



Survey
**ECONOMIC VARIABLES
EXPECTATIONS – EVE***



January 2024

**Spanish version prevails*

BANCO CENTRAL DEL PARAGUAY

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www.bcp.gov.py

Asunción - Paraguay





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Publicación editada por el

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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 | January Expectations |
|--|-------------------------|
| Inflation (CPI Percentage Change) | |
| Monthly (January 2024) | 0.3% |
| Following month (February 2024) | 0.3% |
| Year 2024 | 4.0% |
| Year 2025 | 4.0% |
| Next 12 months (January 2025) | 4.0% |
| Monetary Policy Horizon ((January 2026) | 4.0% |
| Nominal Exchange Rate ₺/USD | |
| Monthly (January 2024) | 7,300 |
| Following month (February 2024) | 7,317 |
| Year 2024 | 7,400 |
| Year 2025 | 7,475 |
| GDP (Percentage Change) | |
| Year 2024 | 4.0% |
| Year 2025 | 4.0% |
| Monetary Policy Rate (MPR) | |
| Monthly (January 2024) | 6.50% |
| Following month (February 2024) | 6.25% |
| Year 2024 | 5.50% |
| Year 2025 | 5.25% |

Source: BCP based on EVE survey.

According to January EVE survey results, economic agents expect the inflation to be 4.0% for both the end of 2024 and the end of 2025. For the next 12 months agents expect inflation to be 4.0% and for the Monetary Policy Horizon (around 18 and 24 months), agents expect inflation to be 4.0% as well.

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 (0.4%) and lower than December expectations for this month (0.4%). For February 2024, the economic agents expect the monthly inflation to be 0.3%.

The average monthly inflation expectation is 0.4% for January 2024, similar than the expectation registered during the same period of 2023 (0.4%). Thus, the annualized inflation expectations of 2024, using the monthly average inflation expectation, would be 4.7%.

Regarding the exchange rate ₡/USD evolution, the economic agents expectations for January 2024 is ₡/USD 7,300 (lower than the one reported on previous month for the current month, ₡/USD 7,400). The nominal exchange rate is expected to be ₡/USD 7,317 for February 2024. By the end of 2024 economic agents expect the nominal exchange rate to be ₡/USD 7,400 and by the end of 2025 economic agents expect the nominal exchange rate to be ₡/USD 7,475.

Regarding the median economic growth rate, respondents expect a rate of 4.0% for both 2024 and 2025.

Regarding the Monetary Policy Rate (MPR), economic agents expect it to be 6.50% for January 2024 and for February 2024 expect it to be 6.25%. Agents expect it to be 5.50% by the end of 2024 and 5.25% by the end of 2025.