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Paraguay: Recent Economic Developments

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PARAGUAY

Recent Economic Developments

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Approved by the Western Hemisphere Department

December 22, 1998

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Paraguay: Basic Data

I. Social and Demographic Indicators

Area (thousand sq. km)	397,500 km ²	Nutrition (1994)	
Population (1997)		Calorie intake	...
Total (million)	5,05 million	(per capita a day)	
Rate of increase (percent a year)	2.9	Health	
Density (per sq. km.)	12.7 per km ²	Population per physician (1991)	1,231
GDP per capita (US\$) (1997)	US\$ 1955 1/	Population per hosp. bed (1989)	762
Unemployment (Asuncion, 1996)	8.2 percent		
Population characteristics (1995)		Access to safe water (percent	
Life expectancy at birth (years)	40.6	of population, 1995)	
Crude birth rate (per thousand)		Total	33
Crude death rate (per thousand)		Urban	49
Infant mortality (per thousand live births)	52.0	Ru	17
Income distribution (1995)		Education (in percent, 1995)	
By highest 20 percent of households	46 percent	Adult literacy rate	92 percent
By lowest 20 percent of households	6 percent	Primary school enrollment	96 percent

II. Economic Indicators, 1994-98

	1994	1995	1996	1997	Est. 1998
(In annual percent changes)					
National accounts and prices					
GDP at constant 1982 market prices	3.1	4.7	1.3	2.6	0.6
Agriculture and mining	-3.0	11.4	1.2	4.9	3.0
Manufacturing	1.5	3.0	-2.2	-0.2	1.0
Commerce and finance	4.3	1.6	-1.0	0.2	-3.0
Consumer price index (end of period)	18.3	10.5	8.2	6.2	17.0
(In percent of GDP)					
Gross investment	23.4	23.9	23.3	23.6	21.0
Private consumption	70.7	72.5	71.8	72.4	72.9
Public consumption	8.6	9.2	9.9	10.5	10.6
Gross national saving	22.6	19.9	20.0	18.5	17.9
(In billions of guaranies)					
Public Sector finances					
Revenue	2,624	3,677	3,949	4,391	4,900
Current expenditure	1,887	2,298	2,741	2,994	3,573
Capital expenditure	517	942	878	1,565	1,615
Current balance (deficit -)	738	1,379	1,208	1,397	1,327
Overall balance (deficit -)	221	437	330	-168	-288
Memorandum items:					
Current balance (percent of GDP)	4.9	7.8	6.1	6.7	5.6
Overall balance (percent of GDP)	1.5	2.5	1.7	-0.8	-1.2
Money					
Money	1,273	1,539	1,571	1,789	1,915
Quasi-money	894	1,288	1,634	1,648	1,823
Net domestic assets	1,334	2,053	2,636	3,745	4,298
Credit to the public sector	93	-246	-505	85	433
Credit to the private sector	3,172	3,750	4,608	5,181	5,897

Paraguay: Basic Data (Concluded)

	1994	1995	1996	1997	Proj. 1998
(In millions of U.S. dollars)					
Balance of payments					
Trade balance	-182	-262	-379	-446	-276
Exports, f.o.b.	3,422	4,231	4,004	3,768	3,384
Imports, f.o.b.	-3,604	-4,493	-4,382	-4,215	-3,660
Services and transfers (net)	8	-175	-42	-124	-49
Current account	-56	-364	-317	-483	-265
Capital account	286	523	191	573	166
Overall balance	346	62	-44	-216	-99
Memorandum items:					
Current account (as percent of GDP)	-0.7	-4.1	-3.3	-5.0	-3.1
External debt outstanding (as percent of GDP)	15.8	15.6	14.5	15.0	17.3
IMF data (as of November 30, 1998)					
Membership status					Article VIII
Intervention currency and rate					U.S. dollar (G 2,804/dollar)
Quota					SDR 72.1 million
Fund holdings of local currency					SDR 57.6 million
Fund holdings as percent of quota					79.9
Reserve position in the Fund					SDR 14.5 million
As percent of quota					20.2
Total Fund credit					None
Special Drawing Rights Department					
Cumulative SDR allocation					SDR 13.7 million
Net acquisition or utilization (-) of SDRs					SDR 61.7 million
Holdings of SDRs					SDR 75.4 million

Sources: Paraguayan authorities; and Fund staff estimates.

I. OUTPUT, GROWTH AND PRICES

A. Introduction

1. Paraguay's economy is heavily dependent on agriculture and trade activities, which together represented more than 50 percent of GDP in 1997 (Table 4). The share of these sectors in GDP has remained stable during the 1990's, although there has been a gradual decline in the importance of trade activities due to a reduction in reexport (entrepôt) trade after the implementation of Mercosur in 1995.

2. An important characteristic of the economy is the presence of a sizable informal sector, which is not recorded in official GDP figures. According to some estimates, the underground economy represents some 50 percent of total output. The importance of informal activities is attributed, in part, to the rigidity of the labor market, which imposes a minimum wage of about US\$200 per month (equivalent to 1.5 times monthly per capita GDP) as well as high dismissal costs. Another reason can be found in long-standing practices of informal trade and contraband with neighboring countries, due to differential taxation and the lack of strong border controls.

B. Growth Performance and Investment Spending

3. After recording a growth rate of 1.3 percent in 1996, real GDP expanded by 2.6 percent in 1997, or about the same rate as population growth. This reflected mainly a recovery in agricultural output owing to abundant rains. GDP growth suffered a new setback in 1998, with preliminary estimates showing a growth rate of only 0.6 percent, owing mainly to the continued stagnation in the manufacturing sector, a reduction of trade-related activities due to tighter border controls in Brazil, and the contractive effects of a lingering banking crisis on the economy.

4. Per capita GDP has been stagnant for nearly two decades, notwithstanding the fact that the country registers relatively high savings and investment rates, which currently exceed 20 percent of GDP. There are several factors which may explain Paraguay's high incremental capital output ratio (ICOR). First, the inclusion of the large informal sector in the GDP estimates would significantly lower the observed investment/output ratio, as the informal sector can be assumed to be less capital intensive than the rest of the economy. Second, the stock of human capital is low in Paraguay due to decades of underinvestment in education (education spending represented just 1 percent of GDP in the 1980's). The low education level of the population slows down the absorption of new technologies and productivity growth. Third, the stock of public infrastructure capital is insufficient, as documented by a ratio of public investment to GDP of only 2-3 percent during the 1980s and the first half of the 1990s (Table 13).

C. Domestic Output by Sectors

Agriculture, livestock and forestry

5. Agricultural output (plus livestock and forestry) represented 25 percent of GDP in 1997, and the main crops are soybeans and cotton. The relative importance of soybeans has increased over the 1990s, helped by trends in international prices more favorable than for cotton. Cotton has also been adversely affected by abundant rains in 1997 (Table 8). The livestock sector accounts for about 8 percent of GDP and produces mostly beef; the output of forestry is mainly used in the domestic construction sector.

6. The Paraguayan agricultural sector faces several problems. First, the small size of many farms (there are about 247,000 small farms) makes mechanization difficult. Second, the low educational level of most farmers represents a barrier to the adoption of new technologies. Third, there is a lack of diversification in agricultural production, which is highly concentrated in three or four main crops. The low diversification of the agricultural production increases the risk exposure of farmers. As a consequence of these problems, only soybeans—which is mainly produced on big, mechanized farms—and corn have registered significant gains in productivity in the last eight years.

Manufacturing

7. The manufacturing sector represents about 14 percent of GDP. A large share of industrial production is based on the processing of agricultural raw materials, which includes the foodstuff, beverage and timber industries, representing 63 percent of total industrial production. Other important industries are handicrafts, leather and hides, and textiles. Almost no consumer durables or capital goods are produced in Paraguay.

8. In 1997, manufacturing output fell by 0.2 percent. Preliminary estimates show a modest growth of about 1 percent in 1998. During the 1990s, manufacturing output was virtually stagnant in real terms, with its share in total output declining to 14 percent in 1997. The decline has been particularly severe in labor intensive industries, such as textiles, handicrafts, and shoes, as well as in domestic petroleum refining. The relatively high labor costs in Paraguay contributed to the weakness of labor intensive industries, whereas imports from more competitive refineries in neighboring countries led to a fall in output of the petroleum refining industries after the implementation of Mercosur in 1995.

Services

9. The share in total GDP of commerce and finance activities is roughly one third, and has been strongly influenced by the reexport activities. The mostly informal reexport trade reached a peak in 1995, as a large differential in taxation across the border combined with a consumption boom in Brazil. However, since then the lowering of tariff barriers in Mercosur, tighter border controls, and a cooling of the Brazilian economy have contributed to a downturn in reexport activities, and correspondingly in the commerce sector. In addition, a

protracted financial crisis has resulted in the closure of 13 domestic banks since 1995, representing about one third of deposits (see section III below). This has reinforced the downturn of the sector, whose share in GDP fell from a peak of 31 percent in 1995 to 27 percent in 1998.

D. Expenditure and Savings

10. During the mid-1990s, a surge in investment expenditures boosted domestic demand to growth rates that exceeded real GDP growth by an average of 2 percent per year. The result was a rapid deterioration of the external current account, which shifted from a surplus of almost 4 percent of GDP in 1993 to a deficit of 4 percent in 1995. The investment surge was initiated by a rapid expansion of private investment, followed a moderate pick up of public investment after 1995. Public capital spending had been constrained to unsustainably low levels during the first half of the 1990s, and there was a need to undertake long postponed maintenance investment in both the general government and public enterprises (see Section II below).

11. After 1995, the effects of the crisis in the financial system began to be felt in a marked slowdown of domestic demand. Investment expenditures began to decline in real terms in 1996, and the contraction accelerated markedly in 1998 with an estimated negative growth rate of -11 percent. A doubling in the ratio of public investment to GDP relative to the first half of the 1990s could not offset the sharp contraction of private investment. Funds for the financing of private projects virtually dried up, as banks became concerned with the risk structure of their loan portfolios and were reluctant to extend new loans. Accordingly, the share of private investment in GDP fell from 20 percent in 1994 to 14 percent in 1998.

12. The deceleration of total demand was more modest, as consumption expenditures grew faster than GDP and to some degree offset the decline in investment. As a result, the deficit in the external current account bottomed out at 5 percent of GDP in 1997, and narrowed to 3 percent in 1998. Consumption growth was concentrated in the public sector, following large wage increases for civil servants, which increased the ratio of public wage expenditures from 7 to 9 percent of GDP between 1994 and 1998 (Table 13).

E. Prices, Wages and the Labor Market

13. After peaking at around 45 percent in 1991, inflation (as measured by the consumer price index) generally followed a downward trend during the 1990s, dropping to 6.2 percent by end 1997. This was the result of a modest appreciation of the exchange rate, a tightening of monetary policy and a continued decline in food prices. However, after a depreciation of the guaraní by about 30 percent on a year-to-year basis in the first months of 1998, inflation began to accelerate and reached 16 percent by October 1998. Wholesale price inflation has been higher than CPI inflation because of the larger weight of tradeable goods in its index.

14. Real minimum wages, which had declined by more than 20 percent during the early 1990s, recovered by almost 15 percent since 1994, with the largest increase (5.2 percent) in

1997. Average real wages in the economy have also increased by around 15 percent since 1994, although in general their evolution is not closely linked to the minimum wage. In Paraguay, the average wage (about US\$195 per month) is lower than the minimum wage, because of the presence of the large informal sector. Indeed, according to government sources, about 80 percent of paraguayan workers receive wages lower than the official minimum wages.

15. The relatively high minimum wage, as well as other labor market rigidities, is one of the main factors giving rise to the underground economy. Although minimum wages are not actually binding in rural areas and for small enterprises operating in the informal sector, they represent an important rigidity to medium and large enterprises, and to foreign investment.

II. PUBLIC FINANCES

A. Overview

16. Paraguay maintained a generally conservative fiscal policy stance during the past ten years. The government that assumed power in 1989 implemented a comprehensive fiscal adjustment program which included tax increases, cuts in capital spending and a significant turnaround in the finances of public enterprises. As a result, the balance of the public sector shifted from a deficit in excess of 3 percent of GDP in 1988 to a surplus of almost 5 percent of GDP in 1991. This achievement was partially eroded in subsequent years, as tax collection weakened and public employees received generous wage increases. The deterioration became particularly marked after 1995, and by 1997 the overall balance slid into a deficit of around 1 percent of GDP, reflecting mainly the strong growth of wages and transfers.

17. Because of the public sector surpluses during the 1990s, Paraguay was able to reduce its external debt (there is no significant internal debt). From a peak of US\$2.1 billion at the end of 1989 (51 percent of GDP), the public sector's medium and long-term external debt fell to US\$1.4 billion (15 percent of GDP) at the end of 1997. This included the clearing of arrears to Paris club members in 1992. Debt service obligations amount to less than 4 percent of exports of goods and services in 1997.

B. Central Government

18. The position of the central government finances weakened in recent years. The overall balance shifted from an average surplus of 1 percent of GDP during 1989-93 to an average deficit of about 1 percent of GDP during the following five years. Government savings remained roughly unchanged at an average of 3 percent of GDP during both periods, as a strong increase in current expenditures (mainly wages and public pensions) was offset by higher revenues. However, capital spending also increased, to reconstruct the rapidly deteriorating public infrastructure that resulted from the low levels of public investment in the early 1990s.

19. At somewhat less than 12 percent, the ratio of tax revenues to GDP is among the lowest in the region. There is no personal income tax, and the VAT rate is 10 percent. Social security and other taxes on labor amount to 25 percent, but are widely evaded. The corporate income tax rate is 30 percent, but is reduced to 10 percent if profits are reinvested. The tax system is skewed towards indirect taxes, which account for three quarters of all tax revenues. This bias has helped reduce fluctuations in government revenues as the tax base reflects mostly consumption. However, due to its lack of a personal income tax, the tax system performs poorly as an automatic stabilizer and does little to make income distribution more equitable.

20. Notwithstanding, the low level of taxation, over the last ten years tax revenues had increased as a percentage of GDP, from 7.4 percent in 1988 to more than 12 percent in 1995, leveling off thereafter. Initially, receipts from trade taxes (customs duties) expanded after a temporary levy was introduced on exports in 1989 and the exchange rate unification ended a preferential treatment of imports. The substitution in 1992 of the VAT for several stamp taxes and a cascading sales tax was designed to be revenue-neutral and had no immediate effects. Over time, however, the change yielded fiscal benefits, increasing the ratio of taxes on goods and services to GDP by a full percentage point between 1993 and 1997. The increased demand in Brazil, following the introduction of the *real* in 1994, resulted in an expansion of border trade and boosted trade tax revenues in Paraguay. Improvements in tax administration also contributed to enhance the collection of corporate income taxes and the VAT.

21. From 1996 to mid-1998, tax revenues slipped as a percentage of GDP. A cooling Brazilian economy and stricter border controls reduced reexport trade and receipts from trade taxes. In addition, declining economic activity in Paraguay and slackening collection efforts diminished revenues from the corporate income tax. Numerous nontransparent exemptions from this tax and a relatively high core rate of 30 percent are frequently blamed for encouraging evasion and informal activities.

22. To help restore the fiscal balance, the administration that assumed office in August 1998 has cut the list of exemptions from the VAT and import tariffs (goods classified as "tourist items"), and increased excise taxes on fuel, alcohol and cigarettes. In addition, a campaign of on-site controls in businesses has led to an increase in the collection of VAT and corporate income taxes during the last months of 1998.

23. Paraguay continues to enjoy a number of exemptions from the common external tariff of Mercosur. Capital goods, production inputs and cars are taxed at lower rates, as is a long list of consumer goods that qualify for "tourist trade". A sizeable sector of the economy is taking advantage of the tariff differentials and engages in entrepôt trade, mainly with Brazil. However, these profit opportunities are bound to disappear as the exemptions are phased out by the end of 2005.

24. Royalties from the Itaipú binational hydroelectric company have been an important source of nontax revenue for the government since the dam began operating at capacity in

1990. The payments are based on the sale of electricity to Brazil and have averaged 2.3 percent of GDP during the 1990s. Electricity production is influenced by climatic conditions and the water volume of the river Paraná. A drought reduced royalties to 1.9 percent of GDP in 1996, whereas wet conditions associated with El Niño boosted them to 2.8 percent in 1998.

25. Starting from low levels, current expenditures have more than doubled over the last decade, from 6.4 percent of GDP in 1988 to 13.4 percent in 1998. This is mostly attributed to a surge in wages and transfers, both of which have trebled in relation to GDP over this period. At the end of the Stroessner administration in 1989, the government payroll had been compressed to just 2.4 percent of GDP, giving rise to an inefficient civil service and widespread corruption. To redress this situation, the subsequent administrations granted civil servants sweeping increases in wages, raising their share to an estimated 7.6 percent of GDP by 1998. Special attention was given to the salaries of teachers, health professionals, and military and police personnel. Parallel to the political liberalization, unionism started to take hold in the public sector, accelerating the pace of wage increases in 1996 and especially in 1997. In addition to Law 200 of 1973, which makes dismissals difficult and costly, the assertive stance of unions has reinforced the rigidities in public employment.

26. Being indexed to public sector wages, government pensions have also trebled since 1988 in relation to GDP. Indexation together with abuses in the collection of benefits have opened a financing gap of close to 1 percent of GDP in the government's pension fund. General tax revenues are used to fill this gap, financing more than half of the state pension system. Interest expenditures reached a peak in 1992, before Paraguay settled its arrears with a one-time payment to members of the Paris Club. After that, interest expenditures dropped to an average of 0.6 percent of GDP, reflecting consecutive years of fiscal surpluses and the reduced size of the public sector debt.

27. Shortly after taking power in August 1998, the government of president Cubas enacted Decree No. 6, designed to curtail current expenditures. The decree reduced paid overtime and specified lists of cuts in consumption of goods and services for all entities of the public sector.

28. Government investment expenditures were maintained at an average of only 1.9 percent of GDP between 1989 and 1993. Maintenance investment was postponed, allowing public infrastructure to deteriorate. The situation improved somewhat after 1992, when Paraguay reached an agreement with foreign lenders over its arrears and external funds returned to the country. In an effort to provide counterpart project financing, the Wasmosy administration doubled capital spending to an average of 4 percent of GDP over the years 1994-98. However, compared to other countries in the region, Paraguay lags substantially behind in basic infrastructure areas, such as access to safe water, sanitation and telephone services.

C. Social Security

29. In Paraguay, basic social security is provided by 6 different institutions. The largest is the *Instituto de Previsión Social (IPS)*, which covers private sector employees, or about 52 percent of all contributors. Second with a share of 44 percent is the *Caja Fiscal*, covering most public sector employees. Finally, four smaller *Cajas* cover the remaining employees of banks, railways, municipalities and the legislative branch.

30. The fragmentation and regulatory complexity of the pension system has been a source of inefficiencies and a major obstacle to reform. IPS bears a special burden, since it is designed to provide health care in addition to old age pensions. Unlike the public sector *Cajas*, however, IPS consistently ran operational surpluses over the last decade.¹ This is mainly due to the youth of the system, and a correspondingly high ratio of 8 contributors per beneficiary. The contributions are financed from a 23 percent payroll tax, of which 12.5 percent go to pensions, 9 percent to health care and 1.5 percent to administrative expenses. For the time being, most of the expenditures are related to health care, and not to pensions. Because pension benefits are tied to an average of past salaries and there is no adequate mechanism of indexation, they are progressively eroded by inflation. As a result, 94 percent of pension payments fall below the minimum wage.² In addition, IPS's coverage reaches only 40 percent of Paraguay's nonfarm private employees, with the rest receiving neither health care nor pension benefits.

31. All social security institutions in Paraguay operate on a pay-as-you-go basis. Despite recording operational surpluses at the moment, IPS is estimated to be in actuarial deficit, and so are all other social security institutions.³ The situation might deteriorate even faster than expected because of a misguided investment strategy of IPS. Until 1992, the accumulated surpluses were held in accounts at the Central Bank, which paid no interest. Since then, IPS shifted its assets into interest-bearing deposits at domestic private banks, which helped its surplus to double from 0.5 to 1 percent of GDP. However, of the roughly 1.1 billion guaranies of IPS's total assets (5 percent of GDP), more than half were invested in banks which later became insolvent and had their operations suspended. In 1997 and 1998, IPS acquired shares of Banco Desarrollo in a failed attempt to avoid the closure of that bank. The shares were lost in September 1998, as Banco Desarrollo was declared insolvent. In addition, IPS made a number of unredeemable loans to private firms.

¹ The financial position of the *Caja Fiscal* and the smaller public pension schemes is shown in Table 14. That of IPS can be seen separately in Table 15.

² World Bank Country Economic Memorandum 18392-PA, p.37. However, the minimum wage in Paraguay is higher than GDP per capita (see section I.E).

³ Cruz-Saco, A. (1994): "Instituto de Previsión Social del Paraguay (IPS): Diagnóstico Económico, Financiero y Alternativas de Reforma." An actuarial deficit means that the present value of future operational balances is negative.

D. Public Enterprises

32. Paraguay currently has eight fully state-owned enterprises, most of which are utilities that operate in a monopolistic market setting. The three largest enterprises, which account for 82 percent of total expenditures, are ANDE (distribution of electricity), PETROPAR (gasoline and diesel) and ANTELCO (telecommunications). Furthermore, there are two medium-sized companies, CORPOSANA (water and sewerage) and INC (cement) and three small ones (the administrations of river ports, of airports, and an antiquated wood-burning railroad).

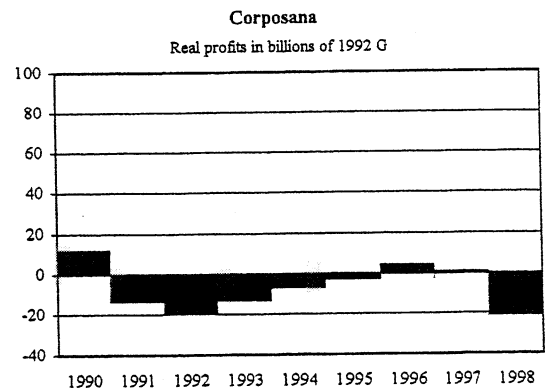
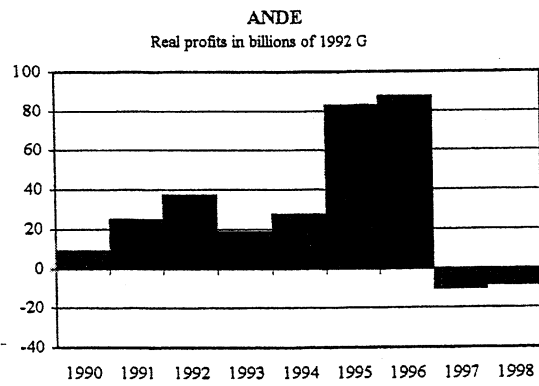
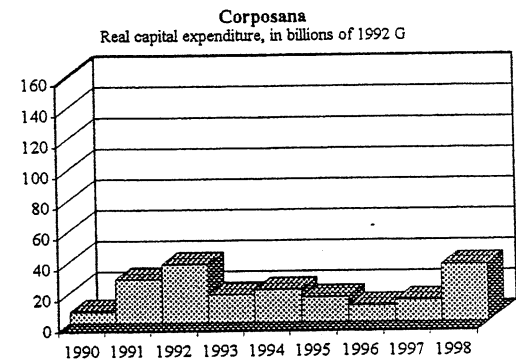
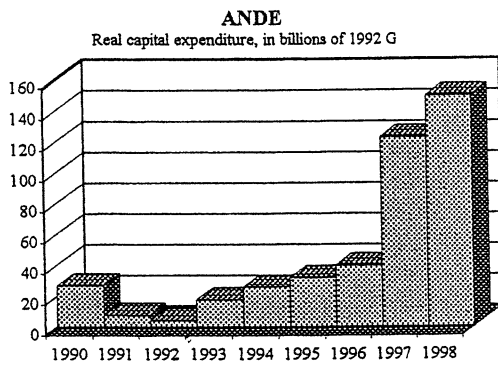
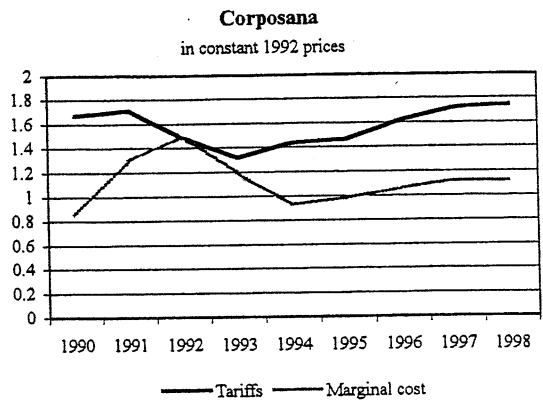
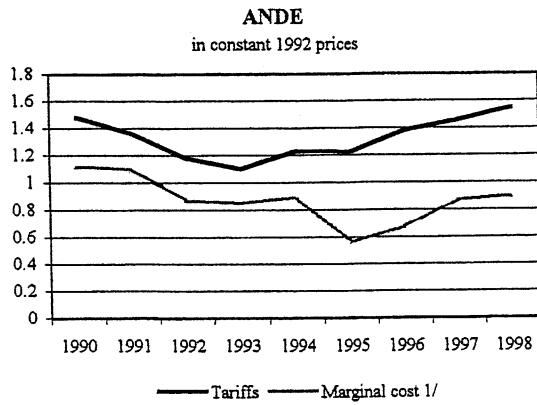
33. The most visible success of the fiscal adjustment during the late 1980s was a drastic turnaround in the finances of public enterprises. Cuts in investment and improvements in the operational balances of the public enterprises transformed an overall deficit of 3.5 percent of GDP in 1988 into a surplus of 1.7 percent in 1991. Tariffs were sharply increased, and current expenditures were cut from 10.3 percent of GDP in 1988 to 7.6 percent in 1991 by rationalizing operations and reducing staff. Investment expenditures dropped by more than 75 percent in real terms between 1988 and 1991, as some large projects were completed and capacity expansion was postponed for lack of foreign financing. During most of the 1990s, the public enterprises maintained overall surpluses, which reached a peak in 1995 after a second round of tariff increases.

34. More recently, public enterprises slid back into deficit, contributing to the deterioration of the overall public sector balance. The low level of investment during the first half of the 1990s resulted in capacity bottlenecks and in a general deterioration of the capital stock, a situation that gradually became unsustainable. Since 1996, investment expenditures have more than doubled in real terms, although the quality of infrastructure remains far from satisfactory, especially in the provision of electricity and water. Tariffs of public enterprises are set by the government once a year, in principle so as to ensure an average return on capital of around 8 percent. However, regulatory lags have built up for many companies, especially for ANTELCO where tariffs have been frozen since 1994. This, together with an expanding wage bill in a strongly unionized setting, has led to a compression of operational balances. Figure 1 shows the evolution of key financial variables for the four largest enterprises.

35. The depreciation of the guaraní by around 30 percent in early 1998 exposed the vulnerability of some large public enterprises, such as ANDE and PETROPAR, to exchange rate fluctuations. Their operating expenditures are almost exclusively in U.S. dollars, while tariff revenues are collected in guaraníes. In addition, most of the enterprises' recently stepped-up investment expenditures are in foreign exchange.

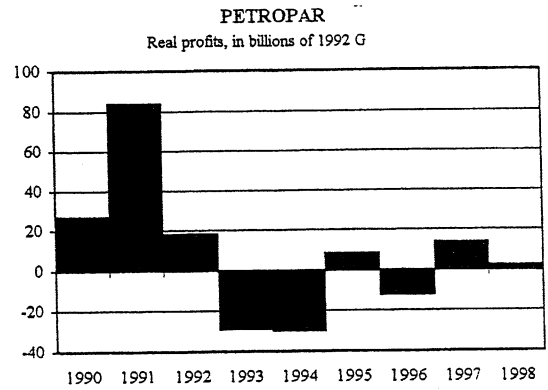
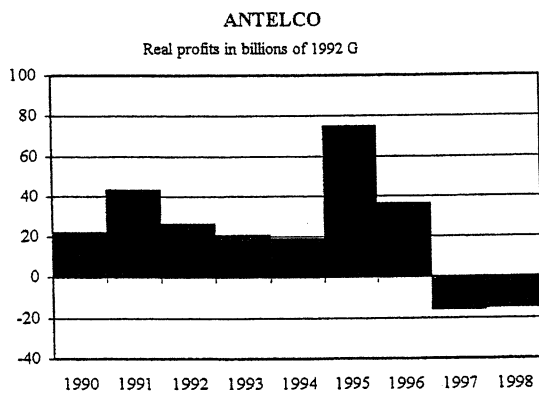
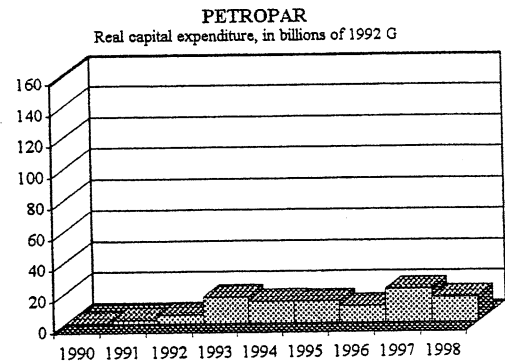
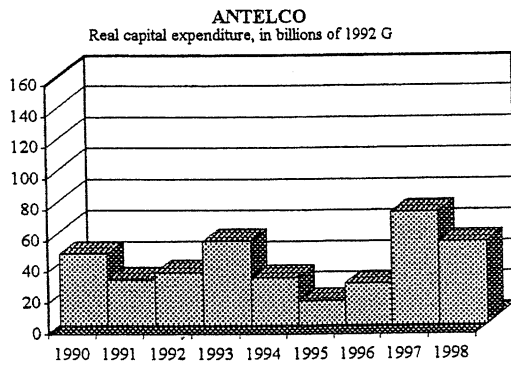
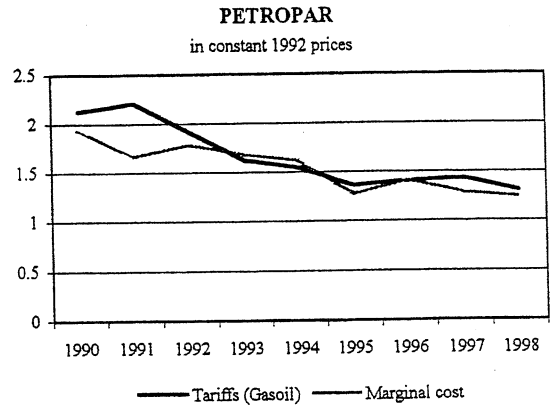
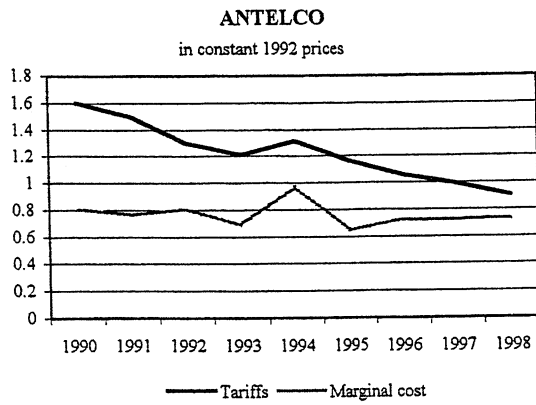
36. Since the law allowing privatizations was approved in 1991, only one company has been sold, but without major fiscal benefits. The former national airline (LAPSA) was sold to

Figure 1. Performance of Major Public Enterprises



1/ Marginal costs are approximated as total variable cost (current expenditure) divided by output.

Figure 1. Performance of Major Public Enterprises (continued)



foreign investors, but the government absorbed more than US\$40 million worth of the company's liabilities, compared with its eventual sale price of US\$23 million.⁴ A principal obstacle to further privatizations is strong political opposition in congress and Article 111 in the 1992 constitution, which makes it difficult to sell a company to parties other than its own workers or suppliers.

III. MONETARY DEVELOPMENTS AND THE BANKING SECTOR

A. Overall Trends

37. During the early 1990s, a series of reforms were implemented in Paraguay's financial sector to improve resource allocation and allow financial transactions better to reflect market conditions. The exchange rate was unified, interest rates were freed, selective credit controls were eliminated, and restrictions on foreign currency denominated local loans were gradually eased. As a result, financial intermediation grew rapidly with broad money increasing from 22.5 percent of GDP in 1990 to 31.4 percent of GDP in 1995.

38. Consistent with a more market oriented conduct of monetary policy, the Paraguayan Central Bank (BCP) shifted from the use of reserve requirements to the placement of its own short term paper, at market determined interest rates, as a tool of short term liquidity management. Thus, reserve requirements on local currency deposits began to be partially remunerated and were reduced in steps, from 30 percent in 1993 to 18 percent currently. Requirements on foreign currency denominated deposits were initially unified and reduced in tandem with those on local currency deposits, but were subsequently raised again in an attempt to influence the composition of deposits offered by financial institutions.

39. As part of the financial sector reform process, and seeking to enhance competition within a sector that had been restricted and over-regulated for many years, the authorities eased minimum capital and other requirements for entry into the system. The growth of financial resource intermediation fostered by the reforms and the easing of entry into the financial sector resulted in the creation of a large number of banks and finance companies between 1990 and 1994. Although some institutions that previously operated in the informal lending markets were among the new entrants, many were entirely new operations. The large number of participants in a small—even if rapidly growing—market, limited the scope of achievable economies of scale and stretched the limited resources of the Banking Superintendency. Rapid growth of intermediaries also put pressure on the limited availability of human resources with expertise in modern banking.

40. Developments in the public finances were also conducive to vigorous financial sector growth, in particular from 1993 to 1996. During those years the fiscal surplus of the overall public sector averaged slightly over 1.6 percent of GDP per year, giving rise to a sizeable

⁴ See Paraguay - Selected Issues and Statistical Annex SM/97/229, Sept. 3, 1997.

build-up of deposits in the banking system. As a result, net credit from the banking system to the consolidated public sector shifted from ₡568 billion in 1993 to a net deposit of ₡498 billion in 1996, a turnaround equivalent to about 7 percent of GDP, providing ample resources for the expansion of the financial system. Credit to the private sector expanded at an average rate of 19.2 percent in real terms between 1990 and 1995.

41. During this period nominal interest rates declined, reflecting two reinforcing elements. The first was the ample flow of resources made available as the public sector became a net supplier of funds. The second was the gradual reduction of inflation. Rates on commercial credits declined from about 32 percent in 1993 to 25.6 percent by end-1997, while those on six-month certificates of deposit fell from 26 to 14 percent during the same period. Rates on the central bank's short term paper—letras de regulación monetaria (LRMs)—declined from 21.9 percent in 1993 to 12.1 percent.

B. The Banking Crisis

42. Difficulties in the financial sector began to surface already in late 1994. Several local banks, citing liquidity problems, sought and obtained central bank financial support. Their problems turned out to be far more severe than initially assessed and in 1995, when they failed to meet their financial obligations, four of these banks and several small finance houses ("financieras") were intervened by the Banking Superintendency. The intervened institutions held about 12 percent of the system's deposit base.

43. All intervened institutions were locally owned, as were several others whose liquidity problems surfaced during this first episode. Many depositors, in a "flight to quality", transferred their liquid holdings to foreign owned banks. To avert further runs against the local banks and a possible breakdown of the payments system, the central bank provided massive liquidity assistance to the ailing institutions, resources that largely served to pay-off most depositors and external creditors. Despite this, the affected intermediaries had to be liquidated eventually at a substantial economic cost (see section C below). As private depositors' preferences for foreign owned banks did not subside, several public enterprises and institutions supported local banks by moving their deposits to locally owned banks. This decision would later compound the public sector's losses attributable to the crisis.

44. The bank failures were caused by several factors, including poor supervision and regulation, excessive risk taking, loans to related enterprises and, in some cases, outright fraud. Moreover, as the first round of interventions did not fully address these problems, the system was left vulnerable to future shocks. Although there were shortcomings in the existing legislation, what lacked most was the adequate implementation of existing regulations.⁵ Given that the most basic problems of the banking system were only slowly addressed, while weak—and even insolvent—institutions were allowed to continue to operate through regulatory forbearance, the emergence of further difficulties was only a matter of time. The

⁵See SM/97/229, pp. 7–8.

central bank continued to offer special liquidity support to financial institutions through various mechanisms during 1996 and 1997 (“Red de Seguridad” and “Préstamos de Rehabilitación”), but in mid 1997 a second wave of bank failures materialized, forcing the Banking Superintendency to intervene (and eventually liquidate) the largest local bank and the largest savings and loan company. Clients again shifted their deposits towards foreign owned banks, and the central bank, once again, provided liquidity assistance to locally owned banks. Problems were compounded by rumors about the nationalization of foreign currency deposits, which prompted depositors to seek safe havens abroad.

45. By 1997 the overall macroeconomic conditions were changing markedly. Particularly, the public sector’s overall financial position had deteriorated, and from a surplus equivalent to 1.6 percent of GDP in 1996, it had shifted to a deficit of 1.1 percent of GDP in 1997. The financial counterpart of this change was a net increase of ₡419 billion in the public sector’s use of resources from the banking system (Table 18). From a large net provider of funds, the public sector rapidly became a major user of funds. Interest rates on central bank paper reflected the change, increasing from below 10 percent at the end of 1996 to almost 30 percent in early 1998. International reserves declined and the exchange rate depreciated, increasing the attractiveness of foreign currency deposits which by mid 1998 had risen to 48 percent of total deposits.

46. The adverse macroeconomic developments further stressed the financial stability of the remaining local banks. As a result, in the course of the first nine months of 1998 several other banks were intervened by the Superintendency, including Banco Nacional de los Trabajadores, a large public bank that included in its capital base compulsory contributions made by wage-earners over the years.

C. Indicators of the Extent of the Crisis

47. Table 19 provides information regarding the extent of the financial crisis. In nominal guaraníes, the amount of nonperforming loans increased more than ten-fold since 1992. In contrast, consumer prices over the same period did so by a factor of 1.8, and credit to the private sector by a factor of 3.4. Furthermore, although capital and reserves increased from ₡300 billion to ₡1.1 trillion during this period, nonperforming loans by end-1997 represented 61 percent of the system’s capital base (versus 22 percent in 1992) and 13.3 percent of total credit to the private sector.

48. From another perspective, the extent of the crisis may be gauged by examining the size of central bank support to the financial system (Table 18). Credit to banks and other intermediaries increased from ₡187 billion in 1992 to ₡1.4 trillion by end-1997. Although part of this increase is the result of normal operations between the central bank and financial intermediaries, most of the increase is associated with support to ailing banks. The increase in the credit to banks was equivalent to approximately 20 percent of the total credit outstanding to the private sector at the end of 1997.

49. An upward limit to the quasi-fiscal costs of the crisis can be derived from Table 19. The total accumulated cost since 1995 could reach G2.9 trillion (US\$1.1 billion at today's exchange rate), or around 12 percent of GDP. The end result will depend on the size of the coverage that deposit insurance will provide to depositors—this is currently being debated in Congress, with a likely outcome of a maximum of 100 minimum wages (approximately US\$20,000) per account—and on the extent to which assets of the liquidated banks can be recovered. In addition, the central bank incurs losses estimated at some G120 billion (US\$40 million) per year on account of the sterilization of the liquidity increases stemming from the assistance to ailing banks and the monetization of the public deficit.

D. The Situation in 1998

50. The growth in monetary aggregates has decelerated. By end-September, adjusted⁶ broad money (a measure of both local and domestic currency deposits) was growing at an annual rate of 20 percent, down from 26 percent in September 1997. The decline, however, was not evenly distributed among different monetary aggregates. Foreign currency denominated deposits were moving up briskly, at an annual rate of 54 percent, while those denominated in local currency declined by 4 percent. The growth rate of guaraní cash holdings had declined to 12 percent, from 20 percent a year earlier. To some extent, the banking crisis has affected the demand for monetary aggregates within Paraguay inducing depositors to hold a larger share of their assets in safer markets abroad, as evidenced by the decline of BCP's international reserves during the year. However, other forces have also played a role: first, as in other countries in the region, the effects of the Asia crisis has induced capital outflows and a decline in the demand for local monies; second, the low level of economic activity has taken its toll on the growth rate of currency and demand deposits; third, the depreciation of the guaraní since end-1997 made foreign currency denominated deposits relatively more attractive; fourth, the expectations generated by the steady loss of reserves at the central bank during 1998 and by rumors of nationalization of deposits increased the demand for deposits abroad.

51. Interest rates increased over the first three quarters of 1998 partly reflecting an increase of inflationary expectations, but also as a deliberate policy response by the authorities to stabilize the foreign exchange markets. During the first half of 1997, interest rates on the central bank's LRM's had been held at about 11 percent. During the second half of the year they started to rise and reached 15 percent in December, and kept rising until May, when they surpassed the 30 percent level. Since then, they have come down slightly to about 27–28 percent at the end of the third quarter.

52. By end-September 1998, after the Banking Superintendency intervened the last group of ailing institutions, there were 23 banks still operating in Paraguay. Of these, Banco Nacional the Fomento, was the only remaining publicly owned bank, with a market share of

⁶Broad money adjusted to eliminate measurement problems created by the freezing of deposits in intervened banks.

about 11 percent.⁷ Another five institutions, holding approximately 9 percent of deposits, were locally owned by the private sector. Nine branches of foreign financial institutions held a market share of 49 percent, while banks with majority foreign capital held the remaining market share, 31 percent.

IV. EXTERNAL SECTOR

A. Overview

53. The current account of the balance of payments showed increasing deficits during the 1990s, which reached the equivalent of 5 percent of GDP in 1997 (Table 23). The deficit narrowed to 3 percent in 1998, mainly due to a sharp decline in imports, reflecting the slowdown in economic activity.

54. Difficulties in the financial system since 1995, and the resulting loss of confidence in the Paraguayan economy resulted in substantial capital outflow and loss of reserves. Net international reserves dropped from almost US\$1.2 billion in mid-1996 to around US\$700 million (or two months of imports) in October 1998. In December 1997, the central bank temporarily ceased to intervene in the foreign exchange market and let the guaraní depreciated by about 20 percent against the U.S. dollar in the following months. Since April 1998, the exchange rate has been kept relatively stable.

B. Balance of Payments Developments

Merchandise trade

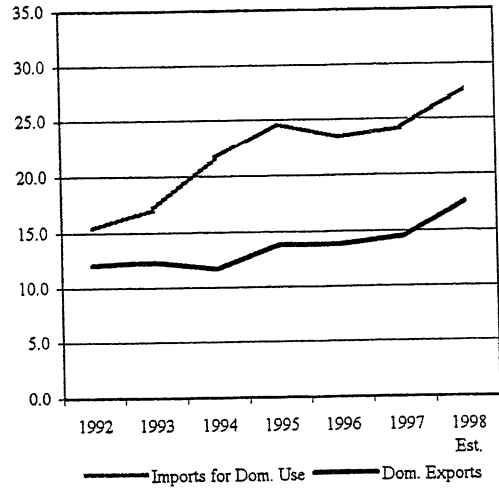
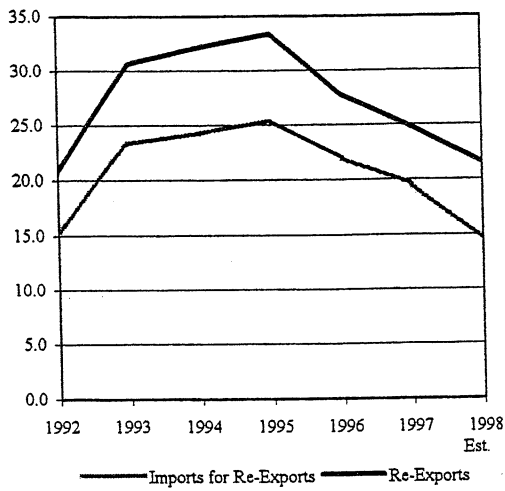
55. From a surplus position in the early 1990s, Paraguay's trade balance shifted into small deficits after 1994. Given that this development took place in circumstances where the main trading partners were growing at a faster rate than Paraguay, it reflects a structural weakening of the country's competitive position and an increasing deterioration of the fiscal balance. In 1998, a contraction of domestic demand in the wake of a banking crisis led to a temporary reduction in the trade deficit.

56. Paraguay has traditionally followed an open trade policy. This has kept price distortions low, but also favored the emergence of a large sector based on reexport trade and contraband to higher-tariff neighboring countries. Figure 2 compares the magnitudes of reexports and trade for domestic use. Reexports increased sharply during the mid-1990s, fueled by tariff differentials and a surge in Brazilian consumption following the *real* stabilization plan in 1994. By 1995, reexports reached 33 percent of GDP. The insertion of

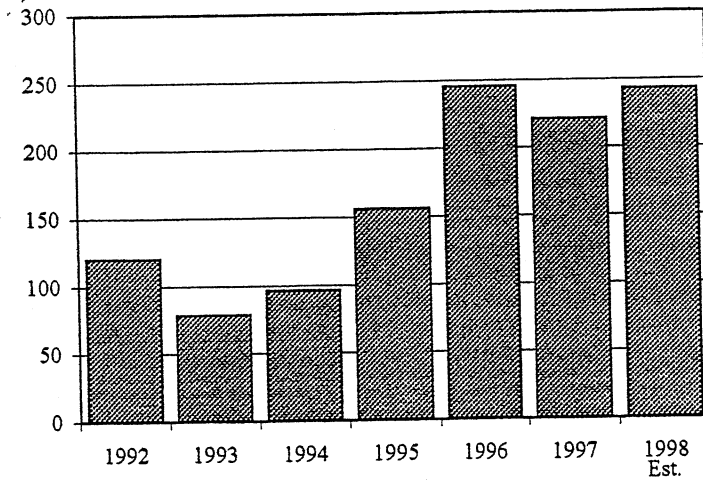
⁷Market share here refers to percent of total banking system deposits. Shares when calculated as a percentage of total assets or loans do not differ much from those based on deposits.

Figure 2.

Merchandise Trade
in percent of GDP



Foreign Direct Investment
in millions of US dollars



Paraguay into Mercosur in 1995 and the gradual convergence of tariff rates across the member countries have diminished the incentives for reexport trade, as have stricter controls along the Brazilian border. Reexports have dropped to 21 percent of GDP by 1998.

57. Since the value-added on reexports is estimated to be no more than 10 percent, their contribution to the external position of Paraguay has been rather modest. Figure 2 shows that the deterioration of the trade balance was mainly driven by a surge in imports for domestic use, and a sluggish performance of final exports. Between 1992 and 1998, imports for domestic markets almost doubled relative to GDP, from 15 to 28 percent. The steepest increase coincided with Paraguay's accession to Mercosur in 1995, and is consistent with the experience in other countries of the customs union.

58. Paraguayan exports also improved their performance, although at a slower pace. Their share in GDP rose from 12 percent in 1992 to just below 18 percent in 1998. This increase was based mainly on exports of primary agricultural products (Table 24). In 1997, 61 percent of registered exports consisted of primary products, and most of the rest were manufactures derived from primary inputs. There has been a significant shift from raw primary products to more value-added agricultural manufactures, which increased their share in exports from 17 percent in 1990 to 39 percent in 1997. The diversification and industrialization of Paraguayan exports has certainly benefitted from increased inflows of foreign direct investment. In dollar terms, foreign direct investment rose threefold after Paraguay joined Mercosur, and is now almost sufficient to finance the current account deficit. Most foreign direct investment takes place in agriculture and banking, being supported by Law 60/90, which grants generous exemptions from profit taxes and the VAT for up to 10 years.

The service, factor income and transfers account

59. The service account of Paraguay has been in deficit during all of the last ten years. This is mostly due to a negative transport balance, which is closely linked to the reexport trade. Following a significant reduction in foreign debt, the factor income balance turned positive after 1993. The surplus was amplified by receipts of royalties from the Itaipú and Yacyretá hydroelectric dams—which Paraguay co-owns with Brazil and Argentina, respectively. Paraguay's transfer account is traditionally positive due to remittances of Paraguayans living abroad. Around 500,000 Paraguayans are living and working in Argentina and Brazil, and there is a large community in the United States.

Public sector external debt

60. The public sector's external debt is relatively low in Paraguay, having declined from 32 percent of GDP in 1990 to 16 percent in 1998. This decline was the result of the surpluses registered in the overall balance of the public sector until 1997 and a one-shot payment of the debt to Paris club members in 1992. Almost all Paraguayan public debt is held by official institutions. Multilateral institutions—mainly the IDB—hold nearly $\frac{2}{3}$ of all public debt,

whereas official bilateral creditors—especially Japan—hold the rest. Only 1 percent of the public debt is owed to commercial banks.

C. The Exchange and Trade System

61. Paraguay has a managed floating exchange rate regime, in which the BCP intervenes periodically in the currency market to avoid sharp swings in the value of the guaraní, and adjusts the exchange rate broadly in line with the inflation differential with main trading partners. The real effective exchange rate appreciated by 2.4 percent in 1997, following an appreciation of 4.1 percent in 1996. However, pressure on the exchange rate increased substantially in the final months of 1997, and the BCP allowed the currency to depreciate more rapidly during January-April 1998. As a result, the real effective exchange rate depreciated by 9.6 percent in the first 8 months of 1998. However, it continues to be about 15 percent above its value during the 1989–1990 period, when the current account balance registered a small surplus.

62. Paraguay has a relatively free trade regime, with no quantitative restrictions on imports or exports. Paraguay implemented the Mercosur trade agreement in January 1995, eliminating most tariffs on trade with Argentina, Brazil and Uruguay, and adopting a common external tariff which ranges from 0 percent for raw materials and intermediate goods to 20 percent for luxury cars. Capital goods are subject to a 5 percent tariff, whereas most consumption goods are subject to a 10 percent tariff. Paraguay is allowed exemptions from the common external tariff for capital goods, telecommunication products, automotive products and 399 other selected items, consisting mostly of inputs to production and goods destined for the tourist industry. These exemptions are to be phased out gradually by January 2006.

Table 1. Paraguay: National Accounts at Current Prices

	1992	1993	1994	1995	1996	1997	Est. 1998
(In billions of guaranies)							
Consumption expenditure	7,573.5	9,486.7	11,858.4	14,466.9	16,250.6	17,347.8	19,790.7
Public sector	764.1	1,014.5	1,283.0	1,629.8	1,967.0	2,189.7	2,493.0
Private sector	6,809.4	8,472.3	10,575.4	12,837.1	14,283.6	15,158.1	17,297.7
Gross domestic investment	2,009.8	2,340.5	3,494.1	4,234.6	4,635.1	4,930.1	4,981.6
Public sector	353.4	387.5	516.8	941.9	877.6	1,565.3	1,615.1
Private sector	1,656.4	1,953.0	2,977.3	3,292.8	3,757.5	3,364.8	3,366.5
Fixed capital formation	1,912.1	2,230.9	3,366.5	4,082.8	4,478.4	4,749.1	4,777.8
Changes in inventories	97.6	109.6	127.7	151.8	156.7	181.0	203.8
Gross domestic expenditure	9,583.2	11,827.2	15,352.5	18,701.5	20,885.7	22,277.9	24,772.3
External sector (G&NFS)	87.0	164.5	-392.4	-1,002.9	-980.4	-1,343.5	-1,050.4
Exports of goods and nonfactor services	3,865.1	6,056.6	7,470.7	9,387.6	9,380.1	9,459.7	10,668.7
Imports of goods and nonfactor services	-3,778.1	-5,892.1	-7,863.2	-10,390.5	-10,360.5	-10,803.3	-11,719.0
GDP at market prices	9,670.2	11,991.7	14,960.1	17,698.6	19,905.3	20,934.4	23,721.9
(In percent of GDP)							
Consumption expenditure	78.3	79.1	79.3	81.7	81.6	82.9	83.4
Public sector	7.9	8.5	8.6	9.2	9.9	10.5	10.5
Private sector	70.4	70.7	70.7	72.5	71.8	72.4	72.9
Gross domestic investment	20.8	19.5	23.4	23.9	23.3	23.6	21.0
Public sector	3.7	3.2	3.5	5.3	4.4	7.5	6.8
Private sector	17.1	16.3	19.9	18.6	18.9	16.1	14.2
Fixed capital formation	19.8	18.6	22.5	23.1	22.5	22.7	20.1
Changes in inventories	1.0	0.9	0.9	0.9	0.8	0.9	0.9
Gross domestic expenditure	99.1	98.6	102.6	105.7	104.9	106.4	104.4
External sector (G&NFS)	0.9	1.4	-2.6	-5.7	-4.9	-6.4	-4.4
Exports of goods and nonfactor services	40.0	50.5	49.9	53.0	47.1	45.2	45.0
Imports of goods and nonfactor services	-39.1	-49.1	-52.6	-58.7	-52.0	-51.6	-49.4
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Table 2. Paraguay: National Accounts at 1982 Prices

	1992	1993	1994	1995	1996	1997	Est. 1998
(In millions of 1982 guaranies)							
Consumption expenditure	937.1	1,010.6	1,080.8	1,104.4	1,121.5	1,162.6	1,153.8
Public sector	75.2	83.0	89.9	100.7	110.7	115.1	117.1
Private sector	861.9	927.7	990.9	1,003.8	1,010.9	1,047.5	1,036.7
Gross domestic investment	201.5	195.5	259.4	276.5	276.2	269.4	238.7
Fixed capital formation	192.3	187.1	237.7	254.6	254.3	249.1	218.2
Changes in inventories 1/	9.2	8.4	21.7	21.9	21.8	20.3	20.4
Gross domestic expenditure	1,138.6	1,206.1	1,340.2	1,380.9	1,397.7	1,432.1	1,392.4
External Sector (G&NFS)	-171.3	-198.7	-301.7	-293.5	-296.5	-302.4	-256.0
Exports of goods and nonfactor services	278.9	315.7	307.6	393.3	395.3	440.8	456.7
Imports of goods and nonfactor services	-450.1	-514.5	-609.3	-686.8	-691.7	-743.2	-712.7
GDP at market prices	967.3	1,007.4	1,038.5	1,087.4	1,101.2	1,129.7	1,136.5
(Percentage change)							
Consumption expenditure	-2.2	7.8	6.9	2.2	1.5	3.7	-0.8
Public sector	8.7	10.3	8.3	12.0	9.9	4.0	1.7
Private sector	-3.1	7.6	6.8	1.3	0.7	3.6	-1.0
Gross domestic investment	-11.1	-3.0	32.7	6.6	-0.1	-2.4	-11.4
Fixed capital formation	-11.5	-2.7	27.0	7.1	-0.1	-2.0	-12.4
Changes in inventories 1/	0.0	-0.1	1.3	0.0	0.0	-0.1	0.0
Gross domestic expenditure	-3.9	5.9	11.1	3.0	1.2	2.5	-2.8
Net exports 1/	6.7	-2.8	-10.2	0.8	-0.3	-0.5	4.1
Exports of goods and nonfactor services	-1.3	13.2	-2.6	27.8	0.5	11.5	3.6
Imports of goods and nonfactor services	-13.0	14.3	18.4	12.7	0.7	7.4	-4.1
GDP at market prices	1.8	4.1	3.1	4.7	1.3	2.6	0.6

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

1/ Contribution to GDP growth.

Table 3. Paraguay: Savings-Investment Balance

(In percent of GDP)

	1992	1993	1994	1995	1996	1997	Est. 1998
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Domestic expenditure	99.1	98.6	102.6	105.7	104.9	106.4	104.5
Consumption	78.3	79.1	79.3	81.7	81.6	82.9	83.5
Public sector	7.9	8.5	8.6	9.2	9.9	10.5	10.6
Private sector	70.4	70.7	70.7	72.5	71.8	72.4	72.9
Gross domestic investment	20.8	19.5	23.4	23.9	23.3	23.6	21.0
Public sector	3.7	3.2	3.5	5.3	4.4	7.5	6.9
Private sector	17.1	16.3	19.9	18.6	18.9	16.1	14.1
Gross national savings	22.1	23.1	22.6	19.9	20.0	18.5	17.9
Public sector 1/	3.6	4.3	4.9	7.8	6.1	6.7	5.6
Private sector	18.5	18.8	17.7	12.1	13.9	11.9	12.3
Current account balance	1.3	3.6	-0.7	-4.1	-3.3	-5.0	-3.1
Public sector overall balance	0.0	1.1	1.5	2.5	1.7	-0.8	-1.2
Private savings-investment balance	1.4	2.5	-2.2	-6.5	-4.9	-4.2	-1.9

Source: Central Bank of Paraguay; and Fund staff estimates.

Table 4. Paraguay: GDP by Sector of Origin at Current Prices

	1992	1993	1994	1995	1996	1997	Est. 1998
(In billions of guaranías)							
GDP at market prices	9,670.2	11,991.7	14,960.1	17,698.6	19,905.3	20,934.4	23,721.9
Agriculture, hunting, and fishing	1,467.7	1,865.8	2,209.2	2,774.4	3,354.7	3,201.5	3,684.7
Livestock	640.3	747.9	901.5	1,072.2	1,106.7	1,278.4	1,483.3
Forestry	261.1	325.9	439.7	540.4	587.0	640.8	735.3
Manufacturing	1,643.2	1,979.5	2,352.0	2,769.7	3,062.6	3,193.1	3,631.9
Construction	558.9	709.5	898.3	1,053.7	1,199.3	1,308.2	1,503.7
Utilities	301.7	407.1	585.8	762.4	889.4	913.2	1,078.0
Transport and communications	384.7	470.2	584.1	650.6	729.4	808.1	937.7
Commerce and finance	2,929.9	3,646.3	4,558.4	5,217.2	5,598.1	5,787.4	6,323.1
General Government	402.2	507.7	638.3	774.6	930.2	1,065.4	1,103.6
Other 1/	1,080.6	1,331.9	1,792.8	2,083.4	2,447.9	2,738.3	3,240.6
(In percent of GDP)							
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture, hunting, and fishing	15.2	15.6	14.8	15.7	16.9	15.3	15.5
Livestock	6.6	6.2	6.0	6.1	5.6	6.1	6.3
Forestry	2.7	2.7	2.9	3.1	2.9	3.1	3.1
Manufacturing	17.0	16.5	15.7	15.6	15.4	15.3	15.3
Construction	5.8	5.9	6.0	6.0	6.0	6.2	6.3
Utilities	3.1	3.4	3.9	4.3	4.5	4.4	4.5
Transport and communications	4.0	3.9	3.9	3.7	3.7	3.9	4.0
Commerce and finance	30.3	30.4	30.5	29.5	28.1	27.6	26.7
General Government	4.2	4.2	4.3	4.4	4.7	5.1	4.7
Other 1/	11.2	11.1	12.0	11.8	12.3	13.1	13.7

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

Table 5. Paraguay: GDP by Sector of Origin at Constant 1982 Prices

	1992	1993	1994	1995	1996	1997	Est. 1998
(In millions of 1982 guaranies)							
GDP at market prices	967.3	1,007.4	1,038.5	1,087.4	1,101.2	1,129.7	1,136.4
Agriculture, hunting, and fishing	151.4	162.8	158.0	176.0	178.1	186.8	192.4
Livestock	75.1	77.1	79.4	81.9	83.3	87.9	90.5
Forestry	27.6	28.3	29.2	30.1	30.4	31.0	31.6
Manufacturing	151.3	154.3	156.6	161.3	157.8	157.5	159.0
Construction	52.4	53.9	55.8	58.0	59.8	60.4	61.6
Utilities	36.2	41.4	49.9	57.2	60.7	62.9	65.9
Transport and communications	45.8	47.3	49.2	50.9	52.2	54.2	55.8
Commerce and finance	257.0	266.8	278.2	282.6	279.8	280.3	271.9
General Government	46.4	48.4	51.5	55.2	60.7	64.9	59.7
Other 1/	124.2	127.1	130.7	134.2	138.4	143.9	148.0
(Percentage change)							
GDP at market prices	1.8	4.1	3.1	4.7	1.3	2.6	0.6
Agriculture, hunting, and fishing	-1.3	7.6	-3.0	11.4	1.2	4.9	3.0
Livestock	1.3	2.7	3.0	3.1	1.7	5.5	3.0
Forestry	4.7	2.5	3.4	3.1	1.0	2.0	1.9
Manufacturing	0.4	2.0	1.5	3.0	-2.2	-0.2	1.0
Construction	5.0	2.7	3.6	3.9	3.1	0.9	2.1
Utilities	10.8	14.1	20.6	14.6	6.1	3.6	4.8
Transport and communications	2.5	3.4	4.0	3.5	2.6	3.8	3.0
Commerce and finance	0.6	3.8	4.3	1.6	-1.0	0.2	-3.0
General Government	7.8	4.3	6.4	7.2	10.0	6.9	-8.0
Other 1/	3.5	2.4	2.8	2.7	3.1	4.0	2.9

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

Table 6. Paraguay: Volume of Agricultural Production 1/

	1992	1993	1994	1995	1996	1997
	(1982 = 100)					
Wheat	462.1	598.6	528.6	293.5	764.6	563.4
Corn	272.6	266.2	279.9	494.8	396.5	639.5
Rice	171.2	247.7	259.4	289.5	281.4	301.5
Manioc	58.0	59.5	56.4	68.4	61.7	77.7
Soybeans	292.9	324.7	325.1	400.5	433.6	483.5
Sugarcane	148.4	149.7	149.0	145.6	154.6	157.0
Cotton	183.2	196.9	177.8	215.9	154.4	65.7
Oranges	76.7	77.4	74.2	74.6	75.0	82.0
Tomatoes	135.5	139.7	128.2	132.1	136.4	141.6
Beans	22.6	25.4	25.6	35.7	35.0	44.8
Bananas	81.3	81.9	69.0	63.5	60.8	64.0
	(Percentage change)					
Memorandum items						
Wheat	26.6	29.5	-11.7	-44.5	160.5	-26.3
Corn	12.0	-2.3	5.1	76.8	-19.9	61.3
Soybeans	56.6	10.9	0.1	23.2	8.3	11.5
Cotton	-38.0	7.5	-9.7	21.4	-28.5	-57.4

Sources: Central Bank of Paraguay; and Fund Staff estimates.

1/ Agricultural years; for example, 1991 refers to the 1990/91 agricultural year.

Table 7. Paraguay: Value of Agricultural Production 1/

	1991	1992	1993	1994	1995	1996	1997
(In billions of guaraníes)							
Total production	1,550.2	1,628.1	2,067.6	2,447.5	3,030.9	3,628.1	3,457.8
Wheat	42.3	67.3	88.1	78.5	54.4	156.4	77.2
Corn	115.6	127.8	144.5	194.8	334.2	429.8	350.5
Rice	16.0	18.4	22.0	30.7	41.3	34.9	36.0
Manioc	294.7	274.2	302.8	380.2	574.2	667.4	530.0
Soybeans	195.2	377.3	557.8	635.7	663.7	1,022.1	1,321.7
Cotton	314.3	165.9	257.9	296.7	433.5	238.7	128.2
Other	572.1	597.2	694.5	830.9	929.6	1,078.8	1,014.2
(Percentage distribution)							
Total production	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Wheat	2.7	4.1	4.3	3.2	1.8	4.3	2.2
Corn	7.5	7.8	7.0	8.0	11.0	11.8	10.1
Rice	1.0	1.1	1.1	1.3	1.4	1.0	1.0
Manioc	19.0	16.8	14.6	15.6	18.9	18.4	15.3
Soybeans	12.6	23.2	27.0	26.0	22.0	28.2	38.2
Cotton	20.3	10.2	12.5	12.1	14.3	6.6	3.7
Other	36.9	36.8	33.5	33.8	30.6	29.7	29.3

Sources: Central Bank of Paraguay, and Fund staff estimates.

1/ Agricultural years; for example, 1991 refers to the 1990/91 agricultural year.

Table 8. Paraguay: Production, Area Cultivated and Yields of Selected Crops 1/2/

(Production in metric tons; area in thousands of hectares; yields in kg/hectare)

	1992	1993	1994	1995	1996	1997
Corn						
Production	449,700	439,145	461,665	816,166	654,074	1,055,661
Area	258	249	218	331	325	384
Yield	1,743	1,763	2,114	2,466	2,015	2,749
Cotton						
Production	391,380	420,772	379,877	461,239	329,751	139,096
Area	437	421	381	332	307	111
Yield	895	999	997	1,389	1,075	1,253
Manioc						
Production	2,591,320	2,655,962	2,517,970	3,054,394	2,757,358	3,155,000
Area	179	184	174	211	191	220
Yield	14,448	14,448	14,448	14,448	14,448	14,341
Rice						
Production	53,990	78,125	81,809	91,293	88,747	94,858
Area	18	24	24	26	27	29
Yield	2,999	3,237	3,387	3,497	3,252	3,271
Soybeans						
Production	1,192,074	1,793,544	1,795,792	2,212,109	2,394,794	2,670,003
Area	595	635	694	736	833	940
Yield	2,004	2,825	2,587	3,008	2,875	2,840
Sugarcane						
Production	2,788,210	2,811,460	2,799,318	2,576,000	2,736,000	2,795,000
Area	56	56	56	56	57	58
Yield	49,870	50,258	50,314	46,000	48,000	48,190
Tobacco						
Production	8,300	8,471	8,520	6,945	8,156	14,024
Area	4	5	5	5	5	8
Yield	1,878	1,872	1,878	1,534	1,631	1,753
Wheat						
Production	328,406	425,421	375,679	208,617	543,435	400,189
Area	183	192	175	172	221	224
Yield	1,797	2,213	2,149	1,209	2,454	1,787

Sources: Ministry of Agriculture; and Fund staff estimates.

1/ Agricultural years; for example, 1991 refers to the 1990/91 agricultural year. Data include seeds.
2/ Data may not fully agree with those in Table 8 because of differences in sources and methodology.

Table 9. Paraguay: Value-Added in Manufacturing

	1992	1993	1994	1995	1996	1997
(In billions of 1982 guaranies)						
All industries	151.3	154.3	156.6	161.3	157.7	157.5
Light consumer industries	87.2	86.3	91.4	95.3	95.1	98.9
<i>Of which:</i> Foodstuffs	52.1	49.8	53.2	54.1	55.1	56.9
Beverages	12.0	13.8	15.2	16.7	16.6	17.5
Shoes	3.1	2.5	1.9	2.0	2.2	2.2
Handicrafts	10.9	10.5	10.8	11.5	10.2	10.2
Printing and publishing	5.5	6.6	7.1	7.8	8.1	9.0
Others	3.5	3.2	3.2	3.2	2.9	3.1
Intermediate products	61.5	65.9	63.9	64.6	61.3	58.6
<i>Of which:</i> Wood and lumber	19.9	21.0	23.2	24.5	23.5	24.7
Textiles	10.1	10.2	9.2	10.2	8.1	4.9
Leather and hides	4.7	5.9	5.6	6.1	7.3	7.1
Petroleum derivatives	10.7	8.6	8.8	6.4	5.0	4.1
Nonmetallic mineral products	6.2	6.4	6.0	6.9	6.9	6.7
Metallic products	2.1	1.8	1.0	1.0	1.0	1.0
Others	7.9	12.1	10.0	9.5	9.3	10.1
Machinery, appliances and transport	2.6	2.0	1.4	1.4	1.4	1.4
(Percentage change)						
All industries	0.4	2.0	1.5	3.0	-2.2	-0.1
Light consumer industries	-0.3	-0.9	5.8	4.3	-0.3	4.0
<i>Of which:</i> Foodstuffs	10.8	-4.4	6.7	1.7	1.8	3.3
Beverages	-1.4	14.4	10.7	9.7	-0.2	5.4
Shoes	-17.3	-19.2	-24.7	4.8	10.0	0.0
Handicrafts	-27.5	-4.0	2.7	6.4	-11.5	0.0
Printing and publishing	17.1	20.0	8.6	10.3	3.9	11.1
Others	-24.7	-9.1	-1.3	0.8	-10.8	6.9
Intermediate products	2.2	7.1	-3.1	1.1	-5.2	-4.4
<i>Of which:</i> Wood and lumber	12.7	5.6	10.7	5.8	-4.1	5.1
Textiles	3.5	0.3	-9.7	10.8	-20.3	-39.5
Leather and hides	63.9	25.2	-5.1	9.3	18.9	-2.7
Petroleum derivatives	-14.8	-19.2	2.3	-27.7	-21.2	-18.0
Nonmetallic mineral products	2.6	3.8	-6.1	15.2	0.5	-2.9
Metallic products	-17.0	-17.4	-42.2	1.8	-0.8	0.0
Others	-11.0	54.0	-17.2	-5.1	-1.6	8.6
Machinery, appliances and transport	-16.2	-21.2	-31.6	-0.9	0.0	-0.9
(Percentage distribution)						
All industries	100.0	100.0	100.0	100.0	100.0	100.0
Light consumer industries	57.6	56.0	58.3	59.1	60.3	62.8
<i>Of which:</i> Foodstuffs	34.4	32.3	34.0	33.5	34.9	36.1
Beverages	8.0	8.9	9.7	10.3	10.6	11.1
Shoes	2.1	1.6	1.2	1.2	1.4	1.4
Handicrafts	7.2	6.8	6.9	7.1	6.4	6.5
Printing and publishing	3.6	4.3	4.6	4.9	5.2	5.7
Others	2.3	2.1	2.0	2.0	1.8	2.0
Intermediate products	40.7	42.7	40.8	40.1	38.8	37.2
<i>Of which:</i> Wood and lumber	13.1	13.6	14.8	15.2	14.9	15.7
Textiles	6.7	6.6	5.9	6.3	5.2	3.1
Leather and hides	3.1	3.8	3.6	3.8	4.6	4.5
Petroleum derivatives	7.0	5.6	5.6	3.9	3.2	2.6
Nonmetallic mineral products	4.1	4.2	3.8	4.3	4.4	4.3
Metallic products	1.4	1.1	0.6	0.6	0.6	0.6
Others	5.2	7.8	6.4	5.9	5.9	6.4
Machinery, appliances & transport	1.7	1.3	0.9	0.9	0.9	0.9

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

Table 10. Paraguay: Consumer Price Movements in Asunción 1/

(Annual percentage change)

	Food	Housing	Clothing	Other	All Items
Weights	37.0	27.7	9.0	26.3	100.0
I. Average					
1992	14.9	14.7	10.9	17.3	15.5
1993	17.3	18.5	12.4	21.5	18.3
1994	20.4	20.2	14.2	23.1	20.6
1995	13.8	14.3	13.7	12.2	13.4
1996	6.3	13.8	6.4	13.2	9.8
1997	4.4	9.1	3.5	9.8	7.0
II. End-of-Period					
1992	19.1	16.4	10.4	19.4	17.8
1993	21.0	17.9	14.3	23.0	20.4
1994	18.2	19.1	13.9	19.1	18.3
1995	7.4	14.3	10.9	12.6	10.5
1996	5.6	11.3	4.6	10.7	8.2
1997	4.2	8.0	3.5	8.4	6.2
1992					
March	8.7	13.7	13.1	15.7	12.0
June	16.2	12.2	10.5	15.9	14.8
September	18.2	15.0	9.1	18.2	16.7
December	19.1	16.4	10.4	19.4	17.8
1993					
March	17.4	17.6	9.9	21.9	18.0
June	16.7	20.2	13.2	22.1	18.6
September	13.9	18.2	13.9	20.3	16.6
December	21.0	17.9	14.3	23.1	20.4
1994					
March	23.4	21.3	15.4	23.8	22.4
June	20.9	19.6	13.7	23.8	20.9
September	21.6	20.0	13.5	22.6	20.9
December	18.2	19.1	13.9	19.1	18.3
1995					
March	15.5	13.6	15.8	12.7	14.3
June	16.8	15.2	14.9	12.3	15.0
September	11.5	15.3	12.6	11.4	12.3
December	7.4	14.3	10.9	12.6	10.5
1996					
March	6.4	17.5	7.0	15.2	11.1
June	5.9	13.6	6.0	13.5	9.6
September	7.2	11.8	5.9	13.3	9.8
December	5.6	11.3	4.6	10.7	8.2
1997					
March	7.2	10.0	4.0	10.8	8.6
June	6.5	9.7	2.5	9.9	7.9
September	2.8	8.4	2.5	8.7	5.9
December	4.1	7.8	2.9	8.6	6.2
1998					
March	4.0	7.9	1.4	10.6	6.6
June	9.6	10.1	4.9	15.3	10.8
September	16.0	11.1	7.8	17.9	15.0

Source: Central Bank of Paraguay.

1/ Refers to the metropolitan area, including Asunción and 14 other municipalities.

Table 11. Paraguay: Producer Prices

	Domestic Products	Imported Products	Total
I. Index			
1995			
December	100.0	100.0	100.0
1996			
March	107.7	104.7	106.8
June	108.3	105.6	107.5
September	110.2	106.2	109.0
December	109.0	106.6	108.3
1997			
March	107.3	107.0	107.2
June	107.8	108.1	107.9
September	107.8	108.8	108.1
December	109.5	111.9	110.2
1998			
March	115.1	119.1	116.3
June	123.5	124.0	123.6
II. Annual percentage change			
1997			
March	-0.4	2.2	0.4
June	-0.5	2.4	0.4
September	-2.2	2.4	-0.8
December	0.5	5.0	1.8
1998			
March	7.3	11.3	8.5
June	14.6	14.7	14.6

Source: Central Bank of Paraguay.

Table 12. Paraguay: Labor Market Indicators 1/

	1992	1993	1994	1995	1996	1997
I. Wage Indices, End-of-Period						
(1980 = 100)						
Nominal wage indices						
Wages	1,084.1	1,299.7	1,600.8	1,893.7	2,100.1	2,249.6
Private sector minimum wage	1,165.6	1,325.0	1,641.7	1,891.0	2,126.2	2,393.3
Real wage indices 2/						
Wages	99.7	99.3	103.4	110.6	113.4	114.4
Real private sector minimum wage	113.6	109.2	112.2	114.1	116.7	122.8
(Percentage change)						
Nominal wage indices						
Wages	14.5	19.9	23.2	18.3	10.9	7.1
Private sector minimum wages	5.0	13.8	23.9	15.0	12.4	12.6
Real wage indices 2/						
Wages	-2.7	-0.4	4.1	7.0	2.5	0.9
Private sector minimum wage	-8.9	-3.8	2.8	1.7	2.3	5.2
II. Labor Market Indicators, Midyear						
(In percent)						
Employment growth	1.3	2.8	4.1	2.5	4.5	1.7
Unemployment rate	9.8	9.0	9.4	8.1	8.2	7.1
Underemployment rate	17.5	15.9	16.9	18.2	20.7	23.0

Sources: Technical Planning Secretariat; Central Bank of Paraguay; and Fund staff estimates.

1/ Refers to greater Asuncion.

2/ Using the consumer price index as the deflator.

Table 13. Paraguay: Operations of the Consolidated Public Sector

	1992	1993	1994	1995	1996	1997	Est. 1998
(In billions of guaranies)							
Revenue	1,621.1	1,983.0	2,624.5	3,677.0	3,949.0	4,391.7	4,900.5
Tax revenue	921.5	1,120.6	1,593.6	2,152.6	2,285.2	2,463.5	2,714.5
Nontax revenue and grants	542.7	672.2	825.9	1,032.4	1,212.1	1,389.8	1,605.4
Public enterprises' operating surplus	132.8	174.4	196.8	457.0	425.6	482.5	531.0
Capital revenue	24.1	15.7	8.3	35.0	26.1	55.9	49.6
Current expenditure	1,268.7	1,467.3	1,886.6	2,298.0	2,741.0	2,994.8	3,573.7
Wages and salaries	616.5	807.2	1,041.2	1,307.5	1,591.3	1,781.3	2,076.8
Goods and services	147.6	207.3	241.8	322.4	375.7	408.4	416.2
Interest payments	126.6	93.4	100.1	129.1	96.5	101.7	196.9
Transfers	332.5	334.1	384.9	514.8	647.8	674.6	754.6
Other	45.5	25.4	118.6	24.3	29.7	28.8	129.2
Capital expenditure	353.4	387.5	516.8	941.9	877.6	1,565.3	1,615.1
Current account balance	352.4	515.6	737.9	1,379.1	1,208.0	1,396.9	1,326.8
Overall balance	-0.9	128.1	221.1	437.2	330.4	-168.4	-288.3
Financing	0.9	-128.1	-221.1	-437.2	-330.4	168.4	288.3
External financing	-571.4	-34.1	54.2	-26.8	25.1	134.6	252.7
Internal financing	572.3	-94.0	-275.3	-410.4	-355.6	33.8	35.6
(In percent of GDP)							
Revenue	16.8	16.5	17.5	20.8	19.8	21.0	20.8
Tax revenue	9.5	9.3	10.7	12.2	11.5	11.8	11.5
Nontax revenue and grants	5.6	5.6	5.5	5.8	6.1	6.6	6.8
Public enterprises' operating surplus	1.4	1.5	1.3	2.6	2.1	2.3	2.3
Capital revenue	0.2	0.1	0.1	0.2	0.1	0.3	0.2
Current expenditure	13.1	12.2	12.6	13.0	13.8	14.3	15.2
Wages and salaries	6.4	6.7	7.0	7.4	8.0	8.5	8.8
Goods and services	1.5	1.7	1.6	1.8	1.9	2.0	1.8
Interest payments	1.3	0.8	0.7	0.7	0.5	0.5	0.8
Transfers	3.4	2.8	2.6	2.9	3.3	3.2	3.2
Other	0.5	0.2	0.8	0.1	0.1	0.1	0.5
Capital expenditure	3.7	3.2	3.5	5.3	4.4	7.5	6.9
Current account balance	3.6	4.3	4.9	7.8	6.1	6.7	5.6
Overall balance	0.0	1.1	1.5	2.5	1.7	-0.8	-1.2

Sources: Ministry of Finance; and Fund staff estimates.

Table 14. Paraguay: Operations of the Central Government

	1992	1993	1994	1995	1996	1997	Est. 1998
(In billions of guaranies)							
Total Revenue	1,299.9	1,565.1	2,084.0	2,774.7	2,979.6	3,299.0	3,679.4
Tax revenue	921.5	1,120.6	1,593.6	2,152.6	2,285.2	2,463.5	2,714.5
Social security contributions	71.3	104.3	133.9	171.5	210.8	227.3	258.1
Income taxes	128.0	174.5	298.5	399.5	440.9	428.7	449.7
Taxes on goods and services	562.7	637.8	870.5	1,089.1	1,189.4	1,325.6	1,463.7
General sales tax	174.0	131.0	171.5	212.0	275.7	272.6	279.6
Value added tax	130.1	410.0	595.3	772.3	814.3	951.3	1,074.8
Stamp tax	136.6	65.2	74.3	64.9	68.3	75.1	84.4
Other	122.1	31.6	29.4	39.8	31.0	26.6	25.0
Taxes on international transactions	159.5	204.0	290.6	492.6	444.1	481.8	543.0
Import duties	159.4	204.0	290.6	492.6	444.1	481.8	543.0
Other	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenue	371.7	437.1	482.5	591.6	668.6	792.8	918.9
Itaipu	231.4	283.3	326.2	346.0	369.3	528.8	669.3
Other (incl. grants)	140.4	153.9	156.4	245.6	299.3	264.0	249.6
Capital revenue	6.6	7.3	7.9	30.5	25.8	42.7	46.1
Current expenditures	1,149.7	1,334.3	1,705.7	2,062.7	2,449.3	2,665.0	3,147.5
Wages and salaries	534.9	713.4	923.7	1,149.7	1,386.4	1,551.1	1,780.3
Goods and services	122.7	173.3	191.8	257.1	300.0	307.5	313.1
Interest payments	126.5	93.0	100.0	127.9	96.5	101.7	196.9
Transfers	321.2	333.6	385.5	511.4	644.5	686.6	737.0
Other	44.5	21.0	104.8	16.6	22.0	18.1	120.2
Capital expenditures	243.1	230.9	359.5	762.3	685.0	936.5	881.3
Capital formation	146.2	166.1	262.6	564.6	532.8	747.8	755.2
Capital transfers	96.9	64.8	96.9	171.2	132.9	140.3	126.1
Other	0.0	0.0	0.0	26.4	19.3	48.4	0.0
Current account balance	150.1	230.9	378.3	712.0	530.3	634.0	531.9
Overall balance	-92.9	-0.1	18.9	-50.2	-154.7	-302.5	-349.4
Financing	92.9	0.1	-18.9	50.2	154.7	302.5	349.4
External financing	-154.2	-100.1	19.1	118.6	67.8	147.0	-9.4
Internal financing	247.1	100.1	-37.9	-68.4	86.9	155.5	358.8
(In percent of GDP)							
Total Revenue	13.4	13.1	13.9	15.7	15.0	15.8	15.6
Tax revenue	9.5	9.3	10.7	12.2	11.5	11.8	11.5
Social security contributions	0.7	0.9	0.9	1.0	1.1	1.1	1.1
Income taxes	1.3	1.5	2.0	2.3	2.2	2.0	1.9
Taxes on goods and services	5.8	5.3	5.8	6.2	6.0	6.3	6.2
Taxes on international transactions	1.6	1.7	1.9	2.8	2.2	2.3	2.3
Nontax revenue	3.8	3.6	3.2	3.3	3.4	3.8	3.9
Itaipu	2.4	2.4	2.2	2.0	1.9	2.5	2.8
Other (including grants)	1.5	1.3	1.0	1.4	1.5	1.3	1.1
Capital revenue	0.1	0.1	0.1	0.2	0.1	0.2	0.2
Current expenditures	11.9	11.1	11.4	11.7	12.3	12.7	13.4
Wages and salaries	5.5	5.9	6.2	6.5	7.0	7.4	7.6
Goods and services	1.3	1.4	1.3	1.5	1.5	1.5	1.3
Interest payments	1.3	0.8	0.7	0.7	0.5	0.5	0.8
Transfers	3.3	2.8	2.6	2.9	3.2	3.3	3.1
Other	0.5	0.2	0.7	0.1	0.1	0.1	0.5
Capital expenditures	2.5	1.9	2.4	4.3	3.4	4.5	3.7
Current account balance	1.6	1.9	2.5	4.0	2.7	3.0	2.3
Overall balance	-1.0	0.0	0.1	-0.3	-0.8	-1.4	-1.5
Financing	1.0	0.0	-0.1	0.3	0.8	1.4	1.5
External financing	-1.6	-0.8	0.1	0.7	0.3	0.7	0.0
Internal financing	2.6	0.8	-0.3	-0.4	0.4	0.7	1.5

Sources: Ministry of Finance; and Fund staff estimates.

Table 15. Paraguay: Operations of IPS

	1992	1993	1994	1995	1996	1997	Est. 1998
(In billions of guaranies)							
Revenues	166.3	229.7	334.4	428.3	527.8	588.3	671.0
Social security contributions	155.6	193.3	268.0	332.0	388.0	434.6	491.2
Current transfers from central government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current revenue	10.1	33.9	66.4	96.3	139.8	150.9	176.8
Capital revenue	0.6	2.6	0.0	0.0	0.0	2.8	3.0
Current expenditures	100.7	129.0	172.7	223.6	278.5	321.0	415.6
Wages and salaries	32.3	47.3	57.7	80.0	108.6	125.3	188.5
Goods and services	19.0	26.4	35.7	49.6	56.6	81.3	84.3
Interest payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	49.0	52.5	67.7	88.5	108.3	106.3	136.1
Other	0.4	2.9	11.6	5.4	5.0	8.1	6.6
Capital expenditures	6.8	3.4	3.7	12.0	10.4	137.4	145.6
Current account balance	65.5	100.7	161.7	204.7	249.3	267.3	255.4
Overall balance	58.8	97.3	158.0	192.7	238.9	129.9	109.8
Financing	-58.8	-97.3	-158.0	-192.7	-238.9	-129.9	-109.8
External financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Internal financing	-58.8	-97.3	-158.0	-192.7	-238.9	-129.9	-109.8
(In percent of GDP)							
Revenues	1.7	1.9	2.2	2.4	2.7	2.8	2.8
Current expenditure	1.0	1.1	1.2	1.3	1.4	1.5	1.8
Wages and salaries	0.3	0.4	0.4	0.5	0.5	0.6	0.8
Goods and services	0.2	0.2	0.2	0.3	0.3	0.4	0.4
Interest payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	0.5	0.4	0.5	0.5	0.5	0.5	0.6
Other	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Capital expenditure	0.1	0.0	0.0	0.1	0.1	0.7	0.6
Current account balance	0.7	0.8	1.1	1.2	1.3	1.3	1.1
Overall balance	0.6	0.8	1.1	1.1	1.2	0.6	0.5
Financing	-0.6	-0.8	-1.1	-1.1	-1.2	-0.6	-0.5
External financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Internal financing	-0.6	-0.8	-1.1	-1.1	-1.2	-0.6	-0.5

Sources: Ministry of Finance; and Fund staff estimates.

Table 16. Paraguay: Rest of General Government (IBR, UNA)

	1992	1993	1994	1995	1996	1997	Est. 1998
(In billions of guaranies)							
Revenues	55.2	66.7	96.3	141.0	169.0	155.9	173.6
Current transfers from central government	34.7	46.8	64.1	80.2	99.4	111.7	113.3
Other current revenues	8.3	11.9	13.9	18.4	22.7	21.8	29.8
Capital revenues	12.2	8.0	18.3	42.4	46.9	22.4	30.5
Current expenditures	55.9	56.0	76.5	96.9	118.2	128.4	132.6
Wages and salaries	49.3	46.6	59.9	77.8	96.4	104.9	107.9
Goods and services	6.0	7.5	14.2	15.7	19.1	19.6	18.9
Interest payments	0.1	0.4	0.1	1.2	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0	1.2	3.5
Other	0.6	1.5	2.2	2.3	2.7	2.6	2.4
Capital expenditures	15.3	6.6	17.3	45.7	23.1	22.4	36.7
Current account balance	-0.7	10.7	19.8	44.1	50.8	27.5	40.9
Overall balance	-16.0	4.1	2.5	-1.6	27.7	5.1	4.3
Financing	16.0	-4.1	-2.5	1.6	-27.7	-5.1	-4.3
External financing	0.0	0.0	0.0	0.0	-0.3	0.0	0.0
Internal financing	16.0	-4.1	-2.5	1.6	-27.4	-5.1	-4.3

Source: Ministry of Finance; and Fund staff estimates.

Table 17. Paraguay: Operations of the Public Enterprises

	1992	1993	1994	1995	1996	1997	Est. 1998
(In billions of guaranies)							
Revenues	944.6	1,163.6	1,270.4	1,537.6	1,711.6	1,994.2	2,276.9
Sales of goods and services	920.0	1,152.6	1,257.8	1,524.3	1,704.7	1,977.4	2,269.1
Current transfers from central government	3.0	5.2	4.1	5.0	5.7	5.4	6.4
Capital revenue	21.5	5.8	8.5	8.4	1.1	11.4	1.4
Current expenditures	790.2	982.1	1,065.9	1,073.2	1,286.1	1,502.8	1,747.0
Wages and salaries	157.4	181.8	214.3	250.8	301.5	408.6	459.6
Goods and services	440.5	651.1	634.3	631.8	799.0	927.5	1,122.5
Interest payments	85.2	34.0	49.4	35.1	34.4	25.2	26.4
Transfers	39.1	75.3	109.1	134.7	138.7	11.2	17.0
Other	68.0	39.8	58.9	20.8	12.4	130.4	121.5
Capital expenditures	105.2	154.7	162.7	168.1	206.9	492.3	582.8
Current account balance	154.4	181.4	204.5	464.4	425.5	491.4	529.9
Overall balance	49.2	26.8	41.8	296.3	218.6	-1.0	-52.9
Financing	-49.2	-26.8	-41.8	-296.3	-218.6	1.0	52.9
External financing	-417.2	66.0	35.1	-145.5	-42.4	-12.4	262.1
Internal financing	368.0	-92.8	-76.9	-150.8	-176.2	13.3	-209.2
(In percent of GDP)							
Revenues	9.8	9.7	8.5	8.7	8.6	9.5	9.7
Current expenditures	8.2	8.2	7.1	6.1	6.5	7.2	7.4
Wages and salaries	1.6	1.5	1.4	1.4	1.5	2.0	1.9
Goods and services	4.6	5.4	4.2	3.6	4.0	4.4	4.8
Interest payments	0.9	0.3	0.3	0.2	0.2	0.1	0.1
Transfers	0.4	0.6	0.7	0.8	0.7	0.1	0.1
Other	0.7	0.3	0.4	0.1	0.1	0.6	0.5
Capital expenditures	1.1	1.3	1.1	0.9	1.0	2.4	2.5
Current account balance	1.6	1.5	1.4	2.6	2.1	2.3	2.2
Overall balance	0.5	0.2	0.3	1.7	1.1	0.0	-0.2
Financing	-0.5	-0.2	-0.3	-1.7	-1.1	0.0	0.2
External financing	-4.3	0.6	0.2	-0.8	-0.2	-0.1	1.1
Internal financing	3.8	-0.8	-0.5	-0.9	-0.9	0.1	-0.9

Sources: Ministry of Finance; and Fund staff estimates.

Table 18. Paraguay: Accounts of the Financial System

(In billions of guaraníes)

	1992	1993	1994	1995	1996	1997
I. Financial System						
Net foreign assets	1,296.3	1,664.4	2,355.2	2,329.6	2,628.3	2,120.7
Assets	1,374.8	1,831.3	2,582.7	3,172.2	3,069.4	2,758.7
Liabilities	78.6	167.0	227.5	842.6	441.0	638.0
Net domestic assets	2,285.4	2,877.0	3,333.1	4,526.2	5,408.0	7,255.8
Net claims on public sector	486.2	542.3	92.5	-246.2	-504.7	85.4
General government	398.0	437.7	11.6	-282.4	-479.3	-29.8
Rest of the public sector	88.2	104.6	80.9	36.2	-25.4	115.2
Credit to nonfinancial private sector	2,151.2	2,921.8	4,029.9	4,801.5	5,843.0	6,726.8
o.w. foreign currency	346.0	580.9	949.8	1,284.6	1,611.2	2,329.1
Net unclassified assets	-351.9	-587.1	-789.4	-29.1	69.7	443.6
Net intra-financial float	5.1	-30.7	-73.2	-131.7	0.8	-33.8
Medium & long term external liabilities	-233.2	-286.8	-189.0	-208.2	-208.0	-167.7
Capital and reserves	-863.4	-1,060.2	-1,473.7	-1,820.8	-2,162.0	-2,798.5
Official	-513.7	-548.2	-663.1	-831.3	-945.7	-1,392.1
Private	-349.7	-512.0	-810.6	-989.5	-1,216.3	-1,406.4
Liabilities to private sector	2,500.1	3,171.1	3,964.6	4,720.7	5,690.5	6,399.0
Currency in circulation	531.3	635.8	800.5	956.0	961.8	1,122.9
Local currency deposits	1,004.9	1,130.1	1,636.7	2,208.5	2,661.2	2,853.4
Demand deposits	272.3	324.9	472.1	583.4	608.9	666.2
Time and savings deposits	558.2	623.9	953.0	1,211.9	1,529.6	1,582.0
Certificates of deposit	174.4	181.2	211.6	413.2	522.6	605.2
Foreign currency deposits	756.1	1,156.6	1,333.8	1,375.2	1,926.7	2,421.6
Trust funds 1/	207.8	248.7	193.6	180.9	140.9	1.0

Table 18. Paraguay: Accounts of the Financial System (continued)

(In billions of guaraníes)

	1992	1993	1994	1995	1996	1997
II. Central Bank						
Net international reserves	979.3	1,264.3	1,992.7	2,189.7	2,233.7	1,967.4
Assets	986.7	1,281.6	2,008.9	2,320.8	2,323.4	2,085.5
Liabilities	7.5	17.4	16.2	131.1	89.8	118.0
Net domestic assets	369.1	425.1	133.7	-220.9	-326.2	855.2
Net claims on public sector	729.8	957.6	797.4	615.6	669.1	995.7
General government	566.5	782.4	632.9	464.6	519.4	730.6
Rest of the public sector	163.3	175.2	164.5	151.0	149.6	265.2
Net credit to the private sector	-3.8	-10.8	-19.9	-18.8	-39.9	-39.8
Net unclassified assets	-357.0	-521.7	-643.8	-817.7	-955.3	-100.7
Medium & long term external liabilities	-92.1	-98.3	-97.0	-93.5	-92.4	-94.4
Net position with fin. intermediaries	-391.6	-597.0	-920.8	-634.7	-575.3	-388.5
Credit to banks	170.3	102.8	98.1	761.7	926.1	1,211.6
Credit to rest of fin. System	16.5	16.2	15.6	44.4	128.0	200.8
Deposits from commercial banks	-540.7	-673.8	-863.0	-967.7	-1,064.1	-1,125.5
Deposits from rest of financial system	-37.7	-25.6	-42.7	-94.8	-76.1	-69.8
Bank and BNF holdings of LRM	0.0	-8.6	-93.3	-171.6	-230.3	-270.4
Rest of FS holdings (-) of LRM or LRM float (+)	0.0	0.6	57.8	-35.1	-28.7	-64.9
Bank vault cash	0.0	-8.6	-93.3	-171.6	-230.3	-270.4
Capital and reserves	-286.9	-304.1	-331.9	-376.5	-376.0	-1,356.5
Official	-286.9	-304.1	-331.9	-376.5	-376.0	-1,356.5
Private	0.0	0.0	0.0	0.0	0.0	0.0
Private sector currency holdings	577.7	689.9	776.8	864.1	863.8	983.3

Table 18. Paraguay: Accounts of the Financial System (continued)

(In billions of guaraníes)

	1992	1993	1994	1995	1996	1997
III. Commercial Banks						
Net foreign assets	317.0	400.1	362.5	139.3	393.3	137.3
Assets	388.1	549.7	573.7	850.7	744.5	657.2
Liabilities	71.1	149.6	211.3	711.5	351.3	519.9
Net domestic assets	1,463.0	1,876.9	2,407.6	3,089.2	3,909.9	4,647.2
Net claims on public sector	-243.6	-415.3	-704.9	-861.7	-1,173.8	-910.4
General government	-168.5	-344.6	-621.3	-747.0	-998.8	-760.4
Rest of the public sector	-75.1	-70.7	-83.6	-114.8	-175.1	-150.0
Credit to private sector	1,712.9	2,315.4	3,164.9	3,742.7	4,596.5	5,166.0
Of which: foreign currency	346.0	580.9	949.8	1,284.6	1,611.2	2,329.1
Net unclassified assets	-6.2	-23.1	-52.4	208.2	487.2	391.6
Medium & long term external liabilities	-73.0	-120.1	-28.4	-53.8	-50.0	-5.6
Net position with rest of fin. system	421.1	660.3	866.4	1,091.1	1,079.6	1,185.7
Vault cash	4.4					
Credit to (deposits in) Central Bank	588.2	744.0	855.5	1,029.9	1,169.0	1,184.1
Deposits (credit) from Central Bank	169.2	102.4	94.0	156.4	346.6	321.6
LRMs held by banks	0.0	8.6	93.3	171.6	230.3	270.4
Credit to (deposits in) rest of financial system	4.9	11.1	11.6	54.3	28.6	52.9
Deposits (credit) from rest of fin. system	2.8	0.9	0.0	8.4	1.7	0.0
Capital and reserves	-342.2	-483.0	-719.5	-839.8	-1,032.0	-1,237.8
Official	-50.6	-54.3	-75.1	-84.7	-95.6	-112.7
Private	-291.6	-428.7	-644.4	-755.1	-936.4	-1,125.1
Liabilities to private sector	1,789.2	2,334.3	2,893.1	3,426.0	4,300.7	4,726.9
Local currency deposits	825.3	929.0	1,365.7	1,871.3	2,243.0	2,314.5
Demand deposits	272.3	324.9	472.1	583.4	608.9	666.2
Time and savings deposits	404.1	432.1	688.0	891.4	1,172.3	1,185.5
Certificates of deposit	148.9	171.9	205.6	396.5	461.7	462.8
Foreign currency deposits	756.1	1,156.6	1,333.8	1,373.7	1,916.9	2,411.3
Trust funds	207.8	248.7	193.6	180.9	140.9	1.0

Table 18. Paraguay: Accounts of the Financial System (concluded)

(In billions of guaraníes)

	1992	1993	1994	1995	1996	1997
IV. Rest of Financial System						
Net foreign assets	0.0	0.0	0.0	0.7	1.4	16.0
Assets	0.0	0.0	0.0	0.7	1.4	16.0
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Net domestic assets	467.8	577.0	818.8	1,132.1	1,333.9	959.5
Net claims on the public sector	0.0	0.0	0.0	0.0	0.0	0.0
Credit to nonfinancial private sector	432.0	600.1	858.4	1,051.6	1,234.7	1,546.1
Net float	9.9	2.8	4.2	1.3	9.7	-63.3
Net unclassified assets	25.9	-25.9	-43.8	79.2	89.5	-523.3
Medium and long term foreign liabilities	-68.2	-68.4	-63.6	-60.9	-65.7	-67.7
Net position with banking system	14.3	-34.4	-61.9	-128.6	-87.7	-154.4
Vault cash	5.0	7.1	15.2	23.5	25.1	29.0
Credit to (deposits in) banking system	80.9	91.8	158.1	192.8	220.1	150.3
Deposits (credit) from rest of banking system	71.6	133.3	235.2	344.9	332.9	333.7
Capital and reserves	-234.3	-273.1	-422.3	-604.6	-754.0	-204.3
Official	-176.2	-189.8	-256.1	-370.2	-474.1	77.0
Private	-58.1	-83.3	-166.2	-234.4	-279.9	-281.3
Liabilities to private sector	179.6	201.1	271.0	338.7	428.0	549.2
Local currency deposits	179.6	201.1	271.0	337.2	418.2	538.9
Time and savings deposits	154.1	191.8	265.0	320.5	357.3	396.5
Certificates of deposit	25.5	9.3	6.0	16.7	60.9	142.4
Foreign currency deposits	0.0	0.0	0.0	1.5	9.8	10.3

Source: Central Bank of Paraguay.

1/ Letras de regulacion.

2/ Includes bond placements.

Table 19. Paraguay: Costs of Banking Rescue Operations 1/

(In billions of guaraníes)

	1995	1996	1997	1998	1999 2/	Total
BCP resources	704	0	236	396	0	1,335
Loans to banks	618	0	158	213	0	989
Losses on bonds (a-b)	0	0	78	168	0	246
a. Face value	0	0	113	230	0	343
b. Present value	0	0	35	62	0	97
Loans to finance houses	86	0	0	15	0	101
Deposit restitution 3/	0	0	0	65	672	737
Total BCP costs	704	0	236	461	672	2,073
Public enterprises	0	0	0	0	787	787
Grand total	704	0	236	461	1,459	2,859
(in US\$ million)	358	0	108	171	430	1,068
Memorandum item						
Exchange rate	1,963	2,057	2,178	2,700	3,390	...

Sources: Central Bank of Paraguay, Superintendent of Banks, and Fund staff estimates.

1/ Based on Sept/98 figures; the total is a likely maximum. Costs may be lower if assets are recuperated in liquidated banks.

2/ 1999 and beyond.

3/ 100 minimum wages.

Table 20. Paraguay: Banking System - Distribution of Credit to the Private Sector 1/ 2/

	1992	1993	1994	1995	1996	1997
(In billions of guaraníes)						
Total credit	1,483.8	1,996.4	2,802.8	3,502.8	4,302.1	5,222.4
National Development Bank	284.9	339.9	413.3	504.4	608.5	1,265.5
Agriculture	229.9	259.7	276.9	...	357.8	435.3
Cattle	5.9	13.0	24.4	...	43.5	...
Industry	38.1	51.3	68.8	...	134.4	242.8
Commerce	8.7	8.3	12.3	...	35.4	255.8
Exports	0.9	5.6	28.8	...	34.7	19.7
Other	1.4	2.0	2.1	...	2.7	311.9
Commercial banks	1,198.9	1,656.5	2,389.5	2,998.4	3,693.6	3,956.9
Agriculture	165.1	216.6	235.2	...	218.3	229.7
Cattle	44.4	49.4	80.5	...	129.5	69.4
Industry	115.6	146.6	192.6	...	409.0	487.7
Commerce	533.4	828.6	1,360.5	...	1,847.0	1,742.3
Exports	156.7	205.9	211.7	...	154.5	154.1
Other	183.7	209.4	309.0	...	935.3	1,273.7
(In percent)						
Total credit	100.0	100.0	100.0	100.0	100.0	100.0
National Development Bank	19.2	17.0	14.7	14.4	14.1	24.2
Agriculture	15.5	13.0	9.9	...	8.3	8.3
Cattle	0.4	0.7	0.9	...	1.0	...
Industry	2.6	2.6	2.5	...	3.1	4.6
Commerce	0.6	0.4	0.4	...	0.8	4.9
Exports	0.1	0.3	1.0	...	0.8	0.4
Other	0.1	0.1	0.1	...	0.1	6.0
Commercial banks	80.8	83.0	85.3	85.6	85.9	75.8
Agriculture	11.1	10.8	8.4	...	5.1	4.4
Cattle	3.0	2.5	2.9	...	3.0	1.3
Industry	7.8	7.3	6.9	...	9.5	9.3
Commerce	35.9	41.5	48.5	...	42.9	33.4
Exports	10.6	10.3	7.6	...	3.6	3.0
Other	12.4	10.5	11.0	...	21.7	24.4

Source: Central Bank of Paraguay.

1/ Excluding credit to the private sector from the Central Bank.

2/ Data in this table are not equal to the totals shown in Table 18 because of the use of different accounting exchange rates.

Table 21. Paraguay: Banking Soundness Indicators 1/ 2/

	1992	1993	1994	1995	1996	1997
(In billions of guaranies)						
Credit to private sector	1,483.7	1,996.4	2,802.7	3,651.9	4,596.5	5,166.0
Nonperforming loans	66.9	90.4	132.9	249.1	347.2	689.1
Capital and reserves	300.4	428.2	633.8	755.1	936.4	1,125.1
Reserves against nonperforming loans	28.0	40.2	76.5	67.9	173.9	248.8
(In percent)						
Nonperforming loans as percent of credit to private sector	4.5	4.5	4.7	6.8	7.6	13.3
Nonperforming loans as percent of capital and reserves	22.3	21.1	21.0	33.0	37.1	61.2
Reserves against nonperforming loans as percent of nonperforming loans	41.9	44.4	57.6	27.3	50.1	36.1

Source: Central Bank of Paraguay.

1/ Includes private banks and the National Development Bank.

2/ Data in this table are not equal to the totals shown in Table 18 because of the use of different accounting exchange rates.

Table 22. Paraguay: Interest Rate Structure

	1992	1993	1994	1995	1996	1997
I. Lending Operations						
Commercial banks						
Agriculture, industry, and exports	29.0	28.0	27.0	30.0	26.4	23.6
Commercial	30.0	32.0	33.0	31.0	27.2	25.6
Personal	31.0	35.0	37.0	30.0	35.6	31.2
National Development Bank						
Agriculture	25.0	25.0	29.0	27.0	24.5	24.3
Development	25.0	25.0	29.0	27.0	24.5	24.3
Commercial	33.0	33.0	31.0	32.0	26.0	27.1
Other institutions						
Cattle Fund	27.0	27.0	27.0	28.0	30.7	24.6
Finance companies	44.0	47.0	48.0	44.0	37.7	53.6
Paraguayan Institute for Housing and Urbanization/National Housing Board 3/	17.0	17.0	17.0	17.0
Bank Employees' Pension Fund	27.0	27.0	27.0	30.0	29.0	29.1
Technical Execution Program Unit	26.0	22.6	18.3	16.6
II. Deposits and Other Obligations						
Central Bank						
Central Bank's short term paper (LRM)	...	21.9	19.7	17.8	12.1	11.7
Banks						
Local currency deposits						
Savings deposits	10.0	11.0	11.0	10.0	9.0	7.0
Fixed deposits						
60 days	17.0	18.0	17.0	12.0	12.0	10.1
61 to 90 days	17.0	18.0	15.0	15.0	11.9	11.1
91 to 180 days	14.0	15.0	28.0	15.0	17.6	11.2
Over 180 days	14.0	12.0	...	13.0	9.0	12.0
Certificates of deposit 4/	20.0	23.0	23.0	20.0	16.4	14.3
Foreign currency deposits	6.0	5.0	8.0	6.0	5.9	5.4
Finance companies						
Promissory notes	26.0	28.0	27.0	26.0	21.2	21.6
Certificates of deposit	28.0	28.0	27.0	26.0	24.4	23.1

Source: Central Bank of Paraguay.

1/ Commission rates were applicable one time only.

2/ The Central Bank guarantees 75 percent of these bank loans.

3/ Maximum lending rate permissible is 22 percent, excluding commission. The Paraguayan Institute for Housing and Urbanization was legally abolished in March 1992, with all its assets and liabilities passing to the National Housing Board.

4/ Rates on six-month deposits.

Table 23. Paraguay: Balance of Payments

	1992	1993	1994	1995	1996	1997	Est. 1998
(In millions of U.S. dollars)							
Current account	86.6	245.0	-55.8	-363.8	-317.2	-482.9	-264.9
Trade balance	130.0	167.6	-181.5	-261.9	-378.5	-446.6	-276.0
Exports	2,118.0	2,947.2	3,422.0	4,231.2	4,003.7	3,768.0	3,383.7
Re-exports	1,342.6	2,104.4	2,512.0	2,994.0	2,672.5	2,378.0	1,861.7
Exports of domestic products	775.4	842.8	910.0	1,237.2	1,331.2	1,390.0	1,522.0
Imports	-1,988.0	-2,779.6	-3,603.5	-4,493.1	-4,382.2	-4,214.6	-3,659.7
Imports of re-exported products	-994.5	-1,606.6	-1,903.5	-2,283.4	-2,118.3	-1,884.9	-1,259.6
Domestic market imports	-993.5	-1,173.0	-1,700.0	-2,209.7	-2,263.9	-2,329.7	-2,400.1
Services (net)	-72.0	-73.3	-23.8	-247.1	-96.8	-170.3	-107.3
Transport	-192.2	-224.8	-212.6	-350.8	-243.3	-292.3	-212.1
Travel	19.2	66.4	4.4	-8.4	2.9	-78.7	-70.0
Other	101.0	85.1	184.4	112.1	143.6	200.7	174.8
Factor income	-43.6	50.4	118.0	73.0	103.2	87.4	60.5
Transfers	72.2	100.3	31.5	72.2	54.9	46.6	57.9
Capital account	-98.2	189.5	286.1	523.0	190.6	572.7	165.9
Foreign direct investment	120.5	78.9	97.0	156.1	245.9	221.0	243.1
Long-term capital (public sector)	-309.1	22.8	80.5	54.2	40.1	119.1	48.6
Disbursements	103.5	130.1	146.5	220.2	164.5	214.7	169.7
Amortizations	-490.4	-162.4	-146.9	-166.0	-124.4	-95.6	-121.1
Commercial credit	77.8	55.1	80.9	-167.4	103.5	261.1	8.1
Other	12.6	32.7	27.7	480.1	-198.9	-28.5	-125.8
Errors and Omissions	-352.4	-347.5	116.1	-96.8	82.4	-306.2	0.0
Overall balance	-364.0	87.0	346.4	62.4	-44.2	-216.4	-99.0
Memorandum items							
Current account in percent of GDP	1.3	3.6	-0.7	-4.1	-3.3	-5.0	-3.1
External public debt in percent of GDP	19.4	17.7	15.8	15.6	14.5	15.0	17.3
Debt service in months of exports GNFS	2.9	0.8	0.7	0.5	0.5	0.5	0.6
Exports of goods, volume growth			9.2	34.0	9.3	9.6	6.0
Imports of goods, volume growth			7.2	15.5	4.0	5.5	1.0
Reserves in months of imports			3.5	3.0	2.9	2.4	2.5

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

Table 24. Paraguay: Composition of Registered Exports (f.o.b.)

	1992	1993	1994	1995	1996	1997
(In millions of U.S dollars)						
Total registered exports	656.6	725.2	816.8	919.3	1,043.4	1,142.8
Primary products	442.4	500.9	521.8	602.8	647.3	698.6
Agricultural products	354.9	397.5	402.1	481.0	551.7	600.8
Cotton	209.4	164.9	170.9	297.2	217.7	97.1
Coffee	1.1	1.8	1.8	0.8	0.8	2.0
Tobacco	6.9	7.0	6.9	6.8	8.8	8.0
Yerba mate	0.3	0.1	0.2	0.2	0.1	0.2
Soya	137.2	223.7	222.3	175.9	324.2	493.6
Livestock	85.0	101.0	118.4	113.4	88.8	91.6
Meat	47.5	47.1	55.4	54.9	46.8	49.2
Hides	37.5	53.9	63.0	58.6	42.0	42.4
Alcohol	0.0	0.1	0.8	2.5	3.1	2.3
Sugar	2.5	2.3	0.5	6.0	3.8	3.9
Manufactured products	214.1	224.3	295.0	316.5	396.1	444.2
Oils	55.3	44.2	69.3	73.1	77.2	69.2
Coconut	2.4	0.0	3.0	0.4	2.3	1.1
Tung	6.1	4.1	4.6	4.0	3.4	7.4
Soya	32.0	32.0	51.6	57.8	58.1	48.0
Essences	14.7	8.2	10.2	10.9	13.4	12.8
Lumber	53.3	63.8	78.6	89.3	94.0	100.7
Other	105.5	116.3	147.1	154.1	224.9	274.3
(In percent of total registered exports)						
Total registered exports	100.0	100.0	100.0	100.0	100.0	100.0
Primary products	67.4	69.1	63.9	65.6	62.0	61.1
Agricultural products	54.1	54.8	49.2	52.3	52.9	52.6
Livestock	12.9	13.9	14.5	12.3	8.5	8.0
Other	0.4	0.3	0.2	0.9	0.7	0.5
Manufactured products	32.6	30.9	36.1	34.4	38.0	38.9
Oils	8.4	6.1	8.5	7.9	7.4	6.1
Lumber	8.1	8.8	9.6	9.7	9.0	8.8
Other	16.1	16.0	18.0	16.8	21.6	24.0
Memorandum items						
International price of soya 1/	570.4	626.7	625.7	606.0	754.9	783.1
International price of cotton 2/	58.2	59.9	75.5	98.4	78.2	73.3

Source: Central Bank of Paraguay

1/ U.S. cent per bushel, Chicago.

2/ U.S. cent per pound, New York.

Table 25. Paraguay: Composition of Registered Imports (f.o.b.)

	1992	1993	1994	1995	1996	1997
(In millions of U.S. dollars)						
Total registered imports	1,237.1	1,477.5	2,140.4	2,782.2	2,850.5	3,125.5
Consumer goods	525.9	628.4	929.6	1,302.8	1,272.6	1,375.4
Food	58.3	66.4	99.0	144.8	172.1	165.0
Beverage and tobacco	111.7	112.2	179.0	325.3	401.7	446.3
Automobiles	66.2	72.7	87.2	123.2	125.2	182.2
Electronic goods	98.8	119.7	180.3	225.6	110.0	64.3
Other	190.9	257.3	384.0	484.0	463.7	517.8
Intermediate goods	307.7	339.3	456.2	504.3	656.7	708.9
Fuels and lubricants	145.0	147.2	159.4	191.6	235.4	311.4
Chemicals	56.5	66.5	84.6	95.8	132.1	148.5
Other	106.2	125.5	212.2	216.9	289.2	249.1
Capital goods	403.6	509.9	754.7	975.0	921.1	1,041.2
Machinery and motors	269.0	339.4	476.2	629.4	625.7	614.3
Transport equipment	109.1	134.0	189.6	235.0	204.7	307.7
Other	25.5	36.5	88.9	110.6	90.7	119.1
(In percent of total registered imports)						
Total registered imports	100.0	100.0	100.0	100.0	100.0	100.0
Consumer goods	42.5	42.5	43.4	46.8	44.6	44.0
Intermediate goods	24.9	23.0	21.3	18.1	23.0	22.7
Capital goods	32.6	34.5	35.3	35.0	32.3	33.3

Source: Central Bank of Paraguay.

Table 26. Paraguay: Direction of Trade Structure

(In percent)

	Exports						Imports					
	1992	1993	1994	1995	1996	1997	1992	1993	1994	1995	1996	1997
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Western Hemisphere	55.5	59.4	65.2	65.6	78.9	74.1	67.5	71.4	69.3	68.8	71.0	72.3
United States	5.1	6.4	9.2	4.7	3.7	3.0	21.5	19.2	22.4	22.2	21.4	19.1
Argentina	8.6	8.6	7.8	10.9	14.6	21.4	14.1	13.2	14.0	14.1	13.9	14.4
Brazil	24.9	32.5	38.5	40.0	48.8	39.1	28.2	35.3	29.7	29.1	31.6	34.2
Chile	8.1	8.0	6.1	4.5	5.6	3.7	2.1	1.8	1.6	1.7	1.6	1.7
Uruguay	1.4	0.8	0.9	1.1	2.0	1.6	0.5	0.6	0.7	0.6	1.2	1.6
Other	7.4	3.1	2.6	4.4	4.1	5.2	1.1	1.3	0.9	1.1	1.4	1.3
Europe	32.3	34.2	28.4	23.6	13.9	14.8	10.9	8.5	9.4	9.7	10.3	10.7
Belgium-Luxembourg	2.6	7.0	6.5	3.4	0.7	0.4	0.2	0.2	0.2	0.2	0.2	0.2
France	4.5	2.2	2.0	1.6	1.4	0.8	1.3	1.0	1.3	0.9	0.9	1.1
Germany	3.7	3.9	3.0	7.4	1.6	1.0	2.3	2.2	2.4	2.3	2.6	2.1
Greece	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Italy	7.3	5.9	3.5	3.1	2.8	2.0	1.7	1.1	1.3	1.7	2.5	2.1
Netherlands	4.4	3.8	5.7	3.4	3.5	8.2	0.4	0.6	0.5	0.4	0.4	0.3
Portugal	4.4	0.5	1.6	1.2	1.3	0.1	0.0	0.0	0.1	0.0	0.0	0.1
Spain	3.4	9.8	4.0	2.5	1.9	1.6	0.5	0.5	0.3	0.7	0.8	1.1
Switzerland	0.5	0.2	0.4	0.3	0.2	0.1	0.7	0.5	0.7	0.6	0.6	0.3
United Kingdom	0.6	0.6	0.6	0.4	0.4	0.5	3.2	2.0	2.1	2.4	2.1	2.7
Other	0.6	0.3	1.2	0.4	0.1	0.1	0.7	0.5	0.5	0.5	0.3	0.7
Asia	10.9	6.0	5.0	10.0	6.5	10.7	20.1	18.2	20.1	21.0	18.2	16.3
Hong Kong	0.3	0.1	0.2	0.5	0.2	0.5	6.3	6.5	8.7	9.4	7.3	5.7
Japan	2.3	4.4	3.3	2.9	3.1	7.0	7.6	7.1	4.8	4.6	2.3	4.5
Other	8.3	1.6	1.5	6.6	3.1	3.2	6.2	4.6	6.5	7.0	8.5	6.1
Africa	1.2	0.4	0.5	0.5	0.5	0.2	1.4	1.9	1.2	0.5	0.4	0.4
Algeria	0.0	0.0	0.0	0.0	0.0	0.1	1.2	1.7	0.8	0.4	0.2	0.1
Other	1.2	0.4	0.5	0.5	0.5	0.1	0.2	0.1	0.4	0.2	0.2	0.3
Other	0.1	0.0	0.8	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.3

Source: *Direction of Trade Statistics, IMF*.

Table 27. Paraguay: International Reserves of the Banking System

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996	1997
Total net reserves	807	916	1,221	1,164	1,237	925
Central Bank	611	698	1,044	1,106	1,062	846
Assets	611	698	1,044	1,106	1,062	846
Gold	12	14	13	14	13	10
IMF reserve position	23	23	21	22	19	20
SDRs	85	89	99	107	105	103
U.S. dollars	330	416	569	595	415	381
Other currencies	123	102	327	378	327	192
ALADI float (net)	38	15	15	-9	40	1
Other	0	39	0	0	142	140
Liabilities	0	0	0	0	0	0
Use of Fund resources	0	0	0	0	0	0
Other	0	0	0	0	0	0
Commercial banks 1/	196	219	177	27	175	79
Assets	240	300	302	416	338	293
Liabilities	44	81	125	389	163	214
Memorandum items						
Valuation change on central bank reserves	-13	1	33	21	-50	0
International reserves in months of imports of goods and nonfactor s	2.9	2.5	3.0	2.5	-2.5	2.0

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

1/ Includes the National Development Bank.

Table 28. Paraguay: Outstanding Medium- and Long-Term External Public Debt

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996	1997
Public sector and officially guaranteed debt outstanding at end of period 1/	1,249	1,217	1,241	1,405	1,398	1,443
By debtor:						
Central Administration	529	530	568	906	935	987
Public enterprises	482	461	471	428	392	388
Rest of public sector	237	226	202	71	71	68
By creditor:						
International organizations	633	627	612	760	814	903
IBRD	181	150	121	149	152	173
IDB	403	429	446	554	590	650
Other	49	48	45	57	72	80
Official bilateral creditors	590	567	603	625	563	523
Brazil	0	0	0	0	0	0
France	91	63	59	40	36	26
Germany	152	135	138	131	99	90
Japan	214	260	323	347	319	297
Other	133	109	83	107	109	110
Commercial banks and other creditor	26	24	25	22	21	17
Debt service payments	629	233	222	208	188	169
Memorandum items						
Public debt in percent of GDP	19.5	17.8	15.8	15.7	14.5	15.0
Debt service ratio 2/	24.4	6.7	5.7	4.4	4.1	3.9

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

1/ Includes outstanding arrears.

2/ In relation to exports of goods and nonfactor services.