

## **Paraguay: Recent Economic Developments**

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PARAGUAY

**Recent Economic Developments**

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Approved by the Western Hemisphere Department

April 23, 2001

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## Paraguay: Basic Data

### I. Social and Demographic Indicators

Area (in thousands of square kilometers)	407	Health	
Population (2000)		Population per physician (1997)	2,174.0
Total (in millions)	5.4	Population per hosp. bed (1989)	762.0
Rate of increase (percent a year)	2.6	Access to safe water (percent of population, 1995)	
Density (per sq. km.)	13.6	Total	39.0
Unemployment (Asuncion, 1998)	7.2 percent	Urban	70.0
Population characteristics (1996)		Rural	6.0
Life expectancy at birth (years)	70.7	Education (in percent, 1999)	
Crude birth rate (per thousand)	29.8	Adult literacy rate	92 percent
Crude death rate (per thousand)	4.8	Primary school enrollment	89 percent
Infant mortality (per thousand live births)	23.8	Secondary school enrollment	41 percent
Income distribution (1995)		GDP (2000)	G billions
By highest 20 percent of households	46 percent		26,216
By lowest 20 percent of households	6 percent		US\$ millions
		per capita	US\$
			1,391

### II. Economic Indicators, 1996-2001

	Average					Est.	Proj.
	1990-95	1996	1997	1998	1999	2000	2001
	(Percentage change)						
<b>National accounts and prices</b>							
GDP at constant 1982 market prices	3.2	1.3	2.6	-0.4	0.5	-0.3	2.0
Agriculture and mining	1.9	1.1	5.8	0.7	4.0	-9.0	...
Manufacturing	1.8	-2.2	-0.2	1.0	0.0	1.0	...
Commerce and finance	3.0	-1.0	0.2	-4.2	-9.2	-4.6	...
Consumer price index (end of period)	20.5	8.2	6.2	14.6	5.4	8.6	9.8
	(In percent of GDP)						
Gross investment	23.5	23.4	23.6	22.9	23.0	23.2	21.7
Private consumption	69.5	72.8	74.4	69.2	68.4	71.0	69.8
Public consumption	7.8	10.5	11.1	11.9	12.3	13.0	12.0
Gross national saving	25.0	19.7	16.7	21.0	21.9	19.0	20.6
<b>Public Sector finances</b>							
Revenue	17.9	20.4	21.5	23.2	23.3	22.4	23.2
Current expenditure	11.9	14.7	15.3	17.0	18.4	19.2	18.1
Capital expenditure	4.3	5.7	8.5	7.2	9.6	8.9	7.3
Primary balance	2.7	0.9	-1.5	0.3	-3.4	-4.1	-0.5
Overall balance	1.7	0.0	-2.3	-1.0	-4.7	-5.7	-2.2
	(Annual percentage change)						
<b>Money</b>							
Monetary Base	23.5	3.1	7.5	6.8	9.4	-1.0	15.5
M1	26.5	3.0	13.5	7.5	9.5	15.0	11.5
M2	33.0	0.2	5.5	-2.9	10.7	2.2	11.5
M3	34.7	12.8	12.4	8.8	17.6	3.6	11.5
Net foreign assets 1/	17.6	8.5	-10.7	14.9	19.2	-0.9	8.0
Net domestic assets 1/	29.7	3.7	34.4	6.6	4.3	8.9	10.2
Credit to the public sector 1/	-2.3	-13.2	9.8	5.8	-6.7	4.7	4.9
Credit to the private sector 1/	31.1	17.6	10.9	-1.8	8.8	3.8	5.4

**Paraguay: Basic Data (Concluded)**

	Average					Proj.	Proj.
	1990-95	1996	1997	1998	1999	2000	2001
(In millions of U.S. dollars)							
<b>Balance of payments</b>							
Trade balance	2.1	-586.5	-864.8	-392.9	-368.2	-585.7	-335.9
Exports, f.o.b.	2,754.7	3,796.9	3,327.5	3,548.6	2,673.3	2,251.1	2,352.4
Imports, f.o.b.	2,752.5	4,383.4	4,192.4	3,941.5	3,041.5	2,836.8	2,688.3
Current account	74.4	-353.0	-650.4	-160.0	-86.2	-314.9	-88.1
Capital account	55.4	173.7	438.8	325.0	523.4	194.4	88.1
Overall balance	-109.4	39.4	205.8	-23.4	-104.4	218.3	0.0
<b>Memorandum items:</b>							
Current account (as percent of GDP)	1.5	-3.7	-6.8	-1.9	-1.1	-4.2	-1.2
External debt outstanding (as percent of GDP)	23.2	14.9	16.1	19.3	28.9	31.8	33.0
International reserves (millions of US dollars)	851.2	1,062.3	845.8	874.8	988.2	771.9	771.9
Real effective exchange rate (1990=100)	95.9	101.1	105.5	97.0	103.3	100.6	96.0
<b>IMF data (as of March 31, 2001)</b>							
Membership status						Article VIII	
Intervention currency and rate						U.S. dollar (G 3,750/dollar)	
Quota						SDR 99.9 million	
Fund holdings of local currency						SDR 78.43 million	
Fund holdings as percent of quota						78.5	
Reserve position in the Fund						SDR 21.5 million	
As percent of quota						21.5	
Total Fund credit						None	

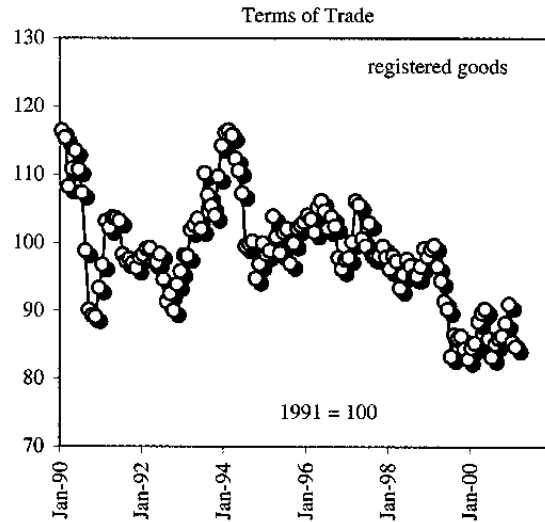
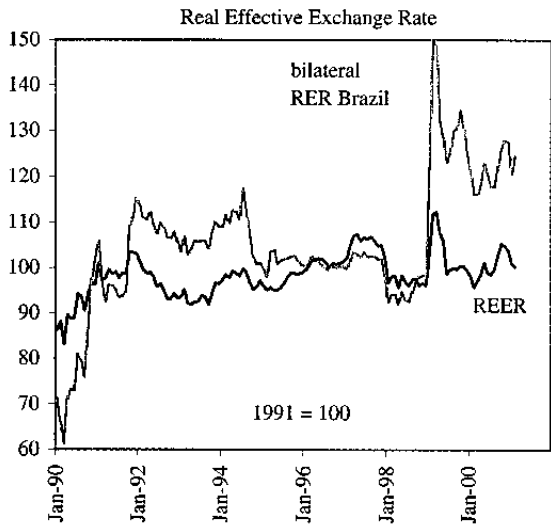
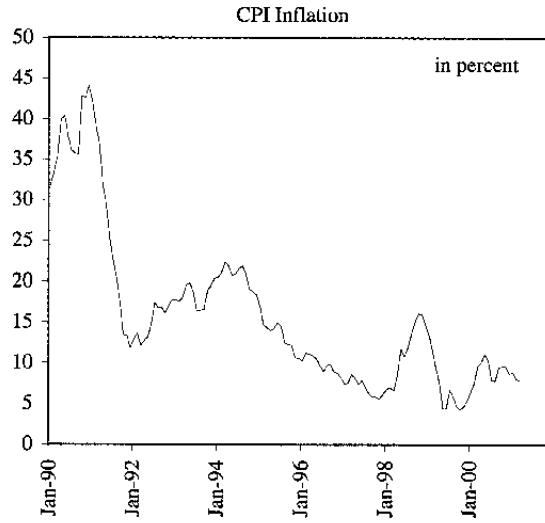
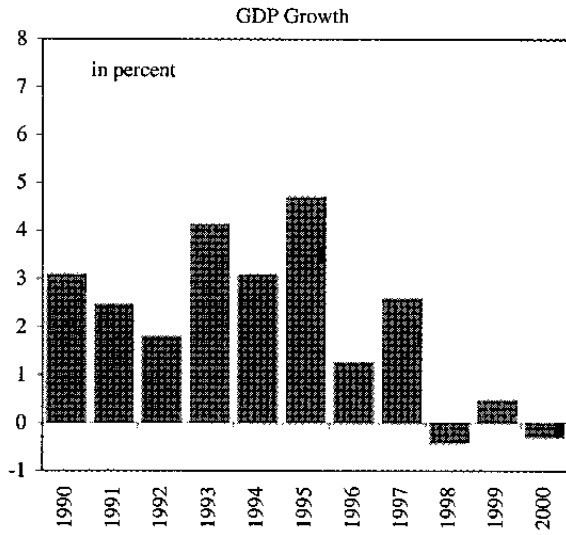
Sources: Paraguayan authorities; and Fund staff estimates.

I/ Contribution to M3 growth.

## I. OVERVIEW

1. During the decade from 1990 to 2000, real GDP per capita in Paraguay fell by over 5 percent. Growth was moderate in the early years and accelerated briefly during a credit-driven expansion in the mid-1990s. However, after a banking crisis brought the expansion to a halt in 1996, the Paraguayan economy has undergone a sustained contraction (see Figure 1). A steep decline in investment, falling terms of trade, slow growth among trading partners and a contraction of the lucrative re-export business combined to reduce real GDP first in per capita terms, then (since 1998) in absolute terms. As a result, poverty has deepened – especially in rural areas – and the income distribution has become more unequal.
2. Structural reforms and a comprehensive adjustment in 1990 led to a series of fiscal surpluses in the first half of the decade, and helped reduce the debt burden of Paraguay. The tight fiscal stance eroded during the second half of the decade, as the public wage bill and pension payments crept up, and the public sector assumed the cost of a major banking crisis. Public enterprises saw their cash flow squeezed, as tariffs were not adjusted in line with costs. In addition, the social security system lost its surplus position after half of its assets were frozen in intervened banks and ceased to earn interest. The public sector deficit peaked at over 5½ percent of GDP in 2000, when capital spending surged with the help of a large injection of external debt.
3. The external current account recorded surpluses at the beginning of the decade, as a result of prudent fiscal policies. It swung into deficit during the credit-financed expansion of the mid-1990s, before narrowing briefly at the onset of the recession. Sharp increases in public spending widened the deficit again to around 4 percent of GDP in 2000.
4. Throughout the decade, Paraguay maintained an adjustable peg of the Guaraní vis-à-vis the US dollar. Monetary policy was mostly geared towards keeping the exchange rate under control. In the early 1990s, public sector surpluses absorbed the liquidity created by inflows of foreign exchange from the external current account. Monetary growth temporarily accelerated in the mid-1990s, when the central bank assisted ailing banks with large amounts of liquidity. Under these circumstances, widening public sector deficits towards the end of the decade led to a progressive loss of international reserves, and to a higher frequency of exchange rate adjustments. However, the exchange rate anchor helped lower inflation from over 40 percent in 1990 to the single digits at the close of the decade.
5. After a sweeping deregulation in the early 1990s, Paraguay's financial sector underwent a boom-bust cycle similar to other countries where prudential supervision is poor. During the upswing, the volume of credit expanded quickly, while real lending rates and spreads declined, as competition among banks intensified. Strains appeared towards the middle of the 1990s, and during 1995-98 several banks representing a third of total deposits had to be closed. Private sector credit contracted sharply, and real interest rates rose to around 25 percent, while depositors increasingly shifted towards U.S. dollar-denominated assets. Foreign banks increased their market share to over 80 percent. The recession since

Figure 1. Paraguay: Output and Price Indicators



1998—which was in part a result of the banking crisis—led to a sharp rise in non-performing loans, and hardened the reluctance of banks to extend credit to the private sector. Increasing capital flight during the last two years reflected a deep lack of confidence and compounded the shortage of credit in the financial system.

## II. OUTPUT, GROWTH AND PRICES

### A. Aggregate Demand and Savings

6. Growth was particularly weak during the second half of the 1990s, with GDP per capita declining five years in a row from 1996 onward. A banking crisis in 1995–98 led to lasting reductions in private sector credit and high real interest rates, plunging the economy into recession in 1998. Private investment was hit especially hard, declining from 20 percent of GDP in 1994 to around 13 percent in 2000.

7. The recession was deepened by a sharp decline in the terms of trade between 1997 and 2000. Due to its reliance on non-processed agricultural exports, Paraguay has suffered from a secular decline in terms of trade since the late 1970s. However, this decline has been particularly pronounced over the past four years, when falling world market prices of cotton and soybeans—two of Paraguay’s main export commodities—combined with an increase in the price of imported petroleum. Over this period, the terms of trade declined by an estimated 20 percent. Exports were also weakened by the effects of the devaluation of the Brazilian *real*, and a protracted recession in Argentina.

8. The decline of the re-export business after 1995 exerted further downward pressure on GDP growth. Re-exports owe their existence to tax and tariff advantages in Paraguay compared to its neighbors Argentina and Brazil. In addition, much of the eastern borders are sparsely populated and poorly controlled, thus offering ample opportunities for contraband. Most of the merchandise traded in the eastern border towns—especially in Ciudad del Este—is bought and carried home by individual Brazilian and Argentine day trippers. The re-export business thrived during the early 1990s, but after 1995 tariff harmonization among MERCOSUR countries and tighter border controls in Brazil gradually eroded its economic basis. The estimated value added from re-exports declined from about 9 percent of GDP to 4 percent between 1995 and 2000.



### **Box 1: Border Trade in Paraguay**

Tourist trade, border trade, entrepôt trade and re-exports are all synonyms for commercial activity along Paraguay's eastern borders that exploits the low tax and tariff rates of Paraguay, relative to Brazil and Argentina. This trade is carried out by a large number of small-scale merchants and individual shoppers ("*sacoleiros*"), and concentrates in Ciudad del Este, and to a lesser extent in Encarnación and Pedro Juan Caballero. Previously, Paraguay was an enclave of low tariffs, but tax differentials have become less important recently, as tariff harmonization in MERCOSUR proceeds. VAT in Paraguay is 10 percent, compared to 20 percent in Argentina and up to 25 percent in neighboring areas of Brazil, and many of the border trade merchandises enjoy exemptions (*régimen de turismo*). In addition, the long and sparsely inhabited border encourages contraband. It is estimated that around 40 percent of the re-export merchandise enters Paraguay without being registered and thus evades even the low tax rates of the *régimen de turismo*.

9. Despite a strong fiscal stimulus in 1999 and 2000, originated in an increase in government expenditures financed by a loan obtained from Taiwan Province of China, GDP is estimated to have shrunk by 0.3 percent. The multiplier effects of this stimulus remained modest, since the private sector perceived it to be very temporary, and the terms of trade continued to decline. Also, agricultural production suffered a 9 percent decline in real terms during 2000 as a consequence of poor weather conditions.

10. Gross national savings fell gradually as a percentage of GDP during the 1990s, from 30 percent of GDP in 1990 to an estimated 19 percent in 2000. Private savings declined as a result of a credit driven consumption boom in the first half of the decade, and later due to the income loss stemming from the declining terms of trade and the fall in export demand. A deteriorating fiscal stance contributed to a gradual erosion of the external balance during the 1990s. Coinciding with two sharp increases in public spending, the external current account deficit widened in 1997-2000.

### **B. Domestic Output by Sectors**

11. Agriculture and commerce play a dominant role in Paraguay's economy, accounting together for 50 percent of GDP. Over the last 10 years, the contribution of agriculture to GDP has remained constant at around 25 percent, but commerce has shrunk following the decline of the re-export trade and the banking crisis. The contribution of manufacturing to GDP has declined over the last 10 years and remains small at about 14 percent.

### **Agriculture, livestock and forestry**

12. The two main export crops, soybeans and cotton, contributed 6 percent of GDP in 2000. Soybeans have replaced cotton as the most important export commodity over the decade, as cotton production dropped by about 40 percent while soybean production trebled.

13. Over the last decade the yields of large scale farming products, such as soybean and corn, grew, while the yields of small scale farming, such as in cotton and manioc, stagnated. Small scale farming has been held back by rudimentary technology, which is related to the absence of government technical assistance and weak educational attainment in rural areas. Many small farmers lack a clear title to their land, and cotton production suffered from use of inadequate seeds. The fall in cotton prices since 1995 accelerated the decline in cotton production. By contrast, although soybean prices began to decline from 1997 onwards, soybean production benefited from cross-border holdings of soybean farms in Paraguay and Brazil, boosting the transmission of technology to Paraguay.

14. In 1999 the government stepped up efforts to support cotton and soybean farming, using resources obtained in Taiwan Province of China. Programs to improve quality and the distribution of seeds contributed to an increase of cotton production by about 20 percent in 2000. However, soybean production fell by 2.5 percent in 2000. Drought and frosts also induced a sharp drop in the production of the main crops consumed domestically, corn and manioc, and led to a 9 percent decrease in total agricultural production in 2000.

### **Manufacturing, construction and utilities**

15. Paraguayan manufacturing is mostly geared towards the production of consumer goods and the processing of domestic agricultural commodities. Between 1995 and 2000 manufacturing registered virtually no growth, as the 1995-1998 financial crisis curbed domestic credit, and economic difficulties in Brazil and Argentina reduced the demand of Paraguayan manufactured exports. The textile industry suffered sharp output losses in 1997 and 1998 as a result of the decline in cotton harvests, but recovered in the following two years as domestic cotton production picked up. The food industry showed strong growth in 1999 and 2000, as quality improvements boosted meat exports to MERCOSUR partners.

16. Over the last two years, the construction sector benefited from the expansion of public investment financed with the loan from Taiwan Province of China, while the utilities sector registered fast growth, owing to the extension of electricity services to previously unserved areas.

### **Services**

17. The share of services in GDP fell from almost 30 percent of GDP in 1995 to around 23 percent in 2000. The sector was traditionally dominated by commerce and banking. Both activities suffered a major setback between 1995 and 2000, reflecting the 1995-1998 financial crisis and the contraction of the re-export trade that resulted from Paraguay's

participation in MERCOSUR. These declines have, to some extent, been compensated by a rapid growth of telecommunications and government services.

18. Between 1995 and 2000, the communications industry benefited from significant flows of foreign direct investment in mobile telephony, turning the sector into one of the most dynamic of the economy. Private mobile phones now account for over 2/3 of all telephone calls. The government has increased its share in services, reflecting higher public sector wages and employment.

### **C. Prices, Wages and the Labor Market**

19. Inflation fell gradually over the 1990s, from an average 20 percent during the first half of the decade, to 5.4 percent in December 1999. It edged up to 8.6 percent in 2000, mainly as a result of increases in fuel and food prices, the latter owing to poor weather conditions.

20. The 15 percent increase in minimum wages in February 2000 raised real minimum wages roughly to the level attained in December 1998. Reflecting minimum wage developments, average formal sector wages retained their purchasing power over the two-year period, while output per head declined by about 3 percent.

21. Time series data for unemployment<sup>1</sup> in the capital city of Asunción indicate an increase from 6.4 percent in 1998 to 10.7 percent in 1999, owing to the impact of the recession on the job market. Unemployment in the country as a whole stood at 6.8 percent in 1999, but was lower at 3.4 percent in rural Paraguay.

22. Small-scale enterprises provide the bulk of jobs in Paraguay. Over 50 percent of total employment consists of self-employment and unpaid work by family members (73 percent in rural areas), and two thirds of the workforce have jobs in enterprises with fewer than six workers. Educational attainment of the labor force is lackluster, with only 41.5 percent having received education beyond the primary level in 1999.

### **D. Poverty**

23. In 1999, about a third of the population was below the poverty line, up from 30.7 percent in 1990. Poverty is concentrated in rural areas which have experienced a stronger increase in both the extent and depth of poverty. The percentage of individuals falling under the extreme poverty line in rural Paraguay increased from 21.4 to 26.5 percent between 1995 and 1999.

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<sup>1</sup> Following the ILO definition, unemployment is defined as the proportion of individuals in the labor force not having a job and actively looking for one, and is derived from household surveys.

24. Associated with endemic poverty is a highly skewed distribution of income and land ownership. According to World Bank data, income distribution is among the most unequal in Latin America, with a Gini coefficient of 0.60 in 1999. About 10 percent of the rural population owns two thirds of the land, while 70 percent of the rural population owns less than 10 hectares.

25. While the increase in poverty is associated with a decline in average real income per head, income distribution has also worsened, especially in the countryside, where the Gini coefficient on income rose from 0.56 in 1995 to 0.66 in 1999. This coincides with a steep fall in the price of cotton, declining yields on small farms, and increasing yields on large farms.

26. Poverty is correlated with educational attainment. While school enrollment rates are high in primary education in both urban and rural areas, there is a large gap in educational achievement in secondary education, with only 29 percent of children of relevant age being enrolled in secondary education in rural areas, compared to 41 percent for the country as a whole.

### III. PUBLIC FINANCES

#### A. Overview

27. In the early 1990s, a political change was coupled with a comprehensive adjustment program and structural reforms. This led to a series of fiscal surpluses in the early years of the decade, and enabled Paraguay to reduce its external debt burden from 55 percent of GDP in 1989 to about 15 percent of GDP in 1996. Arrears with the Paris club were cleared, debt service obligations fell below 5 percent of exports of goods, and interest payments dropped to less than 1 percent of GDP.

28. Paraguay's traditionally conservative fiscal stance eroded in the second half of the 1990s with the appearance of increasingly large public sector deficits. The fiscal situation began to deteriorate during the banking crisis that began in 1995. Widespread financial distress prompted the central bank to provide liquidity assistance equivalent to 4 percent of GDP during that year. The massive support continued until 1998, but most of the troubled banks had to be closed, and a large part of their assets was lost. Among those affected was the pension system serving private employees (IPS), as more than half of its assets became frozen in intervened banks. As a consequence, IPS' surpluses dwindled after 1998, as interest revenues declined, while health and pension outlays kept rising.

29. In the central government, a slow but steady deterioration of the fiscal balance took place over the course of the decade, as wage payments tripled in terms of GDP, and outlays for public pensions more than doubled. The decline in public savings was compounded by a massive increase in capital spending during 1999 and 2000, when external funds worth 7 percent of GDP became available. In all, the public sector balance swung from a surplus of

2½ percent of GDP on average during 1990–94 to a deficit of over 5½ percent in 2000 (see Figure 2).

### B. Central Government

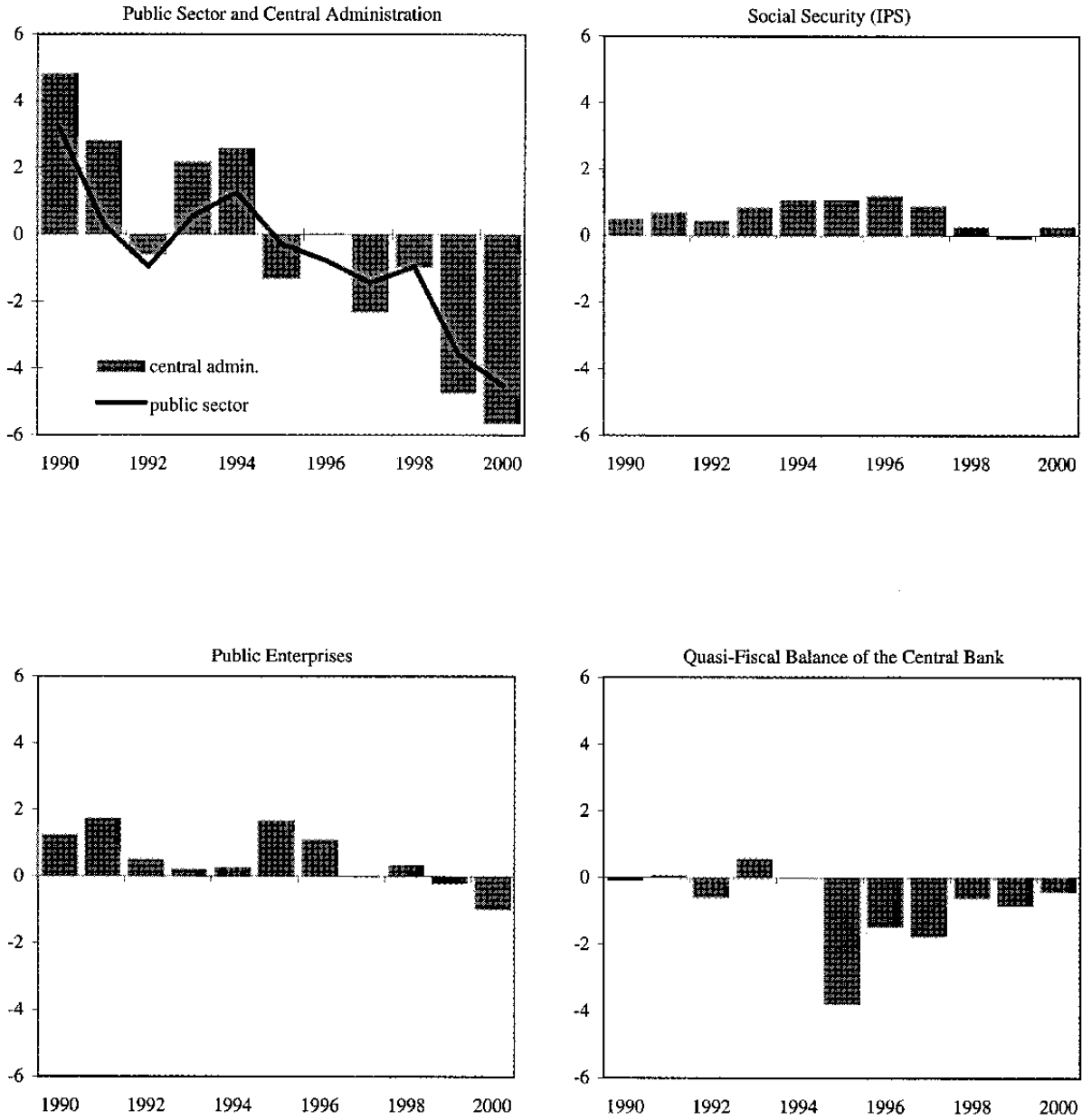
30. The financial dynamics of the central government were driven to a large extent by a persistent increase in current spending. The overall balance shifted from an average surplus of 1 percent of GDP in 1990–94 to a deficit of 3½ percent in 1999 and 4½ percent in 2000. A shortfall in the public pension system *Caja Fiscal* contributed around 2 percentage points of GDP to the deficit in recent years. This shortfall has increased fourfold over the past decade, with contributions covering only a third of benefit payments in 2000. In essence, most of public pensions are currently being financed by general tax revenues.

31. Albeit starting from low levels, the government payroll increased threefold to almost 10 percent of GDP by the year 2000. The political liberalization at the beginning of the decade brought significant wage increases, with a shift in emphasis towards teachers, health professionals, military and police personnel. It also favored the emergence of assertive public sector unions. As public hiring was stepped up during the 1990s, the ranks of civil servants swelled considerably. Once hired, public employees have no incentives to move back to the private sector, since by doing so they forfeit their accumulated pension benefits. Furthermore, the law makes dismissals difficult and costly, even within the recently approved Ley 1626 that is set to replace the outdated Ley 200 of 1973.

32. As current spending used up most of current revenues, capital spending in Paraguay has been tied to the availability of external loans. In July 1999 and January 2000, the country obtained credits totaling almost US\$500 million (7 percent of GDP) from banks in Taiwan Province of China. This led to a surge in capital spending, raising its share of GDP from 3½ percent in 1998 to 6 percent in 1999 and 5 percent in 2000. Roughly a third of the loans was devoted to road construction, and a quarter to finance the restitution of private deposits lost in the banking crisis. Most of the remainder was on-lent to cotton and soybean farmers in order to buy seeds and fertilizers. With an accelerated pace of spending, the external funds were practically used up by September 2000, when investment expenditures began to decline, generating a fiscal impulse of an estimated 3 percent of GDP. As a result, activity indicators show a temporary recovery during the first half of 2000, while narrow money aggregates expanded in real terms in the second and third quarter of that year.

33. Paraguay's revenue system is comparatively lean, being primarily based on consumption taxes and on royalties from the generation of electricity in two hydroelectric plants on the river Paraná (Itaipú and Yacyretá). The ratio of tax revenues to GDP increased from 9½ percent in 1990 to 11½ percent in 2000, but remains one of the lowest in the region. Three quarters of tax revenues are derived from indirect taxes, such as the VAT (with a rate of 10 percent), import duties and excise taxes. By design, these taxes pose minor collection problems, and a number of exemptions have been eliminated in recent years. However, contraband and tourist trade are difficult to control on the long eastern borders, and reduce

**Figure 2. Paraguay: Sectoral Fiscal Balances**  
(in percent of GDP)



Sources: Ministry of Finance; and Fund staff estimates.

the effective taxation of imports (see Box 1). Finally, the system's bias towards consumption as a tax base has limited fluctuations in government revenues over the cycle.

34. Import duties and VAT receipts reached a peak during the boom in border trading in the mid-1990s. A severe downturn of imports after 1998 led the government to reduce the number of VAT exemptions for border trade, in order to offset the erosion of the tax base. On the other hand, the excise tax on diesel was raised in several steps from 5.5 percent to 14.2 percent during 2000. Since oil and diesel prices also increased during this period, excise tax receipts almost doubled as a ratio to GDP. Nevertheless, diesel retains a competitive advantage over gasoline, which is taxed at a rate of 55 percent.

35. Paraguay has no personal income tax. Social security contributions and other taxes on labor amount to 23 percent, but are widely evaded.<sup>2</sup> The tax system contains therefore few redistributive elements, and the government must rely on expenditure to improve income distribution. The corporate income tax has a relatively high core rate of 30 percent, but numerous exemptions—especially if profits are re-invested (*Ley 60/90*)—diminish its returns and encourage evasion and informal activities.

36. After taxes, royalties from the hydroelectric dams at Itaipú (shared with Brazil) and Yacyretá (shared with Argentina) have become the second largest source of revenue for the Paraguayan government. As energy demand in Brazil has risen, royalties increased to over 4 percent of GDP in 1999, before sliding back in 2000. The latter decline is temporary, and reflects a reduction of payments by Itaipú to compensate for arrears of ANDE, the Paraguayan electricity company. Beginning in 2001, the last two of all 20 turbines are being installed in the Itaipú dam, and the lake at Yacyretá will be filled to capacity. Electricity sales to both Brazil and Argentina are bound to increase significantly, and it is estimated that by 2005 a quarter of Brazil's and over a third of Argentina's energy demand will be met from the two dams on the Paraná river.

### C. Social Security

37. In Paraguay, basic social security is provided by six 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.

38. The fragmentation and regulatory complexity of the pension system has been a source of inefficiencies and a major obstacle to reform. In addition, the fact that employees lose

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<sup>2</sup> 12.5 percent for pensions, 9 percent for health insurance and 1.5 percent for administrative expenses. In practice, the contributions are not earmarked, and pension revenues partly finance health outlays.

their accumulated benefits when changing from one branch of the system to another, restricts labor mobility. IPS bears a special burden, since it provides health care in addition to old age pensions. Most of the expenditures are related to health care, and not to pensions. However, unlike the *cajas* serving public sector employees, IPS ran surpluses over most of the last decade, and is now breaking even. The pension section of IPS is still relatively young, with a high ratio of 8 contributors per beneficiary, and its surplus is used to finance the health section.

39. Revenues consist of contributions from a 23 percent payroll tax—borne about equally by employers and employees—and of interest earnings on accumulated assets. The latter suffered a marked decline after 1997, when 50 percent of the investment portfolio became non-performing. Almost two thirds of IPS' bank deposits (46 percent of assets) were frozen in intervened banks, while 97 percent of its direct loans (11 percent of assets) are in arrears. Of the remaining deposits, two thirds are concentrated in the troubled public bank, The *Banco Nacional de Fomento* (BNF).

40. All social security institutions in Paraguay operate on a pay-as-you-go basis and are estimated to be in actuarial deficits. The situation is particularly serious in the public *Caja Fiscal*, which recorded actual deficit in all of the last ten years. Contributions to the *Caja Fiscal* now barely cover a third of expenditures. IPS is likely to record actual deficits in the near future, and begin to draw down its assets, if its return on investment falls further and health outlays continue to climb.

#### **D. Public Enterprises**

41. Paraguay has currently eight state-owned enterprises, most of which are utilities that operate in a monopolistic market setting. The three largest enterprises, which account for 86 percent of total expenditures, are ANDE (electricity distribution), ANTELCO (telecommunications) and PETROPAR (oil). Furthermore, there are two medium-sized companies, CORPOSANA (water and sewerage) and INC (cement), and three small ones (the administration of river ports, of airports, and an antiquated wood-burning railroad). After a long delay, Congress authorized recently the privatization of ANTELCO and CORPOSANA, which are to take place during the second half of 2001. The railroad was also authorized for privatization, but its future is unclear because of lack of interested buyers.

42. A principal success of the fiscal adjustment in the early 1990s was a drastic turnaround in the finances of the public enterprises. Cuts in investment and sharp increases in tariffs transformed a deficit of 5 percent of GDP in 1989 into a surplus of 1½ percent in 1991. After some deterioration, a new round of tariff increases restored the surplus to 1.7 percent in 1995.

43. During the second half of the 1990s, the surplus of public enterprises eroded, and deficits began to appear, widening to over 1 percent of GDP in 2000. The low level of investment during the first half of the decade resulted in capacity bottlenecks and in a general



deterioration of the capital stock. When the situation became unsustainable, capital spending was increased by a factor of four in real terms between 1996 and 2000. As a result, the provision of electricity and communication services expanded significantly.

44. Tariffs of public enterprises are generally set by the government once a year, but regulatory lags have built up during the second half of the 1990s. Between 1998 and 2000, prices of electricity and water declined by 11 percent in real terms, and the average cost of phone calls fell by 14 percent. Also, while the price of crude oil increased by 115 percent from 1998 to 2000, diesel prices were adjusted by only 48 percent in dollar terms. The cash flows of the public enterprises were squeezed as higher expenditures met with insufficient revenues and a general lack of financing. As a result, many public enterprises have accumulated arrears with their suppliers, most prominently ANDE, whose arrears with Itaipú reached US\$130 million at the end of 2000. In trying to make up for the loss of revenues, the hydroelectric power plant withheld royalties from the central government. The impasse was resolved in January 2001, when ANDE formalized the arrears into a long-term debt contract with Itaipú. Two rounds of tariff increases in September 2000 and in January 2001 are expected to alleviate the financial situation of the public enterprises in the near future.

#### IV. MONETARY SECTOR

##### A. Recent Developments

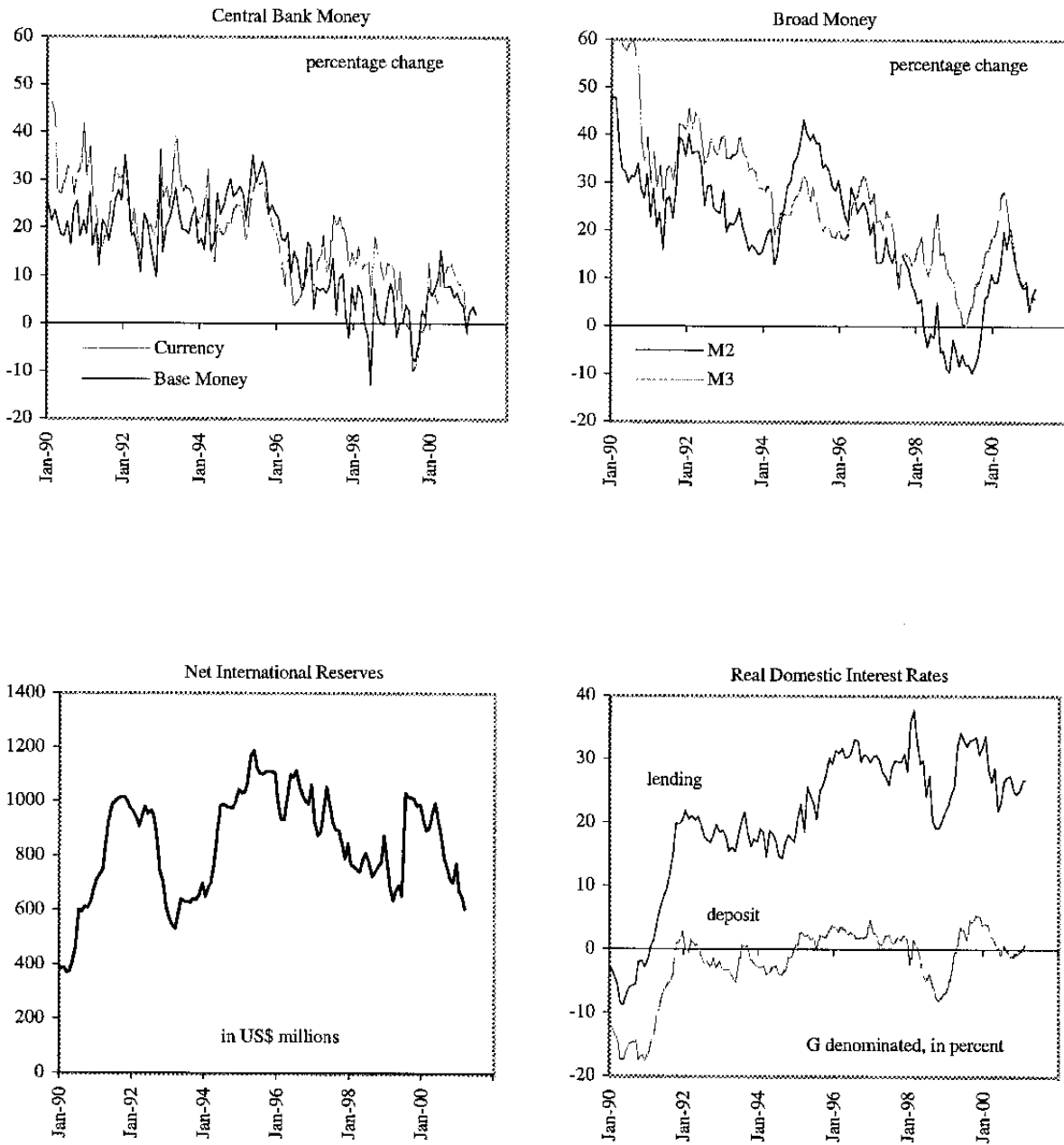
45. Monetary aggregates grew strongly through the first semester of 2000 but declined subsequently (see Figure 3). Following a long declining trend that began during the banking crisis of 1995–98, monetary aggregates began to expand in June 1999.<sup>3</sup> During the brief expansion that ensued through mid-2000, the annual growth rate of narrow money (M1) increased from -5.6 percent to 17.7 percent, while that of the broadest aggregate (M3), which includes all foreign currency deposits, edged up to 18.9 percent from 4.4 percent. This acceleration coincided with a pick up in economic activity spurred by the fiscal impulse that followed the large concessional loan obtained from Taiwan Province of China. However, as the economy slowed toward the second half of 2000, narrow monetary aggregates stagnated (Statistical Appendix Table 23).<sup>4</sup>

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<sup>3</sup> During the banking crisis, 15 of the 19 locally owned banks were either closed or absorbed by other institutions. Losses attributable to the crisis have been estimated at a maximum of 10 percentage points of GDP (depending on the final results of bank liquidations), borne mainly by the public sector in the form of lost deposits of public sector entities and the cost of honoring deposit guarantees for private depositors. For more details, see Paraguay-Selected Issues and Statistical Appendix (SM/00/12).

<sup>4</sup> M1 grew by 17.8 percent according to official data. This included the effect of a reclassification of interest demand deposits (*cuenta combinada*) from M2 to M1 in July 2000. For purposes of analysis, the effect of the reclassification is excluded.

Figure 3. Paraguay: Monetary Indicators



Sources: Central Bank of Paraguay.

46. Among monetary aggregates, foreign currency denominated deposits continued to increase as a share of total deposits during 1999–2000, but at lower pace than in 1995–98. The ratio of foreign currency deposits to M3 increased from 48 percent in 1998 to about 51 percent in 2000, in contrast to the period 1995–98 when it increased by over 20 percentage points. To a large extent, this apparent tapering off in the demand for foreign currency denominated deposits reflected the establishment of new investment instruments offered by non-bank financial intermediaries (*Fideicomisos*- money market mutual funds) during 1999, that allowed depositors to hold assets linked to safer markets abroad. The *fideicomisos* amounted to some US\$155 million at end-2000, which implied a shift of resources away from the traditional banking system. Inclusive of these assets, the ratio of foreign currency denominated deposits to M3 reached nearly 55 percent in 2000, reinforcing past trends in the use of U.S. dollar denominated assets as stores of value in Paraguay.<sup>5</sup>

47. Net domestic assets (NDA) of the banking system increased strongly in 2000, following a decline in real terms in 1999. The large swing in NDA primarily reflected developments in the public sector finances upon arrival of the loan from banks in Taiwan Province of China in 1999. The disbursement of this loan increased the government's deposits at the central bank, contracting NDA in 1999. The expansionary fiscal policy that ensued—financed by these deposits—provided ample liquidity to the banking system during 2000. Nevertheless, banks became increasingly cautious in extending new loans to the private sector, reflecting a further slowdown of the economy and increasing bad loans as well as growing uncertainties about a rescheduling plan for industrial sector loans. As a result, banks preferred to invest in low-risk assets abroad or in liquid central bank paper. This reflected in the banks' net foreign asset position, which increased from US\$160 million in 1998 to US\$340 million at end-2000. In conjunction with the considerable sums that depositors shifted from the banking sector to non-bank mutual funds (noted above), the banks' preference for foreign assets implied a significant reduction in available bank resources for the private sector, which declined by 3.2 percent in real terms in 2000. The ratio of private sector loans to deposits fell from just below 100 percent at end-1998, to 92 percent at end-2000 (Statistical Appendix Table 21).

48. During 1999–2000, the BCP engaged in open market operations to lower interest rates. With NIR hovering around US\$1 billion, the BCP permitted its outstanding balance of open market papers, *Letras de Regulación Monetaria* (LRMs), to decline from G400 billion in 1998 to G78 billion at end-1999 and further to 46 billion in December 2000.<sup>6</sup> In line with this policy, interest rates on *Letras* were lowered by over 20 percentage points, from

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<sup>5</sup> The central bank (BCP) is currently preparing the inclusion of *fideicomiso* deposits as part of the monetary survey.

<sup>6</sup> During the last quarter of 2000, the BCP started to use overnight call operations to supplement its monetary operations using LRM. As opposed to 35-day *Letras*, the overnight call provided more flexibility to the BCP to change its positions.

26 percent in December 1998 to 5 percent at end-2000. Interest rate reductions on LRMs, at a time when the government was drawing down its deposits at the central bank, led to a decline in the BCP's international reserves, as the exchange rate was kept relatively stable in the context of Paraguay's managed floating exchange rate regime. Subsequently, reserves continued to decline in light of the high demand of foreign currency by the private sector. Reserves declined to US\$772 million (2.8 months of imports) at end-2000, down from US\$988 million at end-1999.<sup>7</sup> They fell further to about 620 million in March 2001, in effect eliminating the reserve cushion provided by the 1999 external bond placement. By March 2001, the government had virtually used up its external sources of funds, and remaining deposits at the central bank were tied to specific investment projects.

49. Interest rates on bank loans declined somewhat during 1998-2000 but remain high despite weak economic activity. Lending rates remain high in real terms, as the 1995-1998 banking crisis increased the perceived risk of bank lending in Paraguay, and as the recession eroded bank profits by increasing the level of non-performing loans. In 2000, real interest rates for *guarani* denominated loans stood at around 25 percent, while nominal rates for dollar denominated loans have been around 12 percent. However, financial intermediation spreads have come down significantly. In December 2000, spreads in the *guarani* segment averaged about 18 percentage points, down from 25 percentage points in 1998, while spreads in the U.S. dollar denominated market have widened in recent months reflecting exchange rate uncertainty.

## **B. Banking Sector Soundness**

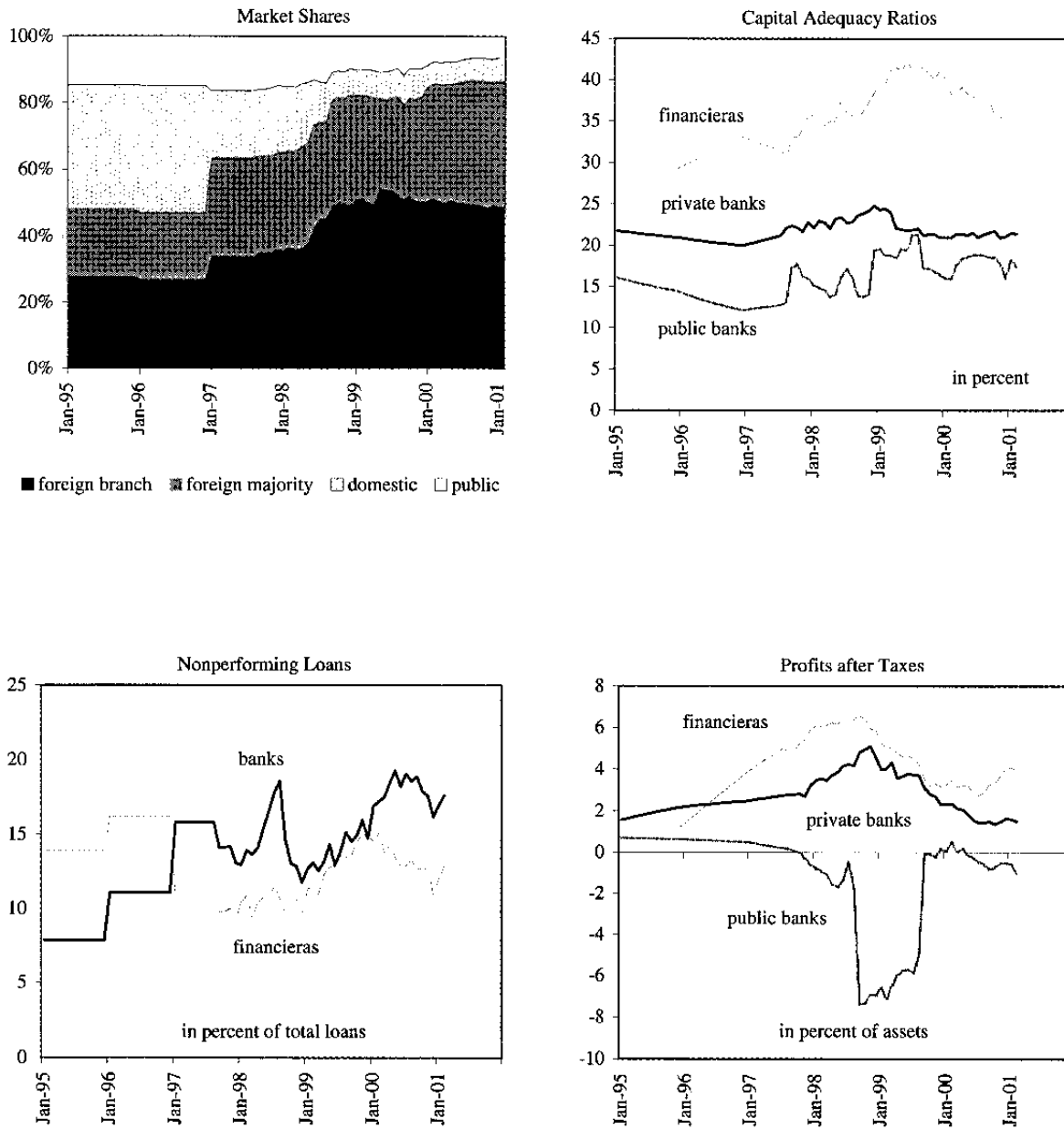
50. Following the banking crisis, by 1999 banks in Paraguay had become predominantly foreign owned, with over 80 percent of bank assets in foreign hands. Since then, no new bank interventions have taken place, no banks have required major assistance from the BCP, and the remaining fragile institutions have been either merged or capitalized. By end-2000, all private banks were deemed sound by the Banking Superintendency. During the past few years, more deposits shifted out of the domestic banks towards the foreign banks, in particular from the only remaining public bank, the *Banco Nacional de Fomento* (BNF). In December 2000, in excess of 86 percent of total deposits of the banking sector was held in foreign owned banks, and the remainder 14 percent was approximately equally distributed between domestically owned private banks and the (BNF).

51. The private banking system has remained relatively sound despite the prolonged recession (see Figure 4). The economic downturn in 1999-2000 adversely affected the quality of banks' portfolios but private banks weathered the recession relatively well. By end-2000, nonperforming loans of the private banks had risen to 11.8 percent of total loans, from 8.1 percent in 1998, and profits had come down from over 5 percent of assets in

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<sup>7</sup> Reserves stood at US\$652 million before the arrival of the loans from Taiwan Province of China in July 1999.

**Figure 4. Paraguay: Bank Soundness Indicators**



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

late 1998 to just below 2 percent (Statistical Appendix Table 25). However, in the midst of the recession, private banks improved somewhat their capital adequacy ratios and liquidity position. In addition, to strengthen their balance sheets and earnings prospects, banks restructured significant volumes of loans, increased provisions, and went through several merger and acquisitions processes.<sup>8</sup> Of the private banks, domestic owned private banks were the least affected by the recession: their bad loans stood at 8.5 percent at end 2000.

52. The finances of BNF have deteriorated markedly since 1998. Although the bank showed some financial distress in 1998, its structural problems and continuing political influence on business decisions exacerbated the effects of the protracted recession, and contributed to further erode the bank's financial position. Deposits at the BNF, as a proportion of total bank deposits, declined from 11 percent in 1998 to 6 percent by end 2000 and losses incurred during 1998–2000 totaled US\$28 million, reducing the bank's net worth to US\$38 million by end–2000. However, losses would have been higher if adequate provisions had been made to deal with the rapid fall in the quality of the assets: past due loans (after the bank had refinanced part of its overdue loans) reached 45 percent of total loans in December 2000, of which nearly 60 percent had not been provisioned. Most of the nonperforming loans are concentrated among well connected clients, as the bank has appeared seemingly unable to effectively prosecute large non-performing borrowers. In addition, more recently BNF has been suffering from tight liquidity problems. To shore up liquidity, BNF has received a large public liquidity injections from public enterprises, the central government and the IPS. By end 2000, such deposits amounted to G250 billion (of which 60 percent were IPS deposits), slightly over 50 percent of the bank's total deposits.

53. Despite noteworthy improvements implemented since the crisis erupted in 1995, the Banking Superintendency remains weak. To some extent, this is attributable to the Superintendency's over-stretched human resources. The size of its staff still remains insufficient to deal with the increased innovations in banking operations and products and with the number of financial institutions it must oversee.

## V. EXTERNAL SECTOR

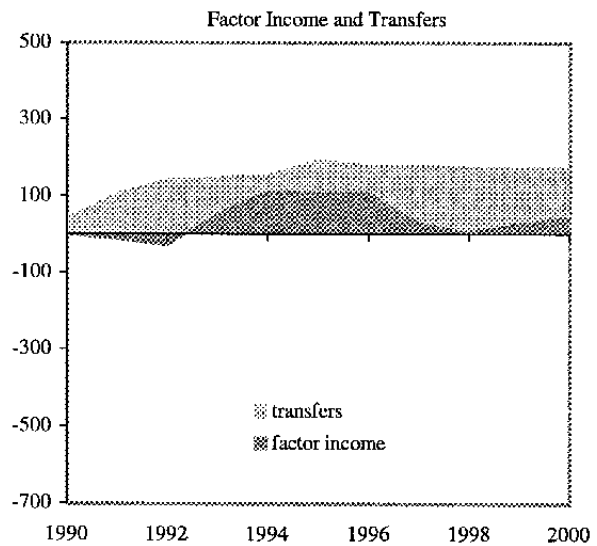
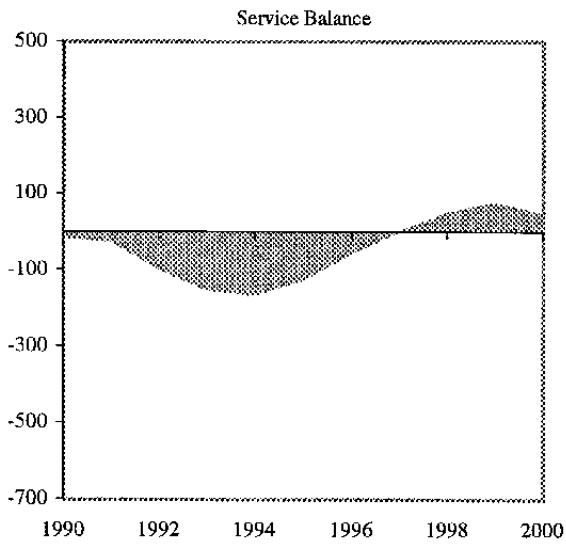
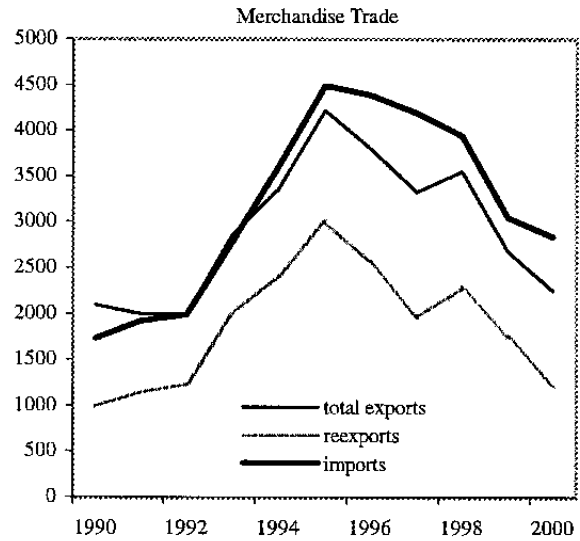
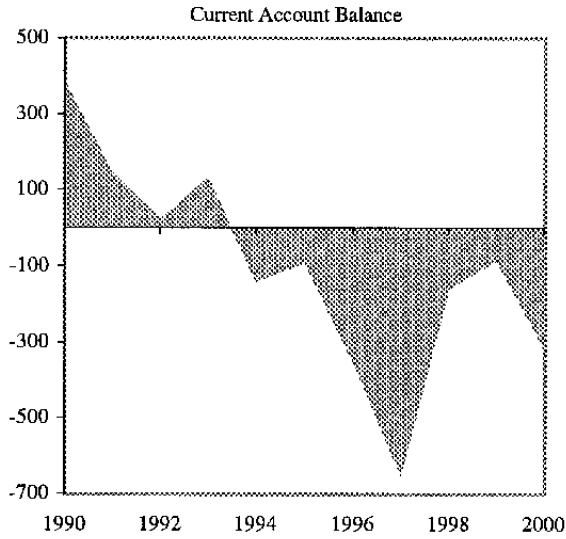
### A. Overview

54. Paraguay's current account position deteriorated gradually from a surplus of 2.1 percent of GDP in 1991 to a deficit of 6.8 percent in 1997 (see Figure 5). The deficit then declined somewhat, as low economic activity during 1998-1999 dampened import demand.

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<sup>8</sup> Several changes were introduced in during 2000. (1) Banco Itau (Brazilian Bank) bought Banco Paraná; (2) a Spanish financial group bought part of Banco Plus and has plans to expand in Paraguay; and (3) Financiera Guaraní bought the portfolio of consumption credit from Banco Asunción.

**Figure 5. Paraguay: Balance of Payments**  
(in millions of US dollars)



Sources: Central Bank of Paraguay.

The deteriorating external position was largely the result of (1) declining terms of trade, which fell particularly sharply between 1997 and 2000 as the prices of soybean and cotton, fell while oil prices surged; (2) the wane of re-export activities that came as a by-product of Paraguay's participation in MERCOSUR; and (3) the recession in Argentina in 1998 and the devaluation of the Brazilian Real in January 1999 that strongly affected export performance. The effects of the adverse external shocks were mitigated by lower imports, as the domestic recession dampened local demand. Imports fell in 1998 and 1999 and the current account narrowed to a deficit of around 1 percent of GDP. In 2000 the deficit widened to over 4 percent, as the effects of adverse terms of trade and a poor soybean harvest were compounded by a return to an expansionary fiscal policy.

## **B. Balance of Payments Developments**

### **Merchandise trade**

55. The value of exports almost halved between 1995 and 2000, as re-exports and the prices of soybean and cotton declined. Partly as a result of the decline in prices, the volume of cotton exports declined by about 50 percent between 1995 and 2000, while the volume of soybean exports continued to rise until 1999, as technology improvements in farming methods boosted yields. The gradual implementation of the common external tariffs in MERCOSUR and stricter Brazilian border controls eroded the economic basis of re-exports which by 2000 had declined by 60 percent off their peak 1995 value. The devaluation of the Brazilian *real* in January 1999 reduced Paraguay's competitiveness vis-à-vis its most important trading partner, but subsequent devaluations of the guaraní, and higher inflation in Brazil, reversed this deterioration to a large extent by the end of 2000.

56. During the 1990s, exports of manufactured goods gained ground, increasing their share of export earnings from about 20 percent in 1991 to 33 percent in 2000. Most of these goods are processed from domestic agricultural raw materials, reducing the economy's exposure to the volatile prices of unprocessed agricultural commodities. The sector has benefited from low prices for agricultural products. Therefore, after a setback related to the Argentinean recession in 1998 and the Brazilian devaluation in 1999, manufactured exports expanded vigorously in 2000, growing by about 20 percent. However, the sector's growth over the decade was not sufficiently large to offset the loss of export earnings that resulted from the external shocks.

57. As the credit driven consumption boom came to an end in 1997, imports of consumer goods dropped from US\$1.4 billion in 1997 to US\$0.7 billion in 1999. Imports of capital goods fell from US\$1 billion to US\$600 million, reflecting the impact of the banking crisis on private investment. In 2000 the trade deficit widened to almost US\$0.6 billion, as low world market prices of the main export products combined with a disappointing harvest season and higher prices for petroleum. The surge in public expenditure from October 1999 onwards also contributed to the worsening of the trade balance.



### **The services, factor income and transfers account**

58. Royalty revenues from the Itaipú and Yacyretá hydroelectric dams which Paraguay co-owns with Brazil and Argentina, respectively, are an important source of foreign exchange earnings, totaling around US\$200 million in 2000. Royalties and related services contribute the bulk of service exports. Service imports consist mainly of trade related transport and insurance. During the 1990s the services account of Paraguay has moved from a small deficit to a surplus of around US\$300 million in 2000. This reflects increasing demand for electricity in Brazil, and lower transport payments due to a decline in the re-export trade.

59. Factor income mainly consists of wages paid to Paraguayan workers by the two bi-national hydroelectric dams and interest payments on foreign reserves. Factor income payments consist largely of foreign enterprises' profits and interest payments on external public debt. The factor income balance worsened over the second half of the 1990s, as the hydroelectric dams cut their workforce and the public external debt rose. However, this trend was temporarily reversed in 1999 and 2000, as a surge in non-performing loans led to a sharp fall in the profits of foreign banks.

### **Foreign direct investment**

60. Foreign direct investment inflows averaged around 1½ percent of GDP during most of the 1990s but rose to 4 percent of GDP in 1998, when the mobile phone market surged and foreign banks posted record profits. Banking and mobile telephony have received the bulk of foreign investment in recent years. Foreign financial institutions currently own about 30 percent of the stock of foreign direct investment in Paraguay, while telecommunications companies own 15 percent.

## **C. The Exchange and Trade System**

61. Paraguay has an exchange rate regime characterized by periodic step-adjustments of the guaraní-dollar exchange rate separated by extended periods of exchange rate fixing. The BCP tends to devalue during the first months of the year, which boosts the domestic currency value of agricultural exports which take place mainly in the second quarter.

62. Despite domestic price increases, the monetary authorities maintained a stable exchange rate for most of 2000. This has led to an appreciation of the real effective exchange rate by about 7 percent and a reduction of international reserves from US\$1 billion in December 1999 to US\$770 million in December 2000.

63. Paraguay has a relatively free trade regime, with no quantitative restrictions on imports or exports. At the end of 1999 Paraguay removed all remaining tariffs on goods imported from its MERCOSUR partners with the exception of sugar. Paraguay is exempted from MERCOSUR common external tariffs until 1 January 2006. Some of Paraguay's

current tariffs are lower than the common external tariffs, including tariffs on capital goods and electronics. Since July 2000, the government has offered tax exemptions to firms which mostly export their output, introducing an implicit export subsidy to its trade regime which may increase the domestic prices of exported goods.

64. Despite the decline in the terms of trade, the real effective exchange rate appreciated slightly over the 1990s, as private sector consumption demand and the public sector deficit increased. While the real appreciation resulting from the devaluation of the Brazilian *real* in January 1999 was largely absorbed by the end of 1999 through subsequent nominal depreciations of the guaraní and higher inflation in Brazil, monetary policy geared towards pegging the guaraní to the dollar, contributing to a real appreciation in 2000 of approximately 7 percent.

Table 1. Paraguay: National Accounts at Current Prices

	1995	1996	1997	1998	1999	Staff Est. 2000
	(In billions of guaraníes)					
<b>GDP at market prices</b>	<b>17,698.6</b>	<b>19,804.8</b>	<b>20,934.4</b>	<b>23,437.0</b>	<b>24,144.3</b>	<b>26,216.0</b>
<b>Consumption expenditure</b>	<b>14,246.9</b>	<b>16,499.8</b>	<b>17,898.3</b>	<b>19,009.2</b>	<b>19,493.1</b>	<b>22,016.0</b>
Private sector	12,553.2	14,426.2	15,578.5	16,219.5	16,512.9	18,619.8
Public sector	1,693.6	2,073.6	2,319.8	2,789.7	2,980.2	3,396.2
<b>Gross domestic investment</b>	<b>4,234.6</b>	<b>4,635.1</b>	<b>4,930.1</b>	<b>5,373.8</b>	<b>5,563.7</b>	<b>6,082.1</b>
Private sector	2,608.7	3,510.4	3,159.9	3,686.6	3,239.7	3,743.2
Public sector	1,625.9	1,124.8	1,770.3	1,687.2	2,324.0	2,338.9
Fixed capital formation	4,082.8	4,478.4	4,749.1	5,168.2	5,342.1	5,835.1
Changes in inventories	151.8	156.7	181.0	205.6	221.7	247.0
<b>Gross domestic expenditure</b>	<b>18,481.5</b>	<b>21,134.9</b>	<b>22,828.4</b>	<b>24,383.0</b>	<b>25,056.8</b>	<b>28,098.1</b>
<b>Net exports</b>	<b>-782.8</b>	<b>-1,330.1</b>	<b>-1,894.0</b>	<b>-946.0</b>	<b>-912.5</b>	<b>-1,882.1</b>
Exports of goods and nonfactor services	9,462.7	9,070.7	8,725.9	11,502.7	10,155.3	9,709.9
Imports of goods and nonfactor services	-10,245.6	-10,400.8	-10,619.9	-12,448.8	-11,067.8	-11,592.0
	(In percent of GDP)					
<b>GDP at market prices</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Consumption expenditure</b>	<b>80.5</b>	<b>83.3</b>	<b>85.5</b>	<b>81.1</b>	<b>80.7</b>	<b>84.0</b>
Private sector	70.9	72.8	74.4	69.2	68.4	71.0
Public sector	9.6	10.5	11.1	11.9	12.3	13.0
<b>Gross domestic investment</b>	<b>23.9</b>	<b>23.4</b>	<b>23.6</b>	<b>22.9</b>	<b>23.0</b>	<b>23.2</b>
Private sector	14.7	17.7	15.1	15.7	13.4	14.3
Public sector	9.2	5.7	8.5	7.2	9.6	8.9
Fixed capital formation	23.1	22.6	22.7	22.1	22.1	22.3
Changes in inventories	0.9	0.8	0.9	0.9	0.9	0.9
<b>Gross domestic expenditure</b>	<b>104.4</b>	<b>106.7</b>	<b>109.0</b>	<b>104.0</b>	<b>103.8</b>	<b>107.2</b>
<b>Net exports</b>	<b>-4.4</b>	<b>-6.7</b>	<b>-9.0</b>	<b>-4.0</b>	<b>-3.8</b>	<b>-7.2</b>
Exports of goods and nonfactor services	53.5	45.8	41.7	49.1	42.1	37.0
Imports of goods and nonfactor services	-57.9	-52.5	-50.7	-53.1	-45.8	-44.2

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

Table 2. Paraguay: National Accounts at Constant Prices

	1995	1996	1997	1998	1999	Staff Est. 2000
(In millions of 1982 guaraníes)						
<b>GDP at market prices</b>	<b>1,087.4</b>	<b>1,101.2</b>	<b>1,129.7</b>	<b>1,124.9</b>	<b>1,130.4</b>	<b>1,127.0</b>
<b>Consumption expenditure</b>	<b>1,034.0</b>	<b>1,059.3</b>	<b>1,091.7</b>	<b>1,084.5</b>	<b>1,045.3</b>	<b>1,083.0</b>
Private sector	928.2	942.9	973.0	964.9	920.8	952.7
Public sector	105.8	116.3	118.7	119.5	124.6	130.2
<b>Gross domestic investment</b>	<b>254.6</b>	<b>254.3</b>	<b>249.1</b>	<b>237.5</b>	<b>228.4</b>	<b>218.4</b>
Private sector	204.2	206.6	197.8	181.1	169.5	166.1
Public sector	50.4	47.7	51.3	56.4	57.9	52.3
Fixed capital formation	232.7	232.5	228.8	217.4	208.0	198.1
Change in inventories	21.9	21.8	20.3	20.1	20.3	20.3
<b>Gross domestic expenditure</b>	<b>1,288.6</b>	<b>1,313.6</b>	<b>1,340.8</b>	<b>1,322.0</b>	<b>1,273.7</b>	<b>1,301.4</b>
<b>Net exports</b>	<b>-201.2</b>	<b>-212.4</b>	<b>-211.1</b>	<b>-197.0</b>	<b>-143.3</b>	<b>-174.4</b>
Exports of goods and nonfactor services	427.4	377.9	355.6	330.0	240.9	164.7
Imports of goods and nonfactor services	-628.6	-590.3	-566.7	-527.0	-384.2	-339.1
(Percentage change)						
<b>GDP at market prices</b>	<b>4.7</b>	<b>1.3</b>	<b>2.6</b>	<b>-0.4</b>	<b>0.5</b>	<b>-0.3</b>
<b>Consumption expenditure</b>	<b>3.5</b>	<b>2.4</b>	<b>3.1</b>	<b>-0.7</b>	<b>-3.6</b>	<b>3.6</b>
Private sector	2.6	1.6	3.2	-0.8	-4.6	3.5
Public sector	12.1	10.0	2.0	0.7	4.2	4.6
<b>Gross domestic investment</b>	<b>7.1</b>	<b>-0.1</b>	<b>-2.0</b>	<b>-4.7</b>	<b>-3.8</b>	<b>-4.3</b>
Private sector	19.2	1.2	-4.2	-8.5	-6.4	-2.0
Public sector	-24.2	-5.3	7.5	10.0	2.6	-9.7
Fixed capital formation	7.7	-0.1	-1.6	-5.0	-4.3	-4.8
Changes in inventories 1/	0.0	0.0	-0.1	0.0	0.0	0.0
<b>Gross domestic expenditure</b>	<b>4.2</b>	<b>1.9</b>	<b>2.1</b>	<b>-1.4</b>	<b>-3.7</b>	<b>2.2</b>
<b>Net exports 1/</b>	<b>-0.3</b>	<b>-1.0</b>	<b>0.1</b>	<b>1.2</b>	<b>4.8</b>	<b>-2.8</b>
Exports of goods and nonfactor services	16.9	-11.6	-5.9	-7.2	-27.0	-31.6
Imports of goods and nonfactor services	11.4	-6.1	-4.0	-7.0	-27.1	-11.7

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

1/ Contribution to GDP growth.

Table 3. Paraguay: Savings-Investment Balance

(In percent of GDP)

	1995	1996	1997	1998	1999	Staff Est. 2000
<b>GDP at market prices</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Domestic expenditure</b>	<b>104.4</b>	<b>106.7</b>	<b>109.0</b>	<b>104.0</b>	<b>103.8</b>	<b>107.2</b>
<b>Consumption</b>	<b>80.5</b>	<b>83.3</b>	<b>85.5</b>	<b>81.1</b>	<b>80.7</b>	<b>84.0</b>
Private sector	70.9	72.8	74.4	69.2	68.4	71.0
Public sector	9.6	10.5	11.1	11.9	12.3	13.0
<b>Gross domestic investment</b>	<b>23.9</b>	<b>23.4</b>	<b>23.6</b>	<b>22.9</b>	<b>23.0</b>	<b>23.2</b>
Private sector	14.7	17.7	15.1	15.7	13.4	14.3
Public sector	9.2	5.7	8.5	7.2	9.6	8.9
<b>Gross national savings</b>	<b>22.9</b>	<b>19.7</b>	<b>16.7</b>	<b>21.0</b>	<b>21.9</b>	<b>19.0</b>
Private sector	15.0	14.0	10.6	14.8	17.0	15.7
Public sector	7.9	5.7	6.1	6.2	4.9	3.3
<b>Current account balance</b>	<b>-1.0</b>	<b>-3.7</b>	<b>-6.8</b>	<b>-1.9</b>	<b>-1.1</b>	<b>-4.2</b>
Private savings-investment balance	0.3	-3.7	-4.5	-0.9	3.6	1.5
Public sector overall balance	-1.3	0.0	-2.3	-1.0	-4.7	-5.7

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

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

	1995	1996	1997	1998	1999
(In billions of guaraníes)					
<b>GDP at market prices</b>	<b>17,698.6</b>	<b>19,804.8</b>	<b>20,934.4</b>	<b>23,437.0</b>	<b>24,144.3</b>
<b>Primary sector</b>	<b>4,446.1</b>	<b>5,115.5</b>	<b>5,217.8</b>	<b>5,795.9</b>	<b>6,156.7</b>
Agriculture	2,754.1	3,331.8	3,201.5	3,492.4	3,714.6
Livestock	1,072.2	1,106.7	1,278.4	1,470.1	1,563.6
Forestry	540.4	587.1	640.8	725.0	767.1
Hunting and fishing	20.3	23.0	25.3	28.8	22.3
Mining	59.2	67.0	71.8	79.5	89.0
<b>Secondary sector</b>	<b>4,585.7</b>	<b>5,149.3</b>	<b>5,487.0</b>	<b>6,213.4</b>	<b>6,169.9</b>
Manufacturing	2,769.7	3,062.6	3,193.1	3,631.5	3,272.1
Construction	1,053.7	1,199.3	1,308.2	1,433.1	1,502.9
Utilities	762.4	887.4	985.7	1,148.9	1,394.9
<b>Services</b>	<b>8,666.8</b>	<b>9,540.0</b>	<b>10,229.6</b>	<b>11,427.6</b>	<b>11,817.7</b>
Transport and communications	650.6	729.4	808.1	913.9	1,063.4
Commerce and finance	5,217.2	5,598.1	5,787.4	6,309.9	5,887.1
General government	774.6	930.2	1,065.4	1,181.8	1,360.3
Real estate and housing	377.7	427.1	466.2	515.8	561.5
Other services	1,646.7	1,855.1	2,102.6	2,506.2	2,945.3
(In percent of GDP)					
<b>GDP at market prices</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Primary sector</b>	<b>25.1</b>	<b>25.8</b>	<b>24.9</b>	<b>24.7</b>	<b>25.5</b>
Agriculture	15.6	16.8	15.3	14.9	15.4
Livestock	6.1	5.6	6.1	6.3	6.5
Forestry	3.1	3.0	3.1	3.1	3.2
Hunting and fishing	0.1	0.1	0.1	0.1	0.1
Mining	0.3	0.3	0.3	0.3	0.4
<b>Secondary sector</b>	<b>25.9</b>	<b>26.0</b>	<b>26.2</b>	<b>26.5</b>	<b>25.6</b>
Manufacturing	15.6	15.5	15.3	15.5	13.6
Construction	6.0	6.1	6.2	6.1	6.2
Utilities	4.3	4.5	4.7	4.9	5.8
<b>Services</b>	<b>49.0</b>	<b>48.2</b>	<b>48.9</b>	<b>48.8</b>	<b>48.9</b>
Transport and communications	3.7	3.7	3.9	3.9	4.4
Commerce and finance	29.5	28.3	27.6	26.9	24.4
General government	4.4	4.7	5.1	5.0	5.6
Real estate and housing	2.1	2.2	2.2	2.2	2.3
Other services	9.3	9.4	10.0	10.7	12.2

Sources: Central Bank of Paraguay, *Cuentas Nacionales*, Part I; and Fund staff estimates.

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

	1995	1996	1997	1998	1999	Staff Est. 2000
(In millions of 1982 guaraníes)						
<b>GDP at market prices</b>	<b>1,087.4</b>	<b>1,101.2</b>	<b>1,129.7</b>	<b>1,124.9</b>	<b>1,130.4</b>	<b>1,127.0</b>
<b>Primary sector</b>	<b>293.1</b>	<b>296.9</b>	<b>312.4</b>	<b>313.2</b>	<b>323.1</b>	<b>308.4</b>
Agriculture	174.6	176.6	186.8	188.1	195.6	178.0
Livestock	81.9	83.3	87.9	87.2	89.1	90.9
Forestry	30.1	30.4	31.0	31.1	31.3	32.2
Hunting and fishing	1.4	1.5	1.5	1.6	1.6	1.6
Mining	5.1	5.1	5.2	5.4	5.5	5.6
<b>Secondary sector</b>	<b>276.6</b>	<b>278.2</b>	<b>280.7</b>	<b>283.9</b>	<b>294.9</b>	<b>303.3</b>
Manufacturing	161.3	157.8	157.5	159.0	159.1	160.7
Construction	58.0	59.8	60.4	61.0	62.5	63.7
Utilities	57.2	60.7	62.9	63.9	73.3	78.9
<b>Services</b>	<b>517.7</b>	<b>526.0</b>	<b>536.5</b>	<b>527.8</b>	<b>512.5</b>	<b>515.3</b>
Transport and communications	50.9	52.2	54.2	55.8	57.2	64.4
Commerce and finance	282.6	279.8	280.3	268.5	243.9	232.7
General government	55.2	60.7	64.9	63.6	67.7	70.1
Real estate and housing	29.2	30.0	30.6	31.3	31.9	32.5
Other services	99.9	103.4	106.5	108.6	111.7	115.6
(Percentage change)						
<b>GDP at market prices</b>	<b>4.7</b>	<b>1.3</b>	<b>2.6</b>	<b>-0.4</b>	<b>0.5</b>	<b>-0.3</b>
<b>Primary sector</b>	<b>8.0</b>	<b>1.3</b>	<b>5.2</b>	<b>0.3</b>	<b>3.1</b>	<b>-4.6</b>
Agriculture	11.5	1.1	5.8	0.7	4.0	-9.0
Livestock	3.1	1.7	5.5	-0.8	2.2	2.0
Forestry	3.1	1.0	2.0	0.2	0.7	3.0
Hunting and fishing	2.4	2.9	3.0	2.0	2.0	2.0
Mining	2.9	1.5	2.0	2.5	2.2	2.5
<b>Secondary sector</b>	<b>5.4</b>	<b>0.6</b>	<b>0.9</b>	<b>1.1</b>	<b>3.9</b>	<b>2.9</b>
Manufacturing	3.0	-2.2	-0.2	1.0	0.0	1.0
Construction	4.0	3.0	1.0	1.0	2.5	2.0
Utilities	14.7	6.1	3.6	1.6	14.7	7.7
<b>Services</b>	<b>2.6</b>	<b>1.6</b>	<b>2.0</b>	<b>-1.6</b>	<b>-2.9</b>	<b>0.6</b>
Transport and communications	3.5	2.5	3.8	3.0	2.6	12.5
Commerce and finance	1.6	-1.0	0.2	-4.2	-9.2	-4.6
General government	7.0	10.0	7.0	-2.0	6.5	3.5
Real estate and housing	3.0	3.0	2.0	2.0	2.0	2.0
Other services	2.5	3.5	3.0	2.0	2.8	3.5

Sources: Central Bank of Paraguay, *Cuentas Nacionales*, Part I; and Fund staff estimates.

Table 6. Paraguay: National Income at Current Prices

	1993	1994	1995	1996	1997	1998	1999
(In billions of guaraníes)							
<b>GDP at market prices</b>	<b>11,991.7</b>	<b>14,960.1</b>	<b>17,698.6</b>	<b>19,804.8</b>	<b>20,934.4</b>	<b>23,437.0</b>	<b>24,144.3</b>
Depreciation of capital	930.7	1,161.0	1,378.1	1,549.9	1,639.2	1,835.0	1,889.6
Indirect taxes	814.5	1,130.2	1,525.8	1,602.7	1,772.6	1,910.9	1,754.2
minus: subsidies	-0.2	-0.2	-0.3	-0.4	-0.4	-0.5	-0.6
<b>GDP at factor cost</b>	<b>10,246.7</b>	<b>12,669.1</b>	<b>14,795.0</b>	<b>16,652.5</b>	<b>17,523.0</b>	<b>19,691.5</b>	<b>20,501.2</b>
Factor income paid to the world (net)	-43.0	-78.8	-158.8	-145.1	-221.7	-304.5	-132.2
<b>National income</b>	<b>10,289.7</b>	<b>12,747.9</b>	<b>14,953.8</b>	<b>16,797.6</b>	<b>17,744.6</b>	<b>19,996.0</b>	<b>20,633.3</b>
Compensation of employees	3,583.4	4,632.5	5,769.8	6,443.0	6,610.5	7,360.3	7,764.3
Income of family-run businesses	6,202.6	7,463.8	8,371.9	9,485.2	10,247.2	11,661.5	11,750.5
Profit income of corporations	251.5	326.9	388.1	397.1	385.9	425.6	495.8
Direct taxes on enterprises	125.6	209.2	278.2	303.3	294.8	325.1	378.8
Profits of public enterprises	128.0	117.1	160.4	179.6	216.6	239.4	260.2
minus: interest on internal public debt	-1.4	-1.5	-14.6	-10.5	-10.3	-15.9	-16.3
(In percent of GDP)							
Depreciation of capital	5.8	4.6	3.9	3.5	3.3	3.0	2.9
Compensation of employees	29.9	31.0	32.6	32.5	31.6	31.4	32.2
Income of family-run businesses	51.7	49.9	47.3	47.9	48.9	49.8	48.7
Profits	3.2	3.0	3.1	2.9	2.9	2.8	3.1

Source: Central Bank of Paraguay, *Cuentas Nacionales*, Part V.



Table 7. Paraguay: National Income at Constant Prices

	1993	1994	1995	1996	1997	1998	1999
(In millions of 1982 guaraníes)							
<b>GDP at market prices</b>	<b>1,007.4</b>	<b>1,038.5</b>	<b>1,087.4</b>	<b>1,101.2</b>	<b>1,129.7</b>	<b>1,124.9</b>	<b>1,130.4</b>
Depreciation of capital	100.7	103.9	108.7	110.1	113.0	112.5	113.0
Indirect taxes	80.5	92.6	110.3	105.5	109.1	105.3	90.6
minus: subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>GDP at factor cost</b>	<b>826.2</b>	<b>842.1</b>	<b>868.4</b>	<b>885.6</b>	<b>907.7</b>	<b>907.1</b>	<b>926.8</b>
Factor income paid to the world (net)	-3.3	-5.6	-11.0	-7.9	-12.4	-13.9	-4.5
<b>National income</b>	<b>829.5</b>	<b>847.7</b>	<b>879.4</b>	<b>893.5</b>	<b>920.0</b>	<b>921.1</b>	<b>931.3</b>
Compensation of employees	355.5	364.7	375.6	382.0	392.0	391.1	386.5
Income of family-run businesses	423.9	430.9	445.6	454.3	472.6	475.4	486.4
Profit income of corporations	20.1	21.7	22.8	21.3	19.3	19.1	20.8
Direct taxes on enterprises	12.4	17.1	20.1	20.0	18.1	17.9	19.6
Profits of public enterprises	17.8	13.5	16.3	16.6	18.7	18.5	18.9
minus: interest on internal public debt	-0.1	-0.1	-1.1	-0.7	-0.7	-0.9	-0.9
(Percentage change)							
<b>GDP at market prices</b>	<b>4.1</b>	<b>3.1</b>	<b>4.7</b>	<b>1.3</b>	<b>2.6</b>	<b>-0.4</b>	<b>0.5</b>
<b>National income</b>	<b>4.6</b>	<b>2.2</b>	<b>3.7</b>	<b>1.6</b>	<b>3.0</b>	<b>0.1</b>	<b>1.1</b>
Compensation of employees	3.6	2.6	3.0	1.7	2.6	-0.2	-1.2
Income of family-run businesses	5.8	1.6	3.4	2.0	4.0	0.6	2.3
Profits	-0.5	-7.2	11.2	-3.2	0.4	-1.1	5.5

Source: Central Bank of Paraguay, *Cuentas Nacionales*, Part V.

Table 8. Paraguay: Value of Agricultural Production 1/

	1995	1996	1997	1998	1999
(In millions of guaraníes)					
<b>Total</b>	<b>3,030,963</b>	<b>3,666,722</b>	<b>3,557,184</b>	<b>3,880,497</b>	<b>4,127,348</b>
Cotton	433,565	238,740	128,247	201,354	175,723
Rice	41,356	34,523	35,951	41,090	67,626
Sugarcane	95,152	95,987	97,825	103,250	109,617
Sunflowers	15,708	26,385	20,233	42,364	41,962
Corn	334,220	430,708	349,952	315,193	528,732
Manioc	574,226	624,986	530,040	640,200	879,220
Peanuts	29,048	31,272	30,835	30,001	34,291
Beans	60,353	56,042	54,070	32,474	55,692
Soybeans	663,633	1,022,577	1,321,651	1,416,448	1,045,661
Tobacco	9,911	23,379	34,737	33,934	16,307
Wheat	54,449	110,861	77,236	47,769	82,121
Other	719,342	971,262	876,407	976,420	1,090,396
(In percent of total)					
Cotton	14.3	6.5	3.6	5.2	4.3
Sugarcane	3.1	2.6	2.8	2.7	2.7
Corn	11.0	11.7	9.8	8.1	12.8
Manioc	18.9	17.0	14.9	16.5	21.3
Soybeans	21.9	27.9	37.2	36.5	25.3
Wheat	1.8	3.0	2.2	1.2	2.0

Source: Central Bank of Paraguay, *Cuentas Nacionales*, Part VII.

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

Table 9. Paraguay: Production, Area Cultivated and Yields of Selected Crops 1/

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

	1995	1996	1997	1998	1999	2000
<b>Cotton</b>						
Area	332,280	306,632	110,697	202,000	166,204	194,760
Production	461,239	329,751	139,096	222,000	202,283	246,583
Yield	1,388	1,075	1,257	1,099	1,217	1,266
<b>Rice</b>						
Area	19,480	20,790	22,025	20,860	27,770	25,000
Production	80,146	76,282	81,465	80,921	128,093	101,065
Yield	4,114	3,669	3,699	3,879	4,613	4,043
<b>Sugarcane</b>						
Area	56,000	57,000	57,815	58,000	61,173	64,000
Production	2,576,000	2,736,000	2,795,000	2,800,000	2,872,271	2,246,116
Yield	46,000	48,000	48,344	48,276	46,953	35,096
<b>Sunflowers</b>						
Area	29,820	44,000	47,875	62,003	52,154	67,320
Production	42,455	68,900	45,548	81,372	72,536	81,966
Yield	1,424	1,566	951	1,312	1,391	1,218
<b>Corn</b>						
Area	330,961	324,601	384,114	355,600	356,602	384,762
Production	816,166	654,074	1,055,661	873,900	817,233	647,249
Yield	2,466	2,015	2,748	2,458	2,292	1,682
<b>Manioc</b>						
Area	211,406	190,847	220,006	236,696	247,946	249,725
Production	3,054,394	2,757,358	3,155,000	3,300,000	3,694,395	2,719,027
Yield	14,448	14,448	14,341	13,942	14,900	10,888
<b>Peanuts</b>						
Area	30,258	29,423	24,083	30,300	30,988	34,775
Production	32,275	29,281	31,084	29,805	28,382	22,053
Yield	1,067	995	1,291	984	916	634
<b>Beans</b>						
Area	71,948	70,499	73,930	57,160	57,584	69,775
Production	64,618	52,327	67,587	40,004	43,098	36,633
Yield	898	742	914	700	748	525
<b>Soybeans</b>						
Area	735,503	833,005	939,652	1,086,043	1,165,748	1,044,054
Production	2,212,109	2,394,794	2,670,003	2,855,742	3,053,005	2,979,733
Yield	3,008	2,875	2,841	2,629	2,619	2,854
<b>Tobacco</b>						
Area	4,526	5,000	7,825	7,800	6,911	2,885
Production	6,945	8,156	14,024	13,700	10,920	4,488
Yield	1,534	1,631	1,792	1,756	1,580	1,556
<b>Wheat</b>						
Area	172,497	221,415	224,046	200,700	187,900	127,680
Production	208,617	543,435	400,189	229,173	180,088	231,119
Yield	1,209	2,454	1,786	1,142	958	1,810

Source: Central Bank of Paraguay, *Informe Económico*, Cuadro No. 3.

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

Table 10. Paraguay: Value-Added in Manufacturing

	1993	1994	1995	1996	1997	1998	1999
(In millions of 1982 guaraníes)							
<b>Total Manufacturing</b>	<b>154,313</b>	<b>156,628</b>	<b>161,327</b>	<b>157,778</b>	<b>157,462</b>	<b>159,037</b>	<b>159,078</b>
<b>Consumer goods</b>	<b>116,820</b>	<b>122,227</b>	<b>128,330</b>	<b>125,943</b>	<b>126,153</b>	<b>128,105</b>	<b>129,004</b>
Handicrafts	10,497	10,780	11,486	10,227	10,188	10,254	10,257
Foodstuff	47,569	51,042	51,981	53,165	54,691	56,848	59,017
Diverse foodstuff	2,249	2,135	2,123	1,892	2,223	2,243	2,485
Beverages	13,756	15,223	16,673	16,644	17,451	16,934	17,180
Tobacco	1,673	1,597	1,687	1,381	1,089	866	763
Textiles	10,167	9,180	10,190	8,124	4,902	6,550	5,689
Clothing	190	115	120	120	119	120	120
Hides and furs	5,876	5,575	6,116	7,276	7,109	7,016	7,244
Shoes	2,517	1,896	1,991	2,190	2,203	2,147	2,044
Wood products	20,994	23,241	24,545	23,547	24,654	23,517	22,559
Furniture	1,332	1,443	1,418	1,377	1,524	1,610	1,646
<b>Intermediate goods</b>	<b>33,044</b>	<b>31,458</b>	<b>30,051</b>	<b>28,897</b>	<b>28,407</b>	<b>28,018</b>	<b>27,162</b>
Paper	81	56	59	54	54	54	54
Print	6,565	7,131	7,829	8,137	8,991	9,169	9,004
Industrial chemicals	1,735	1,662	1,666	1,570	1,556	1,563	1,562
Other chemicals	1,723	1,696	1,728	1,733	1,687	1,563	1,680
Petroleum derivatives	8,616	8,816	6,361	5,015	4,129	3,773	3,312
Rubber products	72	61	62	62	61	61	61
Plastics	6,456	5,027	4,424	4,424	4,385	4,405	4,401
Clay and porcelain	13	8	8	8	8	8	8
Glass	412	232	238	211	159	176	185
Nonmetallic minerals	6,418	6,029	6,910	6,943	6,681	6,576	6,250
Iron and steel	290	326	352	326	290	262	237
Nonferrous metals	663	414	414	414	406	408	408
<b>Capital goods</b>	<b>4,449</b>	<b>2,943</b>	<b>2,946</b>	<b>2,938</b>	<b>2,902</b>	<b>2,914</b>	<b>2,912</b>
Metallic products	1,756	1,015	1,018	1,010	992	996	995
Machinery	227	175	175	175	173	174	174
Electronics	117	82	82	82	81	81	81
Transport equipment	1,681	1,128	1,128	1,128	1,118	1,123	1,122
Scientific equipment	4	3	3	3	3	3	3
Other industries	664	540	540	540	535	537	537
(Percentage change)							
Total manufacturing	2.0	1.5	3.0	-2.2	-0.2	1.0	0.0
Consumer goods	0.4	4.6	5.0	-1.9	0.2	1.5	0.7
Intermediate goods	12.7	-4.8	-4.5	-3.8	-1.7	-1.4	-3.1
Capital goods	-20.0	-33.9	0.1	-0.3	-1.2	0.4	-0.1
(In percent of total)							
Total manufacturing	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Consumer goods	75.7	78.0	79.5	79.8	80.1	80.6	81.1
Intermediate goods	21.4	20.1	18.6	18.3	18.0	17.6	17.1
Capital goods	2.9	1.9	1.8	1.9	1.8	1.8	1.8

Source: Central Bank of Paraguay, *Cuentas Nacionales*, Part VII - Industria.

Table 11. Paraguay: Consumer Prices 1/

	(Annual percentage change)					
	All Items	Food	Clothing	Housing	Tradables	Nontradables
I. Average						
1992	15.5	14.9	10.9	14.7	12.7	19.4
1993	18.3	17.3	12.4	18.5	15.2	23.3
1994	20.6	20.4	14.2	20.2	17.1	26.1
1995	13.4	13.8	13.7	14.3	11.6	16.5
1996	9.8	6.3	6.4	13.8	6.9	14.8
1997	7.0	4.4	3.5	9.1	4.6	10.7
1998	11.6	11.6	5.8	9.8	11.6	11.5
1999	7.3	3.7	5.8	6.4	6.3	7.4
2000	9.0	8.3	3.3	6.5	9.8	7.8
II. End-of-Period						
1992	17.8	19.1	10.4	16.4	15.7	21.4
1993	20.4	21.0	14.3	17.9	18.5	23.6
1994	18.3	18.2	13.9	19.1	15.0	23.4
1995	10.5	7.4	10.9	14.3	7.3	16.4
1996	8.2	5.6	4.6	11.3	6.0	11.8
1997	6.2	4.2	3.5	8.0	4.4	8.9
1998	14.6	15.1	8.5	11.1	15.2	13.8
1999	5.4	1.7	3.4	4.9	6.0	4.6
2000	8.6	7.9	2.6	8.4	7.9	9.7
<b>1995</b>						
March	14.3	15.5	15.8	13.6	12.6	17.1
June	15.0	16.8	14.9	15.2	13.5	17.5
September	12.3	11.5	12.6	15.3	10.3	15.8
December	10.5	7.4	10.9	14.3	7.3	16.4
<b>1996</b>						
March	11.1	6.4	7.0	17.5	7.7	17.0
June	9.6	5.9	6.0	13.6	6.8	14.5
September	9.8	7.2	5.9	11.8	7.1	14.4
December	8.2	5.6	4.6	11.3	6.0	11.8
<b>1997</b>						
March	8.6	7.2	4.0	10.0	6.3	12.5
June	7.9	6.5	2.5	9.7	5.7	11.3
September	5.9	2.8	2.5	8.4	3.6	9.3
December	6.2	4.1	2.9	7.8	4.4	8.9
<b>1998</b>						
March	6.6	4.0	1.4	7.9	5.0	9.1
June	10.8	9.6	4.9	10.1	11.2	10.3
September	15.0	16.0	7.8	11.1	15.8	13.9
December	14.6	15.1	8.5	11.1	15.2	13.8
<b>1999</b>						
March	9.3	7.5	9.1	6.2	9.1	9.6
June	4.4	0.0	5.6	3.8	2.3	7.7
September	4.7	0.5	5.2	5.8	4.3	5.2
December	5.4	1.7	3.4	4.9	6.0	4.6
<b>2000</b>						
March	9.6	8.8	3.8	6.5	11.6	6.5
June	10.3	9.5	3.8	6.4	11.8	8.2
September	9.4	9.4	3.0	7.5	9.4	9.5
December	8.6	7.9	2.6	8.4	7.9	9.7

Source: Central Bank of Paraguay, *Informe Económico*.

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

Table 12. Paraguay: Producer Prices

	Total	Domestic Products	Imported Products
I. Index			
<b>1995</b>			
December	100.0	100.0	100.0
<b>1996</b>			
March	106.8	107.7	104.7
June	107.5	108.3	105.6
September	109.0	110.2	106.2
December	108.3	109.0	106.6
<b>1997</b>			
March	107.2	107.3	107.0
June	107.9	107.8	108.1
September	108.1	107.8	108.8
December	110.2	109.5	111.9
<b>1998</b>			
March	116.3	115.1	119.1
June	123.6	123.5	124.0
September	131.7	133.8	126.8
December	130.1	131.8	126.5
<b>1999</b>			
March	125.9	125.2	127.6
June	127.0	123.4	135.3
September	132.8	127.1	145.8
December	139.0	134.4	149.5
<b>2000</b>			
March	149.1	144.5	159.5
June	149.3	142.6	164.8
September	154.1	147.7	168.7
December	153.5	147.9	166.3
II. Annual percentage change			
<b>1997</b>			
March	0.4	-0.4	2.2
June	0.4	-0.5	2.4
September	-0.8	-2.2	2.4
December	1.8	0.5	5.0
<b>1998</b>			
March	8.5	7.3	11.3
June	14.6	14.6	14.7
September	21.8	24.1	16.5
December	18.1	20.4	13.0
<b>1999</b>			
March	8.3	8.8	7.1
June	2.8	-0.1	9.1
September	0.8	-5.0	15.0
December	6.8	2.0	18.2
<b>2000</b>			
March	18.4	15.4	25.0
June	17.6	15.6	21.8
September	16.0	16.2	15.7
December	10.4	10.0	11.2

Source: Central Bank of Paraguay, *Informe Económico*, Cuadro No. 9.

Table 13. Paraguay: Labor Market Indicators 1/

	1995	1996	1997	1998	1999	2000
<b>I. Wage Indices, End-of-Period</b>						
(1980 = 100)						
<b>Nominal wage indices</b>						
Wages	1,893.7	2,100.1	2,249.6	2,476.6	2,531.6	2,818.3
Private sector minimum wage	1,891.0	2,126.2	2,393.3	2,632.6	2,680.5	3,042.3
<b>Real wage indices 2/</b>						
Wages	110.6	113.4	114.4	109.9	106.5	109.1
Real private sector minimum wage	114.1	116.7	122.8	121.1	115.5	122.3
(Percentage change)						
<b>Nominal wage indices</b>						
Wages	18.3	10.9	7.1	10.1	2.2	11.3
Private sector minimum wages	15.2	12.4	12.6	10.0	1.8	13.5
<b>Real wage indices 2/</b>						
Wages	7.0	2.5	0.9	-3.9	-3.1	2.5
Private sector minimum wage	1.7	2.3	5.2	-1.4	-4.6	5.9
<b>II. Labor Market Indicators</b>						
(In percent)						
Employment growth	2.5	4.5	1.7	0.6	2.1	...
Unemployment rate	3.3	8.2	5.0	5.7	6.8	...
Underemployment rate	18.2	20.7	23.0	21.4	17.6	...

1/ Refers to greater Asunción.

2/ Using the consumer price index as the deflator.

Table 14. Paraguay: Operations of the Consolidated Public Sector

	1995	1996	1997	1998	1999	2000
	(In billions of guaranías)					
<b>Revenue</b>	<b>3,811.0</b>	<b>4,040.7</b>	<b>4,495.2</b>	<b>5,442.3</b>	<b>5,617.6</b>	<b>5,884.1</b>
Tax revenue	2,152.6	2,285.6	2,463.5	2,729.1	2,685.7	2,975.4
Nontax revenue and grants	1,140.9	1,295.8	1,499.4	1,773.5	2,056.7	2,088.7
Public enterprises' operating surplus	451.1	418.6	478.8	901.1	820.6	767.5
Capital revenue	66.4	40.6	53.6	38.6	54.6	52.5
<b>Current expenditure</b>	<b>2,418.0</b>	<b>2,910.0</b>	<b>3,209.6</b>	<b>3,985.3</b>	<b>4,438.6</b>	<b>5,027.9</b>
Wages and salaries	1,362.0	1,658.0	1,866.9	2,221.1	2,451.2	2,811.4
Goods and services	331.7	415.6	452.9	568.6	528.9	584.9
Interest payments	182.8	168.8	180.5	302.0	321.6	404.5
Transfers	516.1	642.6	688.2	786.9	1,055.3	1,184.4
Other	25.4	25.1	21.1	106.8	81.6	42.6
<b>Capital expenditure and net lending</b>	<b>1,625.9</b>	<b>1,124.8</b>	<b>1,770.3</b>	<b>1,687.2</b>	<b>2,324.0</b>	<b>2,338.9</b>
<b>Current account balance</b>	<b>1,393.0</b>	<b>1,130.6</b>	<b>1,285.6</b>	<b>1,456.9</b>	<b>1,179.1</b>	<b>856.3</b>
<b>Overall balance</b>	<b>-232.9</b>	<b>5.9</b>	<b>-484.7</b>	<b>-230.3</b>	<b>-1,145.0</b>	<b>-1,482.7</b>
<b>Financing</b>	<b>266.4</b>	<b>-108.3</b>	<b>730.7</b>	<b>581.0</b>	<b>1,251.1</b>	<b>1,285.9</b>
External debt (increase +)	-43.6	81.0	599.0	329.0	1,186.4	1,611.4
Internal debt (increase +)	27.8	-317.7	-34.2	76.5	-202.3	-291.7
Monetary expansion	282.2	128.4	166.0	175.5	266.9	-33.8
Float and errors	-33.5	102.4	-246.0	-350.7	-106.1	196.8
	(In percent of GDP)					
<b>Revenue</b>	<b>21.5</b>	<b>20.4</b>	<b>21.5</b>	<b>23.2</b>	<b>23.3</b>	<b>22.4</b>
Tax revenue	12.2	11.5	11.8	11.6	11.1	11.3
Nontax revenue and grants	6.4	6.5	7.2	7.6	8.5	8.0
Public enterprises' operating surplus	2.5	2.1	2.3	3.8	3.4	2.9
Capital revenue	0.4	0.2	0.3	0.2	0.2	0.2
<b>Current expenditure</b>	<b>13.7</b>	<b>14.7</b>	<b>15.3</b>	<b>17.0</b>	<b>18.4</b>	<b>19.2</b>
Wages and salaries	7.7	8.4	8.9	9.5	10.2	10.7
Goods and services	1.9	2.1	2.2	2.4	2.2	2.2
Interest payments	1.0	0.9	0.9	1.3	1.3	1.5
Transfers	2.9	3.2	3.3	3.4	4.4	4.5
Other	0.1	0.1	0.1	0.5	0.3	0.2
<b>Capital expenditure and net lending</b>	<b>9.2</b>	<b>5.7</b>	<b>8.5</b>	<b>7.2</b>	<b>9.6</b>	<b>8.9</b>
Capital expenditure	5.3	4.4	7.0	7.1	9.4	8.8
Net lending by the central bank	3.9	1.2	1.4	0.1	0.3	0.1
<b>Current account balance</b>	<b>7.9</b>	<b>5.7</b>	<b>6.1</b>	<b>6.2</b>	<b>4.9</b>	<b>3.3</b>
<b>Overall balance</b>	<b>-1.3</b>	<b>0.0</b>	<b>-2.3</b>	<b>-1.0</b>	<b>-4.7</b>	<b>-5.7</b>
<b>Financing</b>	<b>1.5</b>	<b>-0.5</b>	<b>3.5</b>	<b>2.5</b>	<b>5.2</b>	<b>4.9</b>
External debt (increase +)	-0.2	0.4	2.9	1.4	4.9	6.1
Internal debt (increase +)	0.2	-1.6	-0.2	0.3	-0.8	-1.1
Monetary expansion	1.6	0.6	0.8	0.7	1.1	-0.1
Float and errors	-0.2	0.5	-1.2	-1.5	-0.4	0.8

Sources: Ministry of Finance; and Fund Staff estimates.



Table 15. Paraguay: Operations of the Central Government

	1995	1996	1997	1998	1999	2000
	(In billions of guaraníes)					
<b>Total Revenue</b>	<b>2,774.7</b>	<b>2,979.6</b>	<b>3,299.0</b>	<b>3,795.2</b>	<b>4,093.8</b>	<b>4,287.3</b>
Tax revenue	2,152.6	2,285.6	2,463.5	2,729.1	2,685.7	2,975.4
Social security contributions	171.5	210.8	227.3	244.6	288.0	300.4
Income taxes	404.1	440.9	429.8	474.4	552.2	513.6
Taxes on goods and services	1,084.4	1,189.8	1,324.6	1,483.5	1,446.7	1,664.2
Excise taxes	212.0	275.7	272.6	302.7	308.2	454.5
Value added tax	772.3	814.3	951.3	1,063.7	1,048.4	1,112.2
Stamp tax	64.9	68.3	75.1	76.1	68.8	68.9
Other	35.2	31.4	25.6	41.0	21.3	28.6
Taxes on international transactions	492.6	444.1	481.8	526.6	398.8	497.2
Import duties	492.6	444.1	481.8	526.6	398.8	497.2
Other	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenue	560.5	653.7	792.8	1,028.7	1,364.7	1,261.5
Itaipu	346.0	369.3	528.8	749.6	996.8	781.2
Other (including grants)	214.5	284.4	264.0	279.1	367.9	480.3
Capital revenue	61.6	40.3	42.7	37.4	43.5	50.4
<b>Current expenditures</b>	<b>2,062.7</b>	<b>2,449.3</b>	<b>2,665.0</b>	<b>3,199.7</b>	<b>3,549.5</b>	<b>4,163.8</b>
Wages and salaries	1,149.7	1,386.4	1,551.1	1,818.0	2,021.4	2,338.6
Goods and services	257.1	300.0	307.5	332.2	250.4	307.8
Interest payments	127.9	96.5	101.7	170.4	193.2	310.7
Transfers	511.4	644.5	686.6	774.9	1,009.5	1,170.3
Other	16.6	22.0	18.1	104.1	75.1	36.5
<b>Capital expenditures</b>	<b>762.3</b>	<b>685.0</b>	<b>936.5</b>	<b>822.5</b>	<b>1,409.5</b>	<b>1,303.4</b>
Capital formation	564.6	532.8	747.8	728.0	978.9	1,188.9
Capital transfers	171.2	132.9	140.3	94.3	430.4	113.8
Other	26.4	19.3	48.4	0.3	0.2	0.6
<b>Current account balance</b>	<b>712.0</b>	<b>530.3</b>	<b>634.0</b>	<b>595.5</b>	<b>544.3</b>	<b>123.5</b>
<b>Overall balance</b>	<b>-50.2</b>	<b>-154.7</b>	<b>-302.5</b>	<b>-227.1</b>	<b>-865.2</b>	<b>-1,179.9</b>
<b>Financing</b>	<b>61.8</b>	<b>14.7</b>	<b>331.1</b>	<b>367.6</b>	<b>1,008.1</b>	<b>838.7</b>
External debt (increase +)	164.1	60.9	115.7	318.3	1,525.6	347.7
Internal debt (increase +)	66.2	10.8	92.6	-4.7	166.3	-79.5
Central bank deposits (increase -)	-168.5	-57.0	122.8	54.0	-683.8	570.5
Float and errors	-11.6	140.1	-28.6	-140.5	-142.9	341.2
	(In percent of GDP)					
<b>Total Revenue</b>	<b>15.7</b>	<b>15.0</b>	<b>15.8</b>	<b>16.2</b>	<b>17.0</b>	<b>16.4</b>
Tax revenue	12.2	11.5	11.8	11.6	11.1	11.3
Social security contributions	1.0	1.1	1.1	1.0	1.2	1.1
Income taxes	2.3	2.2	2.1	2.0	2.3	2.0
Taxes on goods and services	6.1	6.0	6.3	6.3	6.0	6.3
Taxes on international transactions	2.8	2.2	2.3	2.2	1.7	1.9
Nontax revenue	3.2	3.3	3.8	4.4	5.7	4.8
Itaipu	2.0	1.9	2.5	3.2	4.1	3.0
Other (including grants)	1.2	1.4	1.3	1.2	1.5	1.8
Capital revenue	0.3	0.2	0.2	0.2	0.2	0.2
<b>Current expenditures</b>	<b>11.7</b>	<b>12.4</b>	<b>12.7</b>	<b>13.7</b>	<b>14.7</b>	<b>15.9</b>
Wages and salaries	6.5	7.0	7.4	7.8	8.4	8.9
Goods and services	1.5	1.5	1.5	1.4	1.0	1.2
Interest payments	0.7	0.5	0.5	0.7	0.8	1.2
Transfers	2.9	3.3	3.3	3.3	4.2	4.5
Other	0.1	0.1	0.1	0.4	0.3	0.1
<b>Capital expenditures</b>	<b>4.3</b>	<b>3.5</b>	<b>4.5</b>	<b>3.5</b>	<b>5.8</b>	<b>5.0</b>
<b>Current account balance</b>	<b>4.0</b>	<b>2.7</b>	<b>3.0</b>	<b>2.5</b>	<b>2.3</b>	<b>0.5</b>
<b>Overall balance</b>	<b>-0.3</b>	<b>-0.8</b>	<b>-1.4</b>	<b>-1.0</b>	<b>-3.6</b>	<b>-4.5</b>
<b>Financing</b>	<b>0.3</b>	<b>0.1</b>	<b>1.6</b>	<b>1.6</b>	<b>4.2</b>	<b>3.2</b>
External debt (increase +)	0.9	0.3	0.6	1.4	6.3	1.3
Internal debt (increase +)	0.4	0.1	0.4	0.0	0.7	-0.3
Central bank deposits (increase -)	-1.0	-0.3	0.6	0.2	-2.8	2.2
Float and errors	-0.1	0.7	-0.1	-0.6	-0.6	1.3

Sources: Ministry of Finance; and Fund staff estimates.

Table 16. Paraguay: Operations of IPS

	1995	1996	1997	1998	1999	2000
(In billions of guaraníes)						
<b>Revenues</b>	<b>428.3</b>	<b>512.8</b>	<b>595.5</b>	<b>630.0</b>	<b>605.1</b>	<b>718.5</b>
Social security contributions	332.0	389.2	444.6	517.9	543.0	600.2
Other current revenue	96.3	123.7	150.9	112.1	62.1	118.3
<b>Current expenditures</b>	<b>223.6</b>	<b>294.2</b>	<b>369.9</b>	<b>531.2</b>	<b>623.7</b>	<b>606.5</b>
Wages and salaries	80.0	114.2	137.2	202.4	208.7	218.1
Goods and services	49.6	79.0	114.4	193.7	237.0	228.7
Interest payments	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	88.5	101.1	118.4	135.1	178.0	159.7
Other	5.4	0.0	0.0	0.0	0.0	0.0
<b>Capital expenditures</b>	<b>12.0</b>	<b>10.4</b>	<b>43.5</b>	<b>38.2</b>	<b>9.0</b>	<b>48.1</b>
<b>Current account balance</b>	<b>204.7</b>	<b>218.6</b>	<b>225.6</b>	<b>98.9</b>	<b>-18.7</b>	<b>112.0</b>
<b>Overall balance</b>	<b>192.7</b>	<b>208.3</b>	<b>182.1</b>	<b>60.7</b>	<b>-27.6</b>	<b>64.0</b>
<b>Financing</b>	<b>-184.8</b>	<b>-210.7</b>	<b>-167.3</b>	<b>-77.9</b>	<b>28.5</b>	<b>-59.0</b>
External debt (increase +)	0.0	0.0	0.0	0.0	0.0	0.0
Internal debt (increase +)	-183.8	-214.4	-167.3	-77.9	28.5	-59.0
Central bank deposits (+ decrease)	-1.0	3.7	0.0	0.0	0.0	0.0
Float and errors	-7.8	2.4	-14.8	17.2	-0.9	-5.0
(In percent of GDP)						
<b>Revenues</b>	<b>2.4</b>	<b>2.6</b>	<b>2.8</b>	<b>2.7</b>	<b>2.5</b>	<b>2.7</b>
<b>Current expenditure</b>	<b>1.3</b>	<b>1.5</b>	<b>1.8</b>	<b>2.3</b>	<b>2.6</b>	<b>2.3</b>
Wages and salaries	0.5	0.6	0.7	0.9	0.9	0.8
Goods and services	0.3	0.4	0.5	0.8	1.0	0.9
Interest payments	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	0.5	0.5	0.6	0.6	0.7	0.6
Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Capital expenditure</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>
<b>Current account balance</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>	<b>0.4</b>	<b>-0.1</b>	<b>0.4</b>
<b>Overall balance</b>	<b>1.1</b>	<b>1.1</b>	<b>0.9</b>	<b>0.3</b>	<b>-0.1</b>	<b>0.2</b>
<b>Financing</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-0.8</b>	<b>-0.3</b>	<b>0.1</b>	<b>-0.2</b>
External debt (increase +)	0.0	0.0	0.0	0.0	0.0	0.0
Internal debt (increase +)	-1.0	-1.1	-0.8	-0.3	0.1	-0.2
Central bank deposits (increase -)	0.0	0.0	0.0	0.0	0.0	0.0
Float and errors	0.0	0.0	-0.1	0.1	0.0	0.0

Sources: The Ministry of Finance; and Fund staff estimates.

Table 17. Paraguay: Rest of General Government (IBR, UNA, Local Governments)

	1995	1996	1997	1998	1999	2000
(In billions of guaraníes)						
<b>Revenues</b>	<b>141.0</b>	<b>169.0</b>	<b>155.9</b>	<b>161.4</b>	<b>171.2</b>	<b>201.1</b>
Current transfers from central government	80.2	99.4	111.7	119.5	120.9	136.6
Other current revenues	18.4	22.7	21.8	24.6	31.8	40.2
Capital revenues	42.4	46.9	22.4	17.2	18.4	24.3
<b>Current expenditures</b>	<b>96.9</b>	<b>118.2</b>	<b>128.4</b>	<b>139.8</b>	<b>148.3</b>	<b>171.1</b>
Wages and salaries	77.8	96.4	104.9	112.1	118.5	142.4
Goods and services	15.7	19.1	19.6	22.9	24.4	25.7
Interest payments	1.2	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	1.2	3.4	4.4	2.1
Other	2.3	2.7	2.6	1.3	1.0	0.9
<b>Capital expenditures</b>	<b>45.7</b>	<b>23.1</b>	<b>22.4</b>	<b>22.5</b>	<b>17.8</b>	<b>26.7</b>
<b>Current account balance</b>	<b>44.1</b>	<b>50.8</b>	<b>27.5</b>	<b>21.6</b>	<b>22.9</b>	<b>30.0</b>
<b>Overall balance</b>	<b>-1.6</b>	<b>27.7</b>	<b>5.1</b>	<b>-0.9</b>	<b>5.0</b>	<b>3.3</b>
<b>Financing 1/</b>	<b>-30.3</b>	<b>-15.4</b>	<b>33.5</b>	<b>8.8</b>	<b>-47.9</b>	<b>-7.0</b>
External debt (increase +)	0.0	-0.3	0.0	0.0	0.0	0.0
Internal debt (increase +)	-6.1	-75.1	33.6	8.7	-47.6	-6.6
Central bank deposits (increase -)	-24.2	60.0	-0.2	0.0	-0.3	-0.3
Float and errors	31.8	-12.3	-38.6	-7.9	42.8	3.6

Source: Ministry of Finance.

1/ Includes local governments.

Table 18. Paraguay: Operations of the Public Enterprises

	1995	1996	1997	1998	1999	2000
(In billions of guaraníes)						
<b>Revenues</b>	<b>1,537.6</b>	<b>1,711.6</b>	<b>1,994.2</b>	<b>2,292.7</b>	<b>2,424.9</b>	<b>2,822.6</b>
Sales of goods and services	1,524.3	1,704.7	1,977.4	2,284.5	2,401.8	2,809.3
Current transfers from central government	5.0	5.7	5.4	6.9	17.1	13.3
Capital revenue	8.4	1.1	11.4	1.3	6.0	0.0
<b>Current expenditures</b>	<b>1,073.2</b>	<b>1,286.1</b>	<b>1,502.8</b>	<b>1,402.9</b>	<b>1,632.3</b>	<b>2,116.0</b>
Wages and salaries	250.8	301.5	408.6	461.5	483.4	474.8
Goods and services	631.8	799.0	927.5	721.7	828.3	1,405.5
Interest payments	35.1	34.4	25.2	27.6	55.0	62.3
Transfers	134.7	138.7	11.2	34.6	66.7	93.6
Other	20.8	12.4	130.4	157.5	198.8	79.8
<b>Capital expenditures</b>	<b>168.1</b>	<b>206.9</b>	<b>492.3</b>	<b>807.6</b>	<b>845.6</b>	<b>964.7</b>
<b>Current account balance</b>	<b>464.4</b>	<b>425.5</b>	<b>491.4</b>	<b>889.8</b>	<b>792.7</b>	<b>706.6</b>
<b>Overall balance</b>	<b>296.3</b>	<b>218.6</b>	<b>-1.0</b>	<b>82.1</b>	<b>-52.9</b>	<b>-258.1</b>
<b>Financing</b>	<b>-131.7</b>	<b>-179.5</b>	<b>120.2</b>	<b>141.9</b>	<b>95.4</b>	<b>441.7</b>
External debt (increase +)	-82.4	-76.5	-7.2	110.0	59.2	519.3
Internal debt (increase +)	-32.0	-92.6	4.2	23.7	-0.4	-93.0
Central bank deposits (increase -)	-17.4	-10.3	123.3	8.2	36.6	15.4
Float and errors	-164.6	-39.1	-119.2	-224.0	-42.5	-183.6
(In percent of GDP)						
<b>Revenues</b>	<b>8.7</b>	<b>8.6</b>	<b>9.5</b>	<b>9.8</b>	<b>10.0</b>	<b>10.8</b>
<b>Current expenditures</b>	<b>6.1</b>	<b>6.5</b>	<b>7.2</b>	<b>6.0</b>	<b>6.8</b>	<b>8.1</b>
Wages and salaries	1.4	1.5	2.0	2.0	2.0	1.8
Goods and services	3.6	4.0	4.4	3.1	3.4	5.4
Interest payments	0.2	0.2	0.1	0.1	0.2	0.2
Transfers	0.8	0.7	0.1	0.1	0.3	0.4
Other	0.1	0.1	0.6	0.7	0.8	0.3
<b>Capital expenditures</b>	<b>0.9</b>	<b>1.0</b>	<b>2.4</b>	<b>3.4</b>	<b>3.5</b>	<b>3.7</b>
<b>Current account balance</b>	<b>2.6</b>	<b>2.1</b>	<b>2.3</b>	<b>3.8</b>	<b>3.3</b>	<b>2.7</b>
<b>Overall balance</b>	<b>1.7</b>	<b>1.1</b>	<b>0.0</b>	<b>0.4</b>	<b>-0.2</b>	<b>-1.0</b>
<b>Financing</b>	<b>-0.7</b>	<b>-0.9</b>	<b>0.6</b>	<b>0.6</b>	<b>0.4</b>	<b>1.7</b>
External debt (increase +)	-0.5	-0.4	0.0	0.5	0.2	2.0
Internal debt (increase +)	-0.2	-0.5	0.0	0.1	0.0	-0.4
Central bank deposits (increase -)	-0.1	-0.1	0.6	0.0	0.2	0.1
Float and errors	-0.9	-0.2	-0.6	-1.0	-0.2	-0.7

Sources: Ministry of Finance; and Fund staff estimates.

Table 19. Paraguay: Quasi-Fiscal Operations of the BCP

	1995	1996	1997	1998	1999	2000
(In billions of guaraníes)						
<b>Revenues</b>	<b>134.0</b>	<b>106.7</b>	<b>96.4</b>	<b>113.6</b>	<b>117.6</b>	<b>151.0</b>
Interest revenue	128.6	104.3	94.2	106.2	100.3	146.8
Fees	5.2	2.4	1.8	6.2	12.2	2.2
Capital revenue	0.3	0.0	0.4	1.2	5.1	2.1
<b>Current expenditures</b>	<b>120.0</b>	<b>153.5</b>	<b>165.9</b>	<b>243.9</b>	<b>261.3</b>	<b>242.7</b>
Wages and salaries	54.5	61.1	73.7	88.6	102.6	112.3
Goods and services	9.3	17.5	11.4	19.7	17.2	22.7
Interest payments	53.7	72.3	78.7	131.6	128.4	93.9
Transfers	1.4	2.1	1.7	2.6	7.7	8.5
<i>Of which</i> : transfers to central government	0.1	0.1	0.1	0.1	6.1	6.1
Other	1.1	0.4	0.4	1.3	5.4	5.3
<b>Net lending</b>	<b>684.1</b>	<b>247.2</b>	<b>298.9</b>	<b>14.9</b>	<b>60.7</b>	<b>20.4</b>
<b>Current account balance</b>	<b>14.0</b>	<b>-46.8</b>	<b>-69.6</b>	<b>-130.3</b>	<b>-143.7</b>	<b>-91.6</b>
<b>Overall balance</b>	<b>-670.1</b>	<b>-293.9</b>	<b>-368.5</b>	<b>-145.2</b>	<b>-204.3</b>	<b>-112.0</b>
<b>Financing</b>	<b>551.4</b>	<b>282.6</b>	<b>413.2</b>	<b>140.7</b>	<b>166.9</b>	<b>71.4</b>
International reserves (increase -)	-125.4	96.9	490.5	-99.2	-398.3	744.3
Internal debt (increase +)	394.6	57.2	-243.2	64.4	298.4	-639.1
Public sector credit (increase -)	211.1	3.6	-245.9	-62.2	647.5	-585.5
Increase in LRM (increase +)	166.5	48.9	68.3	62.7	-305.9	-29.9
Other liabilities (increase +)	17.1	4.7	-65.6	64.0	-43.3	-23.6
Monetary expansion	282.2	128.4	166.0	175.5	266.9	-33.8
Currency issued (increase +)	165.7	58.3	159.6	155.4	178.4	-30.8
Bank deposits (increase +)	116.5	70.1	6.4	20.1	88.5	-3.0
Float and errors	118.7	11.3	-44.7	4.5	37.4	40.6
(In percent of GDP)						
<b>Revenues</b>	<b>0.8</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>
<b>Current expenditures</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>1.0</b>	<b>1.1</b>	<b>0.9</b>
Wages and salaries	0.3	0.3	0.4	0.4	0.4	0.4
Goods and services	0.1	0.1	0.1	0.1	0.1	0.1
Interest payments	0.3	0.4	0.4	0.6	0.5	0.4
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net lending</b>	<b>3.9</b>	<b>1.2</b>	<b>1.4</b>	<b>0.1</b>	<b>0.3</b>	<b>0.1</b>
<b>Current account balance</b>	<b>0.1</b>	<b>-0.2</b>	<b>-0.3</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.3</b>
<b>Overall balance</b>	<b>-3.8</b>	<b>-1.5</b>	<b>-1.8</b>	<b>-0.6</b>	<b>-0.8</b>	<b>-0.4</b>
<b>Financing</b>	<b>3.1</b>	<b>1.4</b>	<b>2.0</b>	<b>0.6</b>	<b>0.7</b>	<b>0.3</b>
External debt (increase +)	-0.7	0.5	2.3	-0.4	-1.6	2.8
Internal debt (increase +)	2.2	0.3	-1.2	0.3	1.2	-2.4
Currency issued (increase +)	0.9	0.3	0.8	0.7	0.7	-0.1
Float and errors	0.7	0.1	-0.2	0.0	0.2	0.2

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

Table 20. Paraguay: Central Bank Balance Sheet

	1995	1996	1997	1998	1999	2000
(In billions of guaraníes)						
<b>Total assets</b>	<b>4,009.3</b>	<b>4,380.2</b>	<b>5,625.0</b>	<b>5,357.7</b>	<b>6,033.7</b>	<b>6,216.0</b>
<b>Foreign assets</b>	<b>2,220.4</b>	<b>2,247.6</b>	<b>1,978.7</b>	<b>2,504.7</b>	<b>3,308.5</b>	<b>2,767.1</b>
International reserves	2,196.3	2,240.3	1,970.7	2,484.4	3,275.9	2,736.3
Other foreign assets	24.1	7.3	8.0	20.3	32.6	30.8
<b>Domestic assets</b>	<b>971.4</b>	<b>1,248.3</b>	<b>1,885.7</b>	<b>1,809.1</b>	<b>1,326.4</b>	<b>1,950.0</b>
Credit to the public sector (net)	158.0	184.8	460.3	613.0	61.2	656.0
Central government	69.2	33.8	193.9	334.4	-256.4	320.9
Social security	-3.7	0.0	0.0	0.0	0.0	0.0
Decentralized agencies	-58.5	1.4	1.3	1.3	1.0	0.6
Local government	0.6	0.6	0.6	0.6	0.6	0.6
Public enterprises	150.4	149.0	264.5	276.7	315.9	333.9
Credit to banks	580.7	840.7	514.7	45.4	4.5	7.1
Credit to financieras	21.3	104.2	19.9	33.6	26.8	35.8
Credit to rest of financial system	23.1	21.3	81.4	80.8	78.7	78.3
Credit to institutions in liquidation	181.0	85.4	794.7	1,017.8	1,133.0	1,144.0
Credit to the private sector	7.2	11.9	14.7	18.4	22.3	28.7
Other assets	817.4	884.3	1,760.5	1,043.9	1,398.7	1,498.9
<b>Total Liabilities</b>	<b>4,009.3</b>	<b>4,380.2</b>	<b>5,625.0</b>	<b>5,357.7</b>	<b>6,033.7</b>	<b>6,216.0</b>
<b>Foreign liabilities</b>	<b>168.9</b>	<b>161.3</b>	<b>157.2</b>	<b>171.6</b>	<b>175.8</b>	<b>157.1</b>
Short-term	18.2	1.0	0.3	0.3	0.0	1.7
Medium- and long-term	150.8	160.3	157.0	171.3	175.8	155.3
<b>Domestic liabilities</b>	<b>2,845.2</b>	<b>3,148.1</b>	<b>5,205.7</b>	<b>4,884.7</b>	<b>5,463.1</b>	<b>5,497.0</b>
<b>Monetary base</b>	<b>1,638.4</b>	<b>1,688.8</b>	<b>1,815.8</b>	<b>1,939.7</b>	<b>2,121.5</b>	<b>2,101.0</b>
Currency	1,035.7	1,094.1	1,253.7	1,409.1	1,587.5	1,556.7
Deposits by banks m/n	553.3	545.7	511.0	499.2	501.6	506.1
Deposits by <i>financieras</i> m/n	49.4	49.0	51.1	31.4	32.4	38.2
Deposits by banks m/e	411.9	513.8	603.3	775.4	987.7	1,034.5
Deposits by <i>financieras</i> m/e	2.5	4.6	8.4	21.7	27.8	38.2
Open market papers (LRM)	201.9	250.8	319.1	381.7	75.9	45.9
Deposits by rest of financial system	45.4	27.1	18.7	17.3	16.0	6.6
Deposits by institutions in liquidation	0.0	0.0	4.3	70.9	23.2	8.3
Deposits by the private sector	26.0	52.0	54.6	58.3	72.3	80.4
Provisions	1.1	6.8	1,541.7	756.3	929.5	938.5
Capital	518.0	604.3	839.9	863.3	1,209.3	1,243.8
Other liabilities	995.1	1,070.9	262.1	301.4	394.7	561.9
(Percentage change)						
<b>Monetary base</b>	<b>22.9</b>	<b>3.1</b>	<b>7.5</b>	<b>6.8</b>	<b>9.4</b>	<b>-1.0</b>
Currency	19.0	5.6	14.6	12.4	12.7	-1.9
Reserves of banks	26.2	-1.4	-6.4	-2.3	0.5	0.9
Memorandum items:						
International reserves (millions of US\$)	1,106.5	1,062.3	845.8	874.8	988.2	771.9
International reserves (in months of imports of goods and nfs.)	2.6	2.6	2.2	2.4	3.6	2.8
Ratio of M2 to reserves	1.5	1.4	1.7	1.3	1.1	1.4
Velocity of base money	10.8	11.7	11.5	12.1	11.4	12.5
Velocity of currency	17.1	18.1	16.7	16.6	15.2	16.8

Source: Central Bank of Paraguay, Table C1.

Table 21. Paraguay: Commercial Banks Balance Sheet

	1995	1996	1997	1998	1999	2000
	(In billions of guaraníes)					
<b>Total assets</b>	<b>5,536.8</b>	<b>6,737.3</b>	<b>7,397.2</b>	<b>7,407.2</b>	<b>8,887.2</b>	<b>9,563.2</b>
<b>Foreign assets</b>	<b>996.3</b>	<b>995.8</b>	<b>877.6</b>	<b>1,178.5</b>	<b>1,327.0</b>	<b>1,759.7</b>
<b>Domestic assets</b>	<b>4,654.9</b>	<b>5,002.2</b>	<b>5,871.3</b>	<b>6,098.2</b>	<b>6,861.3</b>	<b>7,006.7</b>
Reserves in the BCP	1,203.9	1,402.0	1,457.0	1,618.1	1,689.1	1,772.3
Deposits in m/n	625.5	668.4	606.2	648.4	671.6	719.5
Deposits in m/e	406.8	503.4	580.5	770.1	959.5	1,014.8
Open market papers (LRM)	171.6	230.3	270.4	199.6	58.0	38.0
Credit to the public sector (net)	-317.4	-946.3	-714.1	-530.5	-403.6	-646.5
Central government	36.2	45.5	137.4	136.6	325.3	262.6
Social security	-292.8	-762.7	-661.1	-507.8	-517.4	-596.5
Decentralized agencies	-19.9	-68.8	-44.5	-64.7	-84.0	-81.9
Local government	16.8	-9.4	-0.2	28.8	-0.4	-9.5
Public enterprises	-57.7	-150.8	-145.8	-123.4	-127.0	-221.2
Credit to the private sector	3,713.4	4,511.6	5,071.4	4,965.0	5,518.8	5,797.2
Credit to <i>financieras</i>	15.6	9.0	23.4	20.0	16.6	37.9
Credit to rest of financial system	39.4	26.0	33.4	25.5	40.4	45.8
Other assets	-114.4	739.3	648.4	130.5	698.8	796.8
<b>Total Liabilities</b>	<b>5,536.8</b>	<b>6,737.3</b>	<b>7,397.2</b>	<b>7,407.2</b>	<b>8,887.2</b>	<b>9,563.2</b>
<b>Foreign liabilities</b>	<b>897.1</b>	<b>540.8</b>	<b>708.8</b>	<b>656.2</b>	<b>394.7</b>	<b>370.9</b>
Short-term	715.3	335.5	534.4	611.8	343.2	262.1
Medium- and long-term	181.8	205.3	174.4	44.4	51.5	108.9
<b>Domestic liabilities</b>	<b>5,047.7</b>	<b>6,120.3</b>	<b>6,713.1</b>	<b>6,785.8</b>	<b>7,920.9</b>	<b>8,552.9</b>
Deposits by private sector m/n	2,266.4	2,268.2	2,284.2	2,045.1	2,263.2	2,414.8
Demand deposits	570.8	611.0	662.5	654.8	701.9	1,088.8
Time deposits	37.9	51.7	52.8	56.8	77.1	97.0
Savings deposits	1,146.2	1,125.8	1,131.9	944.3	972.6	649.6
Certificates of deposits (CDs)	508.3	478.5	437.1	387.7	508.4	574.9
Investment titles ( <i>pagares</i> )	3.1	1.2	0.0	1.4	3.2	4.4
Deposits by private sector m/e	1,348.8	1,927.9	2,390.2	3,000.6	3,759.9	3,946.1
Other liabilities of financial intermediation	50.2	37.0	49.1	13.1	9.4	39.3
Deposits by <i>financieras</i>	19.2	31.5	31.0	50.1	68.5	102.1
Deposits by rest of financial system	0.0	0.0	0.0	0.0	0.0	0.0
Bonds, mutual funds and restricted deposits	186.1	161.9	9.8	34.1	35.8	74.0
Loans from the BCP	156.4	346.6	321.6	33.3	68.7	86.5
Provisions	180.9	315.2	389.3	284.1	448.3	544.2
Capital	839.8	1,032.0	1,237.8	1,325.4	1,267.2	1,345.9
Other liabilities	-408.1	76.3	-24.7	-34.7	571.6	639.3
Memorandum items:						
Currency in banks	79.7	132.3	130.8	145.1	188.8	229.5
Ratio of loans to deposits	102.7	107.5	108.5	98.4	91.6	91.1

Source: Central Bank of Paraguay

Table 22. Paraguay: Financieras Balance Sheet

	1995	1996	1997	1998	1999	2000
(In billions of guaraníes)						
<b>Total assets</b>	<b>592.3</b>	<b>677.6</b>	<b>869.3</b>	<b>918.0</b>	<b>929.2</b>	<b>1,127.3</b>
<b>Foreign assets</b>	<b>0.7</b>	<b>1.4</b>	<b>30.0</b>	<b>31.3</b>	<b>31.9</b>	<b>55.8</b>
<b>Domestic assets</b>	<b>502.0</b>	<b>579.6</b>	<b>738.5</b>	<b>767.1</b>	<b>770.4</b>	<b>925.4</b>
Reserves in the BCP	48.3	53.0	69.0	76.9	77.9	98.2
Deposits in m/n	44.3	48.0	60.3	49.7	45.8	54.1
Deposits in m/e	2.7	4.6	8.7	23.9	27.0	38.2
Open market papers (LRM)	1.3	0.4	0.0	3.2	5.0	6.0
Credit to the public sector (net)	-0.2	3.6	3.4	3.5	5.7	6.4
Central government	2.1	3.6	4.3	3.6	5.8	6.5
Social security	-2.3	0.0	0.0	0.0	0.0	0.0
Decentralized agencies	0.0	0.0	0.0	0.0	0.0	0.0
Local government	0.0	0.0	0.0	0.0	0.0	0.1
Public enterprises	0.0	0.0	-0.9	-0.1	-0.1	-0.2
Credit to the private sector	419.7	478.1	619.5	628.7	598.2	742.1
Credit to commercial banks	29.9	38.3	39.0	57.8	86.8	74.5
Credit to rest of financial system	4.2	6.6	7.5	0.1	1.8	4.2
Other assets	89.6	96.6	100.8	119.7	127.0	146.1
<b>Total Liabilities</b>	<b>592.3</b>	<b>677.6</b>	<b>869.3</b>	<b>918.0</b>	<b>929.2</b>	<b>1,127.3</b>
<b>Foreign liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>19.9</b>	<b>6.0</b>	<b>2.0</b>	<b>7.0</b>
Short-term	0.0	0.0	19.9	5.9	0.2	7.0
Medium- and long-term	0.0	0.0	0.0	0.1	1.8	0.0
<b>Domestic liabilities</b>	<b>570.1</b>	<b>655.8</b>	<b>825.3</b>	<b>866.5</b>	<b>863.0</b>	<b>1,060.7</b>
Deposits by private sector m/n	339.6	377.4	449.3	367.7	332.7	416.7
Demand deposits	0.0	0.0	0.0	0.0	0.0	0.0
Time deposits	0.5	2.0	4.5	8.3	2.0	3.0
Savings deposits	0.0	4.6	9.4	17.5	18.3	30.5
Certificates of deposits (CDs)	16.0	59.7	139.3	100.7	124.2	183.0
Investment titles ( <i>pagarés</i> )	323.1	311.1	296.1	241.1	188.3	200.3
Deposits by private sector m/e	10.2	22.1	46.9	119.5	138.2	191.7
Other liabilities of financial intermediation	0.0	0.0	0.0	0.0	0.0	0.0
Deposits by banks	14.4	16.5	34.3	39.6	41.2	66.5
Deposits by rest of financial system	0.0	0.0	0.0	0.0	0.0	0.0
Bonds, mutual funds and restricted deposits	0.3	0.0	0.0	0.0	0.0	0.0
Loans from the BCP	12.2	11.8	19.8	32.5	26.8	36.3
Provisions	28.2	34.6	28.3	37.8	43.5	46.1
Capital	165.2	193.4	246.7	269.4	280.6	303.4
Other liabilities	22.2	21.8	24.1	45.4	64.3	59.6
Memorandum item:						
Currency in <i>financieras</i>	7.8	8.4	16.2	17.3	13.5	15.9

Source: Central Bank of Paraguay.



Table 23. Paraguay: Monetary Survey

	1995	1996	1997	1998	1999	2000
(In billions of guaraníes)						
<b>Net foreign assets</b>	<b>2,150.6</b>	<b>2,541.4</b>	<b>1,990.2</b>	<b>2,855.4</b>	<b>4,065.0</b>	<b>3,998.8</b>
<b>Net domestic assets</b>	<b>3,725.1</b>	<b>3,895.8</b>	<b>5,671.8</b>	<b>6,052.3</b>	<b>6,326.2</b>	<b>6,983.9</b>
<b>Credit to the public sector (net)</b>	<b>-159.4</b>	<b>-761.5</b>	<b>-253.8</b>	<b>82.5</b>	<b>-342.4</b>	<b>9.6</b>
Central government	105.4	79.2	331.3	471.1	68.9	583.5
Social security	-296.4	-762.7	-661.1	-507.8	-517.4	-596.5
Decentralized agencies	-78.5	-67.4	-43.2	-63.5	-83.0	-81.3
Local government	17.4	-8.8	0.5	29.4	0.2	-8.9
Public enterprises	92.8	-1.8	118.8	153.4	188.9	112.7
<b>Credit to the private sector</b>	<b>3,720.7</b>	<b>4,523.5</b>	<b>5,086.2</b>	<b>4,983.4</b>	<b>5,541.0</b>	<b>5,825.9</b>
in m/n	2,582.5	3,142.0	2,959.0	2,573.8	2,749.7	3,067.5
in m/e	1,138.1	1,381.4	2,127.2	2,409.6	2,791.3	2,758.4
Credit to financieras (net)	-34.3	28.2	-47.1	-49.6	-85.3	-104.8
Credit to rest of financial system (net)	17.1	20.2	96.2	89.0	103.0	117.4
Credit to institutions in liquidation (net)	181.0	85.4	790.5	947.0	1,109.8	1,135.8
<b>Other items (net)</b>	<b>-1,304.5</b>	<b>-1,279.2</b>	<b>-1,864.8</b>	<b>-2,598.0</b>	<b>-2,969.5</b>	<b>-3,294.6</b>
Interbank flow	381.5	453.5	86.0	-171.1	-129.0	-123.1
Other liabilities of financial intermediation (-)	-50.2	-37.0	-49.1	-13.1	-9.4	-39.3
Bonds, mutual funds and private sector deposits (-)	-212.2	-213.9	-64.5	-92.3	-108.0	-154.4
Provisions (-)	-182.0	-322.0	-1,931.1	-1,040.5	-1,377.8	-1,482.7
Capital (-)	-1,357.8	-1,636.3	-2,077.6	-2,188.8	-2,476.6	-2,589.6
Other assets and liabilities	116.0	476.4	2,171.5	907.7	1,131.3	1,094.5
<b>Broad money incl. forex. deposits (M3)</b>	<b>4,571.2</b>	<b>5,157.9</b>	<b>5,797.3</b>	<b>6,309.7</b>	<b>7,421.7</b>	<b>7,688.1</b>
Broad money (M2)	3,222.4	3,230.0	3,407.1	3,309.2	3,661.8	3,742.0
Money (M1)	1,526.8	1,572.8	1,785.4	1,918.9	2,100.6	2,416.0
Currency in circulation	956.0	961.8	1,122.9	1,264.1	1,398.7	1,327.2
Demand deposits	570.8	611.0	662.5	654.8	701.9	1,088.8
Quasi-money	1,695.6	1,657.2	1,621.7	1,390.3	1,561.3	1,326.0
Time deposits	37.9	51.7	52.8	56.8	77.1	97.0
Savings deposits	1,146.2	1,125.8	1,131.9	944.3	972.6	649.6
Certificates of deposits (CDs)	508.3	478.5	437.1	387.7	508.4	574.9
Investment titles (pagarés)	3.1	1.2	0.0	1.4	3.2	4.4
Deposits in foreign currency m/e	1,348.8	1,927.9	2,390.2	3,000.6	3,759.9	3,946.1
(Percentage change)						
<b>Broad money including forex. deposits (M3)</b>	<b>30.6</b>	<b>12.8</b>	<b>12.4</b>	<b>8.8</b>	<b>17.6</b>	<b>3.6</b>
Broad money (M2)	48.8	0.2	5.5	-2.9	10.7	2.2
Money (M1)	20.0	3.0	13.5	7.5	9.5	15.0
Quasi money	89.8	-2.3	-2.1	-14.3	12.3	-15.1
Deposits in foreign currency m/e	1.1	42.9	24.0	25.5	25.3	5.0
(Contribution to M3 growth)						
<b>Broad money incl. forex. deposits (M3)</b>	<b>30.6</b>	<b>12.8</b>	<b>12.4</b>	<b>8.8</b>	<b>17.6</b>	<b>3.6</b>
Net foreign assets	-1.4	8.5	-10.7	14.9	19.2	-0.9
Net domestic assets	26.1	3.7	34.4	6.6	4.3	8.9
Net credit to the public sector	5.5	-13.2	9.8	5.8	-6.7	4.7
Net credit to the private sector	15.7	17.6	10.9	-1.8	8.8	3.8
<b>Memorandum items:</b>						
Dollarization of M3	29.5	37.4	41.2	47.6	50.7	51.3
Dollarization of loans	30.6	30.5	41.8	48.4	50.4	47.3
Income velocity of M3 1/	4.4	4.1	3.8	3.9	3.5	3.5

Source: Central Bank of Paraguay.

1/ Nominal GDP/average of end-year money stock t and t-1.

Table 24. Paraguay: Banking Survey

	1995	1996	1997	1998	1999	2000
(In billions of guaraníes)						
<b>Net foreign assets</b>	<b>2,151.3</b>	<b>2,542.8</b>	<b>2,000.4</b>	<b>2,880.7</b>	<b>4,094.9</b>	<b>4,047.6</b>
<b>Net domestic assets</b>	<b>4,183.2</b>	<b>4,355.9</b>	<b>6,349.4</b>	<b>6,734.3</b>	<b>7,017.2</b>	<b>7,841.3</b>
<b>Credit to the public sector (net)</b>	<b>-159.6</b>	<b>-757.8</b>	<b>-250.4</b>	<b>86.1</b>	<b>-336.7</b>	<b>16.0</b>
Central government	107.5	82.9	335.6	474.6	74.7	590.0
Social security	-298.7	-762.7	-661.1	-507.8	-517.4	-596.5
Decentralized agencies	-78.5	-67.4	-43.2	-63.5	-83.0	-81.3
Local government	17.4	-8.8	0.5	29.4	0.2	-8.8
Public enterprises	92.8	-1.8	117.9	153.3	188.8	112.5
<b>Credit to the private sector</b>	<b>4,140.4</b>	<b>5,001.6</b>	<b>5,705.7</b>	<b>5,612.1</b>	<b>6,139.3</b>	<b>6,568.0</b>
in m/n	2,996.5	3,604.4	3,544.0	3,119.0	3,259.8	3,683.9
in m/e	1,143.9	1,397.1	2,161.7	2,493.1	2,879.5	2,884.1
Credit to rest of financial system (net)	21.4	26.8	103.6	89.1	104.8	121.6
Credit to institutions in liquidation (net)	181.0	85.4	790.5	947.0	1,109.8	1,135.8
<b>Other items (net)</b>	<b>-1,421.2</b>	<b>-1,349.6</b>	<b>-2,072.5</b>	<b>-2,835.2</b>	<b>-3,233.0</b>	<b>-3,608.3</b>
Interbank flow	391.1	536.3	76.6	-175.3	-131.0	-173.8
Other liabilities of financial intermediation (-)	-50.2	-37.0	-49.1	-13.1	-9.4	-39.3
Bonds, mutual funds and private sector deposits (-)	-212.4	-213.9	-64.5	-92.3	-108.0	-154.4
Provisions (-)	-210.2	-356.5	-1,959.4	-1,078.2	-1,421.3	-1,528.7
Capital (-)	-1,523.0	-1,829.7	-2,324.4	-2,458.2	-2,757.1	-2,893.1
Other assets and liabilities	183.5	551.2	2,248.2	982.0	1,194.0	1,181.0
<b>Broad money including forex. deposits (M3')</b>	<b>4,913.3</b>	<b>5,549.1</b>	<b>6,277.3</b>	<b>6,779.7</b>	<b>7,879.2</b>	<b>8,280.6</b>
Broad money (M2')	3,554.2	3,599.0	3,840.2	3,659.6	3,981.1	4,142.8
Money (M1')	1,519.0	1,564.4	1,769.2	1,901.6	2,087.1	2,400.0
Currency in circulation	948.2	953.4	1,106.7	1,246.8	1,385.2	1,311.3
Demand deposits	570.8	611.0	662.5	654.8	701.9	1,088.8
Quasi-money	2,035.2	2,034.6	2,071.0	1,758.0	1,894.0	1,742.7
Time deposits	38.4	53.7	57.3	65.2	79.1	100.0
Savings deposits	1,146.2	1,130.4	1,141.3	961.8	990.9	680.1
Certificates of deposits (CDs)	524.4	538.3	576.4	488.5	632.5	757.9
Investment titles (pagarés)	326.2	312.3	296.1	242.5	191.5	204.7
Deposits in foreign currency m/e	1,359.1	1,950.1	2,437.1	3,120.1	3,898.1	4,137.8
(Percentage change)						
<b>Broad money including forex. deposits (M3')</b>	<b>40.4</b>	<b>12.9</b>	<b>13.1</b>	<b>8.0</b>	<b>16.2</b>	<b>5.1</b>
Broad money (M2')	64.1	1.3	6.7	-4.7	8.8	4.1
Money (M1')	19.4	3.0	13.1	7.5	9.8	15.0
Currency in circulation	18.5	0.5	16.1	12.7	11.1	-5.3
Demand deposits	20.9	7.0	8.4	-1.2	7.2	55.1
Quasi money	127.8	0.0	1.8	-15.1	7.7	-8.0
Savings deposits	173.2	39.6	6.7	13.8	21.4	26.4
Time deposits	70.1	-1.4	1.0	-15.7	3.0	-31.4
Certificates of deposits (CDs)	155.0	2.7	7.1	-15.2	29.5	19.8
Deposits in foreign currency m/e	1.9	43.5	25.0	28.0	24.9	6.2
(Contribution to M3 growth)						
<b>Broad money including forex. deposits (M3')</b>	<b>40.4</b>	<b>12.9</b>	<b>13.1</b>	<b>8.0</b>	<b>16.2</b>	<b>5.1</b>
Net foreign assets	-1.4	8.0	-9.8	14.0	17.9	-0.6
Net domestic assets	38.5	3.5	35.9	6.1	4.2	10.5
Net credit to the public sector	5.5	-12.2	9.1	5.4	-6.2	4.5
Net credit to the private sector	27.7	17.5	12.7	-1.5	7.8	5.4
Memorandum items:						
Dollarization of M3'	27.7	35.1	38.8	46.0	49.5	50.0
Dollarization of loans	27.6	27.9	37.9	44.4	46.9	43.9
Income velocity of M3' 2/	4.2	3.8	3.5	3.6	3.3	3.2

Source: Central Bank of Paraguay.

1/ Nominal GDP/average of end-year money stock t and t-1.

Table 25. Paraguay: Financial Sector Soundness Indicators

(Ratios in percent)

	1995	1996	1997	1998	1999	2000
<b>Share in total deposits</b>						
Private banks	78.0	79.4	78.5	84.1	84.5	85.8
Public banks	13.4	13.8	13.7	9.1	9.0	6.3
Finance companies ( <i>financieras</i> )	8.7	6.8	7.9	6.8	6.5	7.9
<b>Capital adequacy ratios</b>						
Private banks	20.9	20.0	22.8	24.8	20.9	21.0
Public banks	14.5	12.1	15.9	19.4	16.4	16.0
Finance companies ( <i>financieras</i> )	29.2	33.1	35.7	38.4	40.1	36.1
<b>Nonperforming loans over total loans</b>						
Private banks	8.4	9.3	7.6	8.1	9.3	11.8
Public banks	11.1	17.0	31.8	44.5	49.1	44.7
Finance companies ( <i>financieras</i> )	13.9	16.2	9.2	9.6	13.0	11.0
<b>Provisions over nonperforming loans</b>						
Private banks	62.1	47.6	60.9	48.1	45.1	45.5
Public banks	33.0	30.4	24.8	27.4	34.3	39.7
Finance companies ( <i>financieras</i> )	65.5	52.5	41.9	45.1	43.9	45.7
<b>Profits (before taxes) over assets</b>						
Private banks	1.1	2.8	3.6	5.0	1.2	1.7
Public banks	0.6	0.5	-0.6	-6.9	0.2	-0.5
Finance companies ( <i>financieras</i> )	1.2	1.9	6.2	6.1	3.8	4.4
<b>Administrative costs over deposits</b>						
Private banks	...	7.6	8.5	6.9	7.0	7.1
Public banks	...	10.2	11.6	12.3	10.5	14.8
Finance companies ( <i>financieras</i> )	...	18.5	20.1	26.0	23.9	19.3
<b>Liquid assets over total assets</b>						
Private banks	36.1	36.4	38.7	41.0	38.7	41.0
Public banks	20.8	20.1	13.2	18.4	35.4	28.8
Finance companies ( <i>financieras</i> )	19.6	19.3	20.7	20.4	24.6	24.3

Sources: Central Bank of Paraguay; Superintendency of Banks; *Boletín Estadístico*; and Fund staff estimates.

Table 26. Paraguay: Interest Rate Structure

(In percent, end of period)

	1995	1996	1997	1998	1999	2000
I. Banks: Lending						
<b>Average lending rate, local currency</b>	<b>42.8</b>	<b>40.0</b>	<b>36.0</b>	<b>39.5</b>	<b>39.2</b>	<b>35.8</b>
Commercial	32.6	30.0	26.8	31.5	27.8	25.3
Industry and agriculture	32.6	28.9	24.9	31.6	29.2	34.4
Personal	40.6	41.4	31.9	37.7	38.3	40.4
Other	29.6	25.7	29.8	25.0	25.2	24.4
Overdraft	60.1	56.6	53.4	53.6	54.1	54.1
Credit cards	56.5	53.4	48.9	49.8	51.1	51.3
<b>Average lending rate, guaraní loans, real</b>	<b>29.2</b>	<b>29.5</b>	<b>28.0</b>	<b>21.7</b>	<b>32.1</b>	<b>25.8</b>
<b>Average lending rate, U.S. dollar loans</b>	<b>14.0</b>	<b>14.9</b>	<b>12.6</b>	<b>12.1</b>	<b>12.3</b>	<b>11.5</b>
Commercial	14.1	14.6	12.4	11.6	11.8	10.9
Industry and agriculture	11.8	13.6	12.2	13.8	11.8	12.1
Other	14.8	18.2	17.9	16.8	17.5	16.2
II. Banks: Deposits						
<b>Average deposit rate, local currency</b>	<b>14.7</b>	<b>13.0</b>	<b>7.6</b>	<b>6.7</b>	<b>9.5</b>	<b>8.1</b>
Checking accounts	10.7	9.7	5.9	4.9	7.1	5.5
Fixed term deposits, 30-60 days	12.5	12.0	9.7	15.0	13.5	11.7
Fixed term deposits, 61-90 days	14.6	11.9	7.4	17.8	13.5	14.5
Fixed term deposits, 91-180 days	15.5	17.6	11.9	17.5	14.5	13.4
Certificates of deposits, 181-365 days	20.3	15.9	15.8	18.5	16.8	19.5
Certificates of deposits, over 365 days	...	...	...	17.5	16.8	20.1
<b>Average deposit rate, local currency, real</b>	<b>3.8</b>	<b>4.5</b>	<b>1.4</b>	<b>-7.0</b>	<b>3.0</b>	<b>-0.5</b>
<b>Average deposits rate, U.S. dollars</b>	<b>4.7</b>	<b>4.5</b>	<b>3.1</b>	<b>3.1</b>	<b>3.4</b>	<b>2.8</b>
Checking accounts	4.4	3.9	2.4	2.6	2.6	2.3
Fixed-term deposits	6.2	6.2	5.8	4.5	4.9	4.3
Certificates of deposits	...	...	...	6.9	6.7	6.4
III. Other Institutions						
<b>Finance Houses (<i>Financieras</i>)</b>						
Lending rate, average	...	...	47.0	51.2	52.4	50.4
Deposit rate, average	...	...	20.5	22.3	21.9	19.9
<b>Interbank rate</b>	<b>17.5</b>	<b>17.1</b>	<b>17.5</b>	<b>15.3</b>	<b>13.5</b>	<b>11.1</b>
<b>Central Bank</b>						
Central Bank's short-term paper (LRM)	12.7	9.1	15.4	26.2	13.2	5.0
in real terms	2.0	0.9	8.7	10.1	7.4	-3.4

Source: Central Bank of Paraguay.

Table 27. Paraguay: Balance of Payments

	1995	1996	1997	1998	1999	Est. 2000
(In millions of U.S. dollars)						
<b>Current account</b>	<b>-92.3</b>	<b>-353.0</b>	<b>-650.4</b>	<b>-160.0</b>	<b>-86.2</b>	<b>-314.9</b>
Trade balance	-270.4	-586.5	-864.8	-392.9	-368.2	-585.7
Exports	4,218.6	3,796.9	3,327.5	3,548.6	2,673.3	2,251.1
Exports of domestic goods	1,213.8	1,243.7	1,365.9	1,267.9	920.0	1,032.1
Re-exports	3,004.8	2,553.2	1,961.6	2,280.7	1,753.3	1,219.0
Imports	4,489.0	4,383.4	4,192.4	3,941.5	3,041.5	2,836.8
Services (net)	-126.9	-58.3	0.4	49.6	76.9	46.5
Transport	-373.6	-319.3	-322.5	-258.4	-221.3	-226.6
Travel	4.0	1.4	-10.9	-31.1	-28.3	-30.0
Other	242.7	259.6	333.8	339.1	326.5	303.1
Factor income	109.7	109.6	33.1	6.0	29.9	47.5
Transfers	195.3	182.2	180.9	177.3	175.2	176.8
<b>Capital and financial account</b>	<b>258.8</b>	<b>173.7</b>	<b>438.8</b>	<b>325.0</b>	<b>523.4</b>	<b>194.4</b>
Capital transfers	10.6	14.2	7.5	5.4	19.6	3.0
Direct investment	98.1	144.2	230.1	336.3	64.7	119.2
Portfolio investment	-0.8	-3.7	-4.3	9.0	-20.9	-16.5
Other investment	150.9	19.0	205.5	-25.7	460.0	88.7
Assets	-58.5	-31.9	72.9	-5.0	-93.3	-159.1
Commercial credits	0.0	-7.0	25.1	-10.9	13.5	13.0
Loans	-62.3	-148.5	64.8	19.0	-68.2	-212.6
Foreign currency deposits	47.6	193.8	-16.0	-97.1	8.3	69.5
Other assets	-43.8	-70.2	-1.0	84.0	-46.9	-29.0
Liabilities	209.4	50.9	132.6	-20.7	553.3	247.8
Commercial credits	25.2	153.6	-114.2	-79.3	95.6	69.0
Loans	78.0	74.1	165.0	126.2	500.0	134.0
Foreign currency deposits	83.6	-206.7	22.0	-0.2	-53.4	-13.4
Other liabilities	22.6	29.8	59.8	-67.3	11.1	58.2
<b>Reserve Assets</b>	<b>-60.2</b>	<b>39.4</b>	<b>205.8</b>	<b>-23.4</b>	<b>-104.4</b>	<b>218.3</b>
<b>Errors and Omissions</b>	<b>-106.3</b>	<b>140.0</b>	<b>5.8</b>	<b>-141.7</b>	<b>-332.8</b>	<b>-97.8</b>
Memorandum items:						
Current account in percent of GDP	-1.0	-3.7	-6.8	-1.9	-1.1	-4.2
International reserves (in millions of US\$)	1,106.5	1,062.3	845.8	874.8	988.2	771.9
in months of imports of GNFS	2.6	2.5	2.1	2.3	3.4	2.8
External public debt in percent of GDP	15.8	14.9	16.1	19.3	28.9	31.8
Debt service in percent of exports GNFS	4.8	4.7	4.4	5.1	6.7	8.8
Terms of trade, goods	112.3	113.7	113.3	112.8	106.2	104.1

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

Table 28. Paraguay: Composition of Registered Exports (f.o.b.)

	1993	1994	1995	1996	1997	1998	1999	Q1-Q3 2000
(In millions of U.S. dollars)								
<b>Total registered exports</b>	<b>966.6</b>	<b>816.8</b>	<b>919.3</b>	<b>1,043.4</b>	<b>1,142.8</b>	<b>1,014.1</b>	<b>740.8</b>	<b>687.9</b>
<b>Primary products</b>	<b>722.7</b>	<b>551.6</b>	<b>630.5</b>	<b>675.0</b>	<b>751.9</b>	<b>698.2</b>	<b>492.0</b>	<b>461.2</b>
Agricultural products	619.4	431.7	510.3	580.8	653.5	578.2	404.4	355.4
Cotton	164.9	170.9	296.0	216.5	97.1	92.1	69.1	73.6
Soybeans and oilseeds	223.7	224.8	177.9	326.0	496.9	443.0	312.9	252.2
Cereals	7.0	24.5	26.7	26.0	48.0	32.0	15.1	26.2
Fresh fruits, vegetables, tobacco	0.1	11.5	9.7	12.2	11.5	11.1	7.3	3.4
Livestock	101.0	119.3	114.2	90.3	94.4	110.9	75.3	98.5
Meat	47.1	56.3	55.6	48.3	52.0	72.1	38.3	55.9
Hides and furs	53.9	63.0	58.6	42.0	42.4	38.8	37.0	42.5
Sugar	2.3	0.7	6.0	3.9	4.1	9.1	12.3	7.3
<b>Manufactured products</b>	<b>244.0</b>	<b>265.2</b>	<b>288.8</b>	<b>368.5</b>	<b>390.9</b>	<b>316.0</b>	<b>248.8</b>	<b>226.7</b>
Oils	63.8	73.5	74.8	86.9	74.2	81.5	59.8	38.4
Lumber	63.8	78.7	89.5	94.0	100.7	69.7	58.8	55.8
Flour		23.5	9.3	3.0	51.5	30.9	30.0	44.5
Other	116.3	89.5	115.2	184.6	164.4	133.9	100.2	88.0
(In percent of total registered exports)								
<b>Total registered exports</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Primary products</b>	<b>74.8</b>	<b>67.5</b>	<b>68.6</b>	<b>64.7</b>	<b>65.8</b>	<b>68.8</b>	<b>66.4</b>	<b>67.0</b>
Agricultural products	64.1	52.9	55.5	55.7	57.2	57.0	54.6	51.7
Livestock	10.4	14.6	12.4	8.7	8.3	10.9	10.2	14.3
Sugar	0.2	0.1	0.7	0.4	0.4	0.9	1.7	1.1
<b>Manufactured products</b>	<b>25.2</b>	<b>32.5</b>	<b>31.4</b>	<b>35.3</b>	<b>34.2</b>	<b>31.2</b>	<b>33.6</b>	<b>33.0</b>
Oils	6.6	9.0	8.1	8.3	6.5	8.0	8.1	5.6
Lumber	6.6	9.6	9.7	9.0	8.8	6.9	7.9	8.1
Flour	0.0	2.9	1.0	0.3	4.5	3.0	4.0	6.5
Other	12.0	11.0	12.5	17.7	14.4	13.2	13.5	12.8
<b>Memorandum items</b>								
International price of cotton 1/	58.8	77.7	100.0	83.2	74.6	71.1	55.9	61.0
International price of soybeans 1/	98.5	97.5	100.0	117.5	114.0	94.7	77.0	81.5

Sources: Central Bank of Paraguay; and IFS commodity prices.

1/ index 1995 = 100, annual average

Table 29. Paraguay: Composition of Registered Imports (f.o.b.)

	1995	1996	1997	1998	1999	Prel. 2000
(In millions of U.S. dollars)						
<b>Total registered imports</b>	<b>2,782.2</b>	<b>2,850.5</b>	<b>3,099.2</b>	<b>2,470.8</b>	<b>1,725.1</b>	<b>2,050.4</b>
<b>Consumer goods</b>	<b>1,302.8</b>	<b>1,272.6</b>	<b>1,367.7</b>	<b>1,203.3</b>	<b>691.2</b>	<b>882.5</b>
Food	144.8	172.1	165.0	155.3	78.2	139.2
Beverage and tobacco	325.3	401.7	446.3	429.2	220.2	205.7
Automobiles	123.2	125.2	182.2	139.7	79.0	76.8
Electronic goods	225.6	110.0	64.3	53.0	24.8	34.9
Other	484.0	463.7	510.0	426.0	289.0	426.0
<b>Intermediate goods</b>	<b>504.3</b>	<b>656.7</b>	<b>708.9</b>	<b>512.0</b>	<b>419.4</b>	<b>610.0</b>
Fuels and lubricants	191.6	235.4	311.4	188.7	194.8	312.7
Chemicals	95.8	132.1	148.5	133.7	102.3	134.8
Other	216.9	289.2	249.1	189.6	122.3	162.5
<b>Capital goods</b>	<b>975.0</b>	<b>921.1</b>	<b>1,022.6</b>	<b>755.5</b>	<b>614.4</b>	<b>557.9</b>
Machinery and motors	629.4	625.7	614.3	500.1	418.6	408.5
Transport equipment	235.0	204.7	307.7	200.0	160.0	106.5
Other	110.6	90.7	100.6	55.4	35.8	42.9
(In percent of total registered imports)						
Total registered imports	100.0	100.0	100.0	100.0	100.0	100.0
Consumer goods	46.8	44.6	44.1	48.7	40.1	43.0
Intermediate goods	18.1	23.0	22.9	20.7	24.3	29.8
Capital goods	35.0	32.3	33.0	30.6	35.6	27.2

Source: Central Bank of Paraguay.

Table 30. Paraguay: Direction of Trade Structure

(In percent)

	Exports					Imports				
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Western Hemisphere</b>	65.6	78.9	74.1	69.5	72.9	68.8	71.0	72.3	73.1	74.6
United States	4.7	3.7	3.0	2.7	4.6	22.2	21.4	19.1	20.2	20.0
Argentina	10.9	14.6	21.4	25.7	27.0	14.1	13.9	14.4	15.6	20.7
Brazil	40.0	48.8	39.1	28.1	25.4	29.1	31.6	34.2	32.2	28.0
Chile	4.5	5.6	3.7	4.7	4.6	1.7	1.6	1.7	1.9	1.8
Uruguay	1.1	2.0	1.6	1.2	1.3	0.6	1.2	1.6	2.2	3.3
Other	4.4	4.1	5.2	7.1	9.9	1.1	1.4	1.3	1.0	0.8
<b>Western Europe</b>	23.6	13.9	14.8	21.6	17.7	9.7	10.3	10.7	9.4	11.3
Belgium	3.4	0.7	0.4	0.9	0.3	0.2	0.2	0.2	0.1	0.1
France	1.6	1.4	0.8	1.0	0.9	0.9	0.9	1.1	0.8	0.9
Germany	7.4	1.6	1.0	0.4	1.3	2.3	2.6	2.1	1.7	1.8
Greece	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Italy	3.1	2.8	2.0	2.0	2.7	1.7	2.5	2.1	2.2	2.2
Netherlands	3.4	3.5	8.2	15.3	7.6	0.4	0.4	0.3	0.3	0.3
Portugal	1.2	1.3	0.1	0.0	1.5	0.0	0.0	0.1	0.0	0.1
Spain	2.5	1.9	1.6	1.6	2.9	0.7	0.8	1.1	1.2	1.6
Switzerland	0.3	0.2	0.1	0.1	0.2	0.6	0.6	0.3	0.7	0.5
United Kingdom	0.4	0.4	0.5	0.2	0.1	2.4	2.1	2.7	1.8	1.9
Other	0.4	0.1	0.1	0.1	0.1	0.5	0.3	0.7	0.6	1.8
<b>Asia</b>	10.0	6.5	10.7	7.2	2.4	21.0	18.2	16.3	15.4	10.3
Hong Kong	0.5	0.2	0.5	0.3	0.4	9.4	7.3	5.7	6.9	4.9
Japan	2.9	3.1	7.0	4.8	1.8	4.6	2.3	4.5	2.7	2.3
Other	6.6	3.1	3.2	2.1	0.2	7.0	8.5	6.1	5.8	3.0
<b>Africa</b>	0.5	0.5	0.2	0.2	0.4	0.5	0.4	0.4	0.4	1.0
<b>Other</b>	0.3	0.2	0.2	1.5	6.7	0.1	0.1	0.3	1.7	2.8

Source: Direction of Trade Statistics, IMF.