



*Survey*  
**ECONOMIC VARIABLES  
EXPECTATIONS – EVE\***



*May 2023*

*\*Spanish version prevails*

**BANCO CENTRAL DEL PARAGUAY**

Federación Rusa y Augusto Roa Bastos

[www.bcp.gov.py](http://www.bcp.gov.py)

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## **Variables Expectations (EVE)**

One of the fundamental objectives of the Central Bank of Paraguay (BCP for its Spanish acronym) is to preserve and ensure the stability of the currency. To accomplish this, the BCP implements an “Inflation Targeting” scheme since 2011, which is aimed to maintain expectations of the economic agents around the inflation target. Therefore, building indicators capable of measuring and synthesizing expectations of the economic agents complements the necessary information for the effective implementation of the monetary policy.

In this regard, the BCP, following the best practices of central banks, monthly prepares the “Economic Variables Expectations (EVE)” survey, which allows knowing the forecast of the economic agents about the evolution of the main macroeconomic variables. The information is collected in a monthly basis since 2006, and it is based on a panel of respondents who are representatives of the most important economic sectors.

### **What is EVE survey?**

It is a survey made by the BCP that summarizes expectations of the economic agents regarding main economic variables for different times periods: the end of both the current month and following month, the current year; the next 12 months of the following year and for the horizon of Monetary Policy (around 18 and 24 months).

### **Which are the surveyed economic variables?**

Survey questions are divided into four main groups including inflation, US dollar nominal exchange rate, GDP growth and monetary policy interest rate.

### **Who are the respondents?**

The survey is carried out to a representative panel of the main economic sectors such as banks, financial institutions, credit rating agencies, brokerage firms, consulting firms, independents analysts and economic organizations.

### **What are the results used for?**

The results allow the BCP to collect expectations of the main economic agents. These reflect the degree of confidence in the economy and the implemented monetary policy. Also, the results complement a set of information analyzed in the monetary-policy decision-making process.

## Current month results

VARIABLES	May Expectations
<b>Inflation (CPI Percentage Change)</b>	
Monthly (May 2023)	0.3%
Following month (June 2023)	0.3%
Year 2023	5.0%
Year 2024	4.0%
Next 12 months (May 2024)	4.5%
Monetary Policy Horizon (May 2025)	4.0%
<b>Nominal Exchange Rate ₺/USD</b>	
Monthly (May 2023)	7,188
Following month (June 2023)	7,200
Year 2023	7,215
Year 2024	7,270
<b>GDP (Percentage Change)</b>	
Year 2023	4.5%
Year 2024	4.0%
<b>Monetary Policy Rate (MPR)</b>	
Monthly (May 2023)	8.50%
Following month (June 2023)	8.50%
Year 2023	7.00%
Year 2024	6.00%

Source: BCP based on EVE survey.

According to May EVE survey results, economic agents expect the inflation to be 5.0% by the end of 2023 and 4.0% by the end of 2024. For the next 12 months agents expect inflation to be 4.5% and for the Monetary Policy Horizon (around 18 and 24 months), agents expect inflation to be 4.0%.

For the current month, the median monthly inflation expectation rate is 0.3%, lower than the expectations registered on the same month of the previous year (0.6%) but similar to the previous month expectations (0.3%). For June 2023, the economic agents expect the monthly inflation to be 0.3%.

The average monthly inflation expectation is 0.3% for May 2023, lower than the expectation registered during the same period of 2022 (0.6%). Thus, the annualized inflation expectations of 2023, using the monthly average inflation expectation, would be 3,9%.

Regarding the exchange rate  $\text{G}/\text{USD}$  evolution, the economic agents expectations for May is  $\text{G}/\text{USD}$  7,188 (lower than the one reported on previous month for the current month,  $\text{G}/\text{USD}$  7,195). The nominal exchange rate is expected to be  $\text{G}/\text{USD}$  7,200 for June 2023. By the end of 2023 economic agents expect the nominal exchange rate to be  $\text{G}/\text{USD}$  7,215 and by the end of 2024 economic agents expect the nominal exchange rate to be  $\text{G}/\text{USD}$  7,270.

With regard to the median economic growth rate, respondents expect a rate of 4.5% for 2023 and a rate of 4.0% for 2024.

Regarding the Monetary Policy Rate (MPR), economic agents expect it to be 8.50% for both May 2023 and June 2023. Agents expect it to be 7.00% by the end of 2023 and 6.00% by the end of 2024.