

# Macro scenario - Paraguay



April 8, 2026

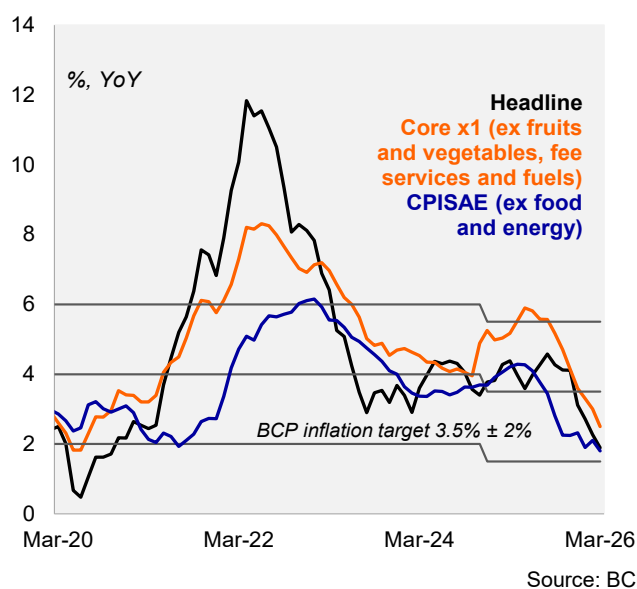
## Growth dynamics remain positive

- ▶ After rising by 6.6% in 2025, our 2026 GDP growth forecast remains unchanged at 4.0%, underpinned by a record soybean harvest and a favorable statistical carryover.
- ▶ March inflation accelerated amid higher oil prices linked to the Middle East conflict. We maintain our YE26 CPI forecast at 3.5%, supported by a strong PYG and benign core inflation dynamics. Nevertheless, upside risks have increased as the external environment has become more uncertain.
- ▶ Our YE26 policy rate forecast remains at 5.50%. Oil prices and their impact on inflation and expectations will be key in shaping future BCP decisions.

## Higher inflation driven by oil prices

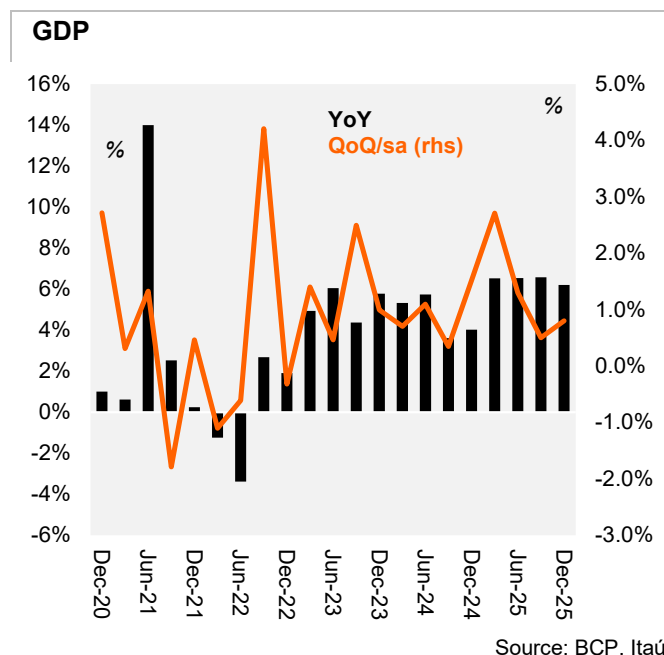
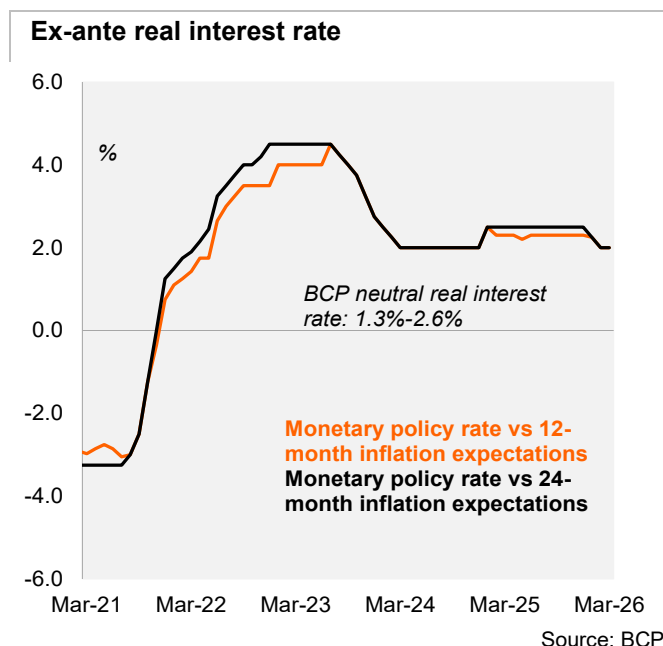
**CPI increased 0.8% MoM in March.** The upside surprise was largely driven by a sharp adjustment in fuel prices (+9.8% MoM), which contributed 0.6 p.p. to the monthly print. Food prices increased 0.6% MoM, driven primarily by fruits and vegetables, which surged 4.5% MoM and contributed 0.2 p.p. to headline inflation. Service prices posted a modest 0.1% MoM increase. These pressures were partially offset by durable goods (-0.6% MoM), reflecting the disinflationary impact of a strong PYG. Importantly, core CPI X1 (excluding fruits and vegetables, regulated services and fuels) remained flat at 0.0% MoM, a sharp deceleration from 0.5% MoM a year earlier, reinforcing the view that underlying inflation pressures remain contained. On an annual basis, headline inflation decelerated to 1.9% YoY in March, down from 2.3% in February, while core X1 inflation eased to 2.5% YoY, from 3.0% the previous month. Both measures continue to sit comfortably within the BCP's target band (3.5%  $\pm$  2%), underscoring the credibility of the disinflation process.

## Annual inflation



## BCP pauses the easing cycle amid geopolitical risks

**At its March meeting, the BCP unanimously kept the policy rate unchanged at 5.50%, maintaining a neutral stance.** The decision was in line with our expectations and followed two consecutive 25bp cuts delivered in January and February. The pause reflects heightened uncertainty stemming from the Middle East conflict and its impact on global energy prices. External risks remain centered on oil price dynamics and their pass-through to domestic inflation. We estimate the one-year ex-ante real policy rate at 2.0%, well within the BCP's neutral range (1.3%–2.6%).



### Strong growth in 2025, solid start to 2026

**GDP expanded by a robust 6.6% in 2025.** Growth moderated slightly to 6.2% YoY in 4Q25, from 6.7% in 3Q25, but remained broad-based. Agriculture (+20.8% YoY) and electricity generation (+13.2% YoY) were the main drivers, supported by higher water levels in the Paraná River. Services grew 5.7% YoY, construction 4.3%, livestock 3.9%, and manufacturing 3.7%. On a sequential basis, seasonally adjusted GDP rose 0.8% QoQ in 4Q25, implying a statistical carryover of 1.2% for 2026.

**The monthly activity proxy (IMAEP) rebounded 2.1% MoM/SA in January after a December contraction.** In YoY terms, activity increased 0.9%, affected by base effects. Sectoral performance was mixed: the primary sector expanded 2.5% YoY, services rose 2.3% YoY led by financial intermediation, while the secondary sector declined 1.4% YoY, reflecting weaker energy generation; manufacturing fell 0.6% YoY.

### Fiscal deficit stabilizes at 2.0% of GDP

**The 12-month rolling fiscal deficit stood at 2.0% of GDP in February, unchanged since November.** In the quarter ended in February, real tax revenues declined 8.2% YoY, driven by weaker tax collection (-3.5% YoY) and lower non-tax revenues, particularly soft binational royalties affected by the appreciation of the PYG. On the expenditure side, real primary spending fell 3.0% YoY, mainly due to a 23.1% contraction in goods and services spending. The 2026 budget targets a nominal deficit of 1.5% of GDP, in line with the Fiscal Responsibility Law.

### All eyes on the oil shock

**We maintain our 2026 GDP growth forecast at 4.0%, supported by carryover effects and a strong soybean harvest.** Private consumption should remain the main growth engine, benefiting from positive spillovers from Argentina. However, the Middle East conflict poses clear downside risks: higher fuel prices would likely weigh on consumption, while a higher oil import bill would pressure external accounts if elevated prices persist.

**We continue to expect inflation to close 2026 at 3.5%, broadly aligned with the BCP's target.** That said, risks are skewed to the upside given higher Brent prices and their likely pass-through. Still, benign core dynamics support our baseline, and we therefore expect the policy rate to remain on hold at 5.50%.

Paraguay’s net fuel importer status (USD 1.8bn in 2025) leaves external accounts exposed to oil shocks. We now forecast a trade deficit of USD 1.4bn for 2026, versus USD 0.5bn in our previous scenario, despite expectations of a record soybean harvest.

**Andrés Pérez M.**  
**Diego Ciongo**  
**Soledad Castagna**

### Paraguay | Forecasts and Data

	2022	2023	2024	2025F		2026F		2027F	
				Current	Previous	Current	Previous	Current	Previous
<b>Economic Activity</b>									
Real GDP growth - %	0.2	5.0	4.2	6.6	-	<b>4.0</b>	4.0	<b>4.0</b>	4.0
Nominal GDP - USD bn	41.9	43.1	44.5	50.1	-	<b>60.3</b>	60.1	<b>64.7</b>	64.5
Unemployment Rate - year avg	6.8	5.9	5.8	7.5	-	<b>7.5</b>	7.5	<b>7.5</b>	7.5
<b>Inflation</b>									
CPI - %	8.1	3.7	3.8	3.1	-	<b>3.5</b>	3.5	<b>3.5</b>	3.5
<b>Interest Rate</b>									
Reference rate - eop - %	8.50	6.75	6.00	6.00	-	<b>5.50</b>	5.25	<b>5.50</b>	5.00
<b>Balance of Payments</b>									
PYG / USD - eop	7340	7275	7913	6598	-	<b>6650</b>	6650	<b>6650</b>	6650
Trade Balance - USD bn	-1.3	1.6	-0.5	-1.4	-	<b>-1.4</b>	-0.5	<b>-1.0</b>	-0.5
Current Account - % GDP	-7.1	-0.4	-3.8	-3.2	-	<b>-3.2</b>	-2.5	<b>-2.8</b>	-2.5
Net Foreign Direct Investment - % GD	1.7	0.8	0.8	1.9	-	<b>2.0</b>	2.0	<b>2.0</b>	2.0
International Reserves - USD bn	9.8	10.2	9.9	11.0	-	<b>11.5</b>	10.5	<b>12.0</b>	11.0
<b>Public Finance</b>									
NFPS Nominal Balance - % GDP	-3.0	-4.1	-2.6	-2.0	-	<b>-1.5</b>	-1.5	<b>-1.5</b>	-1.5
Gross Public Debt - % GDP	35.8	38.2	40.5	<b>42.2</b>	42.2	<b>41.5</b>	41.5	<b>40.3</b>	40.3

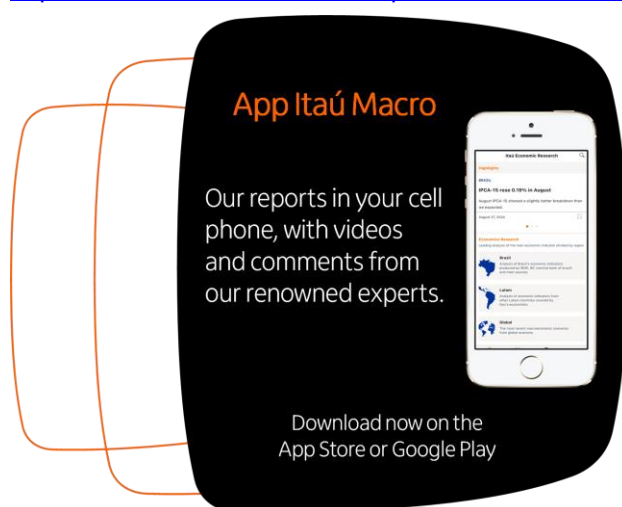
Source: FMI, Haver, Bloomberg, BCP, Itaú.

### Macro Research – Itaú

**Mario Mesquita – Chief Economist**

To access our reports and forecast visit our website:

<https://www.itaú.com.br/itaubba-pt/macroeconomic-analysis>



## Relevant Information

1. This report has been prepared and released by the Macro Research Department of Itaú Unibanco S.A. (“Itaú Unibanco”). This report is not a product of the Equity Research Department of Itaú Unibanco or Itaú Corretora de Valores S.A. and shall not be construed as a research report (“relatório de análise”) for the purposes of Article 1 of the CVM Instruction NR. 20, dated 2021.
2. The exclusive purpose of this report is to provide macroeconomics information and it does not constitute and shall not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial product, or to participate in any particular trading strategy in any jurisdiction. The information herein is believed to be reliable as of the date on which this report was released and it has been obtained from public sources believed to be reliable. However, Itaú Unibanco does not make any explicit or implied representation or warranty as to the completeness, reliability or accuracy of such information, nor does this report intend to be a complete statement or summary of the markets or developments referred to herein. Itaú Unibanco has no obligation whatsoever to update, modify or amend this report and inform the reader accordingly.
3. The opinions contained herein reflect exclusively the personal views of the analyst responsible for this report and were prepared independently and autonomously, including in relation to Itaú Unibanco, Itaú Corretora de Valores S.A. and any other companies within their economic group.
4. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of Itaú Unibanco. Additional information on the financial products mentioned in this report may be available upon request. Itaú Unibanco and/or any other company within its economic group is not and shall not be liable for any investment decisions (or otherwise) based on the information provided herein.

**Additional Note:** This material does not take into consideration the objectives, financial situation or specific needs of any particular client. Clients must obtain financial, tax, legal, accounting, economic, credit and market advice on an individual basis, based on their personal characteristics and objectives, prior to making any decision based on the information contained herein. By accessing the material, you represent and confirm that you understand the risks related to the financial instruments described in this material and the laws in your jurisdiction relating to the provision and sale of financial service products. You acknowledge that this material contains proprietary information and you agree to keep this information confidential for your exclusive use.

For inquiries, suggestions, complaints, criticisms and compliments, talk to Itaú’s CSCC: 0800 728 0728. Or contact us through our portal <https://www.itaú.com.br/atenda-itaú/para-voce/>. If you are not satisfied with the proposed solution, please contact the Itaú Corporate Ombudsman: 0800 570 0011 (on weekdays from 9 AM to 6 PM) or our PO Box 67.600, São Paulo-SP, Zip Code 03162-971. Hearing impaired, every day, 24h, 0800 722 1722.