

# Macro scenario - Paraguay



June 3, 2026

## Robust growth alongside subdued inflation

- ▶ **Economic activity opened the year on a strong footing across all sectors.** We now see upside risks to our 4.0% GDP growth forecast, supported by a record soybean harvest.
- ▶ **We keep our inflation forecast at 4.0% by end-2026, assuming FX tailwinds fade.** On monetary policy, we expect the BCP to remain on hold throughout the policy horizon supported by benign core inflation reading at the margin.

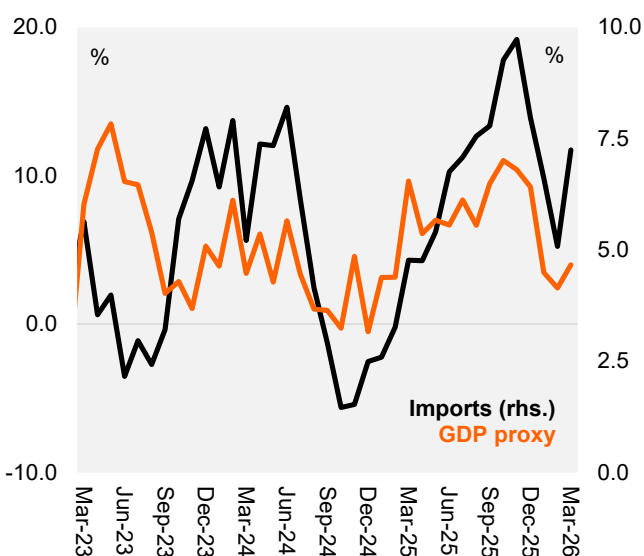
### Activity starts on a strong note in 1Q26

**Economic activity showed robust momentum at the start of the year.** The IMAEP grew 8.2% YoY in March and 1.3% MoM (seasonally adjusted). As a result, activity expanded to a solid 4.7% YoY in 1Q26 and 2.1% QoQ/seasonally adjusted, with the statistical carryover for 2026 standing at 3.0%. All sectors posted annual gains in 1Q26, led by agriculture—supported by a larger soybean harvest—and energy. Manufacturing also expanded, driven by the meat industry. The services sector grew on the back of commerce, particularly car sales, pharmaceuticals, fuel, and apparel. The strength in commerce is consistent with the recent rebound in imports, especially in durable and intermediate goods.

### Strong PYG continues to contain inflation

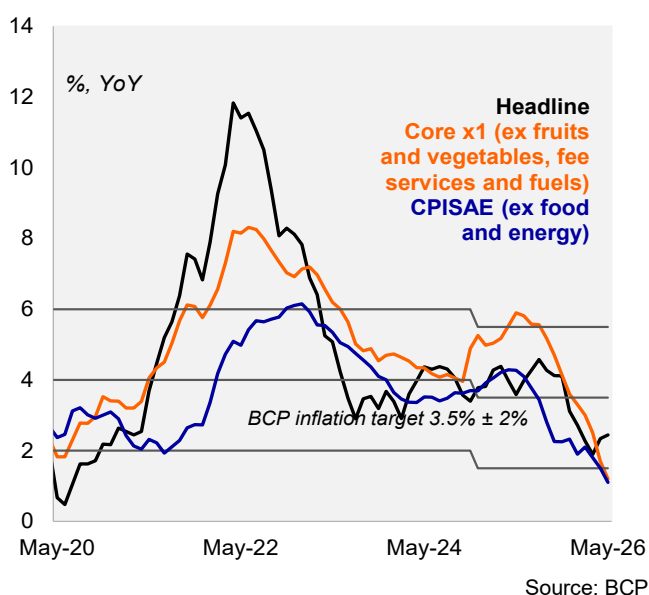
**CPI rose 0.1% MoM in May.** The monthly print was mainly driven by increases in food items (0.1% MoM)—notably meat (+1.2% MoM)—alongside fuel (+0.9% MoM) and several service categories. These upward pressures were largely offset by declines in imported durable goods, given stronger PYG. In fact, the PYG appreciated 7% year-to-date and 23% year-over-year against the USD. Core inflation dynamics showed a marked slowdown, CPI X1 (excluding fruits and vegetables, regulated services, and fuels) increased just 0.1% MoM, a significant deceleration from 0.6% MoM in May 2025, reinforcing the view of moderating underlying inflationary pressures. **On an annual basis, headline inflation rose to 2.4% YoY in May, up from 2.3% in April, reflecting the fuel shock, while core X1 inflation eased to 1.2% YoY, down from 1.7% the previous month.** Headline remains comfortably within the tolerance range of the BCP's inflation target (3.5% ±2%), while the core is located below the lower bound of the target's tolerance range. Consistently, the core ex food and energy inflation (CPISAE) fell to 1.1%, from 1.5%, also below the lower bound of the target's tolerance range.

Activity and Imports



Source: BCP

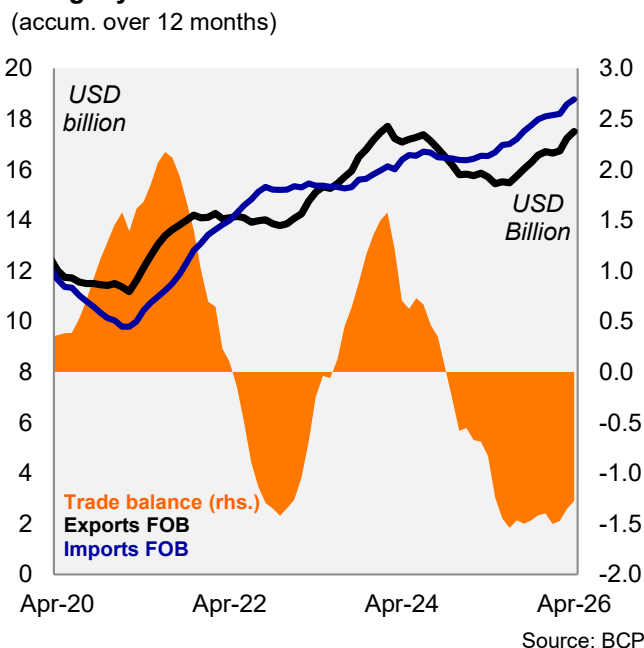
### Inflation Dynamics



### Solid exports offset higher imports

The 12-month trade deficit narrowed to USD 1.3 billion in April (from USD 1.5 billion in December 2025). Exports increased 14.6% YoY in 4M26, driven by higher soybean shipments amid a record harvest. Imports rose 12.2% YoY in the same period, in line with strong domestic demand, but also reflecting higher purchases of fertilizers and oil due to price effects.

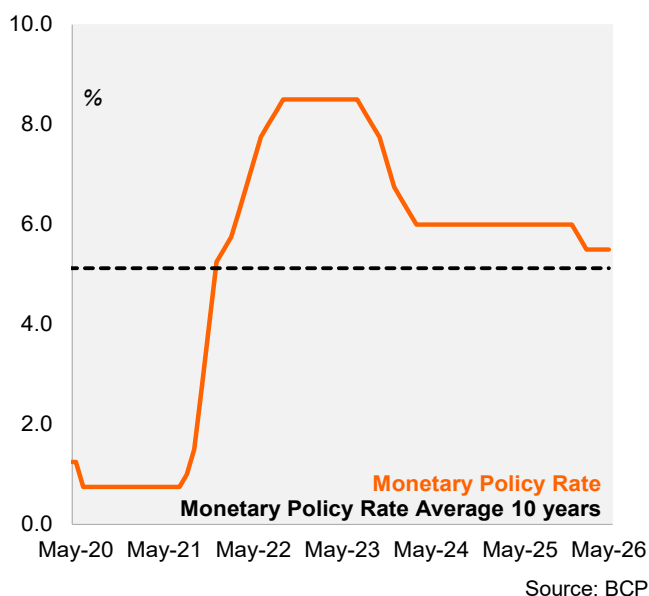
### Paraguay Trade Balance



### Monetary policy to remain on hold

At its May meeting, the BCP unanimously kept the policy rate unchanged at 5.50% for the third consecutive month, maintaining a neutral stance. The decision reflected persistent global uncertainty, particularly geopolitical tensions in the Middle East and their impact on energy prices. We estimate the one-year ex-ante real policy rate at around 2.0%, comfortably within the BCP’s neutral range of 1.3%–2.6%. Externally, uncertainty remains elevated, including risks of further Fed tightening.

### Monetary policy rate



### Growth with upside risks

We see upside risks to our 2026 GDP growth forecast, supported by a strong agricultural outlook, which should remain the main growth driver. The upcoming 1Q26 national accounts release (June 26) will be key to reassessing the magnitude of the expansion.

We maintain our year-end inflation forecast at 4.0%. Despite May’s downside surprise—driven by FX appreciation and lower imported goods prices—headline inflation continues to be supported by food, fuel, and services.

We expect the policy rate to remain at 5.50% through 2026. However, risks are skewed to the upside, driven by higher Brent prices and their potential pass-through to inflation. Stronger growth also points to a positive output gap. That said, still-contained core inflation supports our baseline scenario. Inflation expectations (currently well anchored) will be key for future BCP decisions.

**A potential El Niño event poses downside risks to the 2027 outlook.** On the activity side, above-average rainfall could disrupt soybean harvesting, particularly if intensified between late-2026 and 1Q27. Construction activity would also be vulnerable to weather-related disruptions. On inflation, the main transmission channel would be food prices. Flooding in grazing areas could affect livestock production, while heavy rains may damage fruit and vegetable output. This would constrain supply and put upward pressure on food prices, especially meat and fresh produce. That said, it remains too early to assess the magnitude of the potential impact, so we are maintaining our 2027 baseline scenario unchanged.

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

### Paraguay | Forecasts and Data

	2022	2023	2024	2025	2026F		2027F	
					Current	Previous	Current	Previous
<b>Economic Activity</b>								
Real GDP growth - %	0.0	5.3	4.7	6.6	<b>4.0</b>	4.0	<b>4.0</b>	4.0
Nominal GDP - USD bn	41.8	43.1	44.7	50.6	<b>63.7</b>	63.9	<b>67.7</b>	67.7
Unemployment Rate - year avg	6.8	5.9	5.8	4.8	<b>4.8</b>	4.8	<b>4.8</b>	4.8
<b>Inflation</b>								
CPI - %	8.1	3.7	3.8	3.1	<b>4.0</b>	4.0	<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>	5.50	<b>5.50</b>	5.50
<b>Balance of Payments</b>								
PYG / USD - eop	7340	7275	7913	6598	<b>6450</b>	6450	<b>6500</b>	6500
Trade Balance - USD bn	-1.3	1.3	-0.6	-1.5	<b>-1.4</b>	-1.4	<b>-1.0</b>	-1.0
Current Account - % GDP	-7.1	-0.4	-3.3	-3.2	<b>-3.2</b>	-3.2	<b>-2.8</b>	-2.8
Net Foreign Direct Investment - % GD	2.3	1.9	2.1	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>	11.5	<b>12.0</b>	12.0
<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	35.9	38.4	40.0	41.1	<b>40.0</b>	40.0	<b>38.3</b>	38.3

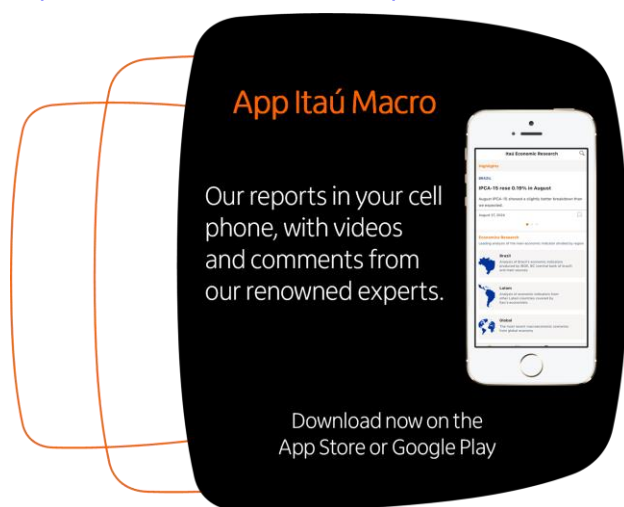
Source: FMI, Bloomberg, BCP, Itaú.

Macro Research – Itaú

**Mario Mesquita – Chief Economist**

To access our reports and forecast visit our website:

<https://www.itaub.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.itaub.com.br/atenda-itaub/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.