

Macro scenario - Paraguay



May 8, 2026

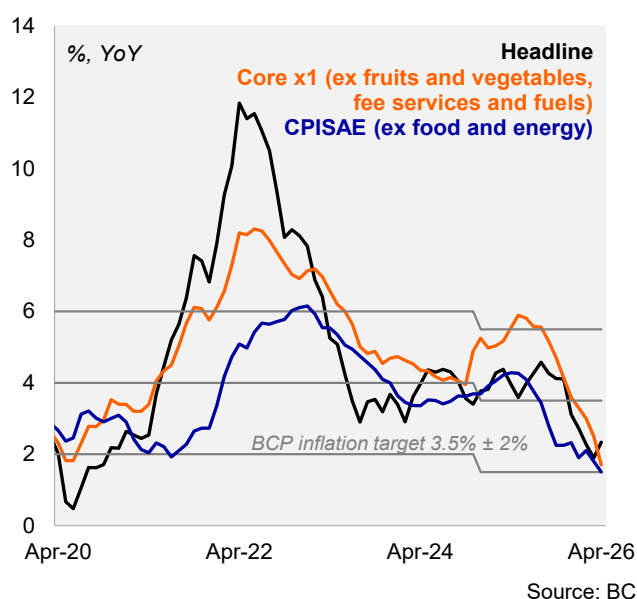
Fuel price shock lifts inflation

- ▶ We now expect inflation to reach 4.0% by YE26, up from 3.5% in our previous scenario, reflecting a sequence of upside surprises alongside a new fuel price increase effective in May. On the monetary policy front, we view the BCP on hold throughout the policy horizon.
- ▶ We maintain our 2026 GDP growth forecast at 4.0%, underpinned by expectations of a strong agricultural harvest, which continues to be the main driver of economic activity.
- ▶ On the FX side, we now assume a stronger PYG, revising our YE26 PY/USD forecast to 6,450 from 6,650 in our previous scenario. This revision reflects the current exchange rate levels, coupled with our view for a somewhat weaker global USD and a more favorable backdrop for EM assets, including currencies in the region.

Fuel price increase once again lifts April inflation

CPI increased 0.8% MoM in April, exceeding our call and the market consensus (both at 0.6%). The upside surprise was largely driven by a sharp adjustment in fuel prices (+12.1% MoM). These pressures were partially offset by durable goods (-0.1% MoM), reflecting the disinflationary impact of a strong PYG, and food prices (-0.1%), driven primarily by fruits and vegetables, which declined by 0.3%. Importantly, core CPI X1 (excluding fruits and vegetables, regulated services and fuels) fell by 0.1% MoM. On an annual basis, headline inflation rose to 2.3% YoY in April, up from 1.9% in March, reflecting the fuel shock, while core X1 inflation eased to 1.7% YoY, down from 2.5% the previous month. Both headline and core remain comfortably within the tolerance range of the BCP's inflation target (3.5% \pm 2%), underscoring the strength and credibility of the disinflation process. Consistently, the core ex food and energy inflation (CPISAE) fell to 1.5%, from 1.8%, approaching the lower bound of the target's tolerance range.

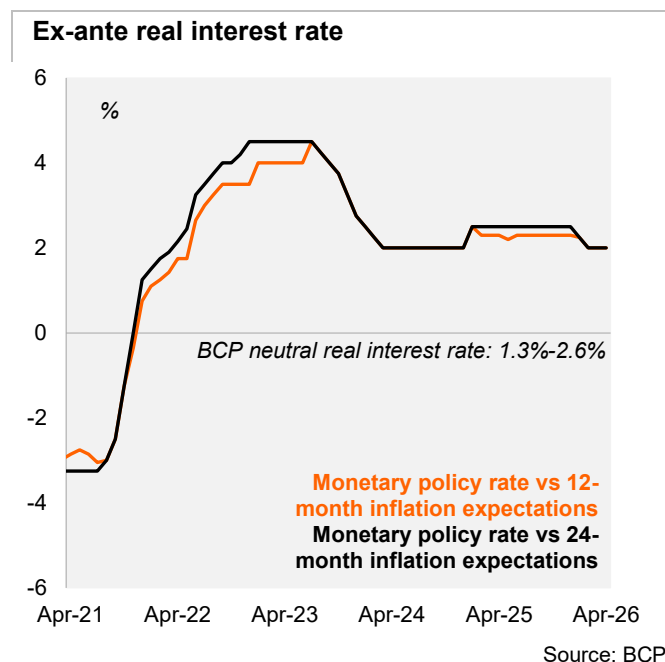
Inflation dynamics



BCP on hold for a second month as energy price risks persist

At its April meeting, the BCP unanimously kept the policy rate unchanged at 5.50%, preserving a neutral monetary stance. The decision, aligned with our expectations and market consensus, reflects lingering uncertainty stemming from heightened geopolitical tensions in the Middle East, which have recently driven a sharp increase in energy prices. The BCP highlighted that short-term activity indicators continue to signal a solid expansion in economic activity during the first months of the year. At the same time, policymakers view

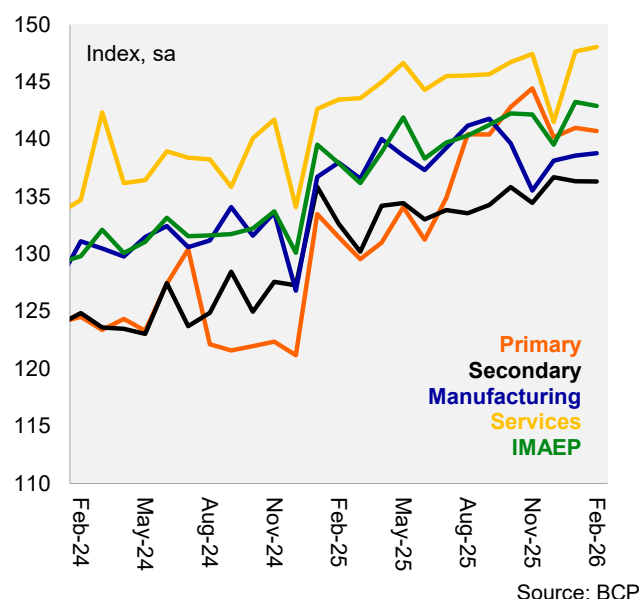
the recent energy price shock as transitory, expecting a limited and temporary pass-through to headline inflation. Post-decision, we estimate the one-year ex-ante real policy rate at around 2.0%, comfortably within the BCP's neutral real rate range of 1.3%–2.6%, reinforcing the current policy stance as consistent with inflation converging to target.



Solid activity growth driven by services

Leading indicators confirm solid momentum of activity. The IMAEP increased by 3.8% YoY, while declining by 0.2% on a seasonally adjusted basis. As a result, activity rose by 4.1% year over year in the quarter ending in February, while remaining unchanged on a seasonally adjusted quarterly basis. The annual growth was mainly driven by strong performance in the services sector, as well as positive contributions from the primary sector and, to a lesser extent, the secondary sector, particularly manufacturing.

Activity by sectors



Fiscal deficit remains stable since November 2025

The 12-month rolling fiscal deficit held steady at 2.0% of GDP in March, unchanged since November. During 1Q26, real tax revenues declined by 3.7% YoY, largely reflecting weaker non-tax revenues— most notably softer binational royalties impacted by the appreciation of the PYG. This downside was partially mitigated by resilient tax collection, which grew 0.9% YoY. On the expenditure side, real primary spending increased by 4.6% YoY, driven mainly by a 6.9% rise in payroll. The 2026 budget forecasts a nominal deficit of 1.5% of GDP, fully consistent with the Fiscal Responsibility Law, implying a gradual consolidation in the coming months.

External risks and local implications remain in focus

We maintain our 2026 GDP growth forecast at 4.0%, supported by expectations of a strong agricultural harvest, which should continue to be the main engine of economic activity. Favorable weather conditions and high crop yields are expected to underpin growth dynamics, partially offsetting external headwinds and sustaining domestic demand through higher export revenues and related spillovers to services and manufacturing.

We now project inflation to end 2026 at 4.0%, compared with 3.5% in our previous scenario. This upward revision is mainly driven by a string of higher-

than-expected inflation prints, combined with the impact of a new increase in fuel prices that came into effect in May.

Regarding monetary policy, we anticipate that the policy rate will remain unchanged during the rest of the year at 5.50%. The current neutral monetary stance seems broadly aligned with a scenario in which inflation gradually converges toward the target over the relevant policy horizon, while relatively contained core inflation pressures should give the BCP sufficient room to stay on hold. Inflation expectations (currently anchored) will play a key role in future BCP's decisions.

On the FX front, we now assume a stronger PYG, revising our YE26 PY/USD forecast to 6,450 from

6,650 in our previous scenario. This revision reflects the current exchange rate levels, coupled with our view for a somewhat weaker global USD and a more favorable backdrop for EM assets, including currencies in the region.

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

Paraguay | Forecasts and Data

	2022	2023	2024	2025	2026F		2027F	
					Current	Previous	Current	Previous
Economic Activity								
Real GDP growth - %	0.0	5.3	4.7	6.6	4.0	4.0	4.0	4.0
Nominal GDP - USD bn	41.8	43.1	44.7	50.6	62.0	61.0	67.2	65.4
Unemployment Rate - year avg	6.8	5.9	5.8	4.8	4.8	4.8	4.8	4.8
Inflation								
CPI - %	8.1	3.7	3.8	3.1	4.0	3.5	3.5	3.5
Interest Rate								
Reference rate - eop - %	8.50	6.75	6.00	6.00	5.50	5.50	5.50	5.50
Balance of Payments								
PYG / USD - eop	7340	7275	7913	6598	6450	6650	6500	6650
Trade Balance - USD bn	-1.3	1.3	-0.5	-1.4	-1.4	-1.4	-1.0	-1.0
Current Account - % GDP	-7.1	-0.4	-3.3	-3.2	-3.2	-3.2	-2.8	-2.8
Net Foreign Direct Investment - % GD	2.3	1.9	2.1	1.9	2.0	2.0	2.0	2.0
International Reserves - USD bn	9.8	10.2	9.9	11.0	11.5	11.5	12.0	12.0
Public Finance								
NFPS Nominal Balance - % GDP	-3.0	-4.1	-2.6	-2.0	-1.5	-1.5	-1.5	-1.5
Gross Public Debt - % GDP	35.9	38.4	40.0	41.1	40.0	41.5	38.3	40.3

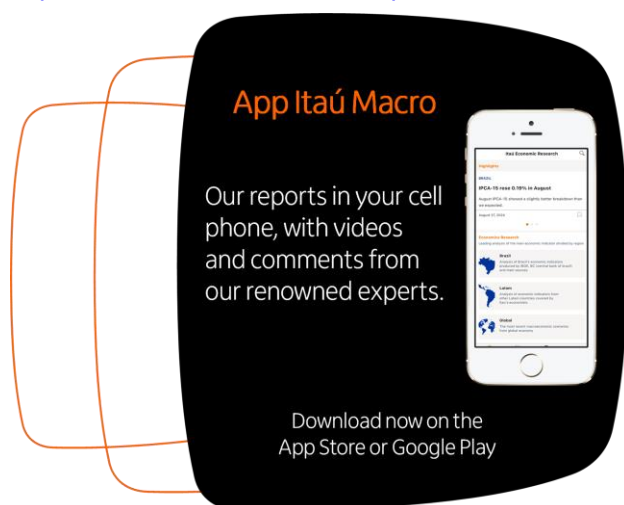
Source: FMI, Bloomberg, BCP, Itaú.

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.