Structural Issues

30. Sustaining recent gains in formalization is essential to support durable and inclusive growth. Around 64,000 new formal jobs were created in 2025 alone, and over 111,000 new formal jobs have been generated through policy efforts to reduce undeclared workers since the administration took office in July 2023. However, informality remains high and broad-based, limiting revenue mobilization and access to social protection despite Paraguay's low statutory tax rates. One disincentive to formality is the upfront cost associated with social security contributions and the onset of income tax liabilities, which can imply an immediate reduction in disposable income when workers formalize. In addition, localized discontinuities in the tax–benefit system can weaken incentives to enter formal work or increase reported earnings, even with low statutory tax rates. Staff analysis identifies several reform options to smooth these discontinuities: (i) a more gradual phase-in of social contributions at entry into formality; (ii) adjustments to income tax thresholds and brackets to smooth the onset of liabilities; (iii) a slower phase-out of targeted benefits to reduce sharp income losses around eligibility cutoffs; and (iv) a targeted in-work benefit to strengthen incentives for low-income workers.⁹ Staff emphasized that targeted refinements to simplify and/or smooth tax–benefit design—especially at low incomes—can complement administrative reforms and strengthen incentives to formalize.

31. Paraguay has strengthened social protection policies and access to the most vulnerable. Recent efforts to modernize and integrate social program administration—through the SIPEN system—have improved the efficiency, transparency, and effectiveness of benefit delivery. Conditional support for families have strengthened, including cash transfer programs (e.g., *Tekoporã Mbarete*) and daily school meals (*Hambre Cero*) to over 1 million students with broad geographic reach, helping ensure food security and educational continuity, while also helping promote formalization. Micro-, small-, and medium-sized entrepreneurs now have access to social security insurance benefits (retirement, health, disability, etc.) through the Social Security Institute (IPS), expanding protection to a previously uncovered segment of the workforce.

⁹ See Selected Issues paper “From Informality to Formalization: The Role of Fiscal and Structural Policies” by L. Kolovich, V. Malta (both SPR), and D. MacDonald (FAD).

32. Further strengthening governance and anti-corruption framework is critical for preserving fiscal credibility, improving spending efficiency, and supporting investment. Staff underscored the importance of sustaining implementation of the National Regime for Integrity, Transparency and Prevention of Corruption, approved in 2024. The regime institutionalized a broad anti-corruption framework by creating legal mandates, new coordinating bodies, preventive strategies, citizen reporting systems, and integrity units throughout the public sector — shifting the fight against corruption from ad-hoc enforcement toward systematic prevention and transparency across the government. IADB CD has been supporting Paraguay in strengthening the capacity and related systems (e.g., data analysis, auditing, public-spending transparency) of the Contraloría General de la República (CGR), which reinforces regime implementation. The framework provides for a National Citizen Complaint Portal to receive corruption reports, supported by data-protection safeguards. The authorities launched an information-exchange system to facilitate cross-checking public officials' asset declarations by streamlining the verification process before and after entry into public service and are working on further enhancing it through the use of information technology. The National Unified Registry (RUN) aiming to strengthen land cadaster's integrity became operational in 2026 and marks an important step in strengthening property rights.

33. Reforms under the RSF have strengthened Paraguay's macroeconomic resilience and reduced medium- to long-term balance of payments risks, with implementation continuing.¹⁰ The authorities have advanced reforms to enhance public investment efficiency and financial sector resilience—including through banks' reporting and subsequent validation of geographic information on loan portfolios and collateral to strengthen the supervision of climate-related risks; promote sustainable transportation and forestry; and preserve and expand the clean electricity matrix, which would continue to support the country's low dependence on fossil fuels.¹¹ Since the beginning of 2026, two laws were enacted and regulated: (i) [Law 7599](#), which facilitates private investment in non-hydro renewable electricity generation, with ANDE, the state-owned electricity company, initiating the process to procure renewable energy for the country's first large-scale solar plant; and (ii) [Law 7617](#), which modernizes public transportation, including by advancing electrification ([white paper](#)). In addition, the eight charging units installed under the same RSF reform measure are supporting 30 public and 40 privately-owned electric buses. ANDE plans to deploy 30 charging stations nationwide in 2027.

Authorities' Views

34. The authorities agreed on the importance of continuing efforts to incentivize formalization and underscored it was a key priority on the policy agenda. They welcomed staff's analysis in the Selected Issues paper and its associated recommendations on targeted reforms

¹⁰ See [Staff Report](#) Annex I (January 2026).

¹¹ The authorities developed new methodologies to guide adjustments in electricity tariffs, but their implementation will depend also on the outcome of the ongoing negotiations on Itaipu's Annex C with Brazil, which will determine a Itaipu's new electricity tariff from 2027 onwards. ANDE continues to make progress toward its 2026 loss-reduction targets. Transmission losses fell to 4.4 percent in May, outperforming the 2026 target of 5.1 percent, while distribution losses declined to 19.58 percent, approaching the 2026 target of 19.2 percent.

that could improve incentives for workers to join the formal sector. They also highlighted that they are working on enhancing information exchanges among government agencies as an important element of their approach to reducing informality. The authorities noted that they continued to advance on their governance agenda. They highlighted the launch of a website for reporting corruption allegations, which initiates an administrative investigation. They have also advanced with the deployment of a Health Information System—already covering 80 percent of health establishments—that would allow strengthening the procurement process of medicines. With support from the IADB, they have started a public integrity study with the goal of identifying an action plan to meet the OECD’s public integrity standards.

STAFF APPRAISAL

35. Paraguay’s economy continues to show remarkable resilience, supported by strong macroeconomic fundamentals and sustained reform efforts. Growth has stayed resilient to the energy shock and is expected to remain robust, inflation is expected to converge to the target this year while medium-term expectations are well anchored. The external position is broadly in line with medium-term fundamentals and desirable policy settings, and public debt is sustainable. Risks around the outlook remain balanced.

36. Fiscal consolidation should remain anchored on restoring compliance with the Fiscal Responsibility Law (FRL) while avoiding an undue compression of essential spending. The authorities’ commitment to reduce the fiscal deficit to the ceiling stipulated by the FRL of 1.5 percent of GDP in 2028 is welcome. Sustained efforts to improve tax administration efficiency and broaden the tax base, together with stronger expenditure efficiency would support fiscal consolidation and create space for development spending. Priority measures include further expanding electronic invoicing, strengthening compliance enforcement, promoting economic formalization, and rationalizing tax expenditures. Once consolidation goals have been achieved, a review of the fiscal framework should ensure it remains aligned with Paraguay’s evolving economic fundamentals and development financing needs.

37. Strengthening public financial management is critical to preserving fiscal policy credibility. Clearing expenditure arrears in a timely manner, recording and reporting them transparently in fiscal statistics would reinforce the hard-won credibility of fiscal policy. To prevent new arrears, closer alignment between the budget and cash-flow planning, together with stronger expenditure monitoring and controls, is needed. Further progress towards accrual-based recording of expenditure to reduce the lag between the delivery of goods and services and their recognition in the fiscal deficit would enhance transparency. The authorities’ ongoing efforts in these areas are welcome.

38. The mildly above neutral monetary policy stance is appropriate in the near term. With headline inflation below target there would be scope for gradual further easing if the energy shock proves temporary, inflation expectations remain anchored, and growth moderates as projected. However, given elevated uncertainty and the risk of a protracted energy shock, monetary policy

decisions should remain guided by incoming data. Paraguay's credible inflation targeting regime with a flexible exchange rate has served the economy well. The exchange rate should continue to play a key role in absorbing external shocks, with foreign exchange intervention limited to addressing disorderly market conditions.

39. Financial sector risks appear contained, but rapid consumer credit growth calls for close monitoring. Banks remain well capitalized, liquid, and profitable. Nevertheless, the continued rapid expansion of consumer lending warrants close monitoring and readiness to act if signs of weaker underwriting standards emerge. Developing a macroprudential toolkit, especially of borrower-based tools aimed at promoting sustainable household indebtedness, such as debt-service-to-income limits, would strengthen the authorities' ability to contain vulnerabilities. Further strengthening the Anti-Money Laundering and Countering the Financing of Terrorism framework, including through the approval of the updated National Risk Assessment and timely addressing any gaps it identified remains important.

40. Sustained structural reform implementation will be key to lifting productivity and ensuring durable and inclusive growth. Building on recent gains on formalization, additional reforms to reduce informality should seek to lower the costs of formal participation and improve incentives at the margin. Further strengthening governance and anti-corruption institutions is key for the investment climate and should continue, including by sustaining momentum in implementing the National Regime for Integrity, Transparency and Prevention of Corruption. Continuing with climate-related reforms, including those initiated under the RSF, should further strengthen Paraguay's resilience to natural disasters.

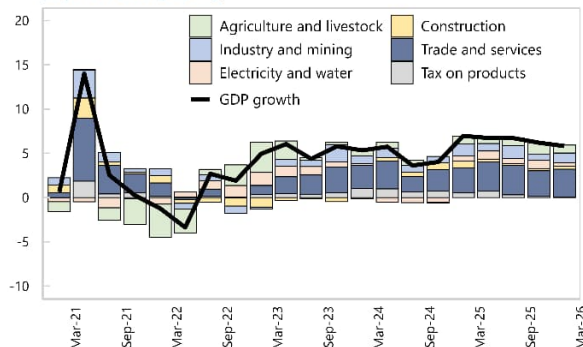
41. Staff recommend that the next Article IV consultation takes place on the standard 12-month cycle.

Figure 1. Paraguay: Real Sector Developments

Economic activity continued to be robust in 2026.

Aggregate Supply Growth Decomposition

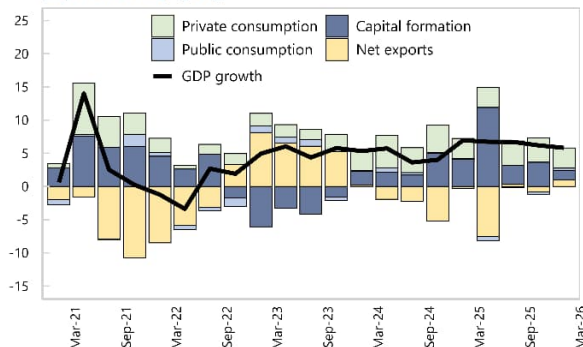
(in percent change, y-o-y)



Consumption and investment has led growth.

Aggregate Demand Growth Decomposition

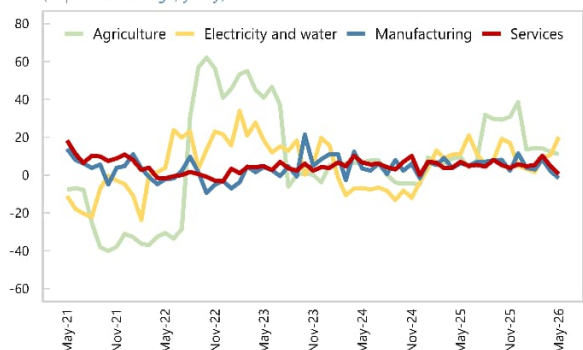
(in percent change, y-o-y)



Agriculture has been performing strongly

IMAEP by Sector

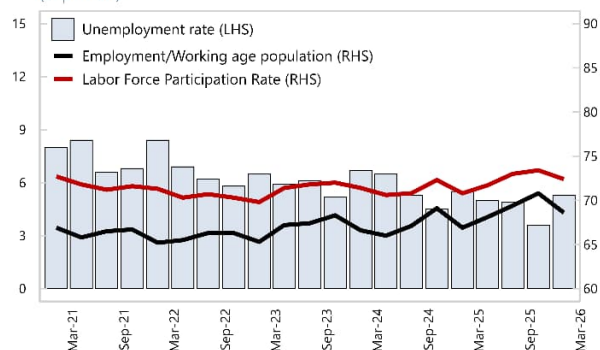
(in percent change, y-o-y)



Unemployment remained low, while employment and labor force participation increased above pre-pandemic levels.

Labor Market

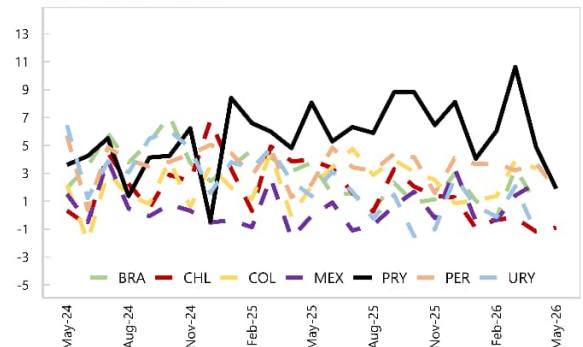
(in percent)



Economic activity continues to outperform regional peers.

Monthly Economic Indicator

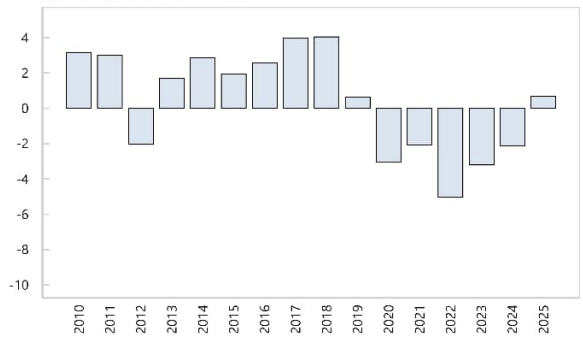
(in percent change, y-o-y)



The output gap turned slightly positive in 2025.

Output Gap

(in percent of potential GDP)

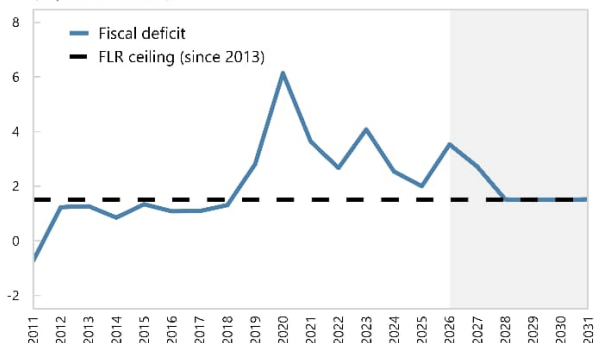


Sources: Central Bank of Paraguay; Ministry of Economy and Finance; Haver analytics; and IMF staff calculations.

Figure 2. Paraguay: Fiscal Developments

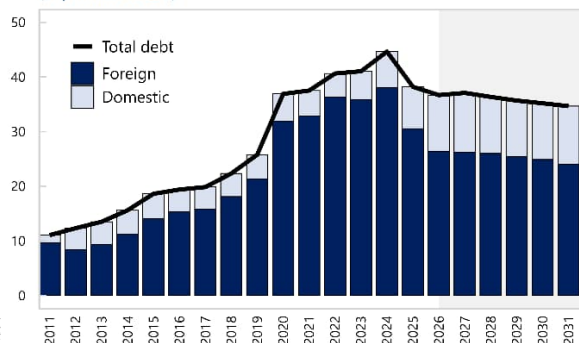
Fiscal consolidation aims to reduce the deficit to the Fiscal Responsibility Law ceiling by 2028.

Central Government Fiscal Deficit (in percent of GDP)



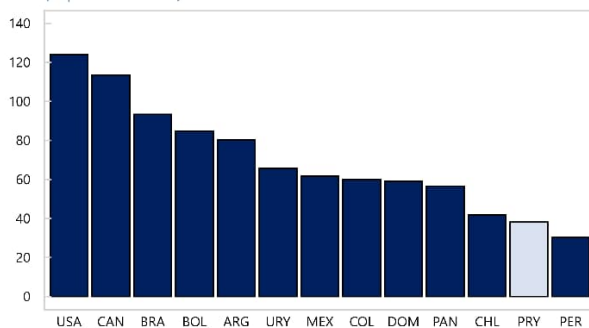
Public debt has declined substantially since its peak in 2024 and is expected to recede further....

Public Debt (in percent of GDP)



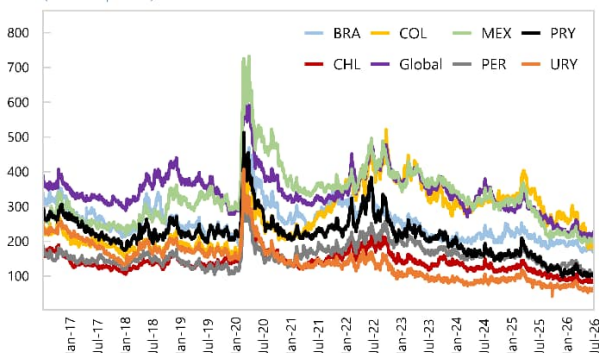
... while is still low compared to the region...

Public Debt, 2025 (In percent of GDP)



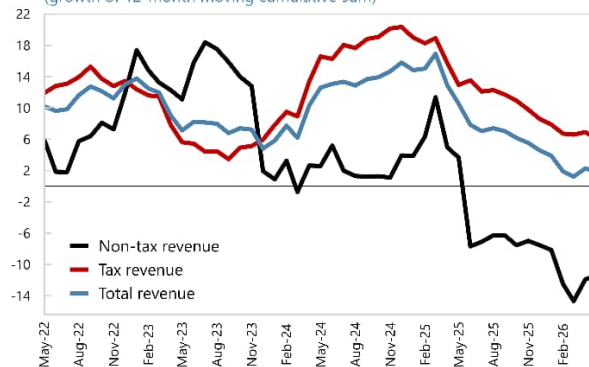
...with lower credit spreads reflecting fiscal developments.

EMBI Spreads (in basis points)



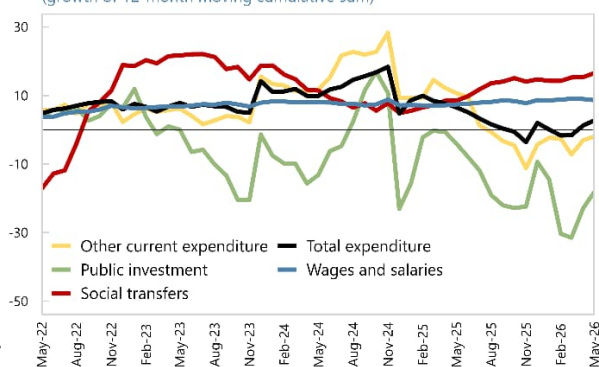
After a period of strong tax collections, revenue growth has declined over the past year.

Central Government Revenue (growth of 12-month moving cumulative sum)



Higher expenditure growth was offset by lower public investment.

Central Government Expenditure (growth of 12-month moving cumulative sum)

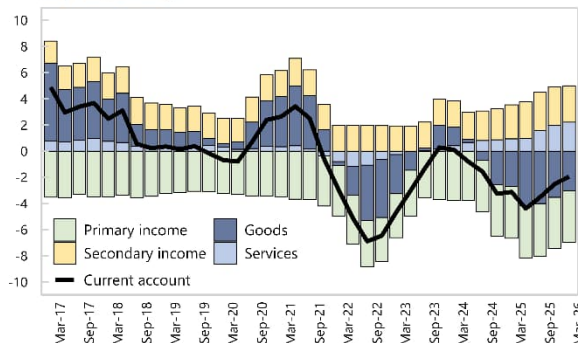


Sources: Ministry of Economy and Finance; Bloomberg; WEO; and IMF staff estimates.

Figure 3. Paraguay: External Sector Developments

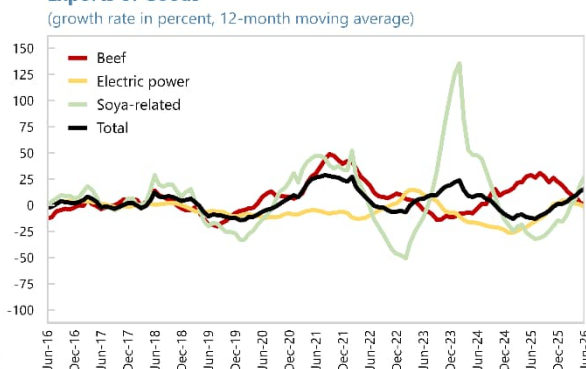
The current account deficit improved in 2025, with goods and services exports growing.

Current Account Balance (in percent of GDP)



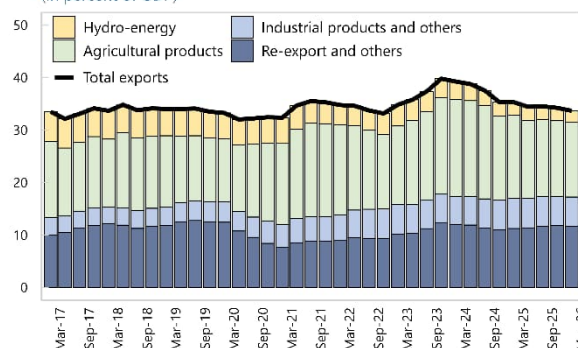
Total exports grew with soy prices recovering and beef performing strong....

Exports of Goods (growth rate in percent, 12-month moving average)



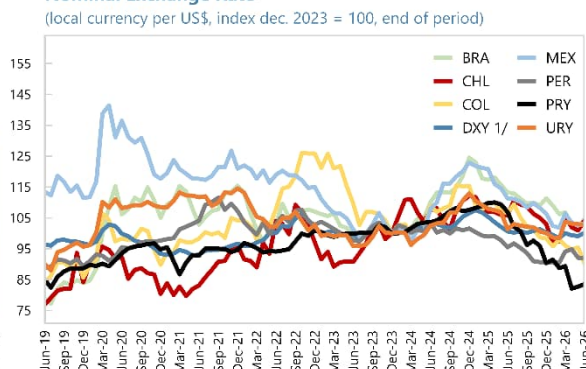
...making agricultural products the primary source of export revenue.

Composition of Goods Export Revenues (in percent of GDP)



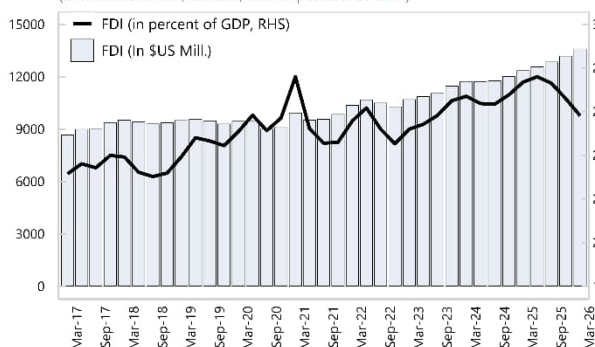
The nominal exchange rate appreciated in 2025 partly in the context of a global weakening of the U.S. dollar.

Nominal Exchange Rate (local currency per US\$, index dec. 2023 = 100, end of period)



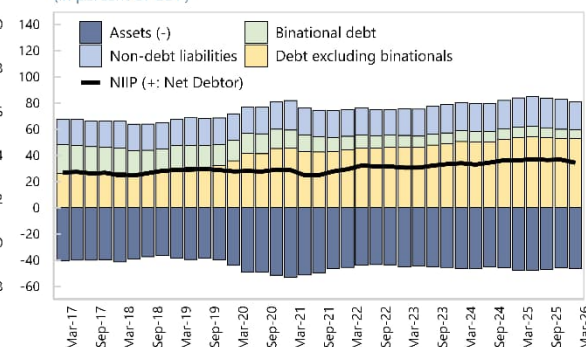
Foreign direct investment continued to increase in nominal terms.

Foreign Direct Investment Stock (in millions of US\$ dollars, and in percent of GDP)



The net international position remained stable.

Net International Investment Position (in percent of GDP)



Sources: Central Bank of Paraguay; and IMF staff calculations.

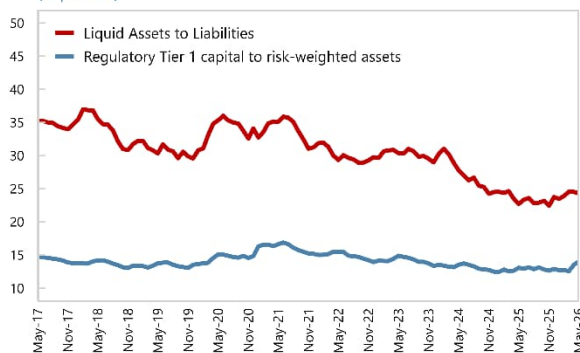
1/ An increase in the DXY index represents a depreciation of the U.S. dollar against other major currencies.

Figure 4. Paraguay: Financial Sector Developments

Banks' capitalization and liquidity levels remain stable...

Capital Adequacy and Liquidity

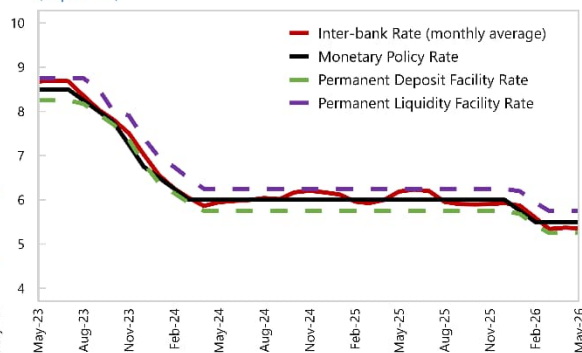
(in percent)



... with the interbank rate close to the mid-point of the monetary policy rate corridor after hitting the ceiling last year.

Interest Rates

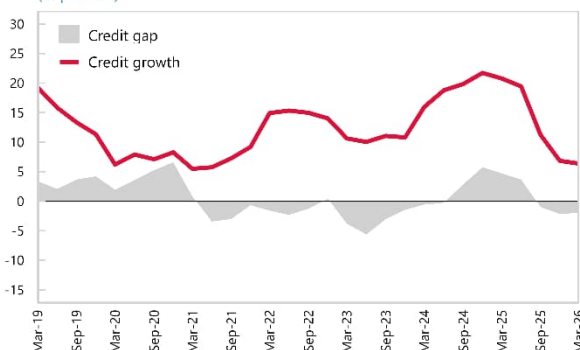
(in percent)



The credit gap closed as credit growth moderated.

Credit to GDP Gap

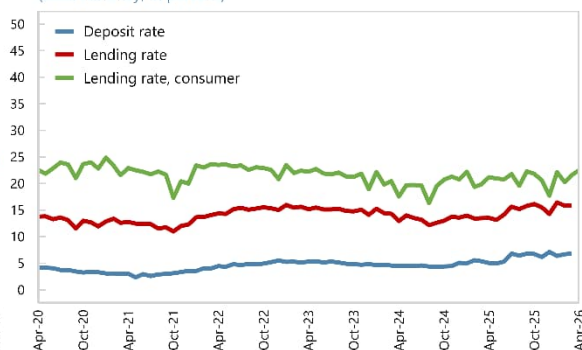
(in percent)



Guarani interest rates stayed broadly stable.

Lending and Deposit Rates

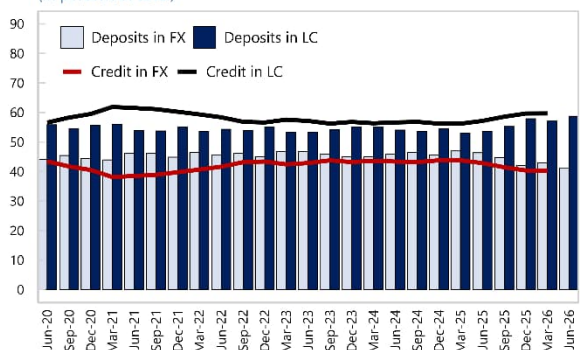
(local currency, in percent)



The level of dollarization of deposits and loans has been stable over the past decade, and lending broadly mirrored the currency composition of deposits.

Assets and Liabilities

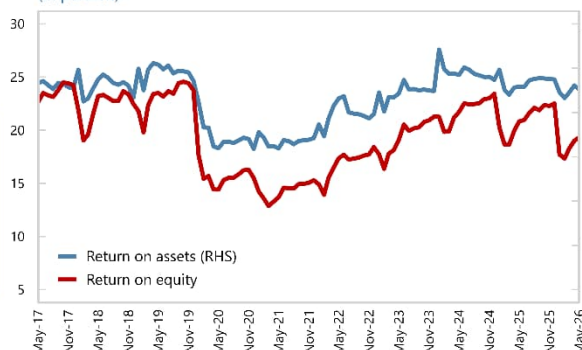
(in percent of total)



Bank profitability remains stable.

Bank Profitability

(in percent)



Sources: Central Bank of Paraguay; and IMF staff calculations.

Table 1. Paraguay: Selected Economic and Social Indicators

Population 2025 (millions)	6.4					Gini index (2024)	44.2		
Unemployment rate (2026Q1) (of which, female: 6.2; male: 4.6)	5.3					Life expectancy at birth (2024)	74.0		
Percentage of population below the poverty line (2025)	16.0					Adult literacy rate (2024) (of which, female: 94.0; male: 95.0)	95.0		
Rank in UNDP development index (2022)	102 of 193					GDP per capita (US\$, 2025)	7,679		
	2023	2024	2025	Proj.					
				2026	2027	2028	2029	2030	2031
(Annual percent change, unless otherwise indicated)									
Income and Prices									
Real GDP	5.3	4.7	6.6	4.4	3.8	3.8	3.8	3.8	3.8
Nominal GDP	7.6	7.6	9.9	7.7	7.3	7.3	7.3	7.3	7.3
Per capita GDP (US\$ thousands)	6.8	7.0	7.7	9.9	10.7	11.3	11.9	12.5	13.2
Consumption (contribution to growth)	2.5	4.2	3.0	2.2	1.2	1.3	1.3	1.3	1.3
Investment (contribution to growth)	-3.8	2.8	5.6	3.2	3.7	2.4	2.3	2.4	2.5
Net exports (contribution to growth)	6.5	-2.3	-2.0	-0.9	-1.1	0.1	0.2	0.1	0.0
Consumer prices (end of period)	3.7	3.8	3.1	3.5	3.5	3.5	3.5	3.5	3.5
Nominal exchange rate (LC\$/US\$, eop) 1/	7,274	7,828	6,579	6,062	...	...	...	...	...
Monetary Sector									
Credit to private sector 2/	10.0	17.5	7.4	6.9	6.8	6.9	6.7	6.8	6.9
Monetary policy rate, year-end 1/	6.8	6.0	6.0	5.5	...	...	...	...	...
External Sector 3/									
Goods exports	25.8	-9.0	7.3	10.8	2.7	2.9	3.1	3.0	3.4
Goods imports	4.6	3.2	10.5	9.7	4.3	2.0	1.6	2.2	2.9
Terms of trade	0.3	-3.1	0.1	3.0	1.2	-0.2	0.2	0.0	0.0
Real effective exchange rate 4/	-3.1	0.4	1.5	...	...	...	...	...	...
(In percent of GDP, unless otherwise indicated)									
Current account balance	0.3	-3.3	-2.5	-2.6	-2.9	-2.6	-2.4	-2.2	-2.1
Trade balance	2.0	-1.7	-1.5	-1.0	-1.4	-1.2	-0.8	-0.7	-0.6
Exports	43.4	39.4	39.5	33.6	31.7	30.8	30.0	29.2	28.5
Of which: Soybeans and derivatives	11.2	9.3	7.2	7.3	6.9	6.5	6.3	6.1	5.8
Of which: Electricity	3.6	2.7	2.5	1.8	1.7	1.7	1.5	1.2	1.1
Imports	41.4	41.1	41.1	34.6	33.1	32.0	30.8	29.9	29.1
Of which: Oil imports	4.3	4.6	3.6	3.8	3.2	3.0	2.8	2.7	2.5
Capital account (net)	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Financial account (net)	-3.1	-4.7	-5.3	-2.6	-2.8	-2.6	-2.4	-2.2	-2.1
Of which: Direct investment (net)	-1.9	-2.1	-1.9	-1.0	-2.0	-1.6	-1.4	-1.3	-1.3
Gross international reserves (in US\$ millions)	9,892	9,568	10,663	10,963	11,263	11,563	11,888	12,238	12,588
In months of next-year imports of goods and services	6.5	5.7	5.8	5.7	5.7	5.8	5.8	5.8	5.8
Ratio to short-term external debt	2.0	1.6	1.3	2.2	2.1	2.0	2.0	2.3	2.2
Saving and Investment									
Gross domestic investment	20.3	23.1	25.3	26.6	28.7	29.8	30.7	31.6	32.7
Gross domestic saving	20.6	19.9	22.8	24.1	25.9	27.1	28.2	29.4	30.6
Central government finances									
Revenues	14.0	15.0	14.3	14.0	14.2	14.3	14.4	14.6	14.7
Of which: Tax revenues	10.1	11.3	11.2	11.1	11.4	11.6	11.8	12.0	12.3
Expenditures	18.1	17.6	16.3	17.5	16.9	16.3	16.2	16.3	

Sources: Central Bank of Paraguay; Ministry of Finance; World Bank; and IMF staff estimates and projections.

1/ As of July 2026.

2/ Includes local currency credit and foreign currency credit.

3/ BOP is prepared under BPM6 since 3rd review of the PCI onwards.

4/ Average annual change: a positive change indicates an appreciation.

Table 2a. Paraguay: Operations of the Central Government
(GFSM2001 presentation) (in billions of guaraní)

	Proj.								
	2023	2024	2025	2026	2027	2028	2029	2030	2031
(In billions of Guaranies, unless otherwise indicated)									
Revenue	43,942	50,882	53,220	56,029	60,852	65,917	71,286	77,210	83,789
Taxes	31,750	38,210	41,501	44,626	48,981	53,536	58,533	63,874	69,769
Income taxes	8,165	10,631	11,319	12,167	13,273	14,436	15,806	17,306	18,948
Excises	3,139	3,721	3,661	3,783	4,093	4,512	4,973	5,387	5,811
Value added tax	16,963	19,385	21,418	23,896	26,266	28,695	31,281	34,169	37,374
Import duties	2,980	3,680	4,200	3,807	4,305	4,772	5,271	5,722	6,251
Other	502	794	904	973	1,044	1,121	1,202	1,290	1,384
Social contributions	3,710	3,240	3,377	3,930	4,308	4,548	4,801	5,068	5,351
Other revenue	8,483	9,432	8,342	7,472	7,562	7,833	7,953	8,268	8,669
Grants	1,810	1,937	1,804	1,943	2,084	2,237	2,400	2,575	2,763
Itaipu-Yacyreta	3,219	4,478	3,452	2,372	2,430	2,490	2,386	2,295	2,260
Other nontax revenue	3,454	3,017	3,086	3,157	3,048	3,107	3,167	3,398	3,646
Expenditure	56,770	59,463	60,654	70,160	72,507	75,233	79,914	86,244	93,032
Expense	48,506	53,104	54,890	63,288	66,181	68,215	72,383	77,421	82,084
Compensation of employees	20,524	21,993	23,899	25,428	27,233	28,750	30,351	32,042	33,827
Purchases of goods and services	6,111	6,679	5,162	9,992	9,522	7,695	8,267	9,547	10,257
o/w: clearance of arrears	0	0	0	4,045	2,176	0	0	0	0
Interest	5,217	6,633	6,968	7,159	7,603	8,670	9,316	9,950	10,591
Grants	5,172	5,998	6,261	6,752	7,528	7,744	7,972	8,202	8,440
Social benefits	9,162	9,608	11,023	12,464	12,702	13,289	14,259	15,300	16,417
Other expense	2,321	2,193	1,576	1,494	1,593	2,067	2,218	2,380	2,554
Gross Operating Balance	-4,564	-2,222	-1,670	-7,259	-5,330	6	140	850	2,273
Net acquisition of nonfinancial assets	8,264	6,358	5,764	6,872	6,326	7,018	7,531	8,823	10,948
o/w: clearance of arrears	0	0	0	1,375	0	0	0	0	0
Unidentified deficit-reduction measures	0	0	0	0	0	2,304	1,236	1,061	569
Net Lending/Borrowing (Overall Balance)	-12,828	-8,580	-7,434	-14,131	-11,656	-7,012	-7,391	-7,973	-8,674
Net Financial Transactions	12,828	8,580	7,434	14,131	11,656	7,012	7,391	7,973	8,674
Net Acquisition of Financial Assets	-527	-36	0	0	0	0	0	0	0
Financial investments	-1,278	-763	0	0	0	0	0	0	0
Net lending	751	727	0	0	0	0	0	0	0
Net Incurrence of Liabilities	14,709	8,972	11,376	14,131	11,656	7,012	7,391	7,973	8,674
Domestic	5,203	-1,533	2,633	10,371	7,476	2,580	3,947	4,491	6,353
o/w: Debt securities	1,957	1,425	1,697	10,371	7,476	2,580	3,947	4,491	6,353
Issuances of TB	2,503	1,460	2,723	10,515	7,667	4,349	4,278	6,467	10,743
Amortizations	546	35	1,026	144	191	1,769	331	1,976	4,390
Foreign	9,507	10,504	8,742	3,761	4,179	4,432	3,444	3,482	2,321
Disbursements	10,869	12,938	10,941	10,628	8,012	8,120	9,492	9,616	9,743
of which: RSF disbursement 1/	0	0	1,505	731	0	0	0	0	0
Amortizations	1,362	2,434	5,204	6,867	3,833	3,687	6,048	6,134	7,421
Statistical Discrepancy 2/	-2,408	-427	-3,942	0	0	0	0	0	0
Memorandum items:									
Primary balance	-7,611	-1,947	-465	-6,973	-4,052	1,658	1,925	1,977	1,917
Current primary expenditure	41,723	45,070	46,803	55,054	57,438	58,082	61,498	65,792	69,697
Change in floating debt 3/	2,289	-3,017	-733	0	0	0	0	0	0
Outstanding expenditure arrears 4/	0	0	0	2,161	0	0	0	0	0

Sources: Ministry of Finance; Central Bank of Paraguay; and Fund staff estimates and projections.

1/ SDR 146 million (about USD 199 million) and SDR 85.6 million (about USD 117 million) were disbursed in 2025 and 2026, respectively, under the RSF.

2/ Captures the discrepancy between above-the-line calculations and financial accounts.

3/ Consistent with the definition used to monitor the quantitative target.

4/ The verified expenditure arrears stood at around 2 percent of GDP as of end-March 2026, including legacy interest arrears to construction companies incurred under the previous government.

Table 2b. Paraguay: Operations of the Central Government
(in percent of GDP, unless otherwise indicated)

	Proj.								
	2023	2024	2025	2026	2027	2028	2029	2030	2031
	(In percent of GDP, unless specified otherwise)								
Revenue	14.0	15.0	14.3	14.0	14.2	14.3	14.4	14.6	14.7
Taxes	10.1	11.3	11.2	11.1	11.4	11.6	11.8	12.0	12.3
Income taxes	2.6	3.1	3.0	3.0	3.1	3.1	3.2	3.3	3.3
Excises	1.0	1.1	1.0	0.9	1.0	1.0	1.0	1.0	1.0
Value added tax	5.4	5.7	5.8	6.0	6.1	6.2	6.3	6.4	6.6
Import duties	0.9	1.1	1.1	1.0	1.0	1.0	1.1	1.1	1.1
Other	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Social contributions	1.2	1.0	0.9	1.0	1.0	1.0	1.0	1.0	0.9
Other revenue	2.7	2.8	2.2	1.9	1.8	1.7	1.6	1.6	1.5
Grants	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Itaipu-Yacyreta hydroelectric plants	1.0	1.3	0.9	0.6	0.6	0.5	0.5	0.4	0.4
Other nontax revenue	1.1	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.6
Expenditure	18.1	17.6	16.3	17.5	16.9	16.3	16.2	16.3	16.3
Expense	15.4	15.7	14.8	15.8	15.4	14.8	14.6	14.6	14.4
Compensation of employees	6.5	6.5	6.4	6.4	6.3	6.2	6.1	6.0	5.9
Purchases of goods and services	1.9	2.0	1.4	2.5	2.2	1.7	1.7	1.8	1.8
o/w: clearance of arrears	0.0	0.0	0.0	1.0	0.5	0.0	0.0	0.0	0.0
Interest	1.7	2.0	1.9	1.8	1.8	1.9	1.9	1.9	1.9
Grants	1.6	1.8	1.7	1.7	1.8	1.7	1.6	1.5	1.5
Social benefits	2.9	2.8	3.0	3.1	3.0	2.9	2.9	2.9	2.9
Other expense	0.7	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Gross Operating Balance	-1.5	-0.7	-0.4	-1.8	-1.2	0.0	0.0	0.2	0.4
Net acquisition of nonfinancial assets	2.6	1.9	1.6	1.7	1.5	1.5	1.5	1.7	1.9
o/w: clearance of arrears	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Unidentified deficit-reduction measures	0.0	0.0	0.0	0.0	0.0	0.5	0.3	0.2	0.1
Net Lending/Borrowing (Overall Balance)	-4.1	-2.5	-2.0	-3.5	-2.7	-1.5	-1.5	-1.5	-1.5
Net Financial Transactions	4.1	2.5	2.0	3.5	2.7	1.5	1.5	1.5	1.5
Net acquisition of financial assets	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	-0.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Incurrence of Liabilities	4.7	2.7	3.1	3.5	2.7	1.5	1.5	1.5	1.5
Domestic	1.7	-0.5	0.7	2.6	1.7	0.6	0.8	0.8	1.1
o/w: Debt securities	0.6	0.4	0.5	2.6	1.7	0.6	0.8	0.8	1.1
Issuances of TB	0.8	0.4	0.7	2.6	1.8	0.9	0.9	1.2	1.9
Amortizations	-0.2	0.0	-0.3	0.0	0.0	-0.4	-0.1	-0.4	-0.8
Foreign	3.0	3.1	2.4	0.9	1.0	1.0	0.7	0.7	0.4
Disbursements	3.5	3.8	2.9	2.7	1.9	1.8	1.9	1.8	1.7
of which: RSF disbursement	0.0	0.0	0.4	0.2	0.0	0.0	0.0	0.0	0.0
Amortizations	-0.4	-0.7	-1.4	-1.7	-0.9	-0.8	-1.2	-1.2	-1.3
Statistical Discrepancy 1/	-0.8	-0.1	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:									
Primary balance	-2.4	-0.6	-0.1	-1.7	-0.9	0.4	0.4	0.4	0.3
Output gap 2/	-3.3	-2.2	0.6	0.2	0.0	0.0	0.0	0.0	0.0
Cyclically adjusted primary balance 2/	-1.9	-0.2	-0.2	-0.4	-0.5	0.3	0.4	0.4	0.3
Fiscal Impulse (-Δ Cyclically adjusted primary balance)	1.3	-1.6	0.0	0.2	0.0	-0.8	0.0	0.0	0.0
Central government gross debt	34.8	38.1	32.2	32.3	32.6	32.1	31.7	31.3	30.9
Outstanding expenditure arrears 3/	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Nominal GDP (in billions of Guaranies)	314,445	338,237	371,826	400,397	429,526	460,882	494,526	530,627	569,362

Sources: Ministry of Finance; Central Bank of Paraguay; and IMF staff estimates and projections.

1/ Captures the discrepancy between above-the-line calculations and financial accounts.

2/ In percent of potential GDP.

3/ The verified expenditure arrears stood at around 2 percent of GDP as of end-March 2026, including legacy interest arrears to construction companies incurred under the previous government.

Table 3. Paraguay: Balance of Payments 1/
(in millions of U.S. dollars)

	2023	2024	2025	Proj.					
				2026	2027	2028	2029	2030	2031
(In millions of U.S. dollars, unless otherwise indicated)									
Current account balance	123	-1,454	-1,244	-1,637	-1,987	-1,946	-1,891	-1,822	-1,831
Goods and services	856	-763	-762	-630	-952	-882	-660	-548	-514
Goods balance	783	-1,153	-1,744	-1,731	-2,082	-1,959	-1,712	-1,603	-1,554
Credit	16,125	14,682	15,747	17,452	17,923	18,446	19,021	19,592	20,253
Hydroelectricity	1,549	1,188	1,212	1,164	1,179	1,279	1,150	1,029	983
Agricultural products	7,940	7,156	7,106	8,605	8,836	8,853	9,077	9,293	9,428
Industrial products and others	1,361	1,446	1,519	1,770	1,740	1,748	1,782	1,845	1,856
Re-exports	4,377	3,913	4,585	4,655	4,789	4,988	5,194	5,410	5,687
Unregistered	898	978	1,326	1,258	1,378	1,578	1,818	2,015	2,300
Debit	15,342	15,835	17,491	19,183	20,004	20,405	20,733	21,195	21,807
Registered Imports	14,617	15,376	17,095	18,170	18,938	19,296	19,584	20,001	20,574
Consumption Goods	4,271	4,783	5,476	5,844	5,819	5,902	6,055	6,184	6,325
Intermediate Goods	4,429	4,736	4,656	4,924	4,922	5,013	5,057	5,120	5,230
Capital Goods	5,917	5,857	6,963	7,406	8,205	8,390	8,480	8,707	9,030
Unregistered Imports	726	459	397	1,013	1,067	1,109	1,150	1,194	1,233
Services (net)	73	391	982	1,101	1,130	1,077	1,052	1,055	1,040
Credit	2,578	2,933	3,728	4,046	4,168	4,294	4,423	4,586	4,771
Debit	2,505	2,542	2,746	2,945	3,038	3,218	3,371	3,530	3,731
Primary income (net)	-1,595	-1,760	-1,939	-2,323	-2,482	-2,582	-2,775	-2,910	-3,029
Secondary income (net)	861	1,068	1,456	1,315	1,447	1,518	1,544	1,635	1,712
Capital account (net)	171	220	177	280	305	323	342	362	383
Financial account (net)	-1,327	-2,113	-2,592	-1,658	-1,982	-1,923	-1,875	-1,810	-1,798
Direct investment (net)	-807	-931	-945	-659	-1,363	-1,202	-1,093	-1,087	-1,114
Portfolio investment (net)	-207	-854	-506	-526	-265	-357	-18	-12	705
Financial derivatives (net)	0	0	0	0	0	0	0	0	0
Other investment (net)	-313	-328	-1,141	-472	-355	-364	-763	-711	-1,389
Net errors and omissions	-1,249	-1,204	-429	0	0	0	0	0	0
Change in gross official reserves	372	-324	1,095	300	300	300	325	350	350
(In percent of GDP, unless otherwise indicated)									
Memorandum items:									
Current account balance 2/	0.3	-3.3	-2.5	-2.6	-2.9	-2.6	-2.4	-2.2	-2.1
Exports of goods and services	43.4	39.4	39.5	33.6	31.7	30.8	30.0	29.2	28.5
Imports of goods and services	41.4	41.1	41.1	34.6	33.1	32.0	30.8	29.9	29.1
Gross Reserves (in US\$ Millions)	9,892	9,568	10,663	10,963	11,263	11,563	11,888	12,238	12,588
Gross official reserves (in percent imports of goods and services)	6.5	5.7	5.8	5.7	5.7	5.8	5.8	5.8	5.8
External public debt in percent of GDP 2/	35.9	38.1	30.5	26.4	26.2	26.0	25.4	24.9	24.1

Sources: Central Bank of Paraguay, and IMF Staff Calculations.

1/ BOP is prepared under BPM6 since 3rd review of the PCI onwards.

2/ Based on average exchange rate valuation of GDP.

Table 4. Paraguay: Summary Accounts of the Financial System 1/
(in billions of guaraní, end of period)

	2023	2024	2025	Proj.					
	2023	2024	2025	2026	2027	2028	2029	2030	2031
I. Central Bank									
Currency Issued	19,549	20,809	21,744	23,070	24,008	25,472	27,001	28,648	30,367
Growth	5.5	6.4	4.5	6.1	4.1	6.1	6.0	6.1	6.0
Net International Reserves /2	72,226	75,080	70,194	72,758	75,749	78,756	81,987	85,469	89,041
In millions of U.S. dollars	9,930	9,591	10,669	10,969	11,269	11,569	11,894	12,244	12,594
Net Domestic Assets	-52,681	-54,273	-48,456	-50,906	-52,316	-52,850	-53,812	-55,001	-56,094
Nonfinancial public sector, net	-8,862	-9,687	-7,354	-10,119	-10,119	-10,119	-10,119	-10,119	-10,119
Credit to banking system, net	-38,411	-33,005	-34,465	-33,895	-35,318	-35,863	-36,838	-38,039	-39,145
Reserve requirements	-19,093	-21,693	-21,584	-22,555	-24,214	-25,124	-26,111	-27,156	-28,194
Free reserves	-5,390	-3,907	-5,008	-5,048	-5,115	-5,179	-5,244	-5,309	-5,377
Monetary control instruments 3/	-14,432	-8,754	-8,816	-7,236	-6,933	-6,504	-6,427	-6,518	-6,518
Other	505	1,349	944	944	944	944	944	944	944
Other assets and liabilities (net)	-5,417	-11,588	-6,651	-7,053	-7,043	-7,033	-7,024	-7,014	-7,004
Capital and reserves	-4,990	-12,047	-8,029	-8,036	-8,047	-8,058	-8,070	-8,081	-8,093
Other assets net 4/	-428	459	1,378	983	1,004	1,025	1,046	1,067	1,089
II. Monetary Survey									
Net Foreign Assets	66,072	65,861	56,732	64,469	67,130	69,819	72,731	75,889	79,128
In millions of U.S. dollars	9,084	8,414	8,623	9,720	9,987	10,257	10,552	10,872	11,192
Net Domestic Assets	169,498	207,267	233,865	244,846	260,011	278,986	297,548	315,828	335,247
Credit to the public sector	-15,476	-16,046	-13,219	-15,980	-15,967	-15,954	-15,942	-15,929	-15,916
Credit to the private sector	164,118	192,862	207,085	221,298	236,378	252,697	269,581	287,814	307,778
Other	20,856	30,451	39,998	39,528	39,599	42,243	43,908	43,943	43,385
Broad Liquidity (M4)	211,351	241,119	258,897	274,605	289,133	305,096	321,325	337,867	355,140
Bonds and issued securities	41,861	51,909	57,908	63,409	66,707	72,408	77,653	82,549	87,933
Other monetary liabilities	10,181	12,245	15,242	17,014	19,690	20,536	21,446	22,409	23,466
Central bank securities with private sector	1,261	863	166	0	0	0	0	0	0
Broad Liquidity (M3)	158,048	176,102	185,582	194,181	202,735	212,152	222,226	232,910	243,741
Foreign currency deposits	62,035	69,518	67,931	69,856	71,829	73,826	76,085	78,487	80,597
Money and Quasi-Money (M2)	96,013	106,584	117,651	124,325	130,906	138,326	146,141	154,422	163,144
Quasi-money	52,691	59,123	69,769	73,607	77,655	81,926	86,432	91,186	96,201
Money (M1)	43,323	47,462	47,882	50,719	53,251	56,400	59,709	63,237	66,943
(Annual percent change)									
M0 (Currency issued)	5.5	6.4	4.5	6.1	4.1	6.1	6.0	6.1	6.0
Credit to the private sector	10.0	17.5	7.4	6.9	6.8	6.9	6.7	6.8	6.9
M1	3.2	9.6	0.9	5.9	5.0	5.9	5.9	5.9	5.9
M2	8.1	11.0	10.4	5.7	5.3	5.7	5.6	5.7	5.6
M3	9.2	11.4	5.4	4.6	4.4	4.6	4.7	4.8	4.7
Of which: Foreign currency deposits	10.9	12.1	-2.3	2.8	2.8	2.8	3.1	3.2	2.7
Memorandum Items:									
Total stock of LRMs outstanding 3/	15,693	9,617	8,982	7,236	6,933	6,504	6,427	6,518	6,518
Monetary base 5/	27,590	30,345	31,580	33,382	35,341	37,361	39,476	41,741	44,113
Monetary base, annual growth	7.9	10.0	4.1	5.7	5.9	5.7	5.7	5.7	5.7
Ratio of foreign currency deposits to M3 (percent)	39.3	39.5	36.6	36.0	35.4	34.8	34.2	33.7	33.1
Ratio of foreign currency deposits to total private sector deposits (percent)	40.7	40.6	37.2	36.4	35.5	35.0	34.5	34.0	33.4

Sources: Central Bank of Paraguay; and IMF staff estimates and projections.

1/ Includes banks, finance companies, and the 20 largest cooperatives.

2/ In 2024, historical series was revised as one account was reclassified to other nonresident deposits. In addition, another account was reclassified to non-resident securities as this is a transitory account and is not yet part of the BCP Reserve Assets.

3/ Includes overnight-deposit facility and central bank bills (LRM). A fraction of LRM is held by non-bank institutions.

4/ Includes LRM held by the non-banking sector.

5/ Monetary base comprises currency issued plus legal reserve requirement deposits in guaraní held at the BCP.

Table 5. Paraguay: Financial Soundness Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Basic Indicators										
Capital adequacy										
Regulatory capital/risk-weighted assets	18.5	17.6	17.2	19.1	18.8	17.4	16.5	16.2	16.3	17.3
Tier 1 capital/risk-weighted assets	13.8	13.4	13.5	14.9	15.2	13.9	13.4	12.5	12.9	14.0
Asset quality										
NPLs/total loans	2.7	2.4	2.4	2.3	2.2	2.9	3.0	2.2	2.1	2.6
Profitability										
Return on assets	2.3	2.2	2.4	1.6	1.7	2.0	2.2	2.4	2.4	2.3
Return on equity	24.2	22.5	23.7	15.5	15.3	18.4	21.3	23.4	22.5	19.3
Interest Margin/ gross income	8.5	7.6	7.5	7.0	6.0	6.6	7.1	6.4	6.0	6.4
Admin. expenses/operating margin	50.6	49.5	46.8	50.9	52.3	47.5	44.6	45.1	43.6	43.2
Liquidity										
Liquid assets/deposits	42.5	39.9	36.0	41.1	37.4	36.6	36.5	31.5	30.7	30.9
Liquid assets/liabilities	34.7	31.7	29.6	34.1	31.3	29.8	29.0	24.5	23.7	24.3
Market risk										
FX position/equity	9.6	17.3	15.8	13.9	9.3	9.6	13.3	10.7	10.6	n.a.
(In Percent)										
Recommended Indicators										
Capital/total and contingent assets	10.7	10.9	11.2	10.9	11.9	11.8	11.8	11.5	11.8	11.6
Personnel expenses/admin. expenses	44.9	44.9	44.8	43.9	43.2	41.8	39.5	37.4	37.1	36.8
FX deposits/total deposits	43.9	43.4	44.2	44.4	45.4	45.9	45.8	46.3	43.8	43.8

Source: Banco Central del Paraguay and IMF, Financial Soundness Indicators.

Note: Data as of May 2026. Information refers to banks only.

Annex I. Status of Past Article IV Recommendations

Fund Recommendation	Progress
Fiscal Policy	
Adhere firmly to fiscal consolidation. Return the fiscal deficit to the FRL ceiling of 1.5 percent of GDP by 2026.	Partially implemented. Consolidation is progressing but compliance with the FRL is now expected by 2028.
Increase tax revenue through increasing tax base and compliance.	Implemented and Ongoing. Steady improvements are being made in tax and customs administration, through the enhanced use of digitalized platforms, formalization, and stronger tax compliance. Compliance Risk Management is put in place to increase risk-based monitoring of tax compliance. Tax losses under the special tax regimes are estimated to be small but need to be continuously reassessed relative to expected benefits.
Increase expenditure efficiency through tighter control over public procurement, civil service reform, and enhanced investment management.	Partially implemented and ongoing. Efficiency of spending has been partly improved with the phased introduction of SIGEBYS, but additional improvements are required. Civil service reform law was approved and have been steadily implemented. The updated PPP law was approved, and investment management has been strengthened based on recommendations from C-PIMA.
Advance pension system reforms to reduce longer-term sustainability risks. The pension system requires stronger supervision and regulations. In the medium term, the pension systems for both private and public employees require parametric adjustments.	Partially Implemented. The Pension Funds Supervision has been created and is now partially operational. The reform laws for both private pension and the Caja Fiscal have been approved, which are expected to reduce pressures to some extent on pension sustainability through parametric reforms.
Monetary Policy	
After a period of sustained reductions in its policy rate, the BCP is well placed to guide the monetary policy stance by incoming data.	Implemented. The BCP maintained a cautious approach keeping inflation within the tolerance range around the target. It resumed the easing cycle as inflation fell below the target and paused again following the start of the war in the Middle East.
Foreign exchange interventions should be parsimonious and continue to be limited to avoid disorderly market conditions.	Implemented. BCP engaged in limited intervention to address unusual volatility.
Financial Sector	
- Improve access to credit - Enhance land property rights - Reform the legal framework for insolvencies	Partially implemented. The law on movable collateral is under consideration in Congress. Implemented. New RUN system is operational. Not implemented. Postponed due to prioritization of other reforms.
Structural Reforms	
Continue addressing Paraguay's governance weaknesses and tackle corruption.	Implemented and Ongoing. The government launched the National Regime for Integrity, Transparency, and Prevention of Corruption, which is being implemented. The updated National Risk Assessment is pending approval.
Attract trade and investment; improve infrastructure and efficiency of the state; reduce informality; and improve social assistance delivery and coverage.	Implemented and Ongoing. New markets were reached for meat exports. Public investment in transport infrastructure continued, and public administration has more efficient processes. The attainments of two IG ratings will foster external investment. Important achievements were observed in increasing formalization. Effective social assistance programs (e.g. Tekoporã, Zero Hunger) were implemented, and social program administration was modernized.

Annex II. External Sector Assessment

Overall Assessment: In 2025, the external position of Paraguay was broadly in line with the level implied by medium-term fundamentals and desirable policy settings. With the current account deficit (CAD) of 2.5 percent of GDP, the EBA-Lite current account (CA) model points to a 0.1 percentage point gap. The CAD is expected to reach 2.6 percent of GDP in 2026, although projected FDI-related imports are expected to widen the gap to 2.9 percent in 2027 before a gradual decline in the deficit to 2.1 percent of GDP in the medium term. External stability risks are contained given Paraguay's sizable reserve buffers and the long-term maturity profile of its external debt.

Potential Policy Responses: Recommended policies to continue safeguarding external sustainability center on preserving macroeconomic policy credibility, maintaining external resilience, and raising medium-term export capacity. This includes continuing the fiscal consolidation plan and strengthening public financial management to preserve policy credibility; maintaining a flexible exchange rate and data-dependent monetary policy to absorb external shocks; preserving adequate reserve buffers; and closely monitoring risks from commodity-price volatility, weather-related shocks, and potentially stronger capital inflows in light of the country's IG upgrade. Over the medium term, reforms aimed to i) strengthen governance, transparency, and property-rights; ii) deepen domestic capital markets and support financial sector resilience; and iii) reduce informality, strengthen tax administration, and improve public sector efficiency, would support export diversification, stable FDI inflows, and Paraguay's renewable-energy-based growth potential.

Foreign Assets and Liabilities: Position and Trajectory

Background. The net international investment position (NIIP) remained broadly unchanged at -36 percent of GDP in 2025. Gross external liabilities increased by 11 percent, driven mainly by higher direct investment, portfolio debt securities, and other investment liabilities of the general government. Gross external assets rose by 12 percent. As a result, the composition of external liabilities continues to be tilted toward FDI. Total external debt was 59 percent of GDP in 2025 (broadly unchanged from 2024), with the composition tilted toward local currency instruments following a series of issuances of guaraní-denominated bonds in international capital markets.

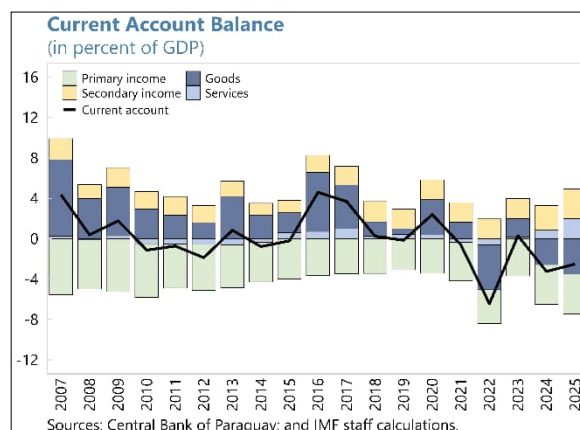
Assessment. External debt is expected to decline in the medium term, due to fiscal consolidation. The authorities are committed to reducing debt and rebuilding buffers. The external position remains sustainable, though with some risks, under a range of adverse shocks. Risks are mitigated by the composition of external liabilities—particularly the large share of FDI—and the relatively long maturity profile of external debt. In addition, gross international reserves remain adequate, with coverage comfortably within the recommended range of the ARA metric, providing buffers against commodity price volatility and weather-related shocks.

2025 (% GDP)	NIIP: -36	Gross Assets: 47	Debt Assets: 21	Gross Liab.: 82	Debt Liab.: 59
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Current Account

Background. Paraguay's CAD has averaged -2.5 percent of GDP per year for the last five years (2021-2025), driven by a small CA surplus in 2023 following the largest deficit (since 1996) in 2022, owing to a prolonged drought, higher import volumes and higher commodity prices. The CAD declined to -2.5 percent of GDP in 2025, with the increase in beef, soybean oil, and cereal exports offsetting the large decline in soy exports and net services exports growing. Electricity exports saw a slight increase after the drought in 2024, while imports continued to grow compared to 2024, driven by domestic demand and investment.

Preliminary data for 2026H1 show a strong rebound in soy exports coupled with growing demand for imports, leading to slight increase in the projection for the 2026 CAD at -2.6 percent of GDP. The CAD is projected to increase slightly in 2027 and then gradually improve over the medium term, reflecting upticks in soy and meat production. Gradual export diversification over the coming years would be driven in part by the Paracel and ATOME projects. Exports associated with these two projects could begin as early as 2028, but the full potential is expected to come online towards 2030 and onwards. Hydroelectric exports are projected to decline as domestic demand for energy consumption continues to rise.



Assessment. The EBA-Lite CA model estimates a cyclically adjusted CA norm of -2.9 percent of GDP for 2025. An upward adjustment to the CA norm by 0.5 percent of GDP reflects the ATOME and Paracel projects, which are expected to raise export capacity in the medium term. The adjusted CA norm is -2.4 percent of GDP. The cyclically adjusted CAD stood at 2.3 percent of GDP. This leads to a gap of approximately 0.1 percentage points of GDP; thus, the CA model suggests that the external position was broadly in line with the level implied by medium-term fundamentals and desired policy settings as it is within the range of -1 to 1 percent of GDP. The REER model finds a CA gap of 2.8 percent of GDP.

Paraguay: EBA-Lite Model Estimates (in percent of GDP; 2025)

	CA model 1/ (in percent of GDP)	REER model 1/ (in percent of GDP)
CA-Actual	-2.5	
Cyclical contributions (from model) (-)	0.0	
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	-2.3	
CA Norm (from model) 2/	-2.9	
Adjustments to the norm (+)	0.5	
Adjusted CA Norm	-2.4	
CA Gap	0.1	2.8
o/w Relative policy gap	1.7	
Elasticity	-0.3	
REER Gap (in percent)	-0.3	-10.5

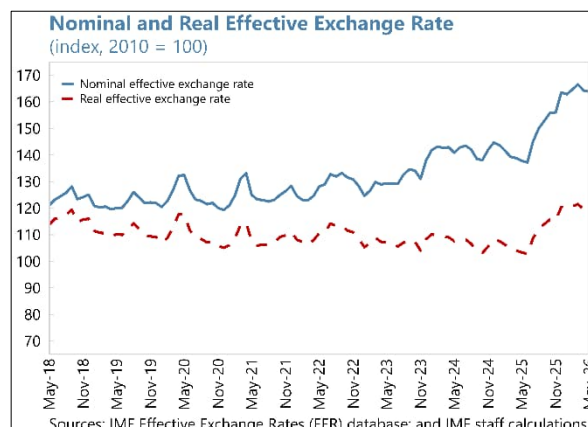
Sources: Staff estimates.

1/ Based on the EBA-lite 3.0 methodology.

2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Although the guaraní appreciated sharply against the U.S. dollar in bilateral nominal terms, the appreciation has been more limited in real effective terms, with the average real effective exchange rate (REER) increasing by 2.0 percent in 2025. Lower inflation in Paraguay than in its main trading partners partially offset the effect of the nominal appreciation on the REER. The average REER, through May 2026, appreciated by 9.5 percent, relative to the average in 2025, amid continued strengthening of the guaraní against trading-partner currencies.



Assessment. The REER gap, derived from the EBA-Lite CA model and an estimated elasticity of -0.3 percent, was estimated at -0.3 percent. The EBA-Lite REER model suggests a REER gap of -10.5 percent. Given Paraguay's structural characteristics—such as its reliance on commodity exports—and that the REER gap implied by the CA model tends to be more reliable, especially in the presence of a large divergence from the REER model, the CA model therefore serves as the basis for staff's assessment. The CA-based estimate suggests a limited misalignment, pointing to an external position that is broadly in line with fundamentals. However, given Paraguay's exposure to commodity price volatility, developments in the terms of trade could influence the evolution of the real exchange rate and the external position.

Capital and Financial Accounts: Flows and Policy Measures

Background. Sovereign bond issuances and FDI have been major sources of capital inflows in recent years. Since 2013, the government has tapped the international capital markets every year except 2015. The total amount of issuances so far is around US\$ 10.7 billion. In February 2026, the authorities issued US\$ 1,000 million equivalent guaraní-denominated Eurobonds, along with US\$ 300 million USD-denominated ones (the third consecutive year). The outstanding stock of Eurobonds stood at US\$ 8,200 million after a part of proceeds from the 2026 issuances were used to buy-back those coming due in the near future. In addition, FDI inflows were about 2.4 percent of GDP in 2025. In the near and medium term, FDI is projected to average around 2.1 percent of GDP during 2026-2030, including due to significant private investment from Paracel and ATOME. The country's IG sovereign rating is expected to support both higher levels of and more stable access to FDI and portfolio inflows (Annex V).

Assessment. Paraguay's capital and financial account remain broadly open, though domestic financial markets remain characterized by still relatively small domestic capital markets. External vulnerabilities are contained, with steady FX flows from agricultural exports, exports of electricity, access to international capital markets, and favorable FDI prospects. Paraguay's continued diversification of its sovereign debt portfolio, including the multiple issuances of guaraní-denominated bonds, along with the gradual deepening of the domestic capital market, have broadened its investor base and helped reduce foreign exchange risk exposure.

Annex III. Sovereign Risk and Debt Sustainability Analysis

Figure 1. Paraguay: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	Paraguay's overall risk of sovereign stress is assessed as "low". The baseline debt trajectory shows a stabilizing trend. While both the near-term and medium-term risks are assessed to be low, the long-term modules flag moderate risks reflecting increasing demographic and potential climate-related costs.
Near term 1/	n.a.	n.a.	
Medium term	Low	Low	The medium-term risk is "low" consistent with the mechanical signal. The mechanical signal for the fan chart module is moderate due to relatively large volatility of key economic indicators due to external shocks. The GFN module indicates a low risk reflecting a favorable debt repayment profile and projected fiscal consolidation.
Fanchart	Moderate	Moderate	
GFN	Low	Low	
Stress test	Comm. Prices	Low	
Long term	...	Moderate	The long-term risk is assessed to be "moderate" given the modules reveal risks from expected demographic developments, affecting both pension and health costs. The climate-related investment to address adaptation and mitigation could also have significant impacts. Debt levels are still manageable under most of these risk scenarios.
Sustainability assessment 2/	...	Sustainable	Staff assesses Paraguay's debt as sustainable.
Debt stabilization in the baseline			Yes
DSA Summary Assessment			
Staff assesses Paraguay's debt as sustainable, and the overall risk of sovereign stress as low. The baseline debt trajectory exhibits a stabilizing trend, backed by the authorities' commitment to prudent fiscal management as well as strong economic fundamentals. While the short-term and medium-term risks are assessed to be low, the long-term modules flag moderate risks from demographics and potential climate-related costs. Sovereign spreads remain among the lowest in the region reflecting a favorable debt risk profile.			

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

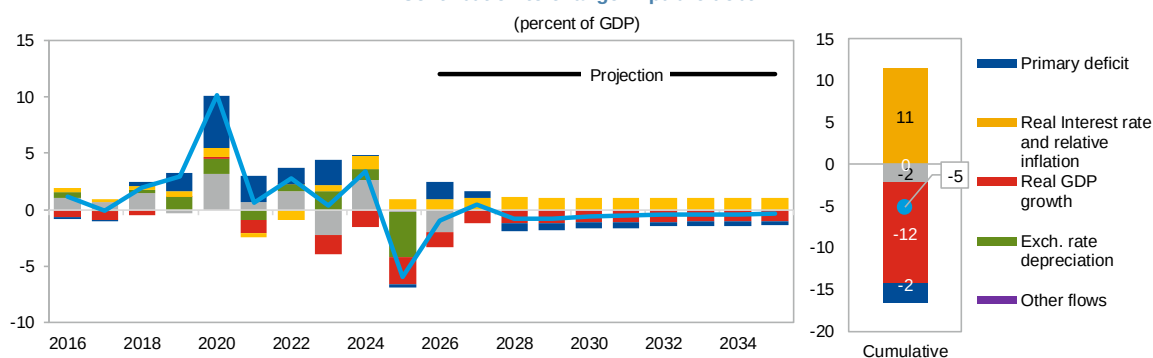
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Paraguay: Public Sector Debt Sustainability Analysis—Baseline Scenario
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	38.2	36.7	37.1	36.3	35.7	35.2	34.7	34.2	33.8	33.4	33.1
of which: government-guaranteed	6.0	5.4	5.4	5.4	5.5	5.6	5.6	5.7	5.6	5.7	5.7
Change in public debt	-5.9	-0.9	0.4	-0.8	-0.8	-0.6	-0.6	-0.4	-0.4	-0.4	-0.4
Contribution of identified flows	-5.7	1.1	0.5	-0.7	-0.7	-0.6	-0.5	-0.5	-0.4	-0.4	-0.4
Primary deficit	-0.2	1.5	0.6	-0.7	-0.7	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4
Noninterest revenues	18.1	17.8	17.9	17.9	18.0	18.1	18.2	18.2	18.1	18.1	18.1
Noninterest expenditures	17.9	19.2	18.4	17.3	17.3	17.6	17.7	17.7	17.7	17.7	17.8
Automatic debt dynamics	-5.5	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real interest rate and relative inflation	0.9	1.0	1.1	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.0
Real interest rate	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Relative inflation	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Real growth rate	-2.4	-1.4	-1.1	-1.2	-1.1	-1.1	-1.1	-1.1	-1.0	-1.0	-1.0
Real exchange rate	-4.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-0.2	-2.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	3.3	4.8	3.2	2.3	2.4	2.7	2.6	2.7	4.1	2.9	2.8
of which: debt service	3.6	3.4	2.7	3.0	3.1	3.3	3.1	3.1	4.5	3.4	3.2
Local currency	0.5	0.4	0.7	1.1	0.8	1.1	0.8	0.8	2.1	1.7	1.3
Foreign currency	3.1	3.0	2.0	1.9	2.3	2.2	2.3	2.4	2.4	1.6	1.9
Memo:											
Real GDP growth (percent)	6.6	4.4	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Inflation (GDP deflator; percent)	3.1	3.1	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Nominal GDP growth (percent)	9.9	7.7	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Effective interest rate (percent)	5.4	5.4	5.9	6.1	6.2	6.2	6.2	6.3	6.4	6.6	6.5

Contribution to change in public debt

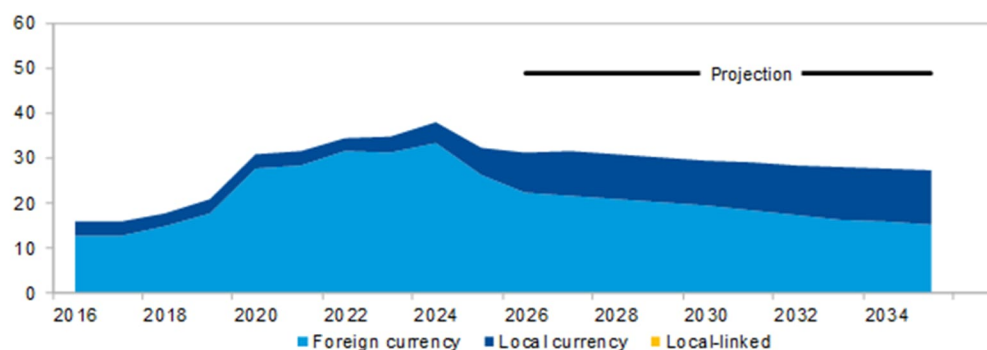


Public debt declined significantly in 2025 and continues to decrease in 2026 due to appreciation of the domestic currency. It is expected to continue decreasing in the medium-term, reflecting an expected improvement in the primary balance consistent with the compliance of the overall fiscal deficit ceiling stipulated under the Fiscal Responsibility Law, along with robust economic growth at the potential rate. GFNs stay at low levels, albeit somewhat volatile reflecting amortization schedule of bonds, which the authorities are preemptively smoothing out over time under their prudent debt management practices. Please note that the coverage of the fiscal account is the general government, and that debts guaranteed by the general government is added onto those of the general government.

Source: Fund staff.

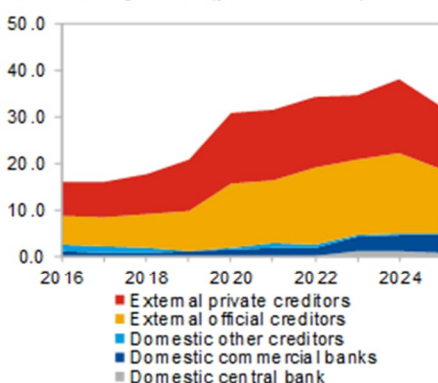
Figure 3. Paraguay: Public Debt Structure Indicators

Debt by currency (percent of GDP)



Note: The perimeter shown is general government.

Public debt by holder (percent of GDP)



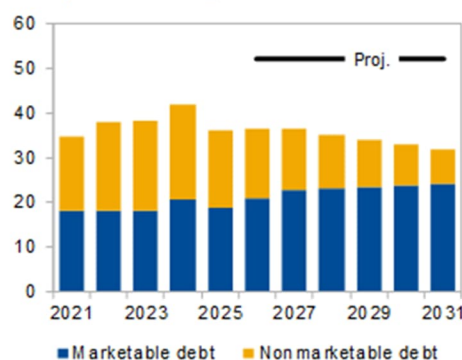
Note: The perimeter shown is general government.

Public debt by governing law, 2025 (percent)



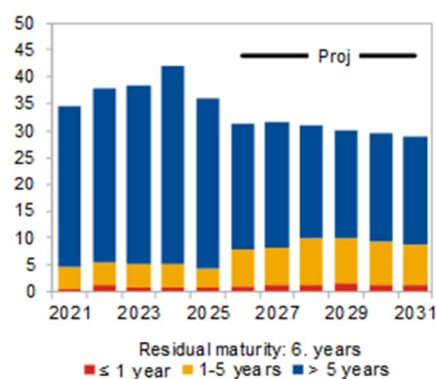
Note: The perimeter shown is general government.

Debt by instruments (percent of GDP)



Note: The perimeter shown is general government.

Public debt by maturity (percent of GDP)



Note: The perimeter shown is general government.

Paraguay's debt has been largely denominated in foreign currency at long maturities. On top of traditional debt provided by official lenders, sovereign bonds make up a large share of total debt stock. That of domestic-currency financing is expected to rise gradually including through repeated issuances of local currency-denominated euro bonds.

Source: Fund Staff

Figure 4. Paraguay: Realism of Baseline Assumptions

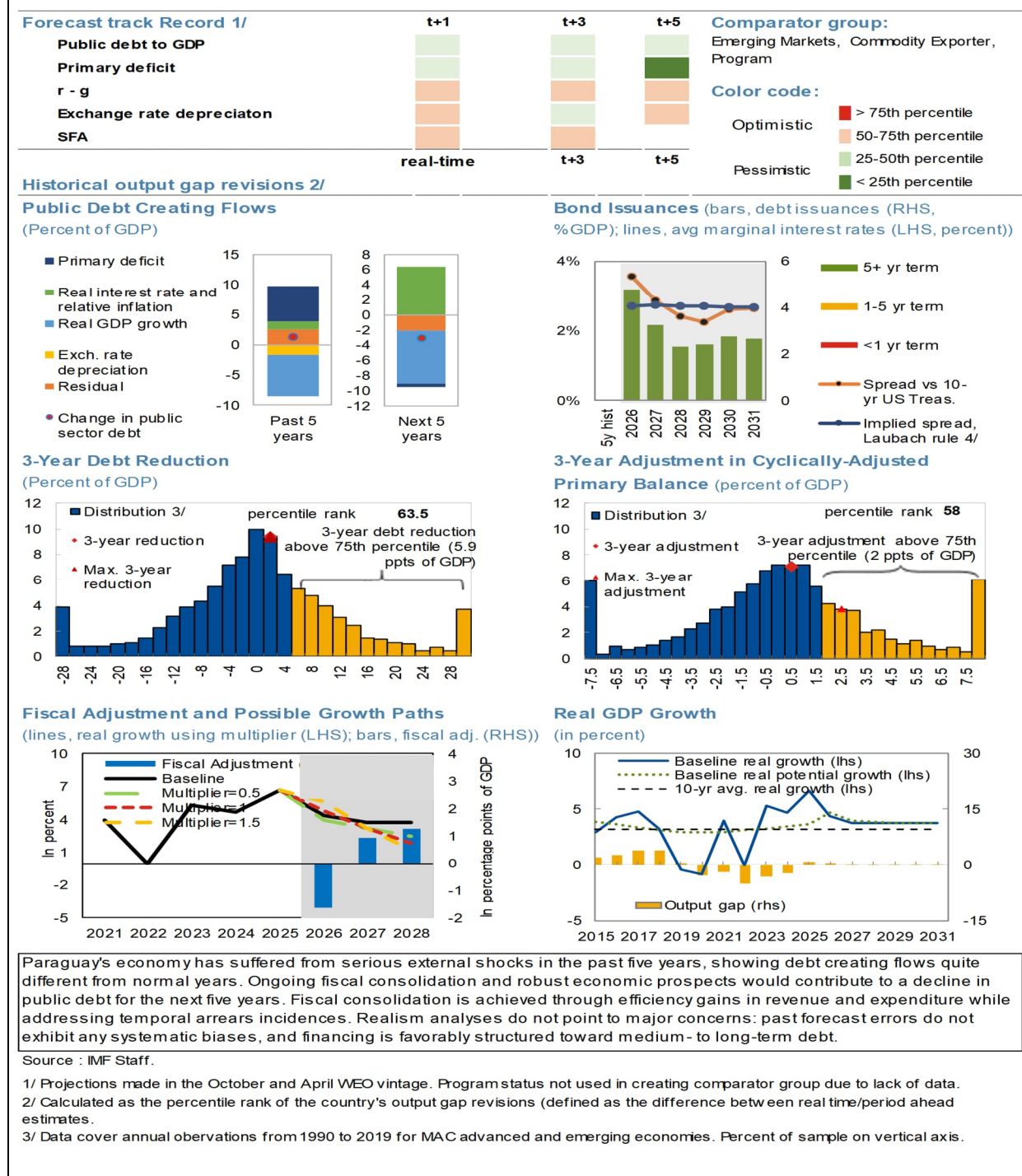


Figure 5. Paraguay: Debt coverage and Disclosures

						Comments				
1. Debt coverage in the DSA: 1/										
	CG	GG	NFPS	CPS	Other					
1a. If central government, are non-central government entities insignificant?						n.a.				
2. Subsectors included in the chosen coverage in (1) above:										
Subsectors captured in the baseline						Inclusion				
CPS NFPS GG: expected CG	1	Budgetary central government				Yes				
	2	Extra budgetary funds (EBFs)				Yes				
	3	Social security funds (SSFs)				Yes				
	4	State governments				Yes				
	5	Local governments				Yes				
	6	Public nonfinancial corporations				Yes				
	7	Central bank				No				
	8	Other public financial corporations				Yes				
3. Instrument coverage:										
	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSSs 3/					
4. Accounting principles:										
Basis of recording			Valuation of debt stock							
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/					
5. Debt consolidation across sectors:										
	Consolidated		Non-consolidated							
Color code: chosen coverage Missing from recommended coverage Not applicable										
Reporting on intra-government debt holdings										
Issuer										
	Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS NFPS GG: expected CG	1	Budget. central govt								0
	2	Extra-budget. funds								0
	3	Social security funds								0
	4	State govt.								0
	5	Local govt.								0
	6	Nonfin pub. corp.								0
	7	Central bank								0
	8	Oth. pub. fin. corp								0
Total										0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

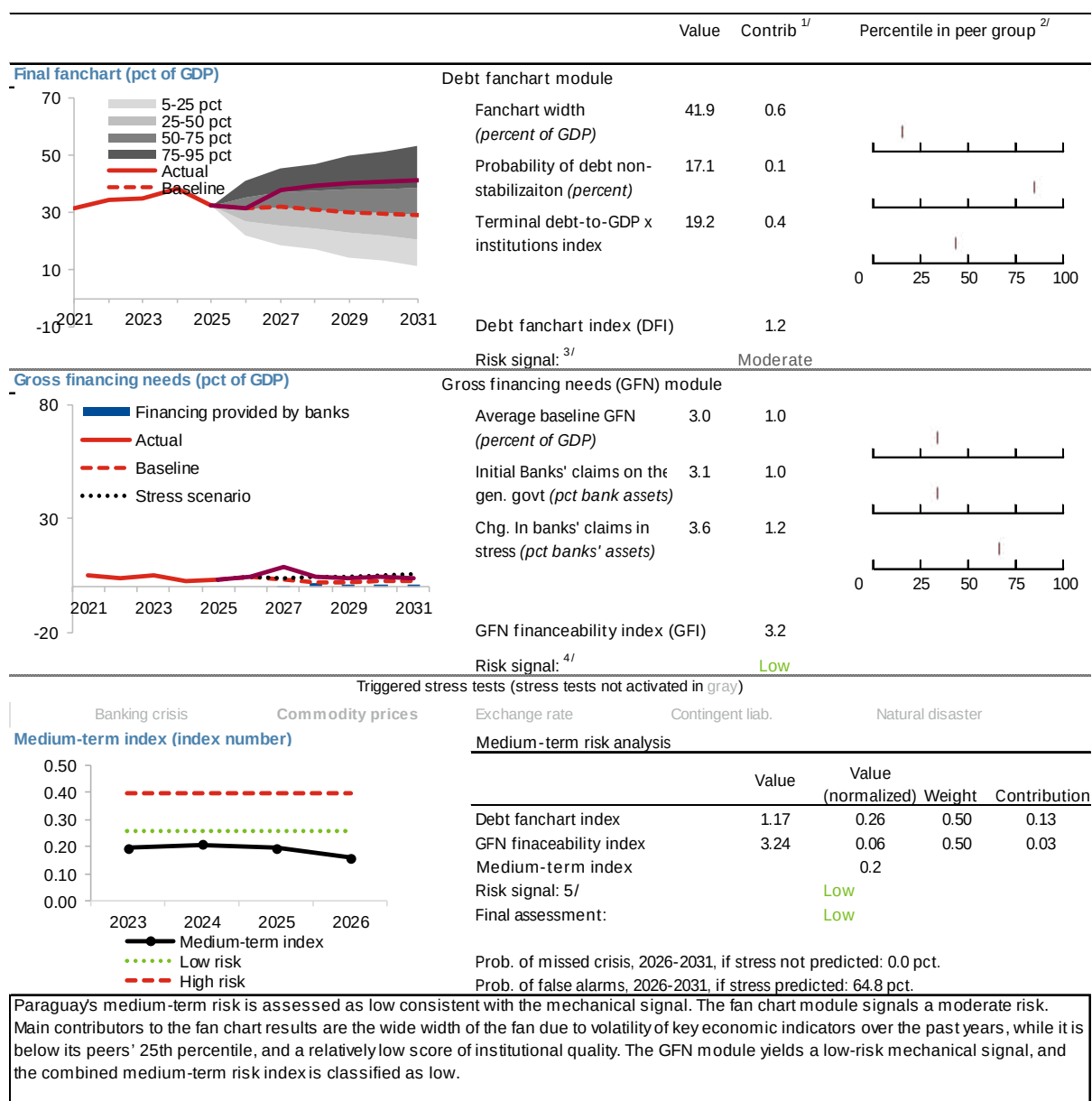
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: In Paraguay, public debt is basically endorsed by Congress and legally guaranteed by the Paraguayan State. These debts are recorded under the SIGADE system. The DSA adds some more liabilities not covered under the SIGADE, such as those of the central bank, SoEs' debt, and Paraguay's use of the 2021 SDR allocation, which are likely to add to fiscal pressure onto the central government when these contingent liabilities materialize.

Source: Fund staff.

Figure 6. Paraguay: Medium-Term Risk Assessment



Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, commodity exporter, program.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 7a. Paraguay: Demographics—Pensions 1/

**Permanent adjustment needed
in the pension system to keep
pension assets positive for:**

30 years

50 years

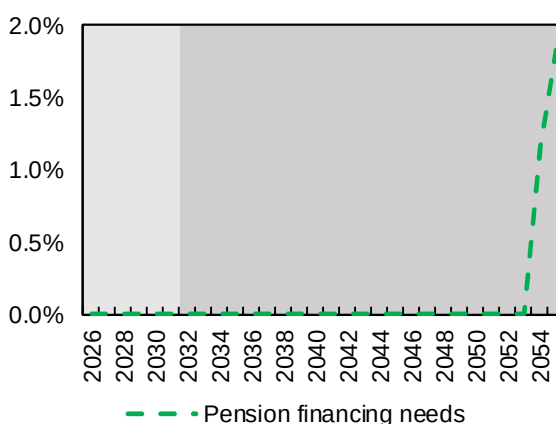
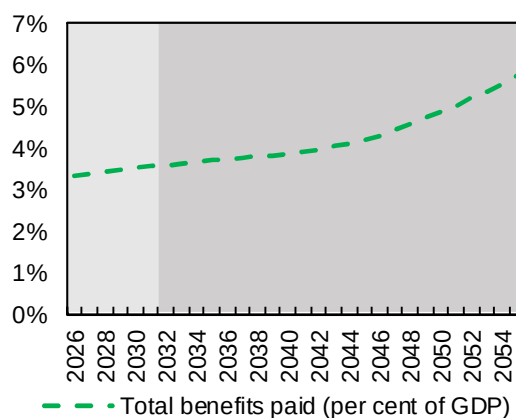
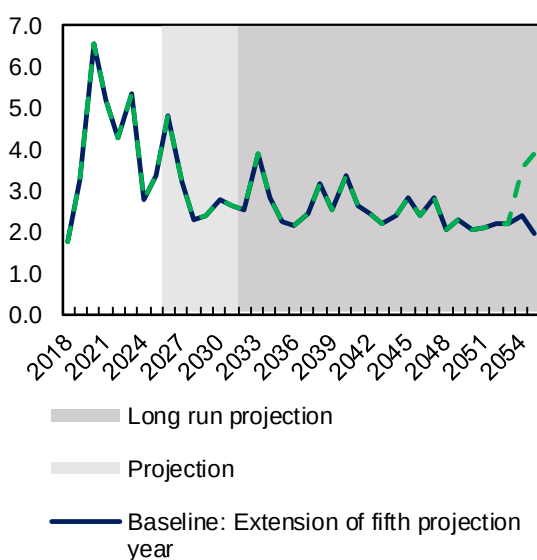
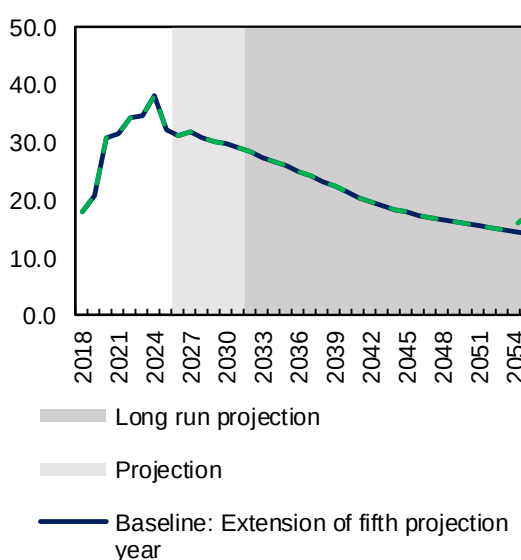
Until 2100

(pp of GDP per year)

0.1%

1.8%

3.7%

Pension Financing Needs**Total benefits paid****GFN-to-GDP ratio****Total public debt-to-GDP ratio**

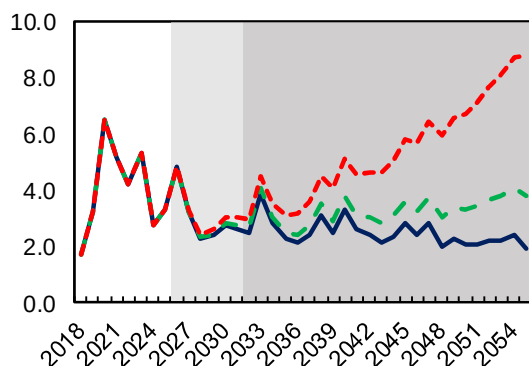
Long-term demographic projections reveal that Paraguay's pension financing needs are moderate in the medium and long terms before growing substantially in 2050's.

1/ Including Caja Fiscal (public sector pension), IPS, and other four major pension systems.

Source: Fund staff.

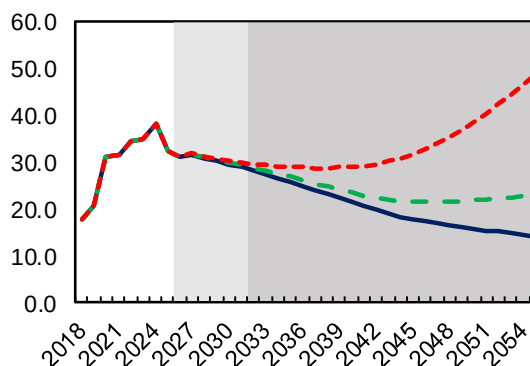
Figure 7b. Paraguay: Demographics—Health

GFN-to-GDP ratio



— Baseline: Extension of fifth projection year
 - - Health (Demographics)
 - - Health (Demographics + ECG)

Total public debt-to-GDP ratio



— Baseline: Extension of fifth projection year
 - - Health (Demographics)
 - - Health (Demographics + ECG)

Rising healthcare costs with an aging population also poses a long-term fiscal risk. This effect would be compounded when assuming that costs of medical treatment grow excessively.

Source: Fund staff.

Figure 8. Paraguay: Long-Term Risk Assessment—Large Amortization

Large amortizations

Pensions

Climate change: Adaptation

Natural Resources

Health

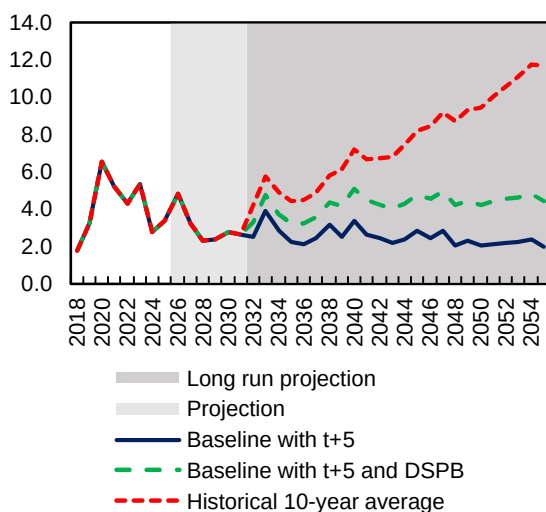
Climate change: Mitigation

Long-term Risk Assessment: Large Amortization

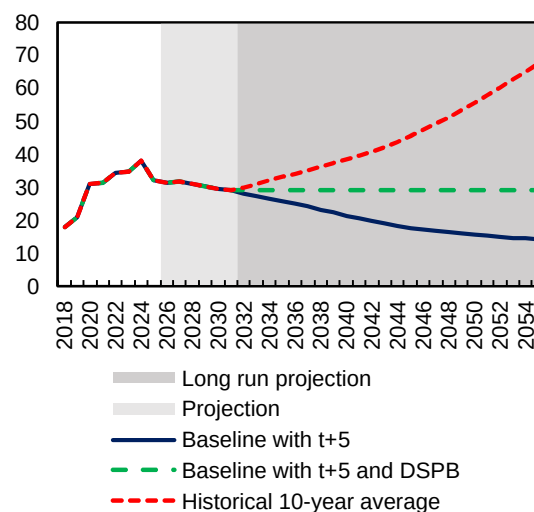
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Variable	2031	2035 to 2039 average
Real GDP growth	3.8%	3.8%
Primary Balance-to-GDP ratio	0.5%	0.3%
Real depreciation	-2.0%	-1.8%
Inflation (GDP deflator)	3.4%	3.4%

GFN-to-GDP ratio



Total public debt-to-GDP ratio

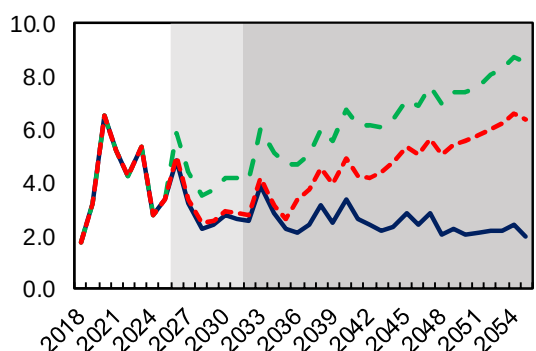


While the long-term module for large amortization triggers multiple risk signals, risks are mitigated by favorable debt service schedule and active debt management.

Source: Fund staff.

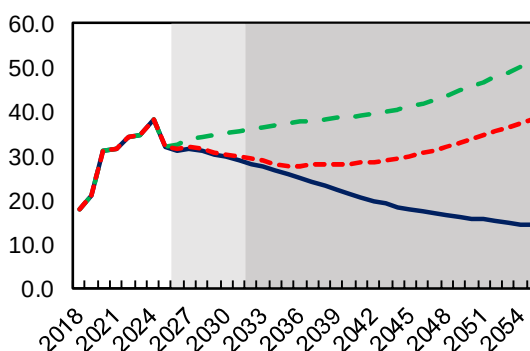
Figure 9a. Paraguay: Climate Change—Adaptation

GFN-to-GDP ratio



— Baseline: Extension of fifth projection year
 - - With climate adaptation (standardized scenario)
 - - With climate adaptation (customized scenario)

Total public debt-to-GDP ratio



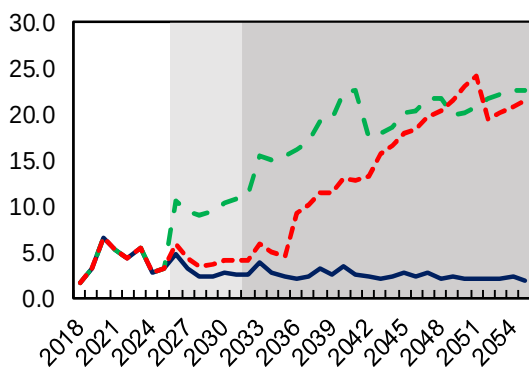
— Baseline: Extension of fifth projection year
 - - With climate adaptation (standardized scenario)
 - - With climate adaptation (customized scenario)

The standardized scenario envisages additional annual investment of about 1 percent of GDP, whereas the customized scenario keeps them lower at 0.2 percent through the next 10 years and adopts default values set by the standardized model thereafter.

Source: Fund staff.

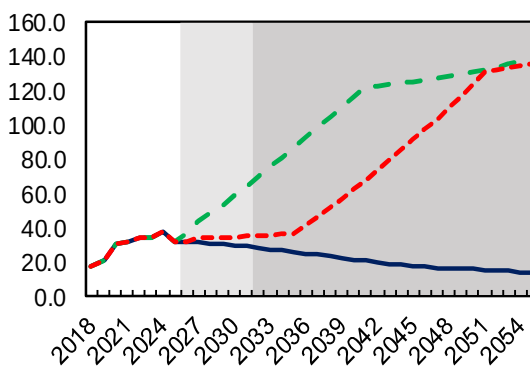
Figure 9b. Paraguay: Climate Change—Mitigation

GFN-to-GDP ratio



— Baseline: Extension of fifth projection year
 - - With climate mitigation (standardized scenario)
 - - With climate mitigation (customized scenario)

Total public debt-to-GDP ratio



— Baseline: Extension of fifth projection year
 - - With climate mitigation (standardized scenario)
 - - With climate mitigation (customized scenario)

The standardized scenario assumes an average investment of 5.7 percent of GDP. The customized approach assumes annual investment of 1.0 percent of GDP for the ten-year projection period, and then adopts the default values for the remainder of the projection period.

Source: Fund staff.

Annex IV. Risk Assessment Matrix¹

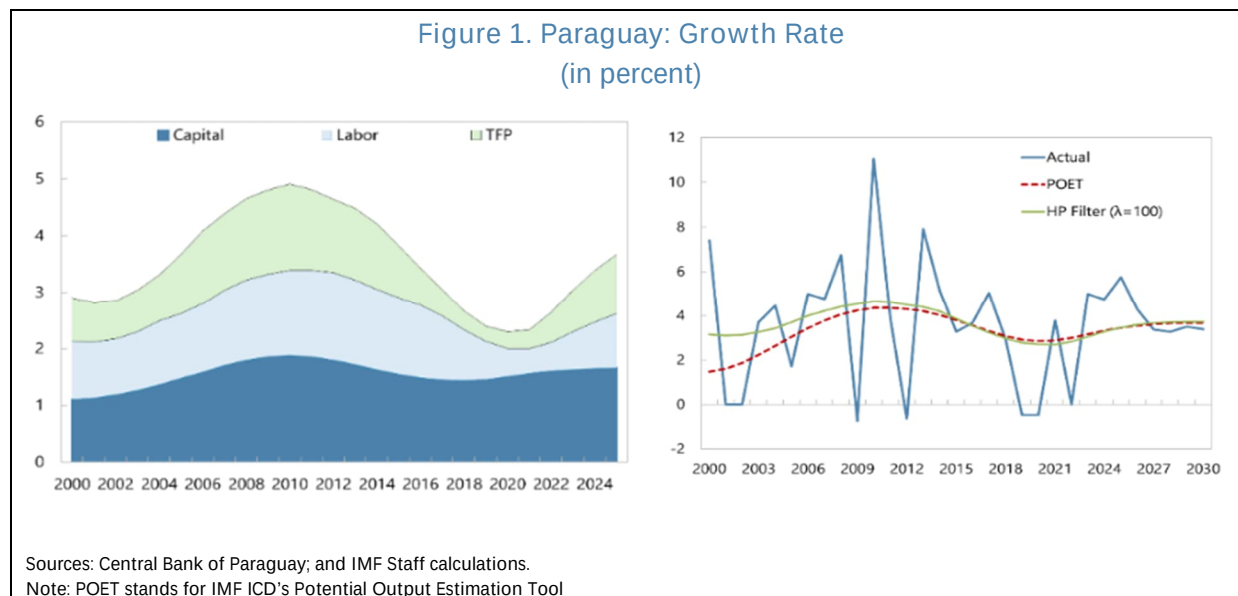
External Risks	Expected Impact and Recommended Response
Conjunctural Risks	
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility. (High)	Medium. FDI could decline and the price volatility of imported goods could increase. The ER should be allowed to adjust. Structural reforms to enhance productivity and efforts to continue facilitating export diversification, including through access to alternative meat and fertilizer markets.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability. (High)	High. Higher food prices would support fiscal revenues and the trade balance, while higher oil prices would raise fuel and fertilizer import costs; however, fully renewable electricity generation significantly mitigates these effects. The exchange rate should absorb shocks, with monetary policy focused on keeping inflation near target. FX intervention can be used in disorderly market conditions.
Policy Uncertainty. Elevated and wide-ranging policy uncertainty weighs on sentiment and holds back consumption and investment. Political interference in independent economic institutions erodes public confidence and trust and raises the risk of policy mistakes. (High)	Medium. Global events have influenced on Paraguay through commodity prices and financial conditions. FDI inflows could recede, while volatility in the prices of imported goods may increase. The exchange rate should remain flexible. Advancing structural reforms to boost productivity and continuing efforts to diversify exports would help mitigate these risks.
Trade-related Risks - Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism. - New Trade Agreements. Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances. (High)	High. Goods price volatility could increase, putting pressure on the ER and domestic inflation. The ER should remain flexible to absorb shocks and FX intervention may be used to address disorderly market conditions. Monetary policy should remain data driven. Medium. The recent EU-Mercosur agreement could open new goods markets, help diversify exports routes, and attract additional investment.
Structural Risks	
Domestic Risks	Expected Impact and Recommended Response
Climate change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability. (Medium)	Medium to High. This could disrupt supply chains, fuel inflation, and cause water and food shortages, lowering growth. The ER should adjust, while diversifying exports, expanding renewable energy sources, and supporting agricultural adaptation would strengthen medium-term resilience.
Fiscal sustainability (Medium) : Fiscal contingent liabilities, including from the social security health fund, could challenge medium-term fiscal sustainability by challenging, if it results in making it difficult to keep the fiscal deficit below the deficit ceiling stipulated in the Fiscal Responsibility Law in the upcoming years.	Medium to High. Fiscal prudence underpins Paraguay's macroeconomic stability. Slippages from consolidation could weaken investor confidence, raise borrowing costs, and slow growth. Accelerating revenue mobilization, improving spending efficiency—especially in procurement—and addressing pension imbalances are key.

¹ As of February 2026. The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline. Likelihood reflects staff's subjective assessment: "low" (below 10 percent), "medium" (10-30 percent), and "high" (30-50 percent). The RAM captures staff views on the source of risks and overall concern as of the time of discussions with the authorities. Risks may interact and materialize jointly. The conjunctural shocks reflect shorter-term risks (12-18 months) while structural risks are more persistent.

Annex V. Potential Growth and Structural Reforms¹

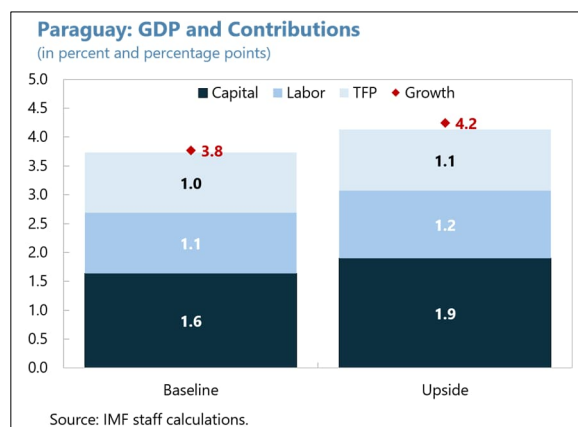
Paraguay's potential growth is solid but can be lifted further by sustained structural reforms. These reforms would help unlock productivity gains, attract investment, diversify the economy, and support more durable and inclusive growth. In the baseline scenario, potential growth is expected at around 3.8 percent. Staff's upside scenario considers stronger synergies generated through implemented reforms or further reductions in informality, resulting in greater contribution of labor and TFP and potential growth of about 4.2 percent.

1. Over the last decade (excluding the pandemic year and a subsequent rapid rebound), growth averaged about 3 percent and has been driven by capital accumulation with its contribution of about 1.5 percent, and labor and TFP supplying 0.8 and 0.6 percent, respectively ([IMF, 2019](#)); [BCP \(2021\)](#)). Long-standing bottlenecks such as infrastructure gaps restrained higher capital accumulation, while high levels of informality and weak educational outcomes prevented achieving a higher contribution from labor. TFP growth was relatively feeble, not least due to slow movement of labor from low- to high-productivity sectors, little spillovers from capital- and land-intensive sectors rather than innovation-intensive ones, and relatively small and less diversified manufacturing base.



¹ Prepared by Y. Sholomytskyi (ICD) and S. Vtyurina.

2. Structural reforms can boost growth significantly ([IMF, 2019](#), [IMF, 2023](#)) and in recent years Paraguay has embarked on a comprehensive reform agenda that can help lift potential growth.² In assessing the effect of reforms on potential growth in Paraguay, staff utilized an IMF ICD's potential output estimation tool (POET; Sholomytskyi, Y., and K. Barhoumi, 2026) which employs a multivariate filter with a production function.



3. In staff estimates, fixed capital formation would maintain dynamism on the back of the boost in investment growing at an average of 5.5 percent (compared to 3.6 over the previous decade--excluding the pandemic year and subsequent rebound) and contribute about 1.6 percent to potential (text figure). This incorporates moderation of public investment and expansion of private investment, due to IG rating (Annex V). Paracel and ATOME projects, together with other large investments, could total about USD 5.6 billion over 2022-28.

4. Utilizing the UN projections for population growth, working age population is expected to grow at an average of 2 percent annually over the next 10 years, and that participation remains above 70 percent. This would result in labor contributing 1.1 pps.

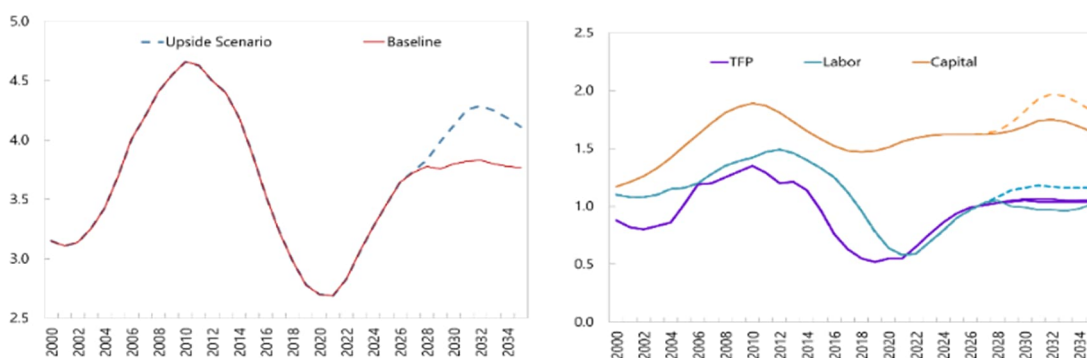
5. TFP is assumed to contribute only marginally given the uncertainty regarding the magnitude of spillovers from investment, labor and efficiency improvements through exposure to foreign competition, learning-by-exporting, technology transfers, introduction of new processes, and improved managerial skills. In the baseline, TFP is projected to contribute about 1 percent, representing an acceleration of about 0.4 percent. This is in line with other studies on emerging market countries, which show the increases ranging 0.2-0.8 pps ([Loko and Astou Diouf, 2009](#); [Kouamé and Tapsoba, 2018](#); [Ciapanna et al, 2023](#)).

6. Staff's upside scenario considers stronger synergies generated through implemented reforms or further reductions in informality, resulting in greater contribution of labor and

² Estimated effects of reforms on output in emerging market and developing economies with large initial structural gaps suggest that (i) governance reforms can raise it by up to 2.7 percent after four years; (ii) external sector reforms by 2.4 percent; (iii) business regulation reforms and domestic credit market reforms by up to 1.3 percent and 2 percent. Labor market reforms, however, show no statistically significant effects on employment, likely due to high informality in many developing economies.

TFP. For example, reducing informality can increase TFP in the order of 0.3-0.6 pps ([Busso, Fazio, and Levy, 2012](#)). Moreover, significant investment has been going to the tertiary sector, such as electronics and IT/logistics ([MIC, 2025](#)), which usually generates higher spillovers. [BCP \(2025\)](#) estimated potential growth at 4 percent (as a baseline), relying on high expected contribution from labor due to labor force growth and educational reforms (which are not included in staff's estimates).

Figure 2. Paraguay: Potential Growth Scenarios
(growth rate and contribution, in percent)

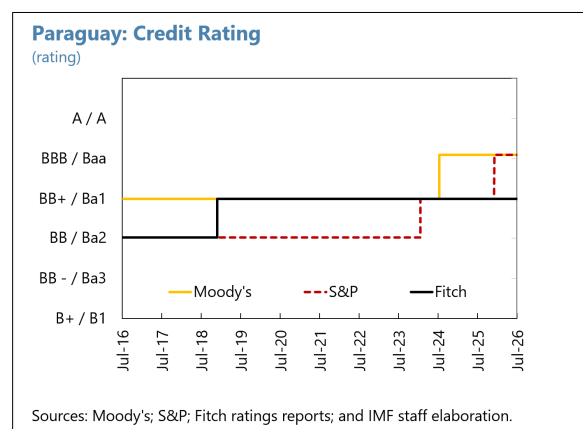


Source: IMF Staff calculations.

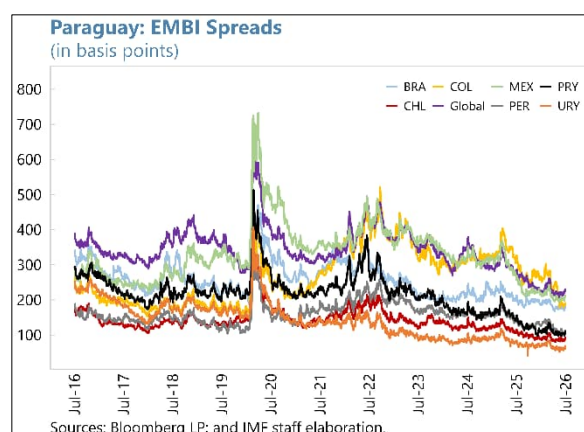
Annex VI. Investment-Grade Status and Capital Flows: Lessons for Paraguay¹

Paraguay sustained sound macroeconomic management, under a credible inflation target regime and a fiscal rule, and a strong record of institutional reforms over many years. This prompted two rating agencies to upgrade Paraguay's sovereign rating to investment grade (IG): Moody's in 2024, and Standard & Poor's in 2025. Fitch upgraded the outlook to positive in 2025.

1. The IG sovereign rating may attract additional capital flows because of information and institutional factors. Ratings and specifically IG indicates the level of sovereign risk for global investors, especially for relatively small countries where information is limited (Bissoondoyal-Bheenick, 2005). Furthermore, many institutional investors adhere to rating-based mandates for IG status, creating nonlinear effects around upgrades or downgrades (Reinsen and Von Maltzan, 1999; Brooks et al, 2004). Financing costs for the sovereign and private sector should reflect these developments. This in turn may induce herding and procyclicality leading to further changes in capital flows, particularly during global risk-off episodes.



2. Paraguay has sustained sovereign and private issuances at decreasing spreads around the recent IG upgrade. Paraguay EMBIG spreads decreased by 83 basis points since the beginning of 2024, presenting the second highest reduction among LA7 over this period.² Over this period, the government made annual issuances of global bonds, including its first three local currency denominated international bonds, which gained inclusion in JP Morgan's GBI-EM Global Diversified index of local currency bonds. Furthermore, in February 2026, a

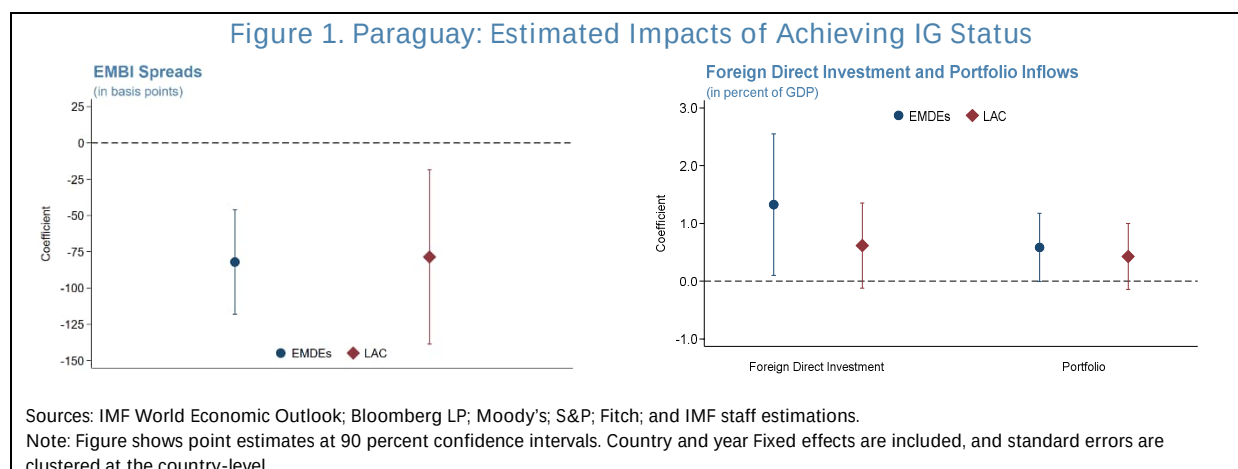


¹ Prepared by D. Gutiérrez and M. Appendino.

² Only Mexico decreased its EMBIG spreads by 132 basis points over this period, but their level is 98 basis points higher than Paraguay's. See [Staff Report](#) (January 2026) for more information on Paraguay's recent bond placements.

mid-sized Paraguayan bank made the highest international corporate placement to-date for USD 350 million (0.7 percent of GDP), and in April 2026, a foreign company announced the investment of approximately USD 665 million (about 1.1 percent of GDP) to develop a green fertilizer plant.

3. Cross-country evidence indicates that FDI and portfolio inflows may increase and sovereign spreads compress with IG rating. Relying on rating decisions data from the three main international credit rating agencies—Fitch, Moody’s and S&P—annual FDI and portfolio flows from the IMF Balance of Payments database, and EMBI spreads from 1980 to 20253, staff analyzed the evolution of cross-country variation of these variables over time while controlling for country and year fixed effects.⁴ The results suggest that once an Emerging Market and Developing Economies (EMDE) country is upgraded to IG by one of the rating agencies, FDI inflows and portfolio inflows increase by 1.3 and 0.6 percentage point of GDP, respectively, while sovereign spreads decrease by 82 basis points. LAC data displays a similar pattern with marginally smaller differences although not statistically significant for FDI and portfolio inflows (Figure 1).^{5,6}



³ The study includes a sample of 46 EMDE with available EMBI spreads data to have a comparable set of countries. The results are generally robust when restricting the sample only on countries that reached investment grade status within the sample.

⁴ This allows to account for unobserved and invariable characteristics of each economy and common global factors. Trade openness, debt-to-GDP ratio, lagged economic growth and EMBI spreads are also included as controls.

⁵ Results for portfolio flows low statistical significance is likely to be driven by the significant dispersion of this variable in both dimensions of the cross-country panel. Not reported simple and weighted averages and medians before and after investment grade status present similar patterns to the results in Figure 3.

⁶ Economic literature that focusses more broadly on the relationship between capital flows and credit ratings is consistent with these results. See, for instance, Kim and Wu (2008 and 2001), De, Mohapatra and Ratha (2021), Takawira and Motseta (2021), or Arogundade et al. (2024).

Annex VII. Tax Revenue Potential¹

Tax revenue mobilization has been one of the key pillars in the current government's consolidation strategy since coming into the office in 2023. Important steps have been taken to increase tax revenue, which included 1) the creation of the unified tax collection office by merging the custom and internal tax agencies, 2) the enhanced use of digitalized tax collection framework, 3) the implementation of a comprehensive Compliance Risk Management (CRM) framework, 4) a series of measures to reduce informality, and 5) the introduction of sunset clauses for new domestic and foreign investment incentives.

1. Multifaceted efforts have borne fruits. The tax-to-GDP ratio increased by 1.2 percentage points of GDP in 2024, and the number of newly registered taxpayers has doubled since the DNIT was created. Staff analysis suggested much of the tax revenue increase would be permanent (see [Staff Report, 2025](#)). Despite the recent increase, at 11.2 percent of GDP in 2025, Paraguay's tax-to-GDP ratio is still low relative to regional peers and other emerging economies, which average 17.7 and 18 percent of GDP, respectively.
2. This reflects Paraguay's low statutory rates (10 percent for income taxes and VAT). Tax expenditures, predominantly from large deductions and reduced VAT rates for some goods also play a role.
3. Following a stochastic frontier approach (SFA) (Benitez and others, 2023), staff estimated the tax potential for Paraguay, taking account of the low statutory tax rates. To this end, the estimation controls for the averages of PIT, CIT and VAT tax rates in addition to standard explanatory variables: GDP per capita, the size of the agriculture sector, trade openness, and government effectiveness indicators.

$$T_{i,t} = f(X_{i,t}, \beta) \theta_{i,t} \exp(v_{i,t})$$

$$\Leftrightarrow \ln(T_{i,t}) = \ln\{f(X_{i,t}, \beta)\} + v_{i,t} - u_{i,t}$$

where $u_{i,t} = -\ln(\theta_{i,t})$, restricting $u_{i,t} \geq 0$ implies that $0 < \theta_{i,t} \leq 1$

4. While estimates vary depending on specifications, they suggest a potential for additional tax revenue ranging from 1.5 to 4 percentage points of GDP (or tax potential of 12.5-15 percent of GDP).² The outcome is broadly in line with complementary top-down

¹ Prepared by Keiichi Nakatani and Juan Carlos Benitez.

² The range corresponds to the interquartile range of the estimated tax potential across different specifications.

approximations of the tax potential estimated using proxy tax bases and rates for individual taxes. Proxy tax bases were estimated using the national accounts, balance of payments, and household income survey. The results are summarized below suggesting a tax potential of around 14.5 percent of GDP (Table 1).

5. Tax expenditures—estimated at 1-2 percent of GDP based on 2024 data— explain approximately 40 percent of the total gap to reach Paraguay's full revenue potential and the remaining gap is explained by the compliance gap.^{3,4} It highlights room to increase tax revenue through continuing to implement measures to improve risk-based compliance on both customs and internal tax fronts.

Table 1. Paraguay: Estimated Tax Potential and Compliance Gaps

Potential (Assuming no tax expenditures and full compliance)							
	2019	2020	2021	2022	2023	2024	Average
Import duties	1.7	1.2	1.5	1.8	1.9	1.9	1.7
VAT	7.6	7.5	7.4	7.6	7.7	7.7	7.6
Excises	1.3	1.2	1.1	0.9	1.0	1.1	1.1
CIT	2.6	2.9	2.6	3.0	2.6	2.6	2.7
PIT	0.9	0.9	1.0	1.0	1.1	1.2	1.0
Other	0.1	0.4	0.5	0.5	0.5	0.7	0.4
Total	14.2	14.1	14.0	15.0	14.8	15.2	14.5
Observed Tax Revenue							
	2019	2020	2021	2022	2023	2024	Average
Import duties	1.0	0.8	0.9	1.0	1.0	1.1	1.0
VAT	5.0	4.9	5.1	5.2	5.4	5.7	5.2
Excises	1.3	1.2	1.1	0.9	1.0	1.1	1.1
CIT	2.4	2.0	2.1	2.5	2.0	2.5	2.3
PIT	0.1	0.1	0.1	0.1	0.1	0.2	0.1
Other	0.1	0.4	0.5	0.5	0.5	0.7	0.4
Total	10.0	9.5	9.8	10.3	10.1	11.3	10.1
Implied gaps to potential							
	2019	2020	2021	2022	2023	2024	Average
Policy and compliance gap	4.3	4.6	4.2	4.7	4.7	3.9	4.4
Compliance gap	2.6	3.0	2.5	3.0	3.0	2.0	2.7

Sources: National Authorities; and IMF staff estimates.

6. Staff see several options to reduce tax expenditures associated with PIT and VAT. PIT collections are very low at around 0.1 percent of GDP due to the high exemption threshold and

³ In the IMF RA-GAP model, the policy gap is the portion of the revenue shortfall explained by discretionary tax-policy settings (statutory rates, tax bases, exemptions and targeted reliefs) relative to a benchmark, while the compliance gap is the remaining shortfall attributable to non-policy factors such as weak tax administration, low taxpayer compliance, informality and structural economic characteristics.

⁴ Paraguay has several special tax regimes which allow many economic activities to be partially or fully exempt from taxes, mainly VAT and imports taxes. Those special regimes include investment and imports of capital goods, maquila exports, imports by free zones for export purposes, maquila exports, and imports for the purpose of selling to non-residents (Tourists Tax Regime). While an IMF technical assistance work identified that total tax expenditure arising out of these special regimes is small at about 0.1 percent of GDP, a periodical cost-benefit analysis is highly recommended as economic and social benefits are estimated to be small too.

large scale of deductible expenditure ranging from consumption goods, education, health to durable goods. Furthermore, the deductibility includes many consumption goods and services which also benefit from reduced VAT rates, thereby implying a double tax benefit. It also erodes the redistributive power of the PIT given the relatively high PIT exemption threshold (80,000,000 guaraní, or above 200 percent of the average wage). Protecting vulnerable households through targeted social benefits is a more efficient instrument than broad-based tax relief, including through reduced VAT rates.

Annex VIII. Capacity Development

Paraguay has benefited significantly from CD support by the Fund. The authorities have been very appreciative of the CD provided. Collaboration with other partners has also been strong, particularly with the World Bank and the IADB. The CD agenda going forward will focus on fiscal priorities and financial sector supervision.

A. Background

1. Over the past several years the Fund provided advice in the areas of tax policy, revenue administration, establishing fiscal rules, transitioning to inflation targeting, financial sector policies, and development of the statistical system. To least due to assistance from STA, Paraguay subscribed to the SDDS on October 28, 2024. Paraguay has a strong track record of absorbing CD, and during the past two decades, the Central Bank and the Ministry of Economy and Finance (main recipients of Fund TA) have upgraded their institutional and operational capacity.

In particular,

- The Ministry of Economy and Finance (formerly the Ministry of Finance) has been receiving the following assistance: tax policy (tax expenditures and incentives, 2022–2024; carbon tax, 2024); public financial management (fiscal risks, 2021–2024; Climate-focused Public Investment Management Assessment – PIMA/C-PIMA, since 2023¹; Public-Private Partnerships, since 2024); expenditure policy (pension and civil service reform, since 2024).
- The National Directorate of Tax Revenue (formerly the Undersecretariat of State for Taxation and the National Customs Directorate) has received CD in tax and customs administration (since 2021).
- The Central Bank of Paraguay has benefited from assistance in statistics (monetary and financial, since 2021; prices (CPI basket revision), since 2025; national accounts, since 2022); financial and monetary policy (liquidity management and foreign exchange operations, 2024–2025; banking supervision, 2021; bank resolution and deposit insurance, since 2021; securities market reform, 2024; supervision and reform of the insurance sector, 2021–2023; central bank digital currency, 2021–2023).

¹ As part of RSF, C-PIMA follow-up advice has been provided, and a mission on the carbon tax desk was conducted (tax not implemented).

- The Secretariat for the Prevention of Money or Asset Laundering (SEPRELAD) has had a multiyear engagement with LEG on AML/CFT framework which has recently concluded (2022-26).

B. CD Priorities Going Forward

2. The CD objectives should concentrate on the following areas:

- *Entrenching fiscal sustainability will focus on further strengthening institutions, rules, and procedures.* This will require a multi-pronged approach encompassing strengthening PFM framework based on a diagnostic assessment, increasing domestic revenue collection through improvements in tax administration,² and rationalizing tax expenditures, while improving the management of fiscal risks and contingent liabilities, improving public investment management, and expenditure efficiency.
- *Further enhancing financial sector supervision.* The ongoing work program to enhance risk-based supervision at the Superintendence of Banks should continue, as well as CD provision to strengthen supervision of insurance companies, and shadow banking activity. A desk review of accounting standards for the Deposit insurance fund is ongoing. There is a need for strengthening systemic risk monitoring and macroprudential policy formulation. CD support has been provided already for enhancing the bank resolution framework and strengthening the deposit guarantee fund, and continued technical assistance is needed in cybersecurity. Recommendations on the development of local currency market should be implemented. The FSAP is scheduled to take place in 2027.

² Paraguay is part of the Joint Domestic Revenue Mobilization Initiative (JDRMI) and Global Public Finance Partnership.

Annex IX. Data Issues (As of June 30, 2026)

Table 1. Paraguay: Data Adequacy Assessment for Surveillance							
Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	B	A	B		
Granularity 3/	B		B	B	B		
			A		B		
Consistency			B	B		B	
Frequency and Timeliness	A	A	A	B	A		
Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank. 1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics. 2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see <i>IMF Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I). 3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.							
A	The data provided to the Fund is adequate for surveillance.						
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.						
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.						
Rationale for staff assessment. The data provided to the Fund has some shortcomings but is broadly adequate for surveillance. Shortcomings remain in recording short-term supplier and commercial credit of the public sector. The National accounts could improve by updating the base year (current is 2014) and publishing seasonally-adjusted data. Current CPI weights are based on expenditure data collected during the 2015–2016 household budget survey (HBS). These data are out of date and in need of updating. Outdated weights can introduce bias into the index. CPI coverage in terms of expenditure is currently limited to Greater Asuncion, while it appears that the HBS covers all households in Paraguay. It is generally recommended that CPI expenditure weights represent all households in a given country. The BCP compiles a PPI that is disseminated on a monthly basis. PPI weights are based on value of production data from 2018. Current coverage is restricted to agriculture, fishing, manufacturing, mining, and utilities. Given the growing importance of services, there is need to expand PPI coverage to include services (e.g. transportation, telecommunications, etc). Coverage and timeliness of labor market statistics and statistics of the informal sector could be improved. High errors and omissions category in the BOP may benefit from a closer examination.							
Changes since the last Article IV consultation. BCP began submitting monetary and financial statistics (MFS) for nonbank financial institutions (OFCs). Improvements have been made in incorporating new statistical data and coverage of certain previously reported components of BOP.							
Corrective actions and capacity development priorities. Previous recommendations on BOP item compilation have been incorporated by the authorities, namely inclusion of (1) transactions related to inter-company loans within direct investment in the reporting economy; (2) Foreign Deposits of the Non-Financial Private Sector; (3) External Liabilities of Deposit-Taking Corporations. Foreign investment in the real estate sector is currently in the process of being incorporated. CD was provided in FY26 on CPI and PPI concepts and compilation methods, and recommendations were provided to improve coverage, quality, and transparency, considering available sources and capacity. A new HBS was conducted during 2024–2025 and these data have been used to update CPI weights.							
Use of data and/or estimates different from official statistics in the Article IV consultation. Staff do not use data and/or estimates different from official statistics.							
Other data gaps. The SIB is working on the implementation of RM3 that includes a resolution governing data collection of the credit registry to ensure banks provide geographic information on loan portfolios and associated collateral for the incorporation of climate risks into their risk assessment framework. Further steps on RM1 may help with data on climate resilience of public investment as well.							

Table 2. Paraguay: Data Standards Initiatives

Paraguay participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since March 2017, with timeliness and periodicity inline or even exceeding the e-GDDS recommendations.

Table 3. Paraguay: Table of Common Indicators Required for Surveillance

As of June 30, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁵	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Paraguay ⁸	Expected Timeliness ^{6,7}	Paraguay ⁸
Exchange Rates	May-26	Jun-26	M	M	D	D	...	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	May-26	Jun-26	M	M	M	M	1M	1W
Reserve/Base Money	May-26	Jun-26	M	M	M	M	2M	25D
Broad Money	May-26	Jun-26	M	M	M	M	1Q	25D
Central Bank Balance Sheet	May-26	Jun-26	M	M	M	M	2M	25D
Consolidated Balance Sheet of the Banking System	May-26	Jun-26	M	M	M	M	1Q	25D
Interest Rates ²	May-26	Jun-26	M	M	M	M	...	45D
Consumer Price Index	May-26	Jun-26	M	M	M	M	2M	6D
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Mar-26	May-26	M	M	A	A	3Q	3M
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Dec-25	May-26	A	A	Q	M	1Q	1M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	May-26	Jun-26	M	M	Q	M	2Q	1M
External Current Account Balance	Mar-26	Apr-26	Q	Q	Q	Q	1Q	3M
Exports and Imports of Goods and Services	Mar-26	Apr-26	M	M	M	M	12W	30D
GDP/GNP	Mar-26	Apr-26	Q	Q	Q	Q	1Q	90D
Gross External Debt	Mar-26	Apr-26	Q	Q	Q	Q	2Q	1Q
International Investment Position	May-26	Jun-26	Q	Q	A	Q	3Q	3M

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".



PARAGUAY

July 30, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

Prepared By

The Western Hemisphere Department
(In consultation with other departments)

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FUND RELATIONS

(As of June 30, 2026)

Article VIII

Membership Status: Joined: December 28, 1945

General Resources Account:	SDR Million	% Quota
Quota	201.40	100.00
IMF's Holdings of Currency (Holdings Rate)	154.55	76.74
Reserve Tranche Position	46.85	23.26

SDR Department:	SDR Million	% Allocation
Net cumulative allocation	288.23	100.00
Holdings	332.22	115.27

Outstanding Purchases and Loans:	SDR Million	% Quota
RSF Arrangements	231.60	115.00

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RSF	Dec 19, 2023	Feb 20, 2026	302.10	231.60
Stand-By	May 31, 2006	Aug 31, 2008	30.00	0.00
Stand-By	Dec 15, 2003	Nov 30, 2005	50.00	0.00

Outright loans¹

Type	Date of Arrangement	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RFI	April 21, 2020	May 21, 2021	201.40	0.00

Overdue Obligations and Projected Payments to Fund²

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2026	2027	2028	2029	2030
Principal					
Charges/Interest	4.37	8.71	8.72	8.71	8.71
Total	4.37	8.71	8.72	8.71	8.71

¹ Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e., Board approval date.

² When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Exchange Rate Arrangement: The de jure exchange rate arrangement is floating as Article 47 of Law No. 489/95 establishes that the exchange rate is determined by market forces. The BCP publishes information on its foreign exchange interventions on its website. The BCP intervenes occasionally in the market to smooth the effects of undue fluctuation. The BCP, as the government's financial agent, receives U.S. dollars from the government flowing from the royalties and compensation paid by the binational hydroelectric entities and exchanges them for guaraníes at the request of the government for the purpose of public expenditures. The de facto exchange rate arrangement is classified as “floating” under the IMF exchange rate arrangement classification system.³ Paraguay has accepted the obligations under Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Article IV Consultation: The Executive Board concluded the 2024 Article IV consultation on June 27, 2024.

Technical Assistance: Over the past decade Paraguay benefitted from technical assistance in the area of inflation statistics, foreign exchange operations, tax administration, public financial management, including in climate-related, balance of payments, risk-based supervision, bank resolution framework and deposit insurance, macroprudential policies, financial dollarization, capital markets development, AML/CFT Framework.

Resident Representative: Maximiliano Appendino has been the Resident Representative in Paraguay since summer 2023.

³ The classification criteria for exchange rate arrangement can be found in the IMF Annual Report on Exchange Arrangements and Exchange Restriction.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

Information on the activities of other IFIs in Paraguay can be found at:

<https://www.worldbank.org/en/country/paraguay>

<https://www.iadb.org/en/countries/paraguay/overview>