



MONTHLY REPORT

ECONOMIC VARIABLES EXPECTATIONS – EVE*

Survey

July 2016

*Spanish version prevails



Economic 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 and following year and 2 years ahead.

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	July Expectations
Inflation (CPI Percentage Change)	
Monthly (July 2016)	0.2%
Following month (August 2016)	0.3%
Year 2016	4.8%
Year 2017	4.5%
Monetary Policy Horizon (July 2018)	4.5%
Nominal Exchange Rate G/USD	
Monthly (July 2016)	5,625
Following month (August 2016)	5,687
Year 2016	5,900
Year 2017	6,000
GDP (Percentage Change)	
Year 2016	3.0%
Year 2017	3.5%
Monetary Policy Rate (MPR)	
Monthly (July 2016)	5.75%
Following month (August 2016)	5.75%
Year 2016	5.75%
Year 2017	5.75%

Source: BCP based on EVE survey.



According to July EVE survey results; economic agents expect the inflation to be **4.8%** by the end of 2016. For 2017 and for the Monetary Policy Horizon (around 18 and 24 months), agents expect inflation to be **4.5%**.

For the current month, the median monthly inflation expectation rate is **0.2%**, which is lower than the expectations registered on the same month of the previous year (0.4%) and equal to the previous month result (0.2%). The agents expect a monthly inflation of **0.3%** for August 2016.

As of July 2016, the average monthly inflation expectation is 0.3%, which is lower to the expectations registered on the same month of the previous year (0.4%). Hence, the annualized inflation for 2016, based on the average monthly inflation expectation, would be 3.4%.

Regarding the exchange rate G/USD evolution, the economic agents expectations

for July is **G/USD 5,625** (lower than G/USD 5,730 reported the previous month for the current month). As of August 2016, the nominal exchange rate is expected to be **G/USD 5,687**. By the end of 2016 and 2017 the economic agents expect the exchange rate to be **G/USD 5,900** and **G/USD 6,000**, respectively.

Moreover, the respondents expect for 2016 and 2017 an economic growth of **3%** and **3.5%**, respectively.

Regarding the **Monetary Policy Rate (MPR)**, economic agents expect it to be **5.75%** for July and August 2016. Identically, it is expected that the MPR would reach **5.75%** for 2016, and 2017.