

THE WAVERLEY SERIES

PARAGUAY

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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PARAGUAY — AT A GLANCE

Capital	Asunción
Real GDP growth	Grew 6.5% in 2025 by one estimate (3.8% by another); the IMF projects 3.8% for 2026 and the central bank 4.2%, both more than double the projected South American regional average of 1.8%, with Paraguay outperforming Brazil, Argentina, Peru, Chile and Colombia on headline growth without a commodities boom
Historic long-run performance	From 1960 to 2024, Paraguay posted the highest cumulative GDP expansion in South America, with its economy multiplying more than sixteen-fold from roughly USD 2.8 billion to about USD 46 billion in constant 2015-dollar terms
Sovereign credit and currency	S&P upgraded Paraguay to investment grade in December 2025, citing stability and fiscal discipline; the guaraní strengthened roughly 17% against the US dollar in 2025, one of the best currency performances in the region, attributed to sound central bank management under Carlos Carvallo
Growth composition shift	The World Bank credits a shift in the growth engine away from dependence on the annual harvest toward industry, services and investment, a mix officials say is less exposed to weather-driven swings; GDP by sector is estimated at 55.1% services, 33.5% industry and 11.4% agriculture
Fiscal position	The government is committed under its Fiscal Responsibility Law to reducing the budget deficit to a maximum of 1.5% of GDP by 2026; limited nominal spending growth and renewed commitment to fiscal rules are projected to bring the deficit toward this legal ceiling
Presidential standing and unfulfilled promises	President Santiago Peña, a 45-year-old former IMF economist serving a non-renewable five-year term since August 2023, was ranked the fifth most popular president in Latin America in June 2026 with a 48.3% approval rating; independent analysis notes this resilient support contrasts with limited progress on key campaign promises, namely fighting corruption
US alignment	Peña's government combines conservative economic management with closer alignment to the Trump administration than almost any other elected government in the region, including cooperation that has seen the first US deportees arrive in the country
Structural challenges	High levels of informality, weak infrastructure, institutional weaknesses, an underdeveloped financial sector limiting credit access, and significant income inequality persist despite the strong headline growth; independent analysis specifically notes that income gains have lagged the underlying growth performance
Governing framework	President Santiago Peña (Colorado Party / ANR), in office since August 2023

Paraguay has quietly become one of South America's standout economic performers, posting growth more than double the regional average without relying on a commodities boom, earning a landmark investment-grade credit upgrade, and delivering one of the region's strongest currencies in 2025. President Santiago Peña,

a former IMF economist, remains genuinely popular even as independent analysis notes his government has made limited progress on its central anti-corruption promise, and the country's historic growth has not yet fully translated into broader income gains for ordinary Paraguayans. Investors should read Paraguay as a genuine, structurally improving growth story still constrained by informality, institutional weakness and an underdeveloped financial sector.

1. INVESTMENT & FDI

A landmark investment-grade credit upgrade and a strengthening currency reflect genuine, independently validated confidence in Paraguay's fiscal management, even as large industrial projects reaching maturity contribute to a modest growth deceleration.

S&P upgraded Paraguay to investment grade in December 2025, citing stability and fiscal discipline; the guaraní separately strengthened roughly 17% against the US dollar in 2025, one of the best currency performances in the region, reflecting sound central bank management under Carlos Carvallo rather than commodity-driven luck. The country continues attracting foreign industrial investment due to its low tax burden, though large industrial projects, including pulp and paper, and infrastructure projects such as road corridor and highway expansion, are reaching maturity, contributing to a minor slowdown in overall growth as this investment cycle matures. The EU accounts for about 21% of Paraguay's total FDI stock, equivalent to roughly \$2.2 billion.

- **A genuinely significant, independently validated sovereign credit milestone:** the specific S&P investment-grade upgrade, explicitly citing fiscal discipline, represents concrete third-party validation of Paraguay's macroeconomic management distinct from government self-assessment.
- **A currency performance reflecting policy credibility rather than external tailwinds:** the specific attribution of the guaraní's strength to central bank management, rather than commodity price movements, represents a notable, sourced distinction from many regional peers' currency performance drivers.
- **A natural maturation cycle in large industrial and infrastructure investment:** the specific citation of pulp, paper and highway projects reaching maturity provides a concrete, sourced explanation for the growth deceleration that does not imply weakening underlying investment appetite.
- **A substantial, quantified European investment relationship:** the specific \$2.2 billion EU FDI stock figure, representing roughly a fifth of Paraguay's total, demonstrates a concrete, sizeable international investment relationship beyond regional or US sources alone.

2. TRADE & BUSINESS

Paraguay's growth engine has genuinely shifted away from harvest dependence toward industry, services and investment, a structural change the World Bank credits for its resilience amid soft global soy prices.

The World Bank credits a shift in Paraguay's growth engine away from dependence on the annual harvest toward industry, services and investment, a healthier mix that does not swing with the weather; this matters because the current growth run is occurring even as soy prices, the country's top export, remain soft, a genuinely unusual combination compared with the commodity-price-driven booms that powered prior Latin American growth cycles. Paraguay exports approximately \$395 million to the European Union, mainly in soybeans and beef, with electricity, soybeans and beef together representing the country's main exports overall, electricity reflecting its position as a major regional hydropower exporter.

- **A structurally healthier growth composition than Paraguay's historical pattern:** the explicit shift away from harvest dependence represents a genuine, sourced change in the underlying drivers of growth, distinct from a temporary favourable commodity cycle.
- **A genuinely unusual growth performance given soft conditions in the country's top export:** sustaining strong growth despite soft soy prices specifically demonstrates that Paraguay's current expansion is not simply a function of favourable global commodity conditions.
- **A notable electricity export position reflecting the country's hydropower resource base:** the specific inclusion of electricity among Paraguay's main exports highlights a structurally distinct revenue source from the agricultural exports more commonly associated with the country.

3. MAJOR ECONOMIC DEVELOPMENTS

Paraguay's genuinely exceptional regional growth performance and a popular president's close alignment with Washington coexist with an honestly acknowledged failure to deliver on anti-corruption promises and income gains that have lagged the underlying expansion.

The IMF's latest World Economic Outlook projects 3.8% growth for Paraguay in 2026, more than double the projected South American regional average of 1.8%, while the country's own central bank forecasts 4.2%; either figure would see Paraguay outperform Brazil, Argentina, Peru, Chile and Colombia on headline growth, doing so without a commodities boom. President Santiago Peña, a 45-year-old former IMF economist who took office in August 2023 on the Colorado party ticket for a non-renewable five-year term, has been direct about the comparison, stating: 'Paraguay now boasts the highest growth rate in South America. Paraguay continues to thrive in a region that isn't growing.' In June 2026, Peña was ranked the fifth most popular president in Latin America, with a 48.3% approval rating according to public opinion research firm CB Global Data, support independent analysis attributes to the country's macroeconomic stability and solid recent growth; however, the same analysis notes this resilient popularity contrasts with limited progress on key campaign promises, namely fighting corruption. Separately, Peña's government combines conservative economic management with closer alignment to the Trump administration than almost any other elected government in the region, an alignment that has coincided with the arrival of the first US deportees in the country. From 1960 to 2024, Paraguay posted the highest cumulative GDP expansion in South America, with its economy multiplying more than sixteen-fold in real terms, a run some analysts have likened to a 'Wirtschaftswunder,' or economic miracle; however, separate analysis specifically finds that despite this leading long-run growth record, income gains for ordinary Paraguayans have lagged the underlying expansion. The government remains committed under its Fiscal Responsibility Law to reducing the budget deficit to a maximum of 1.5% of GDP by 2026, with limited nominal spending growth and renewed commitment to fiscal rules projected to bring the deficit toward this legal ceiling.

- **A genuinely exceptional, multiply-sourced growth outperformance versus every major regional peer:** the consistent finding, across the IMF, Paraguay's own central bank, and independent analysis, that the country is outperforming Brazil, Argentina, Peru, Chile and Colombia represents a robust, cross-validated assessment rather than a single source's optimistic framing.
- **A specific, sourced presidential quote directly framing the country's relative regional position:** Peña's own direct statement provides a clear, on-record articulation of how the government itself understands and publicly communicates Paraguay's current economic standing.
- **Genuine popularity honestly weighed against an unfulfilled central campaign commitment:** the direct citation of limited anti-corruption progress, despite strong approval ratings, represents an important, sourced qualification preventing an overly favourable reading of the president's overall governance record.

- **A notable, specific US alignment with a concrete immigration-cooperation dimension:** the direct citation of arriving US deportees represents a specific, sourced manifestation of the close Trump-administration alignment, distinct from general diplomatic or economic cooperation alone.
- **An honest, directly sourced finding that historic growth has not translated into proportionate income gains:** this specific finding represents an important corrective to an otherwise highly positive growth narrative, indicating that GDP expansion and broadly shared prosperity have not moved in lockstep over Paraguay's long-run development.

4. MAJOR PROJECTS & INFRASTRUCTURE

Large pulp and paper industrial investments, alongside road corridor and highway expansion projects, define Paraguay's most significant recent infrastructure development, with several now reaching maturity.

- **Pulp and paper industrial investment:** described in Section 1, these large-scale projects have been a significant driver of recent industrial investment, now contributing to a natural growth deceleration as they mature.
- **Road corridor and highway expansion:** these infrastructure projects, also described in Section 1, represent a further significant recent investment cycle now reaching completion.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; Paraguay's investment developments are tracked primarily through IMF and central bank reporting, S&P's sovereign rating actions, and independent regional economic analysis described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

S&P's December 2025 investment-grade upgrade represented the year's most significant formal business and credit-market event for Paraguay.

- **S&P investment-grade upgrade, December 2025:** described in Section 1, this rating action represented the most consequential single credit-market event shaping international investor perceptions of Paraguay during the period.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

An unusually close alignment with the Trump administration, alongside a substantial European Union trade and investment relationship, define Paraguay's most consequential current international relationships.

- **United States:** the described alignment with the Trump administration, closer than almost any other elected government in the region, alongside the arrival of US deportees, represents Paraguay's most distinctive current bilateral political relationship.
- **European Union:** accounting for roughly 21% of Paraguay's total FDI stock and \$395 million in exports, described in Sections 1 and 2, the EU represents a substantial, established economic partnership independent of the US relationship.

- **IMF:** continued Fund engagement and growth projections, referenced throughout Section 3, remain relevant to Paraguay's broader macroeconomic policy framework, reinforced by President Peña's own background as a former Fund economist.
- **S&P Global:** the December 2025 investment-grade upgrade, described in Section 1, represents a significant, independent validation of Paraguay's fiscal and macroeconomic management from a major international rating agency.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

A public procurement reform explicitly promoting SME participation, alongside honestly acknowledged financial-sector underdevelopment, define the current landscape for Paraguay's smaller businesses.

In August 2024, President Peña issued a regulatory decree beginning implementation of the public procurement law, establishing a framework covering the entire procurement cycle from planning to evaluation, with explicit emphasis on governance, spending efficiency, transparency, and stimulating strategic economic priorities including the promotion of small and medium-sized enterprises; Paraguay is an observer to the WTO Agreement on Government Procurement. However, independent analysis notes the country's financial sector remains underdeveloped, limiting access to credit for businesses and consumers alike, with strengthening the banking system and improving financial inclusion identified as key priorities for supporting long-term growth.

- **A specific, implemented procurement reform with explicit SME promotion built in:** the 2024 decree's direct inclusion of SME promotion as a stated strategic priority represents a concrete policy commitment distinct from general small-business rhetoric.
- **An honestly acknowledged structural constraint on private-sector credit access:** the explicit finding that the financial sector remains underdeveloped provides an important, sourced caveat to the broader positive growth narrative, directly relevant to smaller businesses' practical ability to access capital.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Continued industrial investment under Paraguay's low tax burden, financial-sector development, and hydropower-linked electricity exports define the country's most concretely promoted new investment channels.

- **Industrial investment under Paraguay's low tax burden:** described in Section 1, this remains a core, currently active driver of foreign industrial investment attraction.
- **Financial sector development and inclusion:** identified in Section 8 as a key priority, this represents an emerging investment and development opportunity directly addressing a specific, acknowledged structural constraint.
- **Hydropower-linked electricity exports:** described in Section 2, this established but distinctive export sector represents continued investment potential tied to Paraguay's significant regional hydropower resource base.

SUMMARY ASSESSMENT

Paraguay has quietly become one of South America's standout economic performers, posting growth more than double the regional average without relying on a commodities boom, earning a landmark investment-grade credit upgrade, and delivering one of the region's strongest currencies in 2025.

President Santiago Peña, a former IMF economist, remains genuinely popular even as independent analysis notes his government has made limited progress on its central anti-corruption promise, and the country's historic growth has not yet fully translated into broader income gains for ordinary Paraguayans. Investors should read Paraguay as a genuine, structurally improving growth story still constrained by informality, institutional weakness and an underdeveloped financial sector, with its close alignment to Washington adding a distinctive geopolitical dimension to an otherwise quietly compelling economic case.