



Survey
**ECONÓMIC VARIABLES
EXPECTATIONS - EVE***

December
2018

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**Spanish version prevails*

CENTRAL BANK OF PARAGUAY

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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 time periods: the end of 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.



Economic Variables Expectations Survey (EVE)

December 2018

Current month results

| VARIABLES | December Expectations |
|--|-----------------------|
| Inflation (CPI Percentage Change) | |
| Monthly (December 2018) | 0.5% |
| Following month (January 2019) | 0.4% |
| Year 2018 | 4.0% |
| Year 2019 | 4.0% |
| Next 12 month (December 2019) | 4.0% |
| Monetary Policy Horizon (December 2020) | 4.0% |
| Nominal Exchange Rate G/USD | |
| Monthly (December 2018) | 5,930 |
| Following month (January 2019) | 5,950 |
| Year 2018 | 5,930 |
| Year 2019 | 6,100 |
| GDP (Percentage Change) | |
| Year 2018 | 4.1% |
| Year 2019 | 4.2% |
| Monetary Policy Rate (MPR) | |
| Monthly (December 2018) | 5.25% |
| Following month (January 2019) | 5.25% |
| Year 2018 | 5.25% |
| Year 2019 | 5.25% |

Source: BCP based on EVE survey.



According to December EVE survey results, economic agents expect the inflation to be 4.0% by the end of both 2018 and 2019. For the next 12 months, 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 0.5%, higher than the expectations registered on the same month of the previous year (0.4%) but similar to the previous month expectations (0.5%). For January 2019, the economic agents expect the monthly inflation to be 0.4%.

The average monthly inflation expectation is 0.4% for December 2018, percentage higher than the average of the expectation registered during the same period of 2017 (0.3%). Thus, the annualized inflation of 2018, using the monthly average inflation expectation, would be 4.5%.

Regarding the exchange rate G/USD evolution, the economic agent expectations for December is G/USD 5,930 (lower than the one reported the previous month for the current month G/USD 5,980). The nominal exchange rate is expected to be G/USD 5,950 for January 2019. By the end of 2018 economic agents expect the exchange rate to be G/USD 5,930 (lower than the one reported the previous month for this period) and by the end of 2019, G/USD 6,100 (higher than the one reported the previous month for this period).

With regard to the median economic growth rate, respondents expect for 2018 a rate of 4.1% and for 2019 a rate of 4.2%.

Regarding the **Monetary Policy Rate (MPR)**, economic agents expect it to be 5.25% for all periods requested.