

# PARAGUAY

Following robust GDP growth of 6.6 percent in 2025, growth is expected to moderate to around 4.4 percent in 2026 and 4.1 percent over 2027–28, supported by solid domestic consumption and strong agricultural performance. This momentum has contributed to a continued decline in poverty, estimated at 17.9 percent in 2025. Reforms to strengthen human capital and infrastructure quality could further boost investment and potential growth.

## Key conditions and challenges

Despite being landlocked, Paraguay has established itself as a small and open economy that attracts investment and is a leading exporter of soybeans, hydropower, beef, and maize. This export-oriented growth model, supported by a sound macroeconomic policy framework, has underpinned solid GDP growth, averaging above 5 percent annually since 2023. However, structural challenges remain. One in five Paraguayans live in poverty and income inequality remains high, with a Gini coefficient of 44.2 in 2024. Labor informality averaged 60.3 percent in 2025, reflecting limited creation of quality jobs. Moreover, the economy remains highly exposed to commodity price volatility and adverse climate shocks, which can exacerbate poverty and inequality.

Paraguay's main challenge is to expand access to and accelerate the creation of quality jobs to sustain resilient and inclusive growth. High labor informality and limited job quality continue to constrain productivity and inclusion. Deepening private investment, particularly in manufacturing and services, through enhanced competitiveness and structural reforms is essential. Achieving this will require targeted investment in human capital

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
6.4	1.3
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
73.8	89.4
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
48.6	7580.0

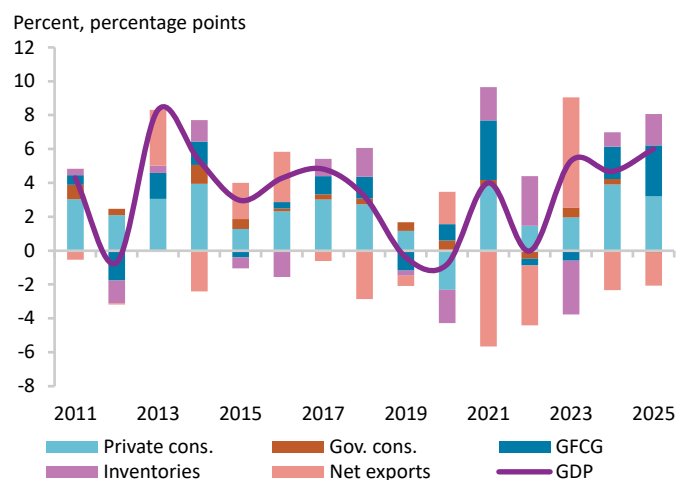
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

and infrastructure, and integration into key global value chains. On the fiscal front, continued consolidation efforts have kept public debt at prudent levels, while further revenue mobilization could be achieved through efficiency-enhancing measures. Strengthening the rule of law and anti-corruption efforts will be critical to underpin confidence and long-term growth.

## Recent developments

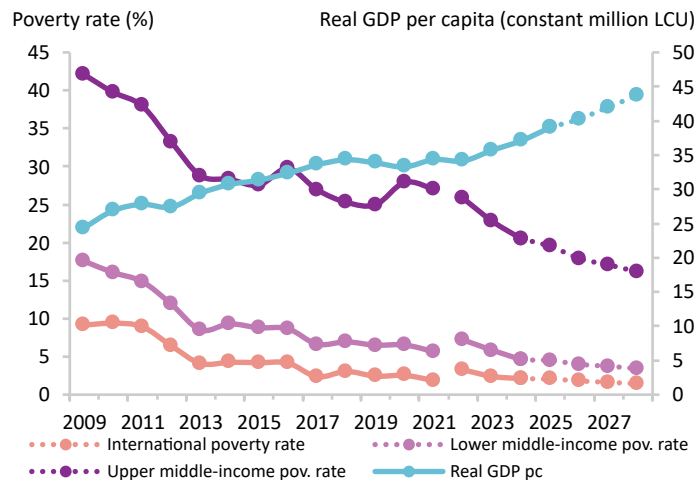
Real GDP growth is estimated at 6.6 percent in 2025, driven by strong private consumption and investment, with services and manufacturing reflecting these dynamics. Headline and core inflation declined in the second half of the year, reaching 3.1 and 2.3 percent in December, respectively, partly reflecting the 13.9 percent appreciation of the guaraní, and remained below the mid-point of the central bank's target range (1.5–5.5 percent). This allowed the monetary policy rate to be reduced to 5.50 percent in February 2026, following a prolonged pause at 6.0 percent since March 2024. Credit to the private sector remained robust, expanding 7.6 percent in 2025. On the external front, the current account deficit widened to an estimated 3.9 percent of GDP in 2025, driven by increased capital goods imports and lower agricultural exports.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Central Bank of Paraguay and World Bank.

FIGURE 2 / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Foreign reserves stood at 22.2 percent of GDP, equivalent to 7.4 months of imports.

Fiscal consolidation continued, with the overall deficit narrowing to 2.0 percent of GDP in 2025 (from 2.5 percent in 2024), driven mainly by lower current expenditure, particularly on goods and services and, to a lesser extent, reduced capital investment. This helped maintain public debt at prudent levels, estimated at 41.3 percent of GDP by end-2025. In December 2025, S&P Global Ratings upgraded Paraguay's sovereign credit rating to investment grade, becoming the second major rating agency to grant this status and reinforcing market confidence. The upgrade could help reduce sovereign spreads, subject to global financial conditions.

Strong macroeconomic performance supported improved labor market outcomes and a decline in the poverty rate from 20.5 percent in 2024 to 17.9 percent in 2025. The participation rate rose by 0.9 percentage points to 72.2 percent in 2025, with a larger increase among women (1.3 percentage points). The unemployment rate fell 1 percentage point, including a 1.6 percentage point reduction for women. These improvements were accompanied by a 1.3 percentage point decrease in informality, which fell to 60.3 percent in 2025.

## Outlook

GDP growth is projected at 4.4 percent in 2026, supported by continued strength in services and robust agricultural exports. Over

2027–2028, growth is expected to converge to an estimated potential rate of around 4.0 percent. Inflation is expected to remain close to the Central Bank's target of 3.5 percent in the medium term.

The current account deficit is projected to narrow gradually to about 3.0 percent of GDP over the medium term, as a recovery in soybean exports is partly offset by sustained capital goods imports and rising energy costs amid ongoing Middle East geopolitical tensions. Fiscal consolidation is expected to continue, bringing the deficit toward the legal ceiling of 1.5 percent of GDP in 2026, in line with the fiscal responsibility law, with public debt expected to decline moderately over the medium term.

Poverty is expected to decline to 16.4 percent by 2026, supported by economic growth and stable inflation. Moreover, government initiatives focused on education and social services are projected to create employment opportunities for low-income individuals. These efforts are aided by the publication of the Paraguay's district-level poverty map in 2025, which provides disaggregated data for targeted policies to reduce income inequality.

The outlook remains subject to downside risks, including weaker than expected growth in key trading partners and extreme climate-related events. Heightened geopolitical tensions, including a prolonged conflict in the Middle East, pose significant risks and could weigh on activity and inflation. New trade restrictions could affect global slowdown and disrupt supply chains. Upside risks are also present, including faster progress on large private investments projects.

## Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
<b>Real GDP growth, at constant market prices</b>	5.3	4.7	6.6	4.4	4.2	4.0
Private consumption	3.0	6.1	5.1	4.2	3.5	3.5
Government consumption	4.9	2.7	-2.2	2.9	3.5	3.5
Gross fixed capital investment	-2.8	9.6	12.2	6.7	7.4	6.4
Exports, goods and services	31.2	-1.5	3.7	2.5	2.5	2.5
Imports, goods and services	9.4	4.4	8.9	2.7	2.7	2.7
<b>Real GDP growth, at constant factor prices</b>	5.3	4.1	6.8	4.4	4.2	4.0
Agriculture	16.3	4.4	9.0	2.4	2.5	2.6
Industry	4.0	2.7	6.9	4.3	4.0	3.7
Services	4.0	5.1	6.2	4.8	4.6	4.4
<b>Employment rate (% of working-age population, 15 years+)</b>	61.9	61.8	63.0	61.3	62.3	63.2
<b>Inflation (consumer price index)</b>	4.6	3.8	4.0	3.5	3.5	3.5
<b>Current account balance (% of GDP)</b>	0.1	-3.4	-3.9	-3.8	-3.5	-3.2
<b>Net foreign direct investment inflow (% of GDP)</b>	1.9	2.1	1.2	1.4	1.5	1.5
<b>Fiscal balance (% of GDP)</b>	-4.1	-2.5	-2.0	-1.5	-1.5	-1.5
<b>Revenues (% of GDP)</b>	14.0	15.0	14.4	14.4	14.5	14.5
<b>Debt (% of GDP)</b>	38.4	40.0	41.3	40.3	39.6	39.0
<b>Primary balance (% of GDP)</b>	-2.8	-0.7	-0.2	0.0	0.1	0.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	2.4	2.1	1.4	1.2	1.1	1.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	5.8	4.5	3.6	3.2	2.9	2.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	22.8	20.5	17.9	16.4	15.4	14.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.4	1.7	1.2	1.4	1.5	1.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-EPHC. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.