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September 3, 1997

To: Members of the Executive Board

From: The Secretary

Subject: **Paraguay—Selected Issues and Statistical Annex**

This paper provides background information to the staff report for the 1997 Article IV consultation discussions with Paraguay, which was circulated as SM/97/225 (8/29/97).

Mr. Reichmann (ext. 38610) or Mr. Pearson (ext. 38613) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Unless the Documents Preparation Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, September 11, 1997; and to the European Investment Bank (EIB), the Food and Agriculture Organization (FAO), the Inter-American Development Bank (IDB), and the United Nations Development Programme (UNDP), following its consideration by the Executive Board.

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INTERNATIONAL MONETARY FUND

PARAGUAY

Selected Issues and Statistical Annex

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Approved by the Western Hemisphere Department

August 29, 1997

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Paraguay: Basic Data

Social and demographic indicators

Land area	397,300 km ²
Population (mid-1995)	4.83 million
Rate of population increase (percent per annum)	2.9
Life expectancy at birth (in years)	68
Infant mortality (per thousand)	40.6
Population per physician (1991)	1,231
Population per hospital bed (1989)	762
Distribution of national income: highest quintile	46 percent
Lowest quintile	6 percent
Access to safe water (percent of population)	
Urban (1985)	49
Rural (1995)	17
Adult literacy rate	92 percent
Primary school enrollment	96 percent
Unemployment rate (1996 estimate, Asuncion)	9.8 percent
GDP at market prices (1996)	G 22,307 billion
	US\$ 10.28 billion 1/
GDP at market prices per capita (1996)	US\$ 2,129 1/

Economic indicators	1992	1993	1994	1995	Prel. 1996
			(In percent)		
Origin of GDP (current prices)					
Agriculture, livestock, forestry, and fishing	24.5	24.5	23.7	24.8	25.4
Manufacturing	17	16.5	15.7	15.6	15.4
Construction, transportation, and communications	9.8	9.8	9.9	9.6	9.7
Commerce and finance	30.3	30.4	30.5	29.5	28.1
General government	4.2	4.2	4.3	4.4	4.7
Other	14.2	14.6	15.9	16.1	16.7
Ratios to GDP					
Exports of goods and nonfactor services	19.5	20.2	18.5	21.3	20.7
Imports of goods and nonfactor services	22.0	24.0	26.1	26.5	25.9
Current account of the balance of payments	-1.6	-0.5	-4.4	-2.1	-2.3
Central government revenue and grants	13.4	13.1	13.9	15.7	15.0
Central government expenditure	14.4	13.1	13.8	16.0	15.7
Central government current balance	1.5	1.9	2.5	3.9	2.5
Central government overall balance	-1.0	0.0	0.1	-0.3	-0.8
Consolidated public sector current balance	3.4	4.2	4.9	7.6	5.9
Consolidated public sector overall balance	0.0	1.1	1.5	2.5	1.7
External public debt (end of year)	19.3	17.7	15.9	14.7	13.8
External public debt service (in relation to exports of goods and nonfactor services)	49.0	19.0	15.0	12.0	10.0
Of which: interest payments	12.4	5.8	5.4	4.3	4.3
Gross national savings	19.2	19.0	15.3	21.2	20.2
Gross domestic investment	20.8	19.5	19.8	23.3	22.6
Money and quasi-money (end of period)	14.0	13.0	14.5	16.0	16.1

	1992	1993	1994	1995	Prel. 1996
Annual changes in selected indicators					
Real GDP	1.8	4.1	3.1	4.7	1.3
GDP (at current prices)	16.8	24.0	24.8	18.3	12.5
GDP deflator	14.7	19.1	21.0	13.0	11.1
Consumer prices (annual average)	15.1	18.3	20.7	13.5	9.8
Consumer prices (end of period)	17.8	20.4	18.3	10.5	8.2
Liabilities to the private sector	36.4	29.0	23.1	18.6	20.1
Money and quasi-money	28.4	15.3	38.4	30.5	13.3
Net domestic assets of the financial system 3/	49.6	11.7	1.6	18.9	13.3
Credit to the public sector	45.2	3.2	-15.8	-9.2	-5.9
Credit to the private sector	28.0	26.4	27.8	15.6	19.5
Merchandise exports (in U.S. dollars)	-12.3	12.6	7.8	40.2	12.9
Merchandise imports (in U.S. dollars)	-12.9	19.3	34.5	18.4	6.7
Terms of trade (deterioration -)	-5.0	2.4	8.4	-0.9	-0.4
Real effective exchange rate end of period (depreciation -)	-2.0	3.6	-0.3	3.6	0.3

(In millions of U.S. dollars)

Balance of payments					
Exports, f.o.b.	754	849	915	1,283	1,449
Imports, c.i.f.	-1,004	-1,198	-1,611	-1,908	-2,035
Other services and transfers (net) 4/	145	316	352	438	360
Current account balance	-105	-33	-344	-187	-226
Official capital (net)	-30	-33	-3	78	54
Direct investment	137	119	164	157	225
Other private capital (net)	-15	119	161	119	-110
Capital and financial account balance	92	205	322	354	169
Errors and omissions (net)	3	-76	329	-145	71
Changes in reserves (increase -)	364	-87	-346	-62	44
Gross international reserves (in months of imports of goods and nonfactor services)	6	6	7	6	6
External public debt (end of period)	1,249	1,217	1,241	1,328	1,336

IMF data (as of July 31, 1997)

Article VIII status	
Intervention currency and rate	U.S. dollar (G 2,180/dollar)
Quota	SDR 72.1 million
Fund holdings of local currency	SDR 57.6 million
As percent of quota	79.9
Reserve position in the Fund	SDR 14.5 million
As percent of quota	20.1
Total Fund credit	None
Special drawing rights department	
Cumulative SDR allocation	SDR 13.7 million
Net acquisition or utilization (-) of SDRs	SDR 60.9 million
Holdings of SDRs	SDR 74.6 million

Sources: Paraguay authorities; and Fund staff estimates.

1/ Calculated at G 2,169 per U.S. dollar.

2/ Including changes in inventories.

3/ As a percent of liabilities to the private sector at the beginning of the period.

4/ Including value added on entrepôt trade.

I. THE FINANCIAL CRISIS OF JUNE 1997¹

A. Background

Lax entry requirements associated with the liberalization and deregulation of financial markets initiated in Paraguay in 1989, led to a proliferation of new banks and finance companies, many of which were seriously undercapitalized. These new institutions operated in an environment of weak supervision, with a deficient legal and regulatory framework, in the presence of a large underground economy. Poor banking practices, including inadequate internal models of risk evaluation, and high levels of related credit, led to mounting delinquent loans, liquidity problems, and ultimately insolvency. The authorities were generally hesitant to take preventive action because of political considerations, preferring, whenever possible, to grant financial assistance and regulatory forbearance.

A first crisis occurred in May 1995, when the Central Bank of Paraguay (BCP) intervened in four insolvent banks (holding around 12 percent of the deposits in the banking system) and in a number of smaller financial institutions due to their inability to clear overdrafts at the central bank. The interventions uncovered a plethora of fraudulent activities, including extensive lending to related parties and sizable unrecorded ("black") deposits.

Following the crisis, there was a substantial withdrawal of deposits from private domestic banks; however, a run on the entire banking system or a lasting rupture of the payments system was avoided due to the presence of other banks—mainly foreign owned—that continued to be perceived as safe, and to massive liquidity support from the BCP. The BCP extended full deposit coverage to on-book deposits of the intervened institutions at a cost of around US\$360 million (4 percent of GDP), about 80 percent of which was channeled to the intervened banks and may be considered unrecoverable. Subsequently, and despite a Presidential veto, the Supreme Court upheld a law, requiring the BCP to reconstitute up to G30 million per account (around US\$14,000) to holders of off-balance sheet deposits in intervened banks. This measure, which began to be implemented in August 1997, will cost approximately US\$22 million, in addition to the damage done to market discipline and the moral-hazard problems it created. Moreover, clean-up of the financial system required in the aftermath of this crisis was not completed, and institutions with significant deficiencies were allowed to remain in operation.

B. The Current System

The financial sector in Paraguay includes a large number of inefficient small sized institutions, overly concentrated in short-term lending (also more than 70 percent of deposits is sight and checking accounts). The index of financial deepening—M3 equals 25 percent of GDP—is low

¹Prepared by Alberto M. Ramos.

when compared with other Latin American countries². There is, however, a dichotomy between domestic and foreign owned banks. Contrary to their domestic counterparts, foreign institutions are by and large profitable lending to the larger and safer enterprises and attracting funds at lower cost. While foreign banks have a higher share of private sector deposits, domestic banks have been favored, and in some instances been propped up, by deposits of the public sector.

The main problems that led to the financial distress episode of 1995 were not addressed and the system has since then deteriorated further, as can be gauged by the evolution of basic financial ratios (Figure 1). In particular, domestic banks (private and public) experienced a marked deterioration of their capital base, profitability, liquidity, provisioning, and loan delinquency ratios. Related credit, excessive loan concentration, overvalued assets, nonexecutable guarantees, and outright fraud resulted in a high level of nonperforming loans that substantially depleted the equity cushion of a number of banks in the system.

The current problems owe less to deficiencies in the legal framework—since the new central bank charter of 1995 and the new Banking Law of June 1996 encompass a by and large adequate legal framework for the sector—than to the practice and implementation of the legislation³. In particular, the Superintendency of Banks is overstretched and lacks resources, both in quantity and in quality, to fulfill its legal duties. Further, current legislation does not provide for differential treatment and resolution strategies separating institutions where liquidity and solvency problems arise from idiosyncratic shocks to their portfolios from those where the cause is contravention of regulatory norms.

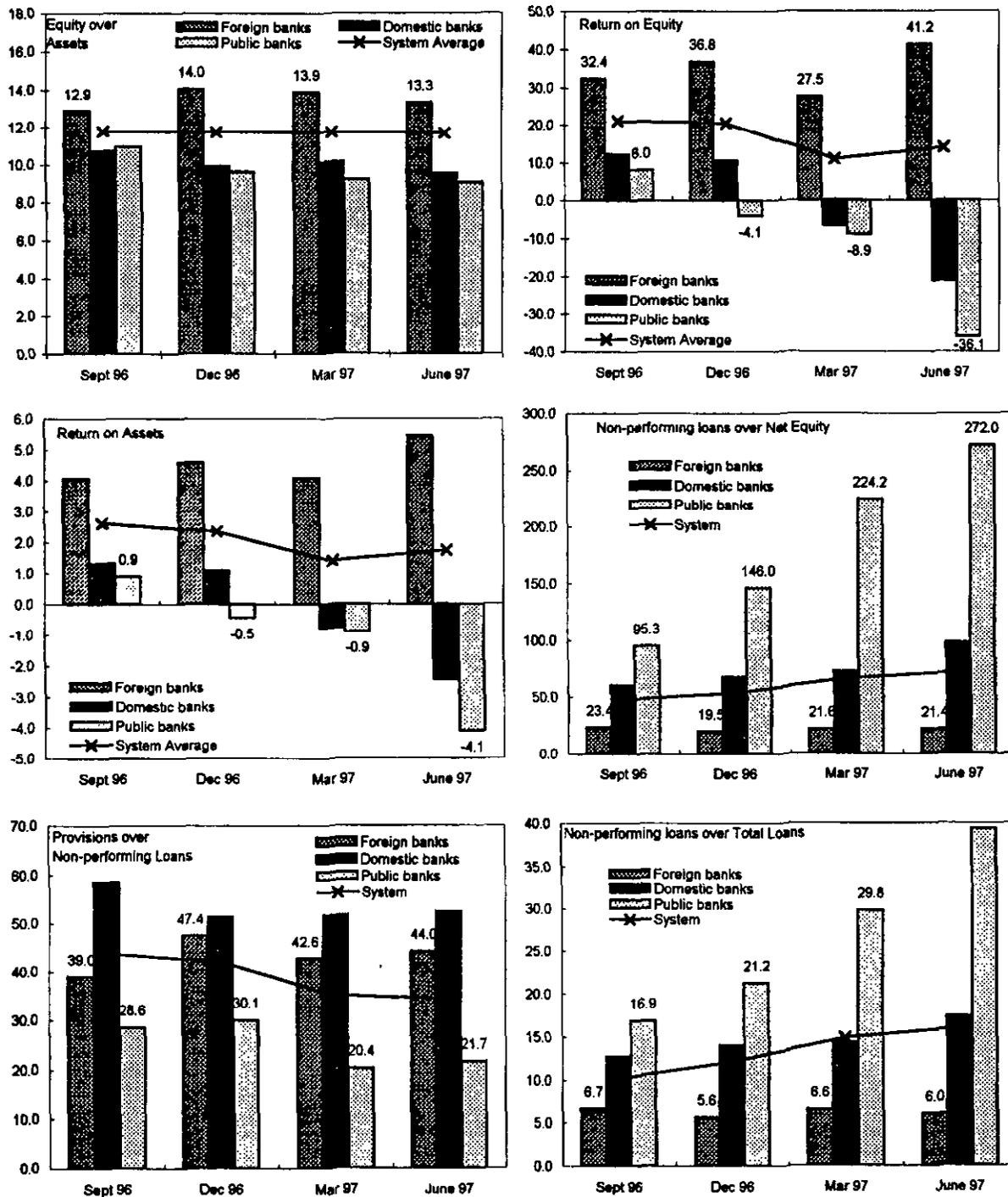
C. The Crisis in June 1997

The lingering effects of the 1995 financial crisis and the subsequent deterioration of performance of several Paraguayan domestic banks resulted in a new crisis in 1997. In June, the BCP was forced to intervene in the biggest Savings and Loans association, *Ahorros Paraguayos*, the largest private domestic bank, *Banco Unión* (representing around 8.5 percent of the deposits in the banking system), and a smaller bank, *Banco de Inversiones de Paraguay S. A.* (BIPSA), in view of these institutions' inability to honor their short term obligations to depositors and to cover substantial overdrafts at the central bank. If unable to reconstitute their capital, these institutions will face liquidation. By end-August progress had been made in discussions on the recapitalization of *Banco Unión*.

²This low ratio of financial intermediation might even be overstated given the existence of the underground economy, whose size could be as large as that of measured GDP. On the other hand, a significant volume of transactions may be carried out by using foreign currency outside the recorded financial system.

³There remain nonetheless certain deficiencies, which were identified by a LEG/MAE technical assistance mission in May 1997.

Figure 1. Paraguay:
Banking System Indicators, September 1996 - June 1997



Sources: Paraguayan Authorities and Fund staff estimates.

The interventions triggered a systemic run on deposits, but following the presentation to Parliament of a draft emergency legislation aimed at increasing insurance coverage of deposits— from the equivalent of 10 minimum monthly wages (about \$2,500) stipulated in the banking law to 50 minimum wages—calm returned to the system.⁴ Nevertheless, due in part to rumors that the government was about to nationalize foreign currency deposits, there were sizeable withdrawals of foreign currency deposits from all banks (Table 1). Some of these funds left the country, some were converted into local currency deposits, and the remainder filtered into currency in circulation.

Table 1. Private Sector Deposits in the Banking System (1997)

	Total (In million Guaranies)				% Change		
	June 13	June 20	June 30	July 18	June 13-20	June 13-30	June 13/July 18
Foreign banks	2,941	2,926	2,983	2,978	-0.5	1.4	1.3
Domestic currency	1,279	1,348	1,406	1,414	5.4	9.9	10.6
Foreign currency	1,662	1,578	1,577	1,564	-5.1	-5.1	-5.9
Domestic banks	1,352	1,165	1,149	1,154	-13.8	-15.0	-14.6
Domestic currency	852	753	762	761	-11.6	-10.6	-10.7
Foreign currency	500	412	387	393	-17.6	-22.6	-21.4
Public banks	289	222	277	246	-23.2	-4.2	-14.9
Domestic currency	273	209	268	237	-23.4	-1.8	-13.2
Foreign currency	16	13	9	9	-18.8	43.8	-43.8
System	4,582	4,313	4,409	4,378	-5.9	-3.8	-4.5
Domestic currency	2,404	2,310	2,436	2,412	-3.9	1.3	0.3
Foreign currency	2,178	2,003	1,973	1,966	-8.0	-9.4	-9.7

Source: Superintendency of Banks.

From June 13 to July 18, 9.7 percent of private foreign currency deposits left the banking system.⁵ As during the 1995 crisis, there was a significant exodus of domestic currency deposits to quality/safety, out of domestic banks and into foreign banks. In all, the banking system lost 4.5 percent of all private sector deposits. Depositors in the intervened institutions were allowed to withdraw funds up to the 10 minimum monthly salaries, allowed by the law.

⁴By end-August, the legislation on enhanced deposit insurance had not yet been approved.

⁵Between June 13 and June 30 private sector deposits fell by about \$81 million, or around 4 percent: most of this decrease took place during the week of June 13. Domestic banks were severely penalized. Public banks lost 44 percent of private foreign currency deposits and domestic private banks lost 23 percent.

The difficulties in the banking system are not circumscribed to the intervened banks. Six domestic banks, including the two intervened ones, accounting for about one fourth of the system's deposits—and including about half of the deposits of the Social Security Fund (IPS)—are at risk and have an estimated combined negative capital of at least \$110 million. Some of these institutions are under close supervision and are benefiting from rehabilitation programs with the BCP, while others have been recapitalized by ceding ownership to pension funds—the IPS and the Bank Employees' pension fund—which in fact assumed the losses of these banks. The authorities have been reluctant to proceed with the liquidation of banks, even though there are signs of over-banking in Paraguay. Legal and political obstacles to close insolvent institutions are high, leading the authorities to prefer the option of rehabilitation through central bank loans, regulatory forbearance, and accounting flexibility, rather than force operational restructuring of viable institutions or implement an orderly exit of insolvent ones.

D. Cost of the Crisis

The liquidity shortages experienced by many distressed institutions during the month of June prompted the BCP to provide \$115 million (1.2 percent of GDP)⁶ to the financial system, through overdraft and other short-term liquidity facilities. About 50 percent of the total assistance was channeled to the three intervened institutions.

In order to sterilize the inflow of liquidity and limit the potential for an inflationary outburst in the economy the central bank reduced foreign currency holdings⁷ and placed short-term securities (*Letras de Regulación Monetaria - LRM*) through open market operations. Liquidity control was also helped by a significant amount of excess reserves held at the central bank by the banking system. Nevertheless, base money, which had grown by 12.6 percent year on year by end-May (in line with the target in the monetary program), surged to a 22.5 percent annual rate of growth by end-June. Reflecting uncertainty and bank inefficiency⁸, bank spreads and real interest rates continued at very high levels. This occurred at a time

⁶During the first semester of 1997, the central bank extended financial assistance to the financial system of \$150 million (1.5 percent of GDP).

⁷In June the BCP lost \$70 million of reserves, due to the effects of a reduction of foreign currency deposits in the banking system, purchases of dollars by public entities, and intervention in defense of the exchange rate, especially during the last three weeks of the month.

⁸Nonperforming loans as a percentage of total credits increased from 6.8 percent in 1995, to 7.6 percent in 1996, and to 15.4 percent by the end-April 1997. As a percentage of capital and reserves, they increased from 33 percent in 1995, to 50.1 percent in 1996, and to 77.4 percent by end-April 1997.

when the financial turbulence was eroding investors confidence, adversely affecting aggregate demand, and depressing real economic activity.

Even though *ad-hoc* measures and financial assistance may be able to hold off a full blown banking crisis, continuation of such an haphazard strategy to deal with problems in the financial sector may result in an increasing burden of high real interest rates and intermediation spreads, mounting quasi-fiscal costs, and a continuous risk that potential spillover effects might debilitate additional banks in the system. Moreover, in a context of weakening public finances, the decrease in foreign reserves and the mounting costs of sterilization (Box 1) may make it more difficult for the BCP to continue giving support to the financial sector, while maintaining inflation under control.

Box 1. Central Bank's Quasi-Fiscal Deficit

Since the 1995 crisis, the central bank has disbursed over US\$600 million (around 6 percent of GDP) in assistance funds to the financial sector. Around two-thirds of this amount may not be recoverable since it has been given either to banks and finance companies that have been liquidated, or that have substantial negative net worth. Further, the need to sterilize the resulting inflows of liquidity in the system has led to increased costs with the remuneration of central bank securities giving rise to losses for the institution and putting upward pressure on domestic interest rates.

Central Bank Profit/Loss Account
(In billion guaranies)

	1996		1997		
	Jan.-Feb.	Jan.-Dec.	Jan.-Feb.	Jan.-June	Jan.-Dec.*
Total revenues	31.4	264.8	21.7	68.3	161.5
Operational	0.8	2.4	0.4	1.0	2.0
Monetary 1/	30.6	262.4	21.3	67.3	158.5
Total expenditures	17.6	153.6	20.7	80.0	191.5
Operational	9.6	78.8	11.7	42.6	90.0
Monetary 1/	7.8	72.3	8.9	36.7	100.0
Other	0.2	2.5	0.1	0.7	1.5
Operating Profit	13.7	111.2	1.0	-11.7	-30.0

1/ Includes interest revenues and expenditures associated with the conduct of monetary policy.

* Fund staff/BCP projections.

The capital loss of the central bank is the sum of the operating losses, provisions, and depreciation of assets. In 1997 the BCP will establish new provisions of around G74 billion (10 percent of the estimated G746 billion irrecoverable portfolio of credit to the financial system). Further, fixed assets will depreciate by G6 billion. Taking all the information together, the BCP may experience a loss of around G110 billion (\$51 million) in 1997; one third of its equity base.

II. THE PRIVATIZATION PROCESS (1994-1997)⁹

The privatization process in Paraguay has been limited and relatively unsuccessful due to the existing legal framework, which makes it very difficult to carry out international bidding processes and excludes the public utilities from privatization, and a lack of political will to divest public enterprises. Since the framework law allowing the privatization of some of the public enterprises was approved in 1991 (Law No. 126/91)¹⁰, only five companies have been sold and the net fiscal impact has actually been negative (see Table 2). The principal legal obstacle has been Law No. 636/95 which implements Article No. 111 in the 1992 Constitution in such a manner as to make it very difficult for a firm to be offered and purchased by any party other than the current or previous workers of the firm as well as directly associated firms (e.g., suppliers of the public enterprises).¹¹

Paraguay will not receive substantial benefits from privatization until it divests the assets of and/or concessions the services provided by the public utilities; primarily the public electricity company (ANDE), the public phone company (ANTELCO), and the public water company (CORPOSANA). In order for the latter to be privatized effectively, Law No. 636/95 may have to be modified. Additionally, a separate law would have to be approved for the privatization of each one of these enterprises; the prospects for such legislation are minimal in the run up to the presidential elections and will depend on the intentions of the next administration, which assumes office in August 1998.

⁹Prepared by Nils Janson, World Bank.

¹⁰This law declared that the following public enterprises could be privatized: the sugar company, APAL (now renamed CAPASA); the merchant shipping company, FLOMERPASA; the steel mill, ACEPAR; and the railroad (FCCAL). Subsequently, the airline, LAPSA was added to the list.

¹¹More specifically, Law No. 636/95 states that workers must be given the option to purchase 80 percent of the shares of the enterprise to be purchased on a preferential basis. In practice, this has meant that prior to any open bidding process, the workers (and directly associated firms) have been given the opportunity to buy the firm at the pre-established base price.

Table 2. Fiscal Impact of Privatization Process (1994-1997)

(In millions of U.S. dollars)

"Privatizable Public Enterprises" 1/	Date of Sale	Base Price 2/	NPV of Original Sale Price 3/	Expenses to Prepare the Sale 4/	NPV of Outstanding Payments as of June 1997	Net Fiscal Impact to Government 5/
LAPSA	Oct 1994	0	20.1	40.1	1.4	-21.3
CAPASA	Oct 1995	15.1	8.1	10.4	5.2	-7.5
ACEPAR	...	35.0	0	0	0	0
FLOMERPASA	...	18.7	11.8	9.5	9.8	-7.5
Flota Mercante Paraguaya	May 1996	4.8	3.8	0	2.6	1.2
Compania de Transporte Fluvial	Aug 1996	4.8	3.2	0	2.7	0.5
Compania Maritima	Mar 1997	6.0	4.8	0	4.5	0.3
Compania de Transportes de Pasajeros y Cargas 6/	...	0.8	0	0	0	0
Astilleros y Transporte de Cargas Generales 6/	...	2.3	0	0	0	0
FCAAL	...	0	0	0	0	0
TOTAL		68.8	40.0	59.9	16.4	-36.3

1/ These firms were all declared privatizable by Law No. 126/91, the sale of any others would have to be approved by additional legislation.

2/ Price was established based on an estimate of each firm's price by the Paribas consulting firm. It represents 100% of the shares.

3/ Calculated on a NPV basis since the buyers have usually been given three years to pay.

4/ Includes the company's debt which was assumed by the Ministry of Finance.

5/ Net fiscal impact to Government equals the NPV of the sale price minus the Government investment prior to sale and the payments still outstanding for the purchase of the company.

6/ On June 30, 1997, the Government decided to liquidate these companies.

The status of the privatization process of the enterprises that have been declared privatizable follows.

LAPSA. In 1994, Cielos de America, an Ecuadoran firm which owns and operates an airline (SAETA), won the right to purchase 80 percent of the shares of LAPSA, the Paraguayan flag-carrier airline, and a 10-year concession to the flag-carrier status in 1994 for a price of US\$22.1 million. Prior to its sale, the airline had ceased operations due to serious liquidity problems. Since this enterprise was not included in the privatization law, Congress approved its sale through a specific law (Law No. 320/94). The Government assumed LAPSA's debt of approximately US\$40 million. In 1996, Cielos de America sold its shares and concession to *Transportes Aereos del Mercosur*, a regional Brazilian airline.

CAPASA. In October 1995, Tekojoja, a firm representing approximately 523 current and former employees of CAPASA, purchased 68 percent of the shares of CAPASA, the

state-owned alcohol company, for a price of US\$10.6 million (20,300 shares at US\$520/share, payable over a three-year period). The Government kept 30 percent of the shares and the remaining 2 percent were sold to workers not associated with Tekojoja. Tekojoja made an initial payment of US\$1.06 million and was supposed to pay the remainder in 36 monthly instalments of US\$263,900 each; the interest rate on this financing was 0 percent. CAPASA has performed poorly since it was acquired by Tekojoja (it lost about US\$300,000 in 1996), has internal management problems (some of the workers want to split off from Tekojoja) and is in poor financial shape. To date, Tekojoja has paid a total of about US\$3.2 million and is now over one year in arrears on its payments to the Government. In response, the Government has indicated the intention to sign a contract with Tekojoja that will extend the repayment period to ten years (and set the interest rate equal to LIBOR).

FLOMERPASA. FLOMERPASA, the state-owned merchant shipping fleet with total assets valued at about US\$19 million by Paribas, was split into the following companies prior to privatization:

- **Flota Mercante Paraguaya (FMP).** In May 1996 the preferential option was exercised to purchase 99 percent of the shares of this firm—9,460 out of a total of 9,472—at US\$505 per share to yield a price of US\$4.8 million. The buyer made a down payment of 10 percent and the remainder is to be paid off in 36 equal monthly payments.
- **Compañía de Transporte Fluvial (CTF).** In May 1996 the preferential option was exercised to purchase 95 percent of the shares of this firm—9,085 out of a total of 9,555—at US\$505 per share to yield a price of US\$4.6 million. The buyer made a down payment of 10 percent and the remainder is to be paid off in 36 equal monthly payments.
- **Compañía Marítima (CM).** This company was comprised of 11,996 shares worth US\$505 per share to yield a price of US\$6.0 million. The Privatization Council received some 96 separate requests to purchase it through the preferential purchase option. However, none of these potential buyers presented themselves at the time to sign the contract. Then, two separate international bids were annulled. Finally, in March Medill and Associates purchased 100 percent of the shares directly from the Privatization Council. The buyer has made a down payment of 10 percent and will pay off the remainder in eight equal annual payments.
- **Compañía de Transporte de Pasajeros y Cargas (CTPC) and Astilleros y Transporte de Cargas Generales (ATCG).** The Privatization Council decided on June 30, 1997 to liquidate these two firms rather than sell them.

ACEPAR. Efforts to privatize ACEPAR, the state-owned steel company with assets valued at about US\$35 million by Paribas (but it needs an investment of about US\$25 to modernize

its equipment), have been unsuccessful so far, primarily due to problems associated with the above-mentioned preferential purchase options. Initially, the Government gave ACEPAR's workers the option to purchase the company for the established base price of US\$35 million. In response, the workers offered to lease the enterprise for 24 years with an option to buy that could be executed at any time. The Privatization Council rejected this offer—since the net present value would have only been about US\$14 million—and proceeded to initiate an international bidding process. At that point, ACEPAR's labor union was able to stop the bid process by obtaining a ruling from the courts that such a process was unconstitutional. Then, ACEPAR's workers established COSIPAR, a consortium with the metallurgical guild, to present another offer for ACEPAR, this time with a 12-year financing plan. In July 1997, Congress, after overriding a Presidential veto, approved Law No. 1037, which authorizes the Privatization Council to sell 100 percent of ACEPAR's shares to all parties that qualify for the preferential purchase option, i.e., the consortium of workers and suppliers. The law establishes a purchase price of US\$35 million and allows the buyers a financing plan which includes a three-year grace period, a ten-year repayment period, and an interest rate equal to 360-day LIBOR.

FCCAL. Rather than proceed with the divestiture of FCCAL, one of the oldest railroads in the Americas (it is still powered by a wood-burning steam engine), the Privatization Council is entertaining a notion to build a new track from Asunción to Encarnacion at an approximate cost of US\$240 million. The feasibility and financing of such an investment is doubtful. In the meantime, the Government has transferred an average of about US\$1–2 million per year to maintain this enterprise, that is operating on a limited basis.

III. THE SOUTHERN CONE COMMON MARKET AND ITS IMPLICATIONS FOR PARAGUAY¹²

A. Introduction

The Southern Cone Common Market (Mercosur)—including Argentina, Brazil, Paraguay and Uruguay—was created by the Asunción Treaty on March 26, 1991. The agreement aimed to eliminating trade barriers, coordinating economic policies, and establishing common trade regulations among the participating countries and common trade policies vis-à-vis nonmember countries. Mercosur covers a land mass of 12 million square kilometers with a population of about 201 million inhabitants and a GDP in excess of US\$1 trillion (Table 3).

Although the provisions of Mercosur have not yet come fully into effect, the volume of trade among the member countries has been increasing every year. By 1996 the commercial interchange within Mercosur had risen to about US\$17 billion from about US\$4 billion in

¹²Prepared by A. Verónica Quintero.

1990. Trade within the region is expected to increase at a more rapid pace with the incorporation of Chile and Bolivia as associate members.¹³

Mercosur's main objective is to increase the efficiency and competitiveness of the member countries by opening markets and accelerating economic development. Its long term goal is the establishment of a common market, including the free circulation of goods, services and factors among the member states.

Trade within the region will be subject to a zero tariff by the year 2000, after four equal 25 percent reductions starting on January 1, 1996 for Argentina and Brazil—which will then reach zero tariff by January 1, 1999—and a year later for Paraguay and Uruguay. Trade outside the region will be subject to a common external tariff (CET) with 11 tariff positions that range from 0 percent to 20 percent with the highest protection going to consumption goods. The CET entered into force on January 1, 1995. Both regimes are subject to exceptions. Paraguay was allowed 427 exceptions to the agreement on intra-Mercosur trade, which enabled it to maintain protective tariffs of up to 30 percent on some domestically produced manufactures and agricultural products—mainly textiles, dairy products, tomatoes, rice and oils. Paraguay also has been allowed to exempt up to 399 items (consisting mostly of production inputs and items destined for reexport) from the CET until the year 2006.¹⁴

B. Paraguay's Implementation of Mercosur Commitments

Since 1989, Paraguay has been implementing a liberal trade policy based on removal of customs duties and other barriers to trade. Until 1992 tariff rates remained high, mainly to protect domestic enterprises and reduce the trade deficit. In the context of the Asunción Treaty, as mentioned above Paraguay agreed to reduce its basic tariff rate of 47 percent to zero on intra-Mercosur trade in four equal annual steps beginning January 1, 1997. Nevertheless, in July 1992, by its own initiative Paraguay cut down import duties, setting its basic rates between zero and 10 percent, with lower tariffs on raw materials, intermediate and capital goods and higher rates on consumer goods. Duties of 15 and 20 percent were imposed on vehicles and of 6 percent on goods categorized as raw materials for the tourism industry. During 1993–94, the country eliminated most of its discriminatory import or export policies and administrative barriers and quotas. As scheduled, in January 1995 Paraguay adopted the

¹³In 1995-1996 Chile and Bolivia became associate members, but do not participate in the customs union. Peru, Venezuela and Colombia have also indicated interest in joining Mercosur. Trinidad has agreed to reach free trade accords with the bloc.

¹⁴Capital goods (machinery) and computers, and telecommunications will have a CET of 14 percent and 16 percent, respectively. In the case of capital goods, the CET will be effective by January 1, 2001 for Argentina and Brazil and January 1, 2006 for Paraguay and Uruguay. In the case of computers and telecommunications, the four countries will converge by January 1, 2006.

CET. All remaining quantitative restrictions on imports and exports were also removed on that date.¹⁵ Also, on January 1, 1997 Paraguay complied with the first reduction by 25 percent of tariffs on products traded with Mercosur countries.

The government created Proparaguay with the mandate to oversee import operations, foster export activities and promote Paraguay to foreign investors. This agency is also involved in trade studies.

C. Mercosur's Implications For Paraguay

Even not counting the informal "tourist trade", the bulk of Paraguay's trade is concentrated with its Mercosur partners and has been increasing every year after the signature of the Treaty. In 1996 about 46 percent of its registered imports came from Mercosur and over 60 percent of its total registered exports went to these countries (compared to 31 percent of its imports and 32 percent of its exports in 1991) (Tables 4 and 5). The association of Chile and Bolivia to Mercosur opens the prospect of a further expansion of Paraguay's exports markets.

The potential effects of Mercosur on productive capacity and potential output will depend on the ability of Paraguay to strengthen the sectors and activities in which the country has a comparative advantage. A more open regional environment will require a significant adjustment in some activities. The remainder of these note elaborates on the likely impact in some economic sectors.

Agricultural Sector

Paraguay's economy is largely dependent on agriculture. Crop agriculture, livestock, and forestry accounts for over a quarter of the country's real GDP, while registered exports account for some 50 percent of total export earnings. Cotton and soybeans are the main export crops, amounting to about two thirds of the value of exports and nearly half of the gross value of agricultural production.

It is expected that Mercosur will pave the way for the diversification of Paraguay's agricultural export base. The excessive reliance on two agricultural products leaves growth and exports earnings vulnerable to unfavorable climatic conditions and to fluctuations in their international prices. Cotton fiber however, is likely to continue to do well in Mercosur, since none of the other countries is a major producer. However, the cotton sector has severe weaknesses. Cotton is produced in small and medium-size farms with little mechanization.

¹⁵In June 1996, Paraguay obtained the extension of the "Mecanismo de Garantía de Abastecimiento de Materias Primas" which allows it to import raw materials from non-Mercosur markets with lower tariffs, provided that such materials are not available within the region. Imports under the reduced rates are subject to quantitative limitations.

Mercosur offers an opportunity for Paraguay to expand production of other crops such as oils, wood products, tea and mate, for which it appears to be well suited.

To benefit, however, from the more open regional environment, Paraguay will need to address the major deficiencies that its agriculture exhibits at present, such as the lack of diversification, development based on exploitation of natural resources and not on increases of productivity, and soil degradation. Agricultural services will need to be enhanced to explore alternative agricultural opportunities, and farmers will need to be assisted in making the necessary transformation of their farming systems.

The government is providing technical assistance to help small and medium size producers to be competitive in the production of cotton. High-quality cotton seed has been imported to help raise productivity. The World Bank Natural Resource Management Project aims to develop sustainable, diversified agricultural production systems and conservation measures in two Departments of the Eastern Region. In addition, the IDB, Japan and Germany are providing assistance for the improvement of agricultural productivity and conditions in rural areas. A pilot project for Sustainable Rural Investment aims at developing small and medium scale agroindustry and natural-resource-based industry in three Departments.

Manufacturing

Manufacturing represents about 15 percent of GDP, and is largely based on agricultural goods. Production is mostly oriented to the domestic market and is heavily concentrated in the production of light consumer goods. Among the important products are packed meat, other processed foodstuffs, textiles, wood products, and chemicals.

In recent years the widening of market opportunities given by Mercosur has induced manufacturing to adapt to competition from Brazilian and Argentinean imports, and has triggered an increase of foreign investment in the manufacturing sector. In 1991 a major vegetable-oil processing plant, was installed with the capacity to process 50 percent of national oilseed production. In 1996, two companies of electronic and computer products began operations. Paraguay's largest foreign investment project in 1997, Celulosa Río Paraná S.A., envisages the construction of a US\$300 million pulp and paper mill near Encarnación. The goal is to produce 210,000 metric tons a year of pulp for the production of tissue, printing and writing papers.

Paraguay's legal framework is generally favorable for foreign investment. There are no restricted areas, and no discrimination. Under Law 117/91 national and foreign investors have the same rights and obligations in relation to fiscal and normative aspects. It allows investors to obtain insurance locally or overseas and permits the establishment of joint ventures. Despite this legal incentive, however, the high level of the minimum wage relative to that in main trading partners; and weaknesses in the judicial system act as a deterrent to foreign investment in Paraguay.

Informal Trade

Paraguay's external trade is greatly influenced by the contraband trade or "tourism trade", which may be as important or exceed registered or legal trade. It is estimated that about 70 percent of Paraguay's exports (registered and unregistered) go to Mercosur countries, and that nearly ¾ of these exports are unregistered tourism trade, based on goods imported into Paraguay to be reexported to its neighbors. The informal trade makes a significant contribution to the economic activity.

Ciudad del Este (formerly Puerto Presidente Strossner) is an emporium where 12,000 businesses operate. Annually it receives about four million tourists from Brazil¹⁶ and Argentina. Soybeans, coffee, scotch whisky, cigars, perfumes, electronic and household appliances are the main items sold in this market. Paraguayan companies profit from the country's low taxation and open economy and resell imported goods at prices considerably below those in partner countries where tariffs are much higher. Contraband activity is likely to be reduced gradually as trade barriers fall and the CET starts to apply. This process is likely to have initial adverse consequences for the large segment of economic activity that at present depends on border trade but, over time, it will prompt the retooling of the economy and its adaptation to the enhanced prospects opened by the wider market of Mercosur. The public finances would mirror these developments as duties on the goods imported for the tourist trade give way to the general boost to revenues resulting from the strengthening of economic activity.

¹⁶ The Paraguayan-Brazilian border has long been a source of problems. Shopping of Brazilians in Ciudad del Este results in tax losses for Brazil and causes problems to its domestic industry. In September 1996, Brazilian authorities lowered from US\$250 to US\$150 the amount of goods tourists can bring tax-free from Paraguay, and tightened border controls.

Table 3. Paraguay: Mercosur-Economic Indicators

(As of December 1996)

	GDP	Population	GDP Per capita
	Billions of US\$	Millions of persons	In US\$
Argentina	297.5	35.5	8,380.3
Brazil	749.4	157.0	4,773.2
Paraguay	9.7	5.0	1,954.7
Uruguay	19.6	3.1	6,251.6
Total	1,076.2	200.6	5,365.1

Sources: Central Bank of Paraguay: Coyuntura Macroeconómica Regional 1996; and Fund staff estimates.

Table 4. Paraguay: Composition of Registered Exports

	1991	1992	1993	1994	1995	Prel. 1996
(In millions of U.S. dollars)						
Exports to Mercosur	274.5	263.0	355.2	432.7	667.0	948.9
Argentina	40.4	64.7	72.9	71.6	139.8	212.3
Brazil	223.4	187.4	275.5	352.5	513.7	707.1
Uruguay	10.7	10.9	6.8	8.6	13.5	29.5
Exports to the rest of the world	584.8	491.0	493.3	482.4	615.8	500.6
Total Exports	859.3	754.0	848.5	915.1	1,282.8	1,449.5
(Annual percentage change)						
Exports to Mercosur	-29.8	-4.2	35.1	21.8	54.1	42.3
Argentina	-2.9	60.1	12.7	-1.8	95.3	51.9
Brazil	-33.3	-16.1	47.0	27.9	45.7	37.6
Uruguay	-27.2	1.9	-37.6	26.5	57.0	118.5
Exports to the rest of the world	-23.6	-16.0	0.5	-2.2	27.7	-18.7
Total Exports	-25.7	-12.3	12.5	7.8	40.2	13.0
(As a percentage of total exports)						
Exports to Mercosur	31.9	34.9	41.9	47.3	52.0	65.5
Argentina	4.7	8.6	8.6	7.8	10.9	14.6
Brazil	26.0	24.9	32.5	38.5	40.0	48.8
Uruguay	1.2	1.4	0.8	0.9	1.1	2.0
Exports to the rest of the world	68.1	65.1	58.1	52.7	48.0	34.5
Total Exports	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Direction of Trade Statistics*, IMF; and Fund Staff estimates.

Table 5. Paraguay: Composition of Registered Imports

	1991	1992	1993	1994	1995	Prel. 1996
(In millions of U.S. dollars)						
Imports from Mercosur	396.9	475.0	570.7	891.7	1,170.0	1,286.6
Argentina	152.3	200.7	211.1	308.1	491.3	386.7
Brazil	234.3	263.2	340.4	555.1	644.8	847.7
Uruguay	10.3	11.1	19.3	28.6	33.9	52.2
Imports from the rest of the world	878.5	762.1	906.8	1,248.7	1,612.2	1,543.9
Total registered imports	1,275.4	1,237.1	1,477.5	2,140.4	2,782.2	2,830.5
(Annual percentage change)						
Imports from Mercosur	8.1	19.7	20.2	56.2	31.2	10.0
Argentina	0.8	31.7	5.2	46.0	59.4	-21.3
Brazil	13.0	12.4	29.3	63.1	16.2	31.5
Uruguay	16.3	7.9	73.4	48.3	18.7	54.0
Imports from the rest of the world	6.3	-13.2	19.0	37.7	29.1	-4.2
Total imports	6.9	-3.0	19.4	44.9	30.0	1.7
(As a percentage of total imports)						
Imports from Mercosur	31.1	38.4	38.6	41.7	42.1	45.5
Argentina	11.9	16.2	14.3	14.4	17.7	13.7
Brazil	18.4	21.3	23.0	25.9	23.2	29.9
Uruguay	0.8	0.9	1.3	1.3	1.2	1.8
Imports from the rest of the world	68.9	61.6	61.4	58.3	57.9	54.5
Total imports	100.0	100.0	100.0	100.0	100.0	100.0

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

Table 6. Paraguay: Selected Production and Price Indicators

(Annual percentage change)

	1990	1991	1992	1993	1994	1995	Prel. 1996
Gross domestic product at market prices							
GDP at current prices	40.5	27.9	16.8	24.0	24.8	18.3	12.5
GDP at constant 1982 prices	3.1	2.5	1.8	4.1	3.1	4.7	1.3
of which:							
Agriculture	0.9	-4.3	-1.3	7.6	-3.0	11.4	1.2
Manufacturing	2.5	1.1	0.4	2.0	1.5	3.0	-2.2
Construction	-0.9	3.0	5.0	2.7	3.6	3.9	3.1
Real GDP per capita	-0.1	-0.3	-0.9	1.4	0.3	1.9	-1.3
National income							
National income at current prices	40.0	30.8	16.2	25.2	25.2	16.6	13.4
National income at 1982 prices	9.5	2.3	1.0	5.4	4.4	3.6	2.2
Real income per capita	6.1	-0.4	-1.7	2.5	1.6	0.8	-0.4
GDP deflator	36.3	24.8	14.7	19.1	21.0	13.0	11.1
Consumer price index							
Consumer prices (average)	38.2	24.3	15.1	18.3	20.6	13.4	9.8
Consumer prices (end of period)	44.1	11.8	17.8	20.4	18.3	10.5	8.2

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

Table 7. Paraguay: National Accounts by Final Expenditure at Current Prices

(In billions of guaraníes)

	1991	1992	1993	1994	1995	Prel. 1996
Consumption expenditure	6,861.3	8,052.1	10,102.0	13,139.8	14,506.5	16,450.7
General Government	539.8	764.1	1,014.5	1,283.0	1,629.8	1,967.0
Private sector	6,321.5	7,288.0	9,087.6	11,856.8	12,876.7	14,483.7
Gross domestic investment	1,915.2	2,009.8	2,340.5	2,955.5	4,122.5	4,489.7
Fixed capital formation	1,821.3	1,912.1	2,230.9	2,827.8	3,970.7	4,323.7
General Government	133.2	142.2	170.8	280.3	557.7	510.1
State enterprises	70.7	105.2	154.7	162.7	168.1	206.6
Private sector	1,617.5	1,664.8	1,905.5	2,384.8	3,244.9	3,607.0
Changes in inventories 1/	93.9	97.6	109.6	127.7	151.8	166.0
Gross domestic expenditure	8,776.5	10,061.9	12,442.5	16,095.3	18,629.0	20,940.4
External sector (G&NFS)	-495.7	-391.6	-450.8	-1,135.2	-930.4	-1,035.1
Exports of goods and nonfactor services	1,624.2	1,734.5	2,422.6	2,773.8	3,762.7	4,120.8
Imports of goods and nonfactor services	2,119.8	2,126.1	2,873.4	3,908.9	4,693.1	5,155.9
GDP at market prices	8,280.9	9,670.2	11,991.7	14,960.1	17,698.6	19,905.3
Indirect taxes net of subsidies	607.7	687.2	841.4	1,161.1	1,577.0	1,633.5
GDP at factor cost	7,673.2	8,983.2	11,150.5	13,799.3	16,121.9	18,272.2
Fixed capital consumption provision	690.3	769.0	930.7	1,161.0	1,378.1	1,549.9
Net domestic product at factor cost (= domestic income)	6,983.0	8,214.2	10,219.8	12,638.2	14,743.7	16,722.3
Net factor income payments abroad	-291.1	-235.5	-360.3	-612.5	-701.8	-790.6
Net national product at factor cost (= national income)	7,274.1	8,449.7	10,580.1	13,250.7	15,445.5	17,512.9

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

1/ Corresponds to changes in inventories in the livestock sector.

Table 8. Paraguay: National Accounts by Final Expenditure at Constant 1982 Prices

(In billions of guaraníes)

	1991	1992	1993	1994	1995	Prel. 1996
Consumption expenditure	958.1	937.1	1,010.6	1,074.1	1,043.2	1,076.2
General Government	69.1	75.2	83.0	89.9	100.7	110.7
Private sector	889.0	861.9	927.7	984.2	942.5	965.6
Gross domestic investment	226.7	201.5	195.5	208.8	260.5	261.6
Capital formation	217.2	192.3	187.1	200.5	250.7	250.8
General Government	16.0	13.4	13.4	19.0	33.6	28.2
State enterprises	8.5	9.9	12.1	11.0	10.1	11.4
Private sector	192.7	169.1	161.6	170.5	206.9	211.1
Changes in inventories 1/	9.5	9.2	8.4	8.3	9.8	10.8
Gross domestic expenditure	1,184.8	1,138.6	1,206.1	1,282.8	1,303.7	1,337.8
External Sector (G&NFS)	-234.6	-171.3	-198.7	-244.3	-216.3	-236.6
Exports of goods and nonfactor services	282.7	278.9	315.7	307.6	393.3	395.3
Imports of goods and nonfactor services	517.3	450.1	514.5	609.3	686.8	691.7
GDP at market prices	950.2	967.3	1,007.4	1,038.5	1,087.4	1,101.2
Indirect taxes	69.7	68.7	70.7	80.6	96.9	90.4
GDP at factor cost	880.5	898.6	936.7	957.9	990.5	1,010.9
Fixed capital consumption provisio	101.7	98.4	100.7	103.9	108.7	110.1
Net domestic product at factor cost (= domestic income)	778.8	800.2	836.0	854.1	881.8	900.7
Net factor income payments abroad	-50.7	-37.9	-47.0	-67.9	-73.4	-75.8
Net national product at factor cost (= national income)	829.5	838.1	882.9	922.0	955.2	976.6

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

1/ Corresponds to changes in inventories in the livestock sector.

Table 9. Paraguay: Trends in Expenditure and Output

	1991	1992	1993	1994	1995	Prel. 1996
(Annual percentage change)						
I. At Current Prices						
Gross domestic expenditure	28.5	14.6	23.7	29.4	15.7	12.4
Consumption	26.6	17.4	25.5	30.1	10.4	13.4
General government	60.2	53.6	41.6	32.8	26.5	27.0
Private sector	24.7	15.3	24.7	30.5	8.6	12.5
Investment	35.6	4.9	16.5	26.3	39.5	8.9
Fixed capital formation	34.2	5.0	16.7	26.8	40.4	8.9
General government	77.5	6.7	20.2	64.1	99.0	-8.5
State enterprises	1.1	48.9	47.0	5.2	3.3	22.9
Private sector	33.4	2.9	14.5	25.2	36.1	11.2
Changes in inventories	70.9	3.9	12.2	16.6	18.9	9.4
Exports of goods and nonfactor services	10.1	6.8	39.7	14.5	35.7	9.5
Imports of goods and nonfactor services	15.7	0.3	35.1	36.0	20.1	9.9
GDP at market prices	27.9	16.8	24.0	24.8	18.3	12.5
II. At 1982 Prices						
Gross domestic expenditure	3.3	-3.9	5.9	6.4	1.6	2.6
Consumption	1.5	-2.2	7.8	6.3	-2.9	3.2
General government	11.3	8.7	10.3	8.3	12.0	9.9
Private sector	0.8	-3.1	7.6	6.1	-4.2	2.4
Investment	11.9	-11.1	-3.0	6.8	24.8	0.4
Fixed capital formation	11.2	-11.5	-2.7	7.2	25.0	0.0
General government	37.6	-16.5	0.1	41.9	77.4	-16.0
State enterprises	-21.6	16.5	22.5	-9.0	-7.9	12.8
Private sector	11.5	-12.3	-4.4	5.5	21.3	2.0
Changes in inventories	29.7	-3.0	-8.8	-1.2	18.9	9.4
Exports of goods and nonfactor services	2.0	-1.3	13.2	-2.6	27.8	0.5
Imports of goods and nonfactor services	4.2	-13.0	14.3	18.4	12.7	0.7
GDP at market prices	3.1	3.1	3.1	3.1	3.1	3.1
(As percent of GDP)						
Gross domestic expenditure	105.5	106.0	104.0	103.8	107.6	105.3
Consumption	82.9	83.3	84.2	87.8	82.0	82.6
Investment	23.1	20.8	19.5	19.8	23.3	22.6
Trade balance (goods and nonfactor services)	-6.0	-4.0	-3.8	-7.6	-5.3	-5.2

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

Table 10. Paraguay: Financing of Investment

	1991	1992	1993	1994	1995	Prel. 1996
(In billions of guaraníes at current prices)						
Gross domestic investment	1,915.2	2,009.8	2,340.5	2,955.5	4,122.5	4,489.7
Public	203.8	256.5	318.1	443.0	725.8	716.7
General Government	133.2	142.2	170.8	280.3	557.7	510.1
Public enterprises	70.7	105.2	154.7	162.7	168.1	206.6
ANDE	6.8	4.6	21.5	37.5	52.5	71.6
ANTELCO	25.8	34.3	64.8	44.2	25.6	48.0
CORPOSANA	25.2	38.7	22.5	31.1	27.2	19.7
INC	1.7	0.8	6.2	8.1	6.7	11.8
Other	11.2	26.8	39.7	41.8	56.1	55.5
Private	1,711.4	1,753.3	2,022.4	2,512.5	3,396.7	3,773.0
Gross national savings	1,806.3	1,852.2	2,283.2	2,295.3	3,754.5	4,024.4
Public 2/	487.7	328.4	499.9	729.7	1,344.0	1,181.9
Private	1,318.6	1,523.8	1,783.2	1,565.6	2,410.5	2,842.4
External financing 3/	108.9	157.6	57.3	660.2	368.0	465.3
(As percent of gross domestic investment)						
Gross national savings	94.3	92.2	97.5	77.7	91.1	89.6
Public 1/	25.5	16.3	21.4	24.7	32.6	26.3
Private	68.8	75.8	76.2	53.0	58.5	63.3
External financing 3/	5.7	7.8	2.5	22.3	8.9	10.4
(As percent of GDP)						
Gross domestic investment	23.1	20.8	19.5	19.8	23.3	22.6
Public	2.5	2.7	2.7	3.0	4.1	3.6
General Government	1.6	1.5	1.4	1.9	3.2	2.6
Public enterprises	0.9	1.1	1.3	1.1	0.9	1.0
ANDE	0.1	0.0	0.2	0.3	0.3	0.4
ANTELCO	0.3	0.4	0.5	0.3	0.1	0.2
CORPOSANA	0.3	0.4	0.2	0.2	0.2	0.1
INC	0.0	0.0	0.1	0.1	0.0	0.1
Other	0.1	0.5	0.3	0.3	0.3	0.3
Private	20.7	18.1	16.9	16.8	19.2	19.0
Gross national savings	21.8	19.2	19.0	15.3	21.2	20.2
Public 2/	5.9	3.4	4.2	4.9	7.6	5.9
Private	15.9	15.8	14.9	10.5	13.6	14.3
External financing 3/	1.3	1.6	0.5	4.4	2.1	2.3

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

1/ Corresponds to changes in inventories in the livestock and public sectors.

2/ Refers to the consolidated public sector's current account (with accrued Itaipu receipts).

3/ Refers to the current account deficit of the balance of payments before public transfers.

Table 11. Paraguay: Real Gross Domestic Product by Sector of Origin

	1991	1992	1993	1994	1995	Prel. 1996
(In billions of 1982 guaraníes)						
GDP at market prices	950.2	967.3	1,007.4	1,038.5	1,087.4	1,101.2
Agriculture, hunting, and fishing	153.4	151.4	162.8	158.0	176.0	178.1
Livestock	74.1	75.1	77.1	79.4	81.9	83.3
Forestry	26.3	27.6	28.3	29.2	30.1	30.4
Manufacturing	150.7	151.3	154.3	156.6	161.3	157.8
Construction	49.9	52.4	53.9	55.8	58.0	59.8
Utilities	32.7	36.2	41.4	49.9	57.2	60.7
Transport and communications	44.7	45.8	47.3	49.2	50.9	52.2
Commerce and finance	255.4	257.0	266.8	278.2	282.6	279.8
General Government	43.0	46.4	48.4	51.5	55.2	60.7
Other 1/	120.0	124.2	127.1	130.7	134.2	138.4
(Percentage change)						
GDP at market prices	2.5	1.8	4.1	3.1	4.7	1.3
Agriculture, hunting, and fishing	-4.3	-1.3	7.6	-3.0	11.4	1.2
Livestock	6.1	1.3	2.7	3.0	3.1	1.7
Forestry	4.4	4.7	2.5	3.4	3.1	1.0
Manufacturing	1.1	0.4	2.0	1.5	3.0	-2.2
Construction	3.0	5.0	2.7	3.6	3.9	3.1
Utilities	9.3	10.8	14.1	20.6	14.6	6.1
Transport and communications	5.0	2.5	3.4	4.0	3.5	2.6
Commerce and finance	4.4	0.6	3.8	4.3	1.6	-1.0
General Government	3.0	7.8	4.3	6.4	7.2	10.0
Other 1/	3.9	3.5	2.4	2.8	2.7	3.1
(Percentage distribution)						
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture, hunting, and fishing	16.1	15.7	16.2	15.2	16.2	16.2
Livestock	7.8	7.8	7.7	7.6	7.5	7.6
Forestry	2.8	2.8	2.8	2.8	2.8	2.8
Manufacturing	15.9	15.6	15.3	15.1	14.8	14.3
Construction	5.3	5.4	5.3	5.4	5.3	5.4
Utilities	3.4	3.7	4.1	4.8	5.3	5.5
Transport and communications	4.7	4.7	4.7	4.7	4.7	4.7
Commerce and finance	26.9	26.6	26.5	26.8	26.0	25.4
General Government	4.5	4.8	4.8	5.0	5.1	5.5
Other 1/	12.6	12.8	12.6	12.6	12.3	12.6

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

1/ Comprises mining, housing, and other services.

Table 12. Paraguay: Gross Volume of Agricultural Production 1/

	1991	1992	1993	1994	1995	Prel. 1996
	(1982 = 100)					
Wheat	364.9	462.1	598.6	528.6	293.5	764.6
Corn	243.3	272.6	266.2	279.9	494.8	396.5
Rice	136.9	171.2	247.7	259.4	289.5	281.4
Manioc	57.9	58.0	59.5	56.4	68.4	61.7
Soybeans	187.0	292.9	324.7	325.1	400.5	433.6
Sugarcane	150.0	148.4	149.7	149.0	145.6	154.6
Cotton	295.6	183.2	196.9	177.8	215.9	154.4
Oranges	76.4	76.7	77.4	74.2	74.6	75.0
Tomatoes	133.2	135.5	139.7	128.2	132.1	136.4
Beans	26.0	22.6	25.4	25.6	35.7	35.0
Bananas	80.2	81.3	81.9	69.0	63.5	60.8
	(Percentage change)					
Memorandum Items						
Wheat	-30.5	26.6	29.5	-11.7	-44.5	160.5
Corn	-4.5	12.0	-2.3	5.1	76.8	-19.9
Soybeans	-21.9	56.6	10.9	0.1	23.2	8.3
Cotton	16.6	-38.0	7.5	-9.7	21.4	-28.5

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

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

Table 13. Paraguay: Gross Value of Agricultural Production 1/

	1991	1992	1993	1994	1995	Prel. 1996
(In billions of guaraníes)						
Total production	1,550.2	1,628.1	2,067.6	2,447.5	3,030.9	3,666.7
Wheat	42.3	67.3	88.1	78.5	54.4	156.4
Corn	115.6	127.8	144.5	194.8	334.2	429.8
Rice	16.0	18.4	22.0	30.7	41.3	34.9
Manioc	294.7	274.2	302.8	380.2	574.2	667.4
Soybeans	195.2	377.3	557.8	635.7	663.7	1,022.1
Cotton	314.3	165.9	257.9	296.7	433.5	238.7
Other	572.1	597.2	694.5	830.9	929.6	1,117.4
(Percentage distribution)						
Total production	100.0	100.0	100.0	100.0	100.0	100.0
Wheat	2.7	4.1	4.3	3.2	1.8	4.3
Corn	7.5	7.8	7.0	8.0	11.0	11.7
Rice	1.0	1.1	1.1	1.3	1.4	1.0
Manioc	19.0	16.8	14.6	15.6	18.9	18.2
Soybeans	12.6	23.2	27.0	26.0	22.0	27.9
Cotton	20.3	10.2	12.5	12.1	14.3	6.5
Other	36.9	36.8	33.5	33.8	30.6	30.5

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

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

Table 14. Paraguay: Production, Area Cultivated and Yields of Selected Crops 1/2/

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

	1991	1992	1993	1994	1995	Prel. 1996
Corn						
Production	401,339	449,700	439,145	461,665	816,166	654,074
Area	243	258	249	218	331	325
Yield	1,650	1,743	1,763	2,114	2,466	2,015
Cotton						
Production	631,728	391,380	420,772	379,877	461,239	329,751
Area	415	437	421	381	332	307
Yield	1,523	895	999	997	1,389	1,075
Manioc						
Production	2,584,906	2,591,320	2,655,962	2,517,970	3,054,394	2,757,358
Area	176	179	184	174	211	191
Yield	14,723	14,448	14,448	14,448	14,448	14,448
Rice						
Production	43,181	53,990	78,125	81,809	91,293	88,747
Area	17	18	24	24	26	27
Yield	2,540	2,999	3,237	3,387	3,497	3,252
Soybeans						
Production	1,032,675	1,192,074	1,793,544	1,795,792	2,212,109	2,394,794
Area	553	595	635	694	736	833
Yield	1,869	2,004	2,825	2,587	3,008	2,875
Sugarcane						
Production	2,817,091	2,788,210	2,811,460	2,799,318	2,576,000	2,736,000
Area	56	56	56	56	56	57
Yield	50,414	49,870	50,258	50,314	46,000	48,000
Tobacco						
Production	8,209	8,300	8,471	8,520	6,945	8,156
Area	4	4	5	5	5	5
Yield	1,883	1,878	1,872	1,878	1,534	1,631
Wheat						
Production	259,337	328,406	425,421	375,679	208,617	543,435
Area	156	183	192	175	172	221
Yield	1,657	1,797	2,213	2,149	1,209	2,454

Sources: Ministry of Agriculture; and Fund staff estimates.

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

2/ Data may not fully agree with those in Table 12 because of differences in sources and methodology.

Table 15. Paraguay: Value-Added in Manufacturing

	1991	1992	1993	1994	1995	Prel. 1996
(In billions of 1982 guaraníes)						
All industries	150.7	151.3	154.3	156.6	161.3	157.7
Light consumer industries	87.4	87.2	86.3	91.4	95.3	95.1
Of which: Foodstuffs	47.0	52.1	49.8	53.2	54.1	55.1
Beverages	12.2	12.0	13.8	15.2	16.7	16.6
Shoes	3.8	3.1	2.5	1.9	2.0	2.2
Handicrafts	15.1	10.9	10.5	10.8	11.5	10.2
Printing and publishing	4.7	5.5	6.6	7.1	7.8	8.1
Others	4.7	3.5	3.2	3.2	3.2	2.9
Intermediate products	60.2	61.5	65.9	63.9	64.6	61.3
Of which: Wood and lumber	17.6	19.9	21.0	23.2	24.5	23.5
Textiles	9.8	10.1	10.2	9.2	10.2	8.1
Leather and hides	2.9	4.7	5.9	5.6	6.1	7.3
Petroleum derivatives	12.5	10.7	8.6	8.8	6.4	5.0
Nonmetallic mineral products	6.0	6.2	6.4	6.0	6.9	6.9
Metallic products	2.6	2.1	1.8	1.0	1.0	1.0
Others	8.8	7.9	12.1	10.0	9.5	9.3
Machinery, appliances and transport	3.1	2.6	2.0	1.4	1.4	1.4
(Percentage change)						
All industries	1.1	0.4	2.0	1.5	3.0	-2.2
Light consumer industries	4.4	-0.3	-0.9	5.8	4.3	-0.3
Of which: Foodstuffs	13.2	10.8	-4.4	6.7	1.7	1.8
Beverages	1.8	-1.4	14.4	10.7	9.7	-0.2
Shoes	9.0	-17.3	-19.2	-24.7	4.8	10.0
Handicrafts	-14.8	-27.5	-4.0	2.7	6.4	-11.5
Printing and publishing	3.1	17.1	20.0	8.6	10.3	3.9
Others	3.7	-24.7	-9.1	-1.3	0.8	-10.8
Intermediate products	-3.7	2.2	7.1	-3.1	1.1	-5.2
Of which: Wood and lumber	-0.1	12.7	5.6	10.7	5.8	-4.1
Textiles	-17.5	3.5	0.3	-9.7	10.8	-20.3
Leather and hides	6.3	63.9	25.2	-5.1	9.3	18.9
Petroleum derivatives	-7.7	-14.8	-19.2	2.3	-27.7	-21.2
Nonmetallic mineral products	4.6	2.6	3.8	-6.1	15.2	0.5
Metallic products	1.6	-17.0	-17.4	-42.2	1.8	-0.8
Others	4.2	-11.0	54.0	-17.2	-5.1	-1.6
Machinery, appliances and transport	7.9	-16.2	-21.2	-31.6	-0.9	0.0
(Percentage distribution)						
All industries	100.0	100.0	100.0	100.0	100.0	100.0
Light consumer industries	58.0	57.6	56.0	58.3	59.1	60.3
Of which: Foodstuffs	31.0	34.4	32.3	34.0	33.5	34.9
Beverages	8.0	8.0	8.9	9.7	10.3	10.6
Shoes	2.0	2.1	1.6	1.2	1.2	1.4
Handicrafts	10.0	7.2	6.8	6.9	7.1	6.4
Printing and publishing	3.0	3.6	4.3	4.6	4.9	5.2
Others	3.0	2.3	2.1	2.0	2.0	1.8
Intermediate products	40.0	40.7	42.7	40.8	40.1	38.8
Of which: Wood and lumber	12.0	13.1	13.6	14.8	15.2	14.9
Textiles	6.0	6.7	6.6	5.9	6.3	5.2
Leather and hides	2.0	3.1	3.8	3.6	3.8	4.6
Petroleum derivatives	8.0	7.0	5.6	5.6	3.9	3.2
Nonmetallic mineral products	4.0	4.1	4.2	3.8	4.3	4.4
Metallic products	2.0	1.4	1.1	0.6	0.6	0.6
Others	6.0	5.2	7.8	6.4	5.9	5.9
Machinery, appliances & transport	2.0	1.7	1.3	0.9	0.9	0.9

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

Table 16. Paraguay: Consumer Price Movements in Asunción 1/

(Annual percentage change)

	Food	Housing	Clothing	Other	All Items
Weights	37.0	27.7	9.0	26.3	100.0
I. Average					
1991	20.6	28.0	27.5	26.4	24.9
1992	14.9	14.7	10.9	17.3	15.5
1993	17.3	18.5	12.4	21.5	18.3
1994	20.4	20.2	14.2	23.1	20.6
1995	13.8	14.3	13.7	12.2	13.4
1996	6.3	13.8	6.4	13.2	9.8
II. End-of-Period					
1991	6.7	14.9	14.7	16.8	11.8
1992	19.1	16.4	10.4	19.4	17.8
1993	21.0	17.9	14.3	23.0	20.4
1994	18.2	19.1	13.9	19.1	18.3
1995	7.4	14.3	10.9	12.6	10.5
1996	5.6	11.3	4.6	10.7	8.2
1991					
March	40.2	32.5	32.7	37.1	37.1
June	17.2	29.5	29.8	33.7	25.2
September	9.1	25.6	24.2	24.5	17.6
December	6.7	14.9	14.7	16.8	11.8
1992					
March	8.7	13.7	13.1	15.7	12.0
June	16.2	12.2	10.5	15.9	14.8
September	18.2	15.0	9.1	18.2	16.7
December	19.1	16.4	10.4	19.4	17.8
1993					
March	17.4	17.6	9.9	21.9	18.0
June	16.7	20.2	13.2	22.1	18.6
September	13.9	18.2	13.9	20.3	16.6
December	21.0	17.9	14.3	23.1	20.4
1994					
March	23.4	21.3	15.4	23.8	22.4
June	20.9	19.6	13.7	23.8	20.9
September	21.6	20.0	13.5	22.6	20.9
December	18.2	19.1	13.9	19.1	18.3
1995					
March	15.5	13.6	15.8	12.7	14.3
June	16.8	15.2	14.9	12.3	15.0
September	11.5	15.3	12.6	11.4	12.3
December	7.4	14.3	10.9	12.6	10.5
1996					
March	6.4	17.5	7.0	15.2	11.1
June	5.9	13.6	6.0	13.5	9.6
September	7.2	11.8	5.9	13.3	9.8
December	5.6	11.3	4.6	10.7	8.2
1997					
March	7.2	10.0	4.0	10.8	8.6
May	5.1	9.4	3.2	10.3	7.4

Source: Central Bank of Paraguay.

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

Table 17. Paraguay: Wholesale Prices

(Annual percentage change)

	Agricultural Products	Wood & Wood Processing	Manufacturing	Utilities	All Items
I. Average					
1990	74.6	36.6	32.4	27.3	55.1
1991	43.7	15.0	18.0	16.0	31.7
1992	4.0	18.4	12.3	0.0	7.2
1993	26.5	21.7	17.5	0.0	23.0
1994	18.4	30.1	16.2	23.5	18.0
1995	6.5	19.7	11.4	9.8	8.6
II. End-of-Period					
1990	96.8	31.2	28.1	39.0	68.1
1991	14.4	17.5	8.3	0.0	12.4
1992	11.9	14.7	17.9	0.0	13.9
1993	15.4	28.1	12.7	18.8	14.8
1994	13.9	27.0	16.4	19.0	15.1
1995	16.4	15.1	9.2	26.1	13.9

Source: Central Bank of Paraguay.

1/ In January 1996, the Wholesale Prices Index was replaced by the Producer Prices Index.

Table 18. Paraguay: Producer Prices Index
(Annual percentage change)

	Domestic Products	Imported Products	Total
I. Index			
1995			
December	100.0	100.0	100.0
1996			
March	107.7	104.7	106.8
June	108.3	105.6	107.5
September	110.2	106.2	109.0
December	109.0	106.6	108.3
1997			
March	107.3	107.0	107.2
June	107.8	108.1	107.9
II. Quarterly percentage change			
1996			
March	7.7	4.7	6.8
June	0.6	0.9	0.7
September	1.8	0.6	1.4
December	-1.1	0.4	-0.6
1997			
March	-1.6	0.4	-1.0
June	0.5	1.0	0.7
III. Annual percentage change			
1997			
March	-0.4	2.2	0.4
June	-0.5	2.4	0.4

Source: Central Bank of Paraguay.

Table 19. Paraguay: Wage and Labor Market Indicators for Greater Asunción

	1991	1992	1993	1994	1995	Prel. 1996
I. Wage Indices, End-of-Period						
(1980 = 100)						
Nominal wage indices						
Wages	946.5	1,084.1	1,299.7	1,600.8	1,893.7	2,100.1
Private sector minimum wage	1,110.1	1,165.6	1,325.0	1,641.7	1,891.0	2,126.2
Real wage indices 1/						
Wages	102.5	99.7	99.3	103.4	110.6	113.4
Real private sector minimum wage	124.6	113.6	109.2	112.2	114.1	116.7
(Percentage change)						
Nominal wage indices						
Wages	15.1	14.5	19.9	23.2	18.3	10.9
Private sector minimum wages	18.3	5.0	13.8	23.9	15.0	12.4
Real wage indices 1/						
Wages	2.9	-2.7	-0.4	4.1	7.0	2.5
Private sector minimum wage	-4.8	-8.9	-3.8	2.8	1.7	2.3
II. Labor Market Indicators, Midyear						
(In percent)						
Employment growth	1.9	5.6	8.9	...	...	...
Unemployment rate	9.4	9.8	9.0	9.4	8.1	9.8

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

1/ Using the consumer price index as the deflator.

Table 20. Paraguay: Summary of the Consolidated Public Sector 1/

(In percent of GDP)

	1991	1992	1993	1994	1995	Prel. 1996
Public sector revenue	16.6	16.8	16.5	17.5	20.8	19.8
Current revenue	16.3	16.5	16.4	17.5	20.6	19.7
General government	14.0	15.0	14.9	16.2	17.9	17.6
Tax revenue	9.3	9.5	9.3	10.7	12.2	11.5
Nontax revenue and grants	4.6	5.4	5.5	5.5	5.7	6.1
Public enterprises' operating surplus	2.4	1.6	1.5	1.3	2.7	2.1
Capital revenue	0.3	0.2	0.1	0.1	0.2	0.1
Public sector expenditure	13.9	16.8	15.5	16.1	18.3	18.2
Current expenditure	10.5	13.1	12.2	12.6	13.0	13.8
Of which: wages	5.0	6.4	6.7	7.0	7.4	8.0
Investment expenditure	2.5	2.6	2.7	3.0	4.1	3.6
General government	1.6	1.5	1.4	1.9	3.2	2.6
Public enterprises	0.9	1.1	1.3	1.1	0.9	1.0
Capital transfers and net lending	0.9	1.1	0.5	0.5	1.2	0.8
Overall balance	2.7	0.0	1.0	1.4	2.5	1.6
Central government	0.8	-0.6	0.4	0.7	0.3	0.0
Rest of general government	0.3	0.0	0.4	0.5	0.4	0.6
Public enterprises	1.7	0.6	0.3	0.2	1.8	1.1
Financing	-2.7	0.0	-1.0	-1.4	-2.5	-1.6
External financing 2/	-0.5	-7.9	0.3	1.5	0.0	0.0
Net disbursements	-1.5	-3.3	-0.9	-0.1	0.6	0.0
Exceptional financing	1.0	-4.6	1.2	1.4	-0.8	0.0
Proceeds from privatizations	0.0	0.0	0.0	0.2	0.1	0.0
Domestic financing	-2.3	7.9	-1.3	-2.9	-2.4	-1.6
Memorandum Items						
Public sector savings	5.9	3.4	4.2	4.9	7.6	5.9

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

1/ Excludes the municipalities and financial institutions. Net of intra-nonfinancial public sector transactions.

2/ Includes buy-back of debt to commercial banks in 1991-93 and clearance of arrears to Paris Club creditors in 1992.

Table 21. Paraguay: Summary of the Consolidated Public Sector 1/

(In billions of guaraníes)

	1991	1992	1993	1994	1995	Prel. 1996
Public sector revenue	1,375.1	1,621.1	1,983.0	2,624.5	3,677.1	3,949.0
Current revenue	1,351.6	1,597.1	1,967.2	2,616.3	3,642.0	3,922.9
General government	1,156.6	1,447.1	1,782.3	2,420.4	3,166.1	3,500.4
Tax revenue	772.3	921.5	1,120.6	1,593.6	2,152.6	2,285.2
Non-tax revenue and grants	384.2	525.6	661.6	826.8	1,013.5	1,215.2
Public enterprises' operating surplus	195.0	150.0	185.0	195.9	475.9	422.5
Capital revenue	23.5	24.1	15.7	8.3	35.0	26.2
Public sector expenditure	1,148.1	1,622.1	1,854.9	2,403.4	3,239.9	3,618.6
Current expenditure	870.1	1,268.7	1,467.3	1,886.6	2,298.0	2,741.0
Of which: wages	415.9	616.5	870.2	1,041.2	1,307.5	1,591.3
Investment expenditure	203.8	247.4	325.5	442.2	725.8	717.0
General government	133.2	142.2	170.8	279.5	557.7	510.1
Public enterprises	70.7	105.2	154.7	162.7	168.1	206.9
Capital transfers and net lending	74.1	106.0	62.0	74.6	216.0	160.6
Overall balance	227.0	-1.0	128.1	221.1	437.2	330.4
Central government	63.8	-58.4	45.4	109.5	56.4	-5.8
Rest of general government	24.4	-4.2	46.6	78.1	68.5	120.3
Public enterprises	138.8	61.6	36.1	33.6	312.3	215.9
Financing	-227.0	1.0	-128.1	-221.1	-437.2	-330.4
External financing	-44.6	-760.1	38.6	221.3	-7.1	25.4
Net disbursements	-123.9	-321.3	-108.0	-17.1	107.1	25.4
Exceptional and short-term financing	79.3	-438.7	146.6	208.7	-133.9	0.0
Proceeds from privatizations	0.0	0.0	0.0	29.6	19.8	0.0
Domestic financing	182.4	761.0	-166.7	-442.4	-430.1	-355.8
Memorandum item						
Public sector savings	481.5	328.4	499.9	729.7	1,344.0	1,181.9

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

1/ Excludes the municipalities and financial institutions. Net of intra-nonfinancial public sector transactions.

Table 22. Paraguay: Summary Operations of the General Government 1/
(In billions of guaraníes)

	1991	1992	1993	1994	1995	Prel. 1996
I. Total General Government						
Current revenue and grants	1,162.8	1,467.2	1,796.8	2,424.4	3,190.9	3,504.2
Of which:						
Taxes from public enterprises	21.1	19.0	60.8	105.1	109.4	134.8
Transfers from public enterprises	6.3	20.1	14.5	4.0	24.8	3.9
Current expenditure	874.4	1,271.7	1,472.5	1,890.7	2,303.0	2,746.7
Of which:						
Transfers to public enterprises	4.3	3.0	5.2	4.1	5.0	5.7
Current account surplus or deficit (-)	288.4	195.5	324.3	533.7	887.9	757.5
Capital revenue	9.0	7.2	9.9	7.9	30.5	25.9
Capital expenditure	207.2	226.8	227.6	358.1	718.3	624.4
Of which:						
Transfers to public enterprises	7.4	4.7	0.0	8.1	3.8	0.9
Net lending	7.5	26.1	5.2	4.1	59.3	47.1
Overall surplus or deficit (-)	82.7	-50.2	101.4	179.4	140.8	111.9
Financing	-82.7	50.2	-101.4	-179.4	-140.8	-111.9
External financing	-34.9	-342.9	-27.4	186.2	138.4	67.5
Domestic financing	-47.8	393.1	-74.0	-365.6	-279.2	-179.4
II. Central Government						
Current revenue and grants	1,021.3	1,293.3	1,557.8	2,076.1	2,744.2	2,953.8
Of which:						
Taxes from social security institute	0.1	0.4	2.9	3.2	3.8	4.8
Taxes from decentralized agencies	0.1	0.0	0.0	0.0	0.0	0.1
Taxes from public enterprises	21.1	19.0	60.8	105.1	109.9	134.8
Transfers from public enterprises	6.3	20.1	14.5	4.0	24.8	3.9
Current expenditure	791.7	1,149.7	1,334.3	1,705.7	2,062.7	2,449.3
Of which:						
Transfers to social security institute	0.0	0.0	0.0	0.0	0.0	0.0
Transfers to decentralized agencies	22.1	34.7	46.8	64.1	80.2	99.4
Transfers to public enterprises	4.3	3.0	5.2	4.1	5.0	5.7
Current account surplus or deficit (-)	229.6	143.6	223.5	370.4	681.5	504.5
Capital revenue	6.5	6.6	7.3	7.9	30.5	25.8
Capital expenditure	203.7	227.3	225.7	356.2	704.3	638.8
Of which:						
Transfers to social security institute	0.0	0.0	0.0	0.0	0.0	0.0
Transfers to decentralized agencies	11.4	12.2	8.0	18.3	42.4	46.9
Transfers to public enterprises	7.4	4.7	0.0	8.1	3.8	0.9
Net lending	7.5	15.8	5.2	3.3	58.0	46.2
Overall surplus or deficit (-)	24.9	-92.9	-0.1	18.8	-50.3	-154.7
Financing	-24.9	92.9	0.1	-18.8	50.3	154.7
External financing	-34.9	-342.9	-27.4	186.2	138.4	67.8
Domestic financing	10.0	435.8	27.5	-205.0	-88.1	86.9
III. Rest of General Government						
Current revenue and grants	163.6	208.7	285.8	412.4	526.9	649.8
Of which:						
Transfers from Central Government	22.1	34.7	46.8	64.1	80.2	99.4
Current expenditure	104.8	156.7	185.0	249.2	320.5	396.7
Of which:						
Taxes to Central Government	0.1	0.4	3.0	3.2	3.9	5.0
Current account surplus or deficit (-)	58.8	52.0	100.8	163.2	206.4	253.1
Capital revenue	13.9	12.8	10.6	18.3	42.4	46.9
Of which:						
Transfers from Central Government	11.4	12.2	8.0	18.3	42.4	46.9
Capital expenditure	14.8	11.7	10.0	20.3	56.4	32.6
Net lending	0.0	10.3	0.0	0.8	1.3	0.9
Overall surplus or deficit (-)	57.9	42.8	101.4	160.4	191.1	266.5
Financing	-57.9	-42.8	-101.4	-160.4	-191.1	-266.5
External financing	0.0	0.0	0.0	0.0	0.0	-0.3
Domestic financing	-57.9	-42.8	-101.4	-160.4	-191.1	-266.2

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

1/ Excludes municipalities.

Table 23. Paraguay: Summary Operations of the Public Enterprises 1/

(In percent of GDP)

	1991	1992	1993	1994	1995	Prel. 1996
Current receipts	10.0	9.5	9.7	8.4	8.6	8.6
ANDE	1.7	1.6	1.6	1.8	1.9	2.3
ANTELCO	1.6	1.7	1.7	1.8	1.9	1.8
APAL	0.2	0.2	0.2	...	...	...
CORPOSANA	0.3	0.3	0.2	0.3	0.4	0.4
INC	0.6	0.7	0.7	0.7	0.7	0.7
PETROPAR	3.7	3.5	3.5	3.3	3.1	2.9
Other	2.0	1.6	1.6	0.5	0.6	0.6
Current expenditure	7.6	8.2	8.2	7.1	6.1	6.5
ANDE	1.4	1.2	1.3	1.3	0.9	1.1
ANTELCO	0.8	1.0	1.0	1.3	1.1	1.2
APAL	0.2	0.1	0.1	...	...	...
CORPOSANA	0.2	0.3	0.2	0.2	0.2	0.3
INC	0.6	0.7	0.4	0.5	0.5	0.5
PETROPAR	2.8	3.3	3.6	3.4	2.9	2.9
Other	1.8	1.6	1.6	0.4	0.4	0.4
Current balance	2.3	1.4	1.5	1.3	2.6	2.1
ANDE	0.3	0.4	0.4	0.5	1.0	1.2
ANTELCO	0.8	0.6	0.7	0.5	0.8	0.6
APAL	0.0	0.0	0.1	...	...	...
CORPOSANA	0.1	0.0	0.0	0.1	0.1	0.1
INC	0.0	0.0	0.3	0.2	0.1	0.1
PETROPAR	0.9	0.2	-0.1	-0.2	0.2	0.0
Other	0.2	0.1	0.1	0.2	0.2	0.2
Capital expenditure	0.9	1.1	1.3	1.1	0.9	1.0
ANDE	0.1	0.0	0.2	0.3	0.3	0.4
ANTELCO	0.3	0.4	0.5	0.3	0.1	0.2
APAL	0.0	0.0	0.0	...	...	...
CORPOSANA	0.3	0.4	0.2	0.2	0.2	0.1
INC	0.0	0.0	0.1	0.1	0.0	0.1
PETROPAR	0.0	0.1	0.2	0.1	0.1	0.1
Other	0.1	0.2	0.2	0.1	0.2	0.2
Overall balance	1.7	0.5	0.2	0.3	1.7	1.1
ANDE	0.3	0.4	0.2	0.3	0.8	0.8
ANTELCO	0.5	0.3	0.2	0.2	0.7	0.3
APAL	0.0	0.0	0.1	...	...	...
CORPOSANA	-0.1	-0.2	-0.1	-0.1	0.0	0.0
INC	0.0	0.0	0.3	0.1	0.1	0.1
PETROPAR	0.9	0.2	-0.3	-0.3	0.1	-0.1
Other	0.2	-0.1	-0.1	0.0	0.0	0.0

Sources: Ministry of Finance; Public enterprises; and Fund staff estimates.

1/ Excludes the steel company (ACEPAR) and, beginning in 1994, the national liquor (APAL), airline (LAP) and shipping (FLOMERES) companies.

Table 24. Paraguay: Operations of the Central Government

(In billions of guaraníes)

	1991	1992	1993	1994	1995	Prel. 1996
Current revenue	1,019.8	1,290.2	1,555.3	2,072.9	2,713.1	2,939.3
Tax revenue	772.3	921.5	1,120.6	1,593.6	2,152.6	2,285.2
Taxes on net income and profits	94.2	128.0	174.5	298.5	399.5	440.9
Government payroll taxes	47.9	71.3	104.3	133.9	171.5	210.8
Taxes on property	22.5	35.1	0.4	0.1	4.6	0.0
Taxes on goods and services	362.0	451.7	612.9	847.4	1,051.9	1,160.8
General sales taxes	93.2	52.2	0.0	0.0	0.0	0.0
Selective excises on goods	106.1	121.7	131.0	171.5	212.0	275.7
Value added tax	0.0	130.1	410.0	595.3	772.3	814.3
Stamp taxes	152.7	136.6	65.2	74.3	64.9	68.3
Other taxes	9.9	11.1	6.6	6.2	2.7	2.4
Taxes on international trade	175.6	159.5	204.0	290.6	492.6	444.1
Import duties	147.4	159.4	204.0	290.6	492.6	444.1
Export duties	17.5	0.1	0.0	0.0	0.0	0.0
Exchange taxes	10.6	0.0	0.0	0.0	0.0	0.0
Other taxes	70.2	76.0	24.5	23.0	32.5	28.6
Nontax revenue	247.4	368.7	434.6	479.3	560.5	654.1
Current grants	1.6	3.0	2.5	3.2	31.1	14.5
Current expenditure	791.7	1,149.7	1,334.3	1,705.7	2,062.7	2,449.3
Wages and salaries	370.1	534.9	713.4	923.7	1,149.7	1,386.4
Goods and services	106.1	122.7	173.3	191.8	257.1	300.0
Interest payments	83.8	126.5	93.0	100.0	127.9	96.5
Government pensions 1/	140.1	204.6	227.8	261.3	331.0	428.8
Subsidies and other transfers	59.7	116.6	105.8	124.2	180.4	215.7
Other	31.8	44.5	21.0	104.8	16.6	22.0
Current account balance	229.7	143.5	223.5	370.4	681.5	504.5
Capital receipts	6.5	6.6	7.3	7.9	30.5	25.8
Capital expenditure	203.7	227.3	225.7	356.2	704.3	638.8
Capital formation	118.4	130.4	160.8	259.2	506.6	486.6
Acquisition of existing assets	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	85.4	96.9	64.8	96.9	171.2	132.9
Net lending	7.5	15.8	5.2	3.3	58.0	46.2
Overall balance	25.0	-93.0	-0.1	18.8	-50.3	-154.7
Financing	-25.0	93.0	0.1	-18.8	50.3	154.7
External financing	-34.9	-342.9	-27.4	186.2	138.4	67.8
Net disbursements	-60.8	-154.2	-100.1	19.1	118.6	67.8
Drawings	71.3	108.1	59.5	187.8	287.4	215.6
Scheduled amortization 2/	132.1	262.3	159.6	168.8	168.7	147.8
Exceptional financing	67.7	-190.6	0.0	0.0	0.0	0.0
Change in arrears	40.6	-240.4	0.0	0.0	0.0	0.0
Principal	24.3	-167.8	0.0	0.0	0.0	0.0
Scheduled interest	16.3	-74.9	0.0	0.0	0.0	0.0
Penalty interest	0.0	2.4	0.0	0.0	0.0	0.0
Refinancing	0.0	35.9	0.0	0.0	0.0	0.0
Discounts on debt buy-backs	27.1	13.9	0.0	0.0	0.0	0.0
Change in claims on binational entities (increase -)	-41.8	1.9	72.7	137.5	0.0	0.0
Income from privatizations	0.0	0.0	0.0	29.6	19.8	0.0
Domestic financing	9.9	435.9	27.5	-205.0	-88.1	86.9
Memorandum items						
Total revenue and grants	1,027.9	1,299.8	1,565.1	2,084.0	2,774.7	2,979.6
Total expenditure	1,002.9	1,392.8	1,565.2	2,065.2	2,825.0	3,134.3

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

1/ Includes veterans', military, police, teachers', and civil service pensions.

2/ Includes buy-backs of debts to commercial banks.

Table 25. Paraguay: Operations of the Central Government

(In percent of GDP)

	1991	1992	1993	1994	1995	Prel. 1996
Current revenue	12.3	13.3	13.0	13.9	15.3	14.8
Tax revenue	9.3	9.5	9.3	10.7	12.2	11.5
Taxes on net income and profits	1.1	1.3	1.5	2.0	2.3	2.2
Government payroll taxes	0.6	0.7	0.9	0.9	1.0	1.1
Taxes on property	0.3	0.4	0.0	0.0	0.0	0.0
Taxes on goods and services	4.4	4.7	5.1	5.7	5.9	5.8
General sales taxes	1.1	0.5	0.0	0.0	0.0	0.0
Selective excises on goods	1.3	1.3	1.1	1.1	1.2	1.4
Value added tax	0.0	1.3	3.4	4.0	4.4	4.1
Stamp taxes	1.8	1.4	0.5	0.5	0.4	0.3
Other taxes	0.1	0.1	0.1	0.0	0.0	0.0
Taxes on international trade	2.1	1.6	1.7	1.9	2.8	2.2
Import duties	1.8	1.6	1.7	1.9	2.8	2.2
Export duties	0.2	0.0	0.0	0.0	0.0	0.0
Exchange taxes	0.1	0.0	0.0	0.0	0.0	0.0
Other taxes	0.8	0.8	0.2	0.2	0.2	0.1
Nontax revenue	3.0	3.8	3.6	3.2	3.2	3.3
Current grants	0.0	0.0	0.0	0.0	0.2	0.1
Current expenditure	9.6	11.9	11.1	11.4	11.7	12.3
Wages and salaries	4.5	5.5	5.9	6.2	6.5	7.0
Goods and services	1.3	1.3	1.4	1.3	1.5	1.5
Interest payments	1.0	1.3	0.8	0.7	0.7	0.5
Government pensions 1/	1.7	2.1	1.9	1.7	1.9	2.2
Subsidies and other transfers	0.7	1.2	0.9	0.8	1.0	1.1
Other	0.4	0.5	0.2	0.7	0.1	0.1
Current account balance	2.8	1.5	1.9	2.5	3.9	2.5
Capital receipts	0.1	0.1	0.1	0.1	0.2	0.1
Capital expenditure	2.5	2.4	1.9	2.4	4.0	3.2
Capital formation	1.4	1.3	1.3	1.7	2.9	2.4
Acquisition of existing assets	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	1.0	1.0	0.5	0.6	1.0	0.7
Net lending	0.1	0.2	0.0	0.0	0.3	0.2
Overall balance	0.3	-1.0	0.0	0.1	-0.3	-0.8
Financing	-0.3	1.0	0.0	-0.1	0.3	0.8
External financing	-0.4	-3.5	-0.2	1.2	0.8	0.3
Net disbursements	-0.7	-1.6	-0.8	0.1	0.7	0.3
Drawings	0.9	1.1	0.5	1.3	1.6	1.1
Scheduled amortization 2/	1.6	2.7	1.3	1.1	1.0	0.7
Exceptional financing	0.8	-2.0	0.0	0.0	0.0	0.0
Change in arrears	0.5	-2.5	0.0	0.0	0.0	0.0
Principal	0.3	-1.7	0.0	0.0	0.0	0.0
Scheduled interest	0.2	-0.8	0.0	0.0	0.0	0.0
Penalty interest	0.0	0.0	0.0	0.0	0.0	0.0
Refinancing	0.0	0.4	0.0	0.0	0.0	0.0
Discounts on debt buy-backs	0.3	0.1	0.0	0.0	0.0	0.0
Change in claims on binational entities (increase -)	-0.5	0.0	0.6	0.9	0.0	0.0
Income from privatizations	0.0	0.0	0.0	0.2	0.1	0.0
Domestic financing	0.1	4.5	0.2	-1.4	-0.5	0.4
Memorandum items						
Total revenue and grants	12.4	13.4	13.1	13.9	15.7	15.0
Total expenditure	12.1	14.4	13.1	13.8	16.0	15.7

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

1/ Includes veterans', military, police, teachers' and civil service pensions.

2/ Includes buy-backs of debts to commercial banks.

Table 26. Paraguay: Operations of the Decentralized Agencies 1/

(In billions of guaraníes)

	1991	1992	1993	1994	1995	Prel. 1996
Current revenue and transfers	28.7	43.0	58.7	78.0	98.7	122.1
Nontax revenue	6.6	8.3	11.9	13.9	18.5	22.7
Sales of goods and services	4.8	3.4	5.8	5.7	8.2	7.7
Other	1.8	4.9	6.1	8.2	10.3	15.0
Transfers from Central Government	22.1	34.7	46.8	64.1	80.2	99.4
Current expenditure	26.3	56.0	56.0	76.4	96.9	118.2
Operating expenditure	25.2	55.3	54.1	74.1	93.5	115.5
Wages and salaries	22.7	49.3	46.6	59.9	77.8	96.4
Purchases of goods and services	2.5	6.0	7.5	14.2	15.7	19.1
Interest payments	0.0	0.1	0.4	0.1	1.2	0.0
Taxes	0.1	0.0	0.0	0.0	0.0	0.1
Other	1.0	0.6	1.5	2.2	2.2	2.6
Current account balance	2.4	-13.0	2.7	1.6	1.8	3.9
Capital receipts	13.9	12.2	8.0	18.3	42.4	46.9
Transfers from Central Government	11.4	12.2	8.0	18.3	42.4	46.9
Other	2.5	0.0	0.0	0.0	0.0	0.0
Capital expenditure	11.3	5.0	6.6	16.5	44.4	21.9
Capital formation	11.3	5.0	6.6	16.5	44.4	21.9
Acquisition of existing assets	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.0	10.3	0.0	0.8	1.3	0.9
Overall balance	5.0	-16.1	4.1	2.6	-1.5	28.0
Financing	-5.0	16.1	-4.1	-2.6	1.5	-28.0

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

1/ Covers the Institute for Rural Welfare (IBR) and the National University of Asunción (UNA).

Table 27. Paraguay: Operations of the Social Security Institute

(In billions of guaraníes)

	1991	1992	1993	1994	1995	Prel. 1996
Current revenue and transfers	134.9	165.7	227.2	334.4	428.3	527.8
Social security contributions	129.9	155.6	193.3	268.0	332.0	388.0
Nontax revenue	5.0	10.1	33.9	66.4	96.3	139.8
Transfers from Central Government	0.0	0.0	0.0	0.0	0.0	0.0
Current expenditure	78.7	100.7	129.1	172.7	223.5	278.4
Operating expenditure	38.4	51.3	73.7	93.4	129.6	165.2
Wages and salaries	23.1	32.3	47.3	57.7	80.0	108.6
Purchases of goods and services	15.3	19.0	26.4	35.7	49.6	56.6
Transfers to households	40.2	49.0	52.5	67.7	88.5	108.3
Taxes	0.1	0.4	2.9	3.2	3.8	4.8
Other	0.0	0.0	0.0	8.4	1.6	0.1
Current account balance	56.2	65.0	98.1	161.7	204.8	249.4
Capital receipts	0.0	0.6	2.6	0.0	0.0	0.0
Capital expenditure	3.5	6.8	3.4	3.7	12.0	10.4
Capital formation	3.5	6.8	3.4	3.7	6.7	1.6
Acquisition of existing assets	0.0	0.0	0.0	0.0	5.3	8.8
Overall balance	52.7	58.8	97.3	158.0	192.8	239.0
Financing	-52.7	-58.8	-97.3	-158.0	-192.8	-239.0

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

Table 28. Paraguay: Operations of the Public Enterprises 1/

(In billions of guaraníes)

	1991	1992	1993	1994	1995	Prel. 1996
Current receipts	826.3	923.0	1,157.8	1,261.9	1,529.3	1,710.4
Sales of goods and services	796.9	897.0	1,099.1	1,210.8	1,483.8	1,654.1
Other revenue	25.1	23.0	53.5	47.0	40.5	50.6
Transfers from Central Government	4.3	3.0	5.2	4.1	5.0	5.7
Current expenditure	633.2	790.2	982.0	1,066.0	1,073.2	1,286.0
Wages and salaries	127.1	157.4	181.8	214.3	250.8	301.5
Purchases of goods and services	343.6	440.5	651.1	634.3	631.8	799.0
Interest	53.9	85.2	34.0	49.4	35.1	34.4
Taxes	21.1	19.0	60.8	105.1	109.9	134.8
Transfers to Central Government	6.3	20.1	14.5	4.0	24.8	3.9
Other	81.2	68.0	39.8	58.9	20.8	12.4
Current account balance (before transfers)	195.1	149.9	185.1	195.8	475.9	422.6
Current account balance	193.1	132.8	175.8	195.9	456.1	424.4
Capital receipts	21.8	21.6	5.8	8.5	8.4	1.2
Transfers from the Central Government	7.4	4.7	0.0	8.1	3.8	0.9
Other	14.4	16.9	5.8	0.4	4.6	0.3
Capital expenditure	70.7	105.2	154.7	162.7	168.1	206.9
Capital formation	70.7	105.2	154.7	162.7	168.1	206.6
Acquisition of existing assets	0.0	0.0	0.0	0.0	0.0	0.3
Overall balance	144.2	49.2	26.9	41.7	296.4	218.7
Financing	-144.2	-49.2	-26.9	-41.7	-296.4	-218.7
External financing 2/	-9.6	-417.1	66.0	35.1	10.8	-42.4
Net disbursements	-63.0	-167.1	-8.0	-36.1	-11.6	-42.4
Drawings	60.3	60.9	87.2	75.1	89.6	66.3
Scheduled amortization	123.3	228.0	95.2	111.2	101.2	108.7
Exceptional financing	63.0	-258.8	0.0	12.7	11.5	0.0
Change in arrears	8.1	-354.7	0.0	5.7	-13.9	0.0
Principal	3.8	-266.7	0.0	2.9	-13.9	0.0
Scheduled interest	4.2	-88.0	0.0	2.9	0.0	0.0
Penalty interest	0.0	0.0	0.0	0.0	0.0	0.0
Refinancing	0.0	0.0	0.0	0.0	0.0	0.0
Discounts on debt buy-backs and credits	54.9	95.9	0.0	7.0	25.4	0.0
Net credit from binational entities	-9.6	8.8	74.0	58.5	10.9	0.0
Domestic financing	-134.6	367.9	-92.9	-76.8	-307.2	-176.3

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

1/ Excludes the steel company (ACEPAR) and, beginning in 1994, the national liquor (APAL), airline (LAP) and shipping (FLOMERES) companies.

2/ Includes buy-backs of debt to commercial banks in 1991-93 and clearance of arrears to Paris Club creditors in 1992.

Table 29. Paraguay: Accounts of the Financial System

(In billions of guaraníes)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
I. Financial System						
Net international reserves	1,535.2	1,315.1	1,722.8	2,391.2	2,355.2	2,651.6
Assets	1,566.1	1,394.5	1,894.3	2,620.5	3,197.8	3,092.7
Liabilities	30.9	79.4	171.5	229.3	842.6	441.0
Net domestic assets	791.0	1,781.6	2,294.6	2,596.5	3,564.1	4,480.0
Net claims on public sector	-278.2	493.6	567.9	100.3	-246.2	-497.9
Net central government (budget)	-103.4	638.0	784.7	517.3	431.4	437.5
Assets	80.0	801.7	940.0	1,055.1	1,079.9	1,171.9
Liabilities	183.4	163.7	155.3	537.8	648.4	734.5
Net central government (other)	-167.4	-233.4	-324.2	-499.1	-713.8	-916.8
Assets	0.1	0.1	0.1	0.1	0.0	0.0
Liabilities	167.5	233.5	324.3	499.2	713.9	916.9
Rest of the public sector	-7.4	89.0	107.4	82.1	36.2	-18.5
Assets	192.6	247.0	274.2	226.0	239.8	276.2
Liabilities	200.0	158.0	166.8	143.9	203.6	294.7
Official capital and reserves	-345.6	-514.0	-549.2	-663.4	-831.3	-945.7
Credit to private sector	1,580.1	2,154.3	2,937.6	4,037.8	4,801.5	5,843.0
Of which: foreign currency	244.3	349.2	596.8	957.7	1,284.7	1,611.2
Nonmonetary international organizations (net)	-25.7	-35.0	-43.4	-53.4	-57.2	-67.9
Net unclassified assets	-205.1	-317.4	-580.4	-736.4	-7.8	120.8
Net intra-financial float	65.5	0.1	-37.9	-88.4	-94.8	27.7
Medium- and long-term foreign liabilities	193.2	234.7	292.8	190.0	208.2	208.0
Liabilities to private sector	2,133.0	2,862.0	3,724.6	4,797.7	5,711.1	6,923.7
Currency in circulation	376.8	526.3	628.7	785.3	932.5	936.7
Local currency deposits	851.2	1,004.8	1,129.9	1,636.6	2,208.5	2,661.1
Demand deposits	245.2	272.3	324.9	472.1	583.4	608.9
Time and savings deposits	473.6	558.1	623.8	952.9	1,211.9	1,529.6
Certificates of deposit	132.4	174.4	181.2	211.6	413.2	522.6
Foreign currency deposits	476.1	763.1	1,188.2	1,345.0	1,373.7	1,916.9
Trust funds 1/	173.3	208.0	248.1	193.0	180.3	140.8
Other liabilities	8.1	10.1	17.7	27.2	26.6	51.8
Private capital and reserves	247.5	349.7	512.0	810.6	989.5	1,216.3
Memorandum item						
Exchange rate 2/	1,380.0	1,630.0	1,880.0	1,940.0	1,985.0	2,109.0

Table 29. Paraguay: Accounts of the Financial System

(In billions of guaraníes)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
II. Banking System						
Net international reserves	1,535.2	1,315.1	1,722.8	2,391.2	2,354.5	2,650.3
Assets	1,566.1	1,394.5	1,894.3	2,620.5	3,197.1	3,091.3
Liabilities	30.9	79.4	171.5	229.3	842.6	441.0
Net domestic assets	536.8	1,521.2	1,975.4	2,153.6	2,997.1	3,756.9
Net claims on public sector	-278.2	493.6	567.9	100.3	-246.2	-497.9
Net central government (budget)	-103.4	638.0	784.7	517.3	431.4	437.5
Assets	80.0	801.7	940.0	1,055.1	1,079.9	1,171.9
Liabilities	183.4	163.7	155.3	537.8	648.4	734.5
Net central government (other)	-167.4	-233.4	-324.2	-499.1	-713.8	-916.8
Assets	0.1	0.1	0.1	0.1	0.0	0.0
Liabilities	167.5	233.5	324.3	499.2	713.9	916.9
Rest of the public sector	-7.4	89.0	107.4	82.1	36.2	-18.5
Assets	192.6	247.0	274.2	226.0	239.8	276.2
Liabilities	200.0	158.0	166.8	143.9	203.6	294.7
Official capital and reserves	-218.8	-337.8	-359.4	-407.3	-461.1	-471.6
Credit to rest of financial system	26.4	21.4	27.3	27.2	98.8	156.6
Credit to private sector	1,244.7	1,722.3	2,337.5	3,179.4	3,749.9	4,608.3
Of which: foreign currency	244.3	349.2	596.8	957.7	1,284.7	1,611.2
Nonmonetary international organizations (net)	-25.7	-35.0	-43.4	-53.4	-57.2	-67.9
Net unclassified assets	-211.6	-343.3	-554.5	-692.6	-87.0	29.3
Medium- and long-term foreign liabilities	120.5	166.5	224.4	126.4	147.3	142.3
Liabilities to rest of financial system	29.3	40.5	26.5	42.7	41.3	14.1
Liabilities to private sector	1,922.2	2,629.3	3,447.3	4,375.7	5,163.0	6,250.7
Currency in circulation	379.9	531.3	635.8	800.5	956.0	961.8
Local currency deposits	676.9	825.2	928.8	1,365.6	1,871.3	2,243.0
Demand deposits	245.2	272.3	324.9	472.1	583.4	608.9
Time and savings deposits	332.2	404.0	432.0	687.9	891.4	1,172.3
Certificates of deposit	99.5	148.9	171.9	205.6	396.6	461.7
Foreign currency deposits	476.1	763.1	1,188.2	1,345.0	1,373.7	1,916.9
Trust funds 1/	173.3	208.0	248.1	193.0	180.3	140.8
Other liabilities	8.1	10.1	17.7	27.2	26.6	51.8
Private capital and reserves	207.9	291.6	428.7	644.4	755.1	936.4

Table 29. Paraguay: Accounts of the Financial System

(In billions of guaraníes)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
Ila. Central Bank						
Net international reserves	1,345.5	995.3	1,311.8	2,025.6	2,215.2	2,257.0
Assets	1,348.4	1,002.9	1,329.6	2,041.9	2,346.4	2,346.8
Liabilities	2.9	7.6	17.8	16.3	131.1	89.8
Net domestic assets	-432.9	266.0	221.5	-86.5	17.6	95.3
Net claims on public sector	-147.1	737.3	983.1	805.1	615.6	675.9
Net central government (budget)	-70.3	676.6	820.3	676.7	526.8	519.9
Assets	79.8	801.7	939.8	1,055.1	1,038.9	1,086.1
Liabilities	150.1	125.1	119.5	378.4	512.2	566.2
Net central government (other)	-139.5	-103.5	-15.2	-37.2	-62.2	-0.5
Assets	0.1	0.1	0.1	0.1	0.0	0.0
Liabilities	139.6	103.6	15.3	37.3	62.2	0.5
Rest of the public sector	62.7	164.2	178.0	165.6	151.0	156.5
Assets	190.7	244.9	272.2	224.5	239.8	275.5
Liabilities	128.0	80.7	94.2	58.9	88.8	119.0
Official capital and reserves	-170.3	-287.2	-305.1	-332.2	-376.5	-376.0
Credit to commercial banks	32.6	47.3	37.4	44.8	750.6	926.1
Credit to National Develop Bank	79.7	123.0	65.3	53.3	11.1	0.0
Credit to rest financial system	21.7	16.5	16.2	15.6	44.4	128.0
Credit to private sector	6.5	6.3	6.3	6.6	7.2	11.8
Nonmonetary international organizations (net)	-25.7	-35.0	-43.4	-53.4	-57.2	-67.9
Net unclassified assets	-230.3	-342.2	-538.3	-626.3	-977.6	-1,202.6
Medium- and long-term foreign liabilities	79.2	92.9	101.0	97.8	93.5	92.4
Liabilities to commercial banks	384.0	526.3	682.7	896.9	1,029.6	1,127.8
Of which: foreign currency deposits	121.0	233.2	348.6	428.1	414.4	518.4
Liabilities to National Development Bank	37.5	63.0	71.1	74.7	94.8	106.3
Liabilities to rest of financial system	23.9	37.7	25.6	42.7	32.9	12.4
Liabilities to private sector	388.0	541.4	652.9	827.0	982.0	1,013.5
Currency in circulation	379.9	531.3	635.8	800.5	956.0	961.8
Other liabilities	8.1	10.1	17.1	26.5	26.0	51.8

Table 29. Paraguay: Accounts of the Financial System

(In billions of guaraníes)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
Iib. Commercial Banks						
Net international reserves	189.2	310.5	402.9	361.0	127.8	368.8
Assets	216.4	382.2	555.4	572.5	838.8	712.6
Liabilities	27.2	71.7	152.5	211.5	711.0	343.9
Monetary reserves and currency holdings	379.0	527.4	691.0	877.5	1,084.2	1,244.6
Net domestic assets	974.2	1,267.5	1,696.5	2,280.6	3,022.0	3,821.0
Net claims on public sector	-77.1	-172.8	-290.7	-407.5	-452.0	-667.5
Net central government (budget)	-3.3	-2.3	-0.2	-6.7	19.9	75.2
Assets	0.0	0.0	0.0	0.0	30.9	85.8
Liabilities	3.3	2.3	0.2	6.7	11.0	10.6
Net central government (other)	-14.5	-114.7	-224.3	-328.1	-396.3	-608.8
Assets	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	14.5	114.7	224.3	328.1	396.3	608.8
Rest of public sector	-59.3	-55.8	-66.2	-72.7	-75.6	-133.9
Assets	1.9	2.1	2.0	1.5	0.0	0.7
Liabilities	61.2	57.9	68.2	74.2	75.6	134.6
Credit to private sector	1,032.3	1,431.2	1,991.3	2,740.4	3,234.6	3,979.4
Of which: in foreign currency	236.8	348.9	591.1	920.9	1,256.7	1,583.0
Credit to rest of financial system	4.7	4.9	11.1	11.6	54.3	28.6
Net unclassified assets	14.3	4.2	-15.2	-63.9	185.1	480.4
Medium- and long-term foreign liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to monetary authorities 5/	31.8	46.2	37.1	40.7	145.2	346.6
Liabilities to rest of financial system	5.4	2.8	0.9	0.0	7.9	1.7
Liabilities to private sector	1,505.2	2,056.4	2,752.4	3,478.4	4,081.0	5,086.1
Local currency deposits	647.9	793.7	887.5	1,296.7	1,773.0	2,097.3
Demand deposits	228.1	255.6	303.2	429.7	527.6	548.7
Savings deposits	309.9	374.1	402.3	651.5	830.1	1,077.2
Time deposits	11.9	16.0	10.9	14.1	24.1	26.9
Certificates of deposit	98.0	148.0	171.1	201.4	391.2	444.5
Foreign currency deposits	476.1	763.1	1,188.1	1,344.3	1,372.6	1,911.6
Trust funds 1/	173.3	208.0	248.1	193.0	180.3	140.8
Capital and reserves	207.9	291.6	428.7	644.4	755.1	936.4
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0

Table 29. Paraguay: Accounts of the Financial System

(In billions of guaranies)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
Iic. National Development Bank						
Net international reserves	0.5	9.3	8.1	4.6	11.4	24.5
Assets	1.3	9.4	9.3	6.1	11.9	31.9
Liabilities	0.8	0.1	1.2	1.5	0.5	7.4
Monetary reserves and currency holdings	37.5	63.0	71.1	74.7	117.3	154.7
Net domestic assets	112.0	155.8	151.5	72.9	36.8	21.9
Net claims on public sector	-54.0	-70.8	-124.6	-297.3	-409.8	-506.4
Net central government (budget)	-29.8	-36.3	-35.4	-152.7	-115.2	-157.6
Assets	0.2	0.0	0.2	0.0	10.0	0.0
Liabilities	30.0	36.3	35.6	152.7	125.2	157.6
Net central government (other)	-13.4	-15.2	-84.7	-133.8	-255.3	-307.5
Assets	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	13.4	15.2	84.7	133.8	255.3	307.5
Rest of the public sector	-10.7	-19.3	-4.5	-10.8	-39.2	-41.2
Assets	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	10.7	19.3	4.5	10.8	39.2	41.2
Official capital and reserves	-48.5	-50.6	-54.3	-75.1	-84.7	-95.6
Credit to rest of financial system	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the private sector	205.9	284.8	339.9	432.4	508.1	617.1
Of which: foreign currency	7.5	0.3	5.7	36.8	28.0	28.3
Net unclassified assets	8.6	-7.6	-9.5	12.9	23.1	6.8
Medium- and long-term foreign liabilities	41.3	73.6	123.4	28.6	53.8	50.0
Liabilities to monetary authority	79.7	123.0	65.3	53.3	11.1	0.0
Liabilities to rest financial system	0.0	0.0	0.0	0.0	0.6	0.1
Liabilities to the private sector	29.0	31.5	42.0	70.3	100.1	151.0
Local currency deposits	29.0	31.5	41.3	68.9	98.3	145.6
Demand deposits	17.1	16.7	21.7	42.4	55.7	60.2
Savings deposits	10.2	13.7	18.7	22.3	37.2	68.2
Time deposits	0.2	0.2	0.1	0.0	0.0	0.0
Certificates of deposit	1.5	0.9	0.8	4.2	5.4	17.3
Foreign currency deposits	0.0	0.0	0.1	0.7	1.1	5.3
Bonds issued	0.0	0.0	0.6	0.7	0.6	0.1

Table 29. Paraguay: Accounts of the Financial System

(In billions of guaraníes)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
III. Rest of Financial System						
Net international reserves	0.0	0.0	0.0	0.0	0.7	1.4
Assets	0.0	0.0	0.0	0.0	0.7	1.4
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Monetary reserves	90.0	85.9	98.9	173.3	216.3	245.2
Cash	3.1	5.0	7.1	15.2	23.5	25.1
Deposits with banking system	86.9	80.9	91.8	158.1	192.8	220.1
Net domestic assets	227.2	291.6	387.2	562.7	761.9	861.8
Credit to rest of public sector	0.0	0.0	0.0	0.0	0.0	0.0
Official capital and reserves	-126.8	-176.2	-189.8	-256.1	-370.2	-474.1
Credit to private sector	335.4	432.0	600.1	858.4	1,051.6	1,234.7
Net unclassified assets	6.5	23.9	-25.9	-43.8	79.2	91.5
Net interbank float	12.1	9.9	2.8	4.2	1.3	9.7
Medium- and long-term foreign liabilities	72.7	68.2	68.4	63.6	60.9	65.7
Liabilities to banking system	30.6	71.6	133.3	235.2	344.9	334.9
Liabilities to private sector 3/	213.9	237.7	284.4	437.2	573.1	707.9
Time and savings deposits	141.4	154.1	191.8	265.0	320.5	357.3
Certificates of deposit	32.9	25.5	9.3	6.0	16.7	60.9
Foreign currency deposits	0.0	0.0	0.0	0.0	1.5	9.8
Private capital and reserves	39.6	58.1	83.3	166.2	234.4	279.9
IIIa. Savings and Loans Associations						
Monetary reserves	47.8	47.7	65.5	116.5	106.5	111.5
Cash	2.4	4.4	3.4	7.0	10.5	10.8
Deposits with banking system	42.3	40.2	59.0	106.4	93.0	97.6
Deposits with National Housing Bank	3.1	3.1	3.1	3.1	3.1	3.1
Net domestic assets	93.0	119.0	145.0	177.4	279.3	323.8
Credit to private sector	87.5	105.7	127.8	160.4	223.5	259.0
Net unclassified assets	5.5	13.3	17.2	17.0	55.8	64.7
Liabilities to banking system	1.5	0.0	0.3	-0.8	-1.6	-3.2
Liabilities National Housing Bank	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to the private sector	139.3	166.7	210.2	294.7	387.4	438.4
Time and savings deposits	130.4	154.1	191.8	265.0	318.2	351.9
Private capital and reserves	8.9	12.6	18.4	29.7	69.2	86.5

Table 29. Paraguay: Accounts of the Financial System

(In billions of guaraníes)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
IIIb. National Housing Bank						
Monetary reserves	23.1	12.4	1.0	2.4	7.8	18.7
Cash	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with banking system	14.6	5.3	0.3	0.5	1.7	6.8
Deposits with Savings and Loan Associations	8.5	7.1	0.7	1.9	6.1	11.8
Net domestic assets	-14.9	-2.8	9.8	8.1	3.2	-8.4
Official capital and reserves	-31.7	-33.1	-37.0	-42.2	-61.0	-86.0
Credit to private sector	10.4	22.0	49.4	54.0	71.5	82.5
Net unclassified assets	6.4	8.3	-2.6	-3.7	-7.2	-4.8
Medium- and long-term foreign liabilities	8.2	9.6	10.8	10.5	10.9	10.3
Liabilities to banking system	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to Savings and Loan Associations	0.0	0.0	0.0	0.0	0.0	0.0
IIIc. Cattle Fund						
Monetary reserves	0.9	3.8	3.3	2.6	2.6	10.8
Cash	0.1	0.1	0.1	0.1	1.2	0.6
Deposits with banking system	0.8	3.8	3.2	2.5	1.4	10.2
Net domestic assets	69.5	65.2	64.9	60.6	56.4	53.4
Credit to private sector	71.2	72.8	78.8	82.5	86.1	88.0
Official capital and reserves	-10.3	-14.4	-19.7	-25.8	-34.1	-40.5
Net unclassified assets	8.6	6.8	5.8	3.9	4.3	6.0
Medium- and long-term foreign liabilities	57.7	57.3	56.5	52.0	47.8	53.2
Liabilities to banking system	12.7	11.7	11.7	11.2	11.2	11.1
IIIId. Credit Agency for Farm Equipment						
Monetary reserves	10.6	18.3	13.9	16.1	50.6	44.6
Cash	0.3	0.1	1.2	0.9	3.7	5.1
Deposits with banking system	10.3	18.2	12.8	15.2	46.9	39.5
Net domestic assets	-1.4	-15.8	-11.0	-13.4	-45.0	-38.9
Official capital and reserves	-20.8	-44.7	-47.3	-72.2	-120.0	-143.6
Credit to private sector	18.7	27.1	32.2	62.0	78.6	109.3
Net unclassified assets	0.7	1.8	4.1	-3.2	-3.6	-4.6
Medium- and long-term foreign liabilities	6.8	1.3	1.1	1.1	2.2	2.2
Liabilities to banking system	2.4	1.2	1.8	1.6	3.5	3.5

Table 29. Paraguay: Accounts of the Financial System

(In billions of guaraníes)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
IIIe. Bank Employees Pension Fund						
Monetary reserves	2.1	1.8	2.8	9.5	10.0	21.6
Cash	0.3	0.4	0.1	0.1	0.4	0.2
Deposits with banking system	1.7	1.4	2.6	9.3	9.5	21.4
Net domestic assets	-2.1	-1.8	-2.8	-9.5	-10.0	-21.6
Credit to private sector	55.0	75.9	104.1	133.7	176.5	222.0
Official capital and reserves	-57.3	-84.0	-85.8	-115.9	-155.1	-203.9
Net unclassified assets	0.2	6.3	-21.1	-27.3	-31.4	-39.8
IIIf. Paraguayan Institute for Housing and Urbanization 4/						
Monetary reserves	10.2	0.0	0.0	0.0	0.0	0.0
Cash	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with banking system	10.2	0.0	0.0	0.0	0.0	0.0
Net domestic assets	0.8	0.0	0.0	0.0	0.0	0.0
Credit to rest of public sector	0.0	0.0	0.0	0.0	0.0	0.0
Credit to private sector	17.3	0.0	0.0	0.0	0.0	0.0
Official capital and reserves	-6.7	0.0	0.0	0.0	0.0	0.0
Net unclassified assets	-9.8	0.0	0.0	0.0	0.0	0.0
Medium- and long-term foreign liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to banking system	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to private sector	11.0	0.0	0.0	0.0	0.0	0.0
IIIg. Finance Companies						
Net international reserves	0.0	0.0	0.0	0.0	0.7	1.4
Assets	0.0	0.0	0.0	0.0	0.7	1.4
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Monetary reserves	7.0	12.0	16.2	31.2	48.1	53.0
Cash	0.0	0.0	2.3	7.1	7.8	8.4
Deposits with banking system	7.0	12.0	13.9	24.2	40.3	44.6
Net domestic assets	70.8	118.3	178.9	336.6	480.9	550.4
Credit to private sector	75.3	128.5	207.8	365.8	415.4	473.8
Credit to rest of financial system	0.6	0.4	0.4	1.3	4.2	6.6
Net unclassified assets	-5.1	-10.6	-29.3	-30.5	61.2	70.0
Liabilities to banking system	14.0	58.7	119.5	223.2	331.8	323.5
Liabilities to rest of financial system	0.2	0.5	1.4	2.2	0.0	0.0
Liabilities to monetary authorities	0.0	0.0	0.0	0.0	12.2	11.8
Liabilities to the private sector	63.6	71.1	74.2	142.4	185.6	269.4
Certificates of Deposit	32.9	25.5	9.3	6.0	16.7	60.9
Savings Deposits	0.0	0.0	0.0	0.0	0.0	4.6
Time Deposit	0.0	0.0	0.0	0.0	2.3	0.8
Foreign currency deposits	0.0	0.0	0.0	0.0	1.5	9.8
Private capital and reserves	30.7	45.5	64.9	136.5	165.2	193.4

Source: Central Bank of Paraguay.

1/ Includes bonds issued by commercial banks and the National Development Bank.

2/ Sale price of U.S. dollars in the interbank market on the last business day of the year.

3/ Figures include some public sector deposits.

4/ In March 1992 the Paraguayan Institute for Housing and Urbanization was abolished, with all its assets and liabilities passing to the National Housing Board, which subsequently was merged with the National Housing Bank.

5/ Commercial banks liabilities to monetary authorities do not include information about the four intervened banks at the end of 1995.

Table 30. Paraguay: Financial System Liabilities to the Private Sector

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
	(In percent of GDP)					
Total	25.8	29.6	31.1	32.1	32.3	34.8
By type of asset						
Money	7.5	8.3	8.0	8.4	8.6	7.8
Currency	4.6	5.4	5.2	5.2	5.3	4.7
Demand deposits	3.0	2.8	2.7	3.2	3.3	3.1
Quasi-money	7.3	7.6	6.7	7.8	9.2	10.3
Savings and time deposits	5.7	5.8	5.2	6.4	6.8	7.7
Certificates of deposit	1.6	1.8	1.5	1.4	2.3	2.6
Foreign currency deposits	5.7	7.9	9.9	9.0	7.8	9.6
Trust funds 1/	2.1	2.2	2.1	1.3	1.0	0.7
Other liabilities	0.1	0.1	0.1	0.2	0.2	0.3
Capital and reserves	3.0	3.6	4.3	5.4	5.6	6.1
By institution						
Banking system	23.2	27.2	28.7	29.2	29.2	31.4
Nonbank financial intermediaries	2.5	2.4	2.3	2.8	3.1	3.4
	(In percent of total liabilities)					
Total	100.0	100.0	100.0	100.0	100.0	100.0
By type of asset						
Money	29.2	27.9	25.6	26.2	26.5	22.3
Currency	17.7	18.4	16.9	16.4	16.3	13.5
Demand deposits	11.5	9.5	8.7	9.8	10.2	8.8
Quasi-money	28.4	25.6	21.6	24.3	28.5	29.6
Time and savings deposits	22.2	19.5	16.7	19.9	21.2	22.1
Certificates of deposit	6.2	6.1	4.9	4.4	7.2	7.5
Foreign currency deposits	22.3	26.7	31.9	28.0	24.1	27.7
Trust funds 1/	8.1	7.3	6.7	4.0	3.2	2.0
Other liabilities	0.4	0.4	0.5	0.6	0.5	0.7
Capital and reserves	11.6	12.2	13.7	16.9	17.3	17.6
By institution						
Banking system	90.1	91.9	92.6	91.2	90.4	90.3
Nonbank financial intermediaries	9.9	8.1	7.4	8.8	9.6	9.7
Memorandum item						
GDP	8,280.8	9,670.8	11,991.7	14,960.1	17,698.6	19,905.3

Sources: Tables 7 and 29.

1/ Includes bonds issued by commercial banks and the National Development Bank.

Table 31. Paraguay: Changes in Credit Extended by the Financial System

	End of period					Pref. 1996
	1991	1992	1993	1994	1995	
	(In billion of guaraníes)					
Total credit flows 1/	243.7	1,056.0	551.0	352.4	974.0	793.4
By origin						
Central Bank	-219.1	652.5	29.8	-326.7	109.4	-107.9
Commercial banks	374.0	293.1	422.8	583.6	698.7	824.6
National development bank	53.5	43.8	-4.3	-78.6	-36.1	-14.9
Nonbank intermediaries	35.3	66.6	102.7	174.1	202.1	91.5
By destination						
Public sector	-122.4	771.8	74.3	-467.6	-346.5	-251.7
Central Government (net)	-72.7	675.4	55.9	-442.3	-300.6	-196.9
Rest of public sector	-49.7	96.4	18.4	-25.3	-45.9	-54.8
Private sector	560.6	574.2	783.3	1,100.2	763.7	1,041.5
Other	-194.5	-290.0	-306.6	-280.2	556.8	3.6
Financing						
Medium- and long-term foreign liabilities	123.8	41.5	58.1	-102.8	18.2	-0.2
Liabilities to private sector	676.1	729.0	862.6	1,073.1	913.4	1,212.6
Net international reserves	-503.6	220.1	-407.7	-668.4	36.0	-296.5
Intrasystem float	-52.6	65.4	38.0	50.5	6.4	-122.5
	(Percentage change with respect to liabilities to private sector at beginning of year)					
Total credit 1/	16.7	49.5	19.3	9.5	20.3	13.9
By origin						
Central Bank	-15.0	30.6	1.0	-8.8	2.3	-1.9
Commercial banks	25.7	13.7	14.8	15.7	14.6	14.4
National development bank	3.7	2.1	-0.2	-2.1	-0.8	-0.3
Nonbank intermediaries	2.4	3.1	3.6	4.7	4.2	1.6
By destination						
Public sector	-8.4	36.2	2.6	-12.6	-7.2	-4.4
Private sector	38.5	26.9	27.4	29.5	15.9	18.2
Other	-13.4	-13.6	-10.7	-7.5	11.6	0.1
	(Annual percentage change)					
Liabilities to private sector	46.4	34.2	30.1	28.8	19.0	21.2
Money	28.6	28.4	19.4	31.9	20.6	2.0
Currency	28.4	39.7	19.5	24.9	18.7	0.5
Demand deposits	29.0	11.1	19.3	45.3	23.6	4.4
Quasi-money	48.6	20.9	9.9	44.6	39.0	0.0
Time and savings deposits	50.0	17.8	11.8	52.8	27.2	26.2
Certificates of deposit	43.9	31.7	3.9	16.8	95.3	26.5
Foreign currency deposits	60.2	60.3	55.7	13.2	2.1	39.5
Trust funds	85.7	20.0	19.3	-22.2	-6.6	-21.9
Other	46.0	40.8	47.2	58.2	21.3	24.8

Source: Table 29.

1/ Excludes intrafinancial system credit and float.

Table 32. Paraguay: Composition of Credit

(In percent)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
I. Total Domestic Credit 1/						
Total financial system	100.0	100.0	100.0	100.0	100.0	100.0
Banking system	70.4	84.2	83.5	79.2	79.2	80.9
Central Bank	-78.7	4.6	4.8	-8.0	-2.9	-4.8
Commercial banks	133.6	70.9	72.3	84.5	81.1	85.2
National Development Bank	15.4	8.7	6.5	2.7	1.0	0.5
Other financial institutions	29.6	15.8	16.5	20.8	20.8	19.1
Savings and loans	12.8	6.7	6.2	6.6	7.6	7.3
Other	16.8	9.1	10.3	14.2	13.2	11.9
II. Credit to Private Sector						
Total financial system	100.0	100.0	100.0	100.0	100.0	100.0
Banking system	78.8	79.9	79.6	78.7	78.1	78.9
Central Bank	0.4	0.3	0.2	0.2	0.1	0.2
Commercial banks	65.3	66.4	67.8	67.9	67.4	68.1
National Development Bank	13.0	13.2	11.6	10.7	10.6	10.6
Other financial institutions	21.2	20.1	20.4	21.3	21.9	21.1
Savings and loans	5.5	4.9	4.4	4.0	4.7	4.4
Other	15.7	15.1	16.1	17.3	17.2	16.7
Memorandum item						
End period exchange rate (guaranies per U.S. dollar)	1,380	1,630	1,880	1,940	1,985	2,109

Source: Table 29.

1/ Excludes intrafinancial system credit and float.

Table 33. Paraguay: Banking System - Distribution of Credit to the Private Sector 1/ 2/

(In billion of guaraníes)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
Total credit	1,059.0	1,483.8	1,996.4	2,802.8	3,502.8	4,302.1
National Development Bank	205.9	284.9	339.9	413.3	504.4	608.5
Agriculture	166.7	229.9	259.7	276.9	...	357.8
Cattle	5.1	5.9	13.0	24.4	...	43.5
Industry	16.8	38.1	51.3	68.8	...	134.4
Commerce	7.1	8.7	8.3	12.3	...	35.4
Exports	8.9	0.9	5.6	28.8	...	34.7
Other	1.3	1.4	2.0	2.1	...	2.7
Commercial banks	853.1	1,198.9	1,656.5	2,389.5	2,998.4	3,693.6
Agriculture	133.4	165.1	216.6	235.2	...	218.3
Cattle	31.9	44.4	49.4	80.5	...	129.5
Industry	107.9	115.6	146.6	192.6	...	409.0
Commerce	365.8	533.4	828.6	1,360.5	...	1,847.0
Exports	119.0	156.7	205.9	211.7	...	154.5
Other	95.1	183.7	209.4	309.0	...	935.3
Total credit	100.0	100.0	100.0	100.0	100.0	100.0
National Development Bank	19.4	19.2	17.0	14.7	14.4	14.1
Agriculture	15.7	15.5	13.0	9.9	...	8.3
Cattle	0.5	0.4	0.7	0.9	...	1.0
Industry	1.6	2.6	2.6	2.5	...	3.1
Commerce	0.7	0.6	0.4	0.4	...	0.8
Exports	0.8	0.1	0.3	1.0	...	0.8
Other	0.1	0.1	0.1	0.1	...	0.1
Commercial banks	80.6	80.8	83.0	85.3	85.6	85.9
Agriculture	12.6	11.1	10.8	8.4	...	5.1
Cattle	3.0	3.0	2.5	2.9	...	3.0
Industry	10.2	7.8	7.3	6.9	...	9.5
Commerce	34.5	35.9	41.5	48.5	...	42.9
Exports	11.2	10.6	10.3	7.6	...	3.6
Other	9.0	12.4	10.5	11.0	...	21.7

Source: Central Bank of Paraguay.

1/ Excluding credit to the private sector from the Central Bank.

2/ Data in this table are not equal to the totals shown in Table 29 because of the use of different accounting exchange rates.

Table 34. Paraguay: Commercial Banks' Outstanding Credit
to the Private Sector and Nonperforming Loans 1/ 2/

(In billions of guaraníes)

	End of Period					Prel. 1996
	1991	1992	1993	1994	1995	
Credit to private sector	1,059.2	1,483.7	1,996.4	2,802.7	3,651.9	4,596.5
Nonperforming loans	43.1	66.9	90.4	132.9	249.1	347.2
Capital and reserves	223.4	300.4	428.2	633.8	755.1	936.4
Reserves against nonperforming loans	18.8	28.0	40.2	76.5	67.9	173.9
Memorandum items						
Nonperforming loans as percent of credit to private sector	4.1	4.5	4.5	4.7	6.8	7.6
Nonperforming loans as percent of capital and reserves	19.3	22.3	21.1	21.0	33.0	37.1
Reserves against nonperforming loans as percent of nonperforming loans	43.6	41.9	44.4	57.6	27.3	50.1

Source: Central Bank of Paraguay.

1/ Includes the National Development Bank.

2/ Date in this table are not equal to the totals shown in Table 29 because of the use of different accounting exchange rates.

Table 35. Paraguay: Interest Rate Structure 1/

	End of Period					
	1991	1992	1993	1994	1995	1996
I. Lending Operations						
Central Bank						
Rediscount rates						
Agriculture, industry and exports 2/	18	18	18	...	...	...
Special Development Fund Rural enterprise program						
Productive credit guarantee program 3/	18	0	0	...	...	...
Industry and tourism program	18	0	0	...	...	...
Loans						
To National Development Bank (wheat program)	18	18	18	20	0	...
To Credit Agency for farm equipment	18	0	0	0	0	...
To autonomous agencies and public enterprises	18	0	0	0	0	...
Banks						
Commercial banks						
Agriculture, industry, and exports						
Up to 240 days	26	29	28	27	30	26
241 days to 1 year	26	29	28	27	30	...
Over 1 year	26	29	28	27	30	...
Special Development Fund loans						
Rural enterprises program	26	0	0	0	0	...
Productive credit guarantee program 3/4/	26	0	0	0	0	...
Industry and tourism program	26	0	0	0	0	...
Commercial	27	30	32	33	31	27
Personal	33	31	35	37	30	36
National Development Bank						
Agriculture	24	25	25	29	27	25
Development	24	25	25	29	27	25
Commercial	27	33	33	31	32	26
Other institutions						
Savings and loan associations 5/	29	29	33	32	34	...
Cattle Fund	27	27	27	27	28	31
Finance companies	40	44	47	48	44	38
Paraguayan Institute for Housing and Urbanization/National Housing Board 6/	22	17	17	17	17	...
Bank Employees' Pension Fund	25	27	27	27	30	29
Technical Execution Program Unit	0	0	0	26	23	18
II. Deposits and Other Obligations						
Banks						
Local currency deposits						
Savings deposits	12	10	11	11	10	9
Fixed deposits						
60 days	11	17	18	17	12	12
61 to 90 days	13	17	18	15	15	12
91 to 180 days	13	14	15	28	15	18
Over 180 days	14	14	12	...	13	9
Certificates of deposit 7/	18	20	23	23	20	16
Foreign currency deposits	6	6	5	8	6	6
Savings and loan associations						
Savings deposits	11	10	9	11	10	...
Fixed deposits						
30 to 90 days	17	19	19	20	19	...
91 to 180 days	24	23	21	24	26	...
Over 180 days	26	28	21	18	25	...
Finance companies						
Promissory notes	25	26	28	27	26	21
Certificates of deposit	26	28	28	27	26	24

Source: Central Bank of Paraguay.

1/ The rates indicated are either the limits set by the Central Bank or the simple average of the most commonly quoted free market rates. Effective rates vary as the regulations do not specify if charges are payable in advance or at maturity. Annual percentage rates.

2/ Bank loans that qualify under minimum portfolio requirements for the development of agriculture, industry, and exports.

3/ Commission rates were applicable one time only.

4/ The Central Bank guarantees 75 percent of these bank loans.

5/ A maximum commission of 2 percent, chargeable only once, was instituted in June 1989.

6/ Maximum lending rate permissible is 22 percent, excluding commission. The Paraguayan Institute for Housing and Urbanization was legally abolished in March 1992, with all its assets and liabilities passing to the National Housing Board.

7/ Rates on six-month deposits.

Table 36. Paraguay: Balance of Payments

(In millions of U.S. dollars, unless otherwise specified)

	1991	1992	1993	1994	1995	Prel. 1996
Current balance	-82	-105	-33	-344	-187	-226
Credit	1,646	1,538	1,801	1,880	2,452	2,535
Debit	1,728	1,643	1,834	2,224	2,640	2,761
Merchandise trade	-293	-250	-349	-696	-625	-585
Registered exports 1/	859	754	849	915	1,283	1,449
Domestic imports 2/	1,152	1,004	1,198	1,611	1,908	2,035
Services	-152	-207	-75	-46	-47	-120
Credit	424	433	560	568	685	606
Of which: Value-added on re-exports 3/	81	106	175	223	295	249
Of which: Interest on reserves of banking system	66	55	39	49	66	58
Debit	576	640	635	614	732	726
Of which: Interest on public sector debt	99	157	89	82	85	88
Transfers (net)	72	72	100	32	72	39
Private	7	3	5	5	1	5
Public	66	70	96	26	71	34
Binational entities	290	279	291	366	412	440
Of which: Accrued royalties and compensation	89	110	129	164	230	253
Of which: Purchases of electricity	0	-37	-41	-52	-72	-73
Capital balance	90	91	205	322	354	169
Public sector (net)	-36	-30	-33	-3	98	54
Net disbursements	-36	-30	-33	-3	78	54
Disbursements	159	97	115	138	215	164
Nonfinancial public sector	99	82	100	134	193	152
Financial public sector	60	14	15	4	22	12
Amortization	195	127	148	140	137	111
Nonfinancial public sector	194	113	132	124	122	103
Financial public sector	1	15	16	16	16	8
Privatization receipts	0	0	0	0	20	0
Private sector (net)	99	134	154	164	151	209
Direct investment (net)	84	137	119	164	157	225
Other (net)	15	-3	35	0	-6	-16
Commercial banks (net)	7	-58	-22	41	150	-159
Binational entities (net)	20	46	107	119	-45	66
Errors and omissions	227	3	-76	329	-145	71
Overall balance	234	-12	95	307	21	14
Financing	-234	12	-95	-307	-21	-14
Exceptional financing	69	-340	-9	6	20	-8
Change in arrears	7	-395	-10	3	-7	-8
Principal	19	-285	0	0	0	0
Interest	-12	-94	0	0	0	0
Penalty interest	0	-15	0	0	0	0
Refinancing (net)	0	178	0	0	0	0
Discount on debt buyback	62	31	0	4	27	0
Face value of buybacks	113	72	2	19	146	0
Cash value of buybacks	51	41	2	15	119	0
Change in official reserves	-300	364	-87	-346	-62	44
Valuation Adjustment IRs	-3	-13	1	33	21	-50
Memorandum items						
Current account surplus/deficit 4/	-1.3	-1.6	-0.5	-4.4	-2.1	-2.3
Public sector debt outstanding 4/	28.1	19.3	17.7	15.9	14.7	13.8
Gross official reserves	975	611	698	1,044	1,106	1,062
Outstanding public external debt	1,758	1,249	1,217	1,241	1,328	1,336
External payments arrears	417	22	13	15	8	0
Public sector debt service payments 5/	225	624	286	223	230	199
Public sector debt service ratio 6/	16.4	49.4	18.8	14.5	11.6	9.6

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

1/ Paraguay's exports as reported by trading partners in *Direction of Trade Statistics*, IMF.

2/ Registered and unregistered imports with final destination in Paraguay (i.e., excluding estimated re-exports). Unregistered imports are estimated as the difference between exports to Paraguay as reported by trading partners in *Direction of Trade Statistics* and registered imports.

3/ Includes value-added on re-export of unregistered imports.

4/ As a percentage of GDP.

5/ Cash. Includes changes in arrears on debt service.

6/ Cash in relation to exports of goods and nonfactor services.

Table 37. Paraguay: Composition of Registered Exports (f.o.b)

(Value in millions of U.S. dollars; volume in thousands of metric tons;
average price in U.S. dollars per metric ton)

	1991	1992	1993	1994	1995	1996 1/
Total	737.1	656.6	725.2	816.8	919.3	1043.4
Livestock products (value)	83.9	85.4	101.5	119.3	113.4	88.8
Of which:						
Processed meat	55.2	47.5	47.1	55.4	48.1	44.2
Volume	42.6	30.8	30.0	32.4	25.7	23.5
Price	1,297	1,544	1,568	1,712	1,872	1,885
Hides	28.3	37.5	53.9	63.0	56.7	39.5
Volume	6.1	8.2	13.6	11.8	11.7	10.5
Price	4,618	4,544	3,966	5,332	4,831	3,768
Agricultural products (value)	535.1	417.5	434.9	435.9	550.5	673.6
Of which:						
Tobacco	7.7	6.9	7.0	6.9	6.8	8.8
Volume	6.3	6.2	6.5	6.5	5.9	6.2
Price	1,223	1,107	1,074	1,063	1,153	1,428
Cotton fibers	318.9	209.4	164.9	170.9	296.0	216.5
Volume	217.0	185.1	138.7	115.1	149.9	128.6
Price	1,469	1,131	1,189	1,485	1,976	1,684
Oil cakes and expellers	31.3	54.4	30.1	4.0	31.7	85.1
Volume	311.9	393.5	233.2	41.7	232.8	520.5
Price	100	138	129	97	136	164
Soybean seeds	157.1	137.2	223.7	222.3	175.9	324.2
Volume	1,029.2	857.5	1,360.4	1,186.5	1,074.1	1,456.7
Price	153	160	164	187	164	223
Forestry products (value)	49.1	57.2	67.2	84.2	89.5	94.1
Of which:						
Lumber	44.4	53.3	63.8	78.6	89.5	94.0
Volume	304.5	306.3	292.6	297.2	354.2	429.1
Price	146	174	218	264	253	219
Industrial products (value)	69.1	96.5	121.5	177.4	166.0	187.0
Of which:						
Soybean oil	10.0	32.0	32.0	51.6	57.8	58.1
Volume	29.0	79.8	72.4	115.3	204.1	112.8
Price	346	401	442	447	283	516
Coconut oil	2.7	2.4	2.5	3.0	0.4	2.3
Volume	4.3	4.1	3.5	4.4	0.5	2.8
Price	611	597	704	683	0.0	835
Tung oil	8.4	6.1	4.1	4.6	4.0	3.4
Volume	9.0	4.2	2.3	4.6	4.6	3.2
Price	932	1,456	1,771	999	869	1,070
Oil essences	19.4	14.7	8.2	10.2	10.9	13.4
Volume	1.5	1.3	0.9	0.8	0.8	0.864
Price	13,300	11,764	9,533	12,588	13,965	15,495
Other industrial products	28.6	41.1	74.8	108.0	92.9	109.7

Source: Central Bank of Paraguay.

1/ Preliminary data subject to variations.

Table 38. Paraguay: Composition of Registered Imports (f.o.b.)

	1991	1992	1993	1994	1995	Prel. 1996
(In millions of U.S. dollars)						
Total	1,275.4	1,237.1	1,477.5	2,140.4	2,782.2	2,850.5
Foodstuffs, beverages and tobacco	149.9	170.0	178.6	278.1	470.1	573.7
Wheat and by-products	2.1	5.3	10.2	0.8	6.4	18.8
Whiskey	50.5	48.3	39.1	50.5	81.6	60.7
Cigarettes	42.7	44.3	44.7	75.2	176.2	259.2
Other	54.6	72.1	84.5	151.5	205.9	235.1
Foodstuffs	36.3	53.0	56.2	98.2	138.4	153.3
Beverages and tobacco	18.3	19.1	28.3	53.3	67.6	81.8
Other consumer goods	341.1	346.1	461.9	655.1	788.0	807.3
Automobiles	56.2	66.2	72.7	87.2	123.2	125.2
Auto parts and tires	46.3	37.5	47.8	67.4	79.1	73.4
Textiles	32.3	26.8	44.4	72.7	80.6	67.5
Paper products	26.5	30.2	37.7	52.4	72.2	71.1
Other	179.8	203.4	259.2	375.4	432.8	595.3
Raw materials and intermediate goods	165.2	206.2	248.7	424.2	522.6	440.2
Iron, steel and metals	65.2	63.4	72.8	118.2	127.5	125.1
Chemicals, pharmaceuticals	79.4	84.2	100.2	145.0	146.0	190.0
Other	20.6	58.6	75.7	161.0	249.2	125.1
Fuels and lubricants	129.7	145.0	147.2	159.4	191.6	235.4
Crude petroleum	46.9	39.4	30.8	129.2	30.5	24.6
Other	82.8	105.6	116.4	30.2	161.1	210.8
Capital goods	489.5	351.9	441.1	623.6	809.9	793.8
Agricultural machinery	12.0	11.3	15.5	25.2	24.6	36.8
Transportation equipment	50.5	71.6	86.2	122.2	155.9	131.3
Equipment, machinery and tools	426.9	269.0	339.4	476.2	629.4	625.7
(In percent)						
Total	100.0	100.0	100.0	100.0	100.0	100.0
Foodstuffs, beverages and tobacco	11.8	13.7	12.1	13.0	16.9	20.1
Other consumer goods	26.7	29.4	31.3	30.6	28.3	28.3
Raw materials and intermediate goods	13.0	16.7	16.8	19.8	18.8	15.4
Fuels and lubricants	10.2	11.7	10.0	7.4	6.9	8.3
Capital goods	38.4	28.4	29.9	29.1	29.1	27.8

Source: Central Bank of Paraguay.

Table 39. Paraguay: Direction of Trade Structure

(In percent)

	Exports						Imports					
	1991	1992	1993	1994	1995	Prel. 1996	1991	1992	1993	1994	1995	Prel. 1996
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Western Hemisphere	47.7	55.5	59.4	65.2	65.6	78.9	60.8	67.5	71.4	69.3	68.8	71.0
United States	5.5	5.1	6.4	9.2	4.7	3.7	20.2	21.5	19.2	22.4	22.2	21.4
Argentina	4.7	8.6	8.6	7.8	10.9	14.6	9.6	14.1	13.2	14.0	14.1	13.9
Brazil	26.0	24.9	32.5	38.5	40.0	48.8	26.7	28.2	35.3	29.7	29.1	31.6
Chile	6.9	8.1	8.0	6.1	4.5	5.6	2.0	2.1	1.8	1.6	1.7	1.6
Uruguay	1.2	1.4	0.8	0.9	1.1	2.0	0.6	0.5	0.6	0.7	0.6	1.2
Other	3.4	7.4	3.1	2.6	4.4	4.1	1.8	1.1	1.3	0.9	1.1	1.4
Europe	43.4	32.3	34.2	28.4	23.6	13.9	11.7	10.9	8.5	9.4	9.7	10.3
Belgium-Luxembourg	4.2	2.6	7.0	6.5	3.4	0.7	0.3	0.2	0.2	0.2	0.2	0.2
France	2.9	4.5	2.2	2.0	1.6	1.4	1.5	1.3	1.0	1.3	0.9	0.9
Germany	7.8	3.7	3.9	3.0	7.4	1.6	2.5	2.3	2.2	2.4	2.3	2.6
Greece	0.7	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Italy	8.9	7.3	5.9	3.5	3.1	2.8	1.3	1.7	1.1	1.3	1.7	2.5
Netherlands	7.1	4.4	3.8	5.7	3.4	3.5	0.6	0.4	0.6	0.5	0.4	0.4
Portugal	3.1	4.4	0.5	1.6	1.2	1.3	0.0	0.0	0.0	0.1	0.0	0.0
Spain	6.5	3.4	9.8	4.0	2.5	1.9	0.5	0.5	0.5	0.3	0.7	0.8
Switzerland	1.0	0.5	0.2	0.4	0.3	0.2	0.6	0.7	0.5	0.7	0.6	0.6
United Kingdom	0.3	0.6	0.6	0.6	0.4	0.4	3.6	3.2	2.0	2.1	2.4	2.1
Other	1.0	0.6	0.3	1.2	0.4	0.1	0.7	0.7	0.5	0.5	0.5	0.3
Asia	8.5	10.9	6.0	5.0	10.0	6.5	25.4	20.1	18.2	20.1	21.0	18.2
Hong Kong	0.1	0.3	0.1	0.2	0.5	0.2	9.2	6.3	6.5	8.7	9.4	7.3
Japan	1.1	2.3	4.4	3.3	2.9	3.1	8.0	7.6	7.1	4.8	4.6	2.3
Other	7.2	8.3	1.6	1.5	6.6	3.1	8.3	6.2	4.6	6.5	7.0	8.5
Africa	0.3	1.2	0.4	0.5	0.5	0.5	2.1	1.4	1.9	1.2	0.5	0.4
Algeria	0.0	0.0	0.0	0.0	0.0	0.0	2.0	1.2	1.7	0.8	0.4	0.2
Other	0.3	1.2	0.4	0.5	0.5	0.5	0.1	0.2	0.1	0.4	0.2	0.2
Other	0.2	0.1	0.0	0.8	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1

Source: *Direction of Trade Statistics, IMF.*

Table 40. Paraguay: External Trade Indices

	1991	1992	1993	1994	1995	Prel. 1996
Exports f.o.b. 1/						
Value	2.8	2.5	2.8	3.0	4.2	4.8
(percent change)	-2.5	-12.3	12.5	7.8	40.2	13.0
Volume	2.0	1.9	2.0	1.9	2.6	2.8
(percent change)	-2.2	-8.7	8.1	-5.1	38.7	8.1
Unit price 2/	1.4	1.3	1.4	1.6	1.6	1.7
(percent change)	-0.3	-3.9	4.1	13.6	1.0	4.5
Domestic Exports include VA on Re-Exp.						
Volume	2.1	2.0	2.3	2.3	3.1	3.2
(percent change)	-0.7	-5.4	14.4	-0.5	36.8	3.3
Unit price 2/	1.4	1.3	1.4	1.5	1.6	1.6
(percent change)	0.0	-3.3	4.0	11.7	1.3	4.2
Imports f.o.b. 3/						
Value	2.4	2.1	2.5	3.3	3.9	4.2
(percent change)	4.1	-12.9	19.4	34.4	18.5	6.6
Volume	2.1	1.8	2.1	2.7	3.2	3.2
(percent change)	1.2	-14.5	17.5	30.4	15.8	2.0
Unit price 4/	1.1	1.2	1.2	1.2	1.2	1.3
(percent change)	2.9	1.8	1.6	3.1	2.3	4.6
Terms of trade	1.2	1.1	1.2	1.3	1.3	1.3
(percent change)	-2.8	-5.0	2.3	8.4	-0.9	-0.4

Sources: Central Bank of Paraguay, and Fund estimates.

1/ Excludes exports that originate in other countries and the value-added on entrepot trade.

2/ Weighted average of registered export prices and an index of industrial trading partners prices.

3/ Includes only imports with final destination in Paraguay, including those that are unregistered. Excludes imports destined for re-export.

4/ Based on *World Economic Outlook* data for partner countries' prices.

Table 41. Paraguay: Value-added on Re-export Trade and Trade Adjustments

(In millions of U.S. dollars, unless otherwise specified)

	1991	1992	1993	1994	1995	Prel. 1996
Total imports (f.o.b., DOT) 1/	1,860	1,930	2,718	3,550	4,471	4,196
(1) Registered imports	1,275	1,237	1,478	2,140	2,782	2,831
(2) Unregistered imports	585	692	1,240	1,410	1,689	1,365
Re-exports of unregistered imports						
(3) Domestic consumption 2/	72	76	82	87	95	99
(4) Re-exports (f.o.b)	513	617	1,158	1,322	1,594	1,266
= (2)-(3)						
Re-exports of registered imports						
(5) Re-exportable items 3/	332	454	519	785	1,152	1,086
(6) Domestic consumption 4/	137	145	158	168	183	191
(7) Re-exports (f.o.b)	195	309	362	617	969	895
= (5)-(6)						
Total re-exports (c.i.f) 5/						
= ((4)+(7))*1.15	814	1,065	1,748	2,230	2,947	2,485
Value-added on re-exports 6/	81	106	175	223	295	249
Domestic imports 7/	1,152	1,004	1,198	1,611	1,908	2,035
= (1)+(3)-(7)						
Memorandum items						
Real GDP growth (percent)	2.5	1.8	4.1	3.1	4.7	1.3
World inflation (U.S. dollars, percent change)	4.2	3.3	3.0	2.4	2.6	2.7

Source: Central Bank of Paraguay.

1/ As reported by trading partners in the *Direction of Trade Statistics*, IMF.

2/ Assumes that 25 percent of unregistered imports were consumed domestically in the base year (1985) and an income elasticity of 1.5 in calculating domestic consumption in later years.

3/ Consists of alcoholic beverages, cigarettes, sweets and other food items, perfumes, cotton and synthetic textiles, electronic goods, office equipment, and other consumer items.

4/ Assumes that 80 percent of these re-exportable items were consumed domestically until 1989 and an income elasticity of 1.3 in calculating domestic consumption in later years.

5/ Assumes freight and insurance costs are equal to 15 percent of f.o.b. value of imports, which was the average for registered imports between 1985 and 1992.

6/ Assumes value added on entrepot trade is 10 percent of the c.i.f. value of imports.

7/ Total imports with final destination in Paraguay.

Table 42. Paraguay: International Reserves of the Banking System

(In millions of U.S. dollars)

	1991	1992	1993	1994	1995	Prel. 1996
Total net reserves	1,113	807	916	1,221	1,164	1,249
Central Bank	975	611	698	1,044	1,106	1,062
Assets	975	611	698	1,044	1,106	1,062
Gold	13	12	14	13	14	13
IMF reserve position	16	23	23	21	22	19
SDRs	84	85	89	99	107	105
U.S. dollars	463	330	416	569	595	415
Other currencies	238	123	102	327	378	327
ALADI float (net)	162	38	15	15	-9	40
Other	0	0	39	0	0	142
Liabilities	0	0	0	0	0	0
Use of Fund resources	0	0	0	0	0	0
Other	0	0	0	0	0	0
Commercial banks 1/	138	196	219	177	27	187
Assets	158	240	300	302	416	353
Liabilities	20	44	81	125	389	167
Memorandum items						
Valuation change on central bank reserves	-3	-13	1	33	21	-50
Gross official reserves in months of domestic imports	9	6	6	7	6	6

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

1/ Includes the National Development Bank.

Table 43. Paraguay: Outstanding Medium- and Long-Term External Public Debt

(In millions of U.S. dollars)

	1991	1992	1993	1994	1995	Prel. 1996
Public sector and officially guaranteed debt outstanding at end of period 1/	1,637	1,249	1,217	1,241	1,328	1,336
By debtor:						
Central Administration	718	529	530	568	715	780
Public enterprises	721	482	461	471	417	378
Rest of public sector	197	237	226	202	196	178
By creditor:						
International organizations	637	633	627	612	700	774
IBRD	200	181	150	121	129	134
IDB	390	403	429	446	514	572
Other	47	49	48	45	57	68
Official bilateral creditors	902	590	567	603	606	541
Brazil	0	0	0	0	0	0
France	249	91	63	59	40	36
Germany	177	152	135	138	131	88
Japan	227	214	260	323	331	305
Other	249	133	109	83	104	112
Commercial banks and other creditors	97	26	24	25	22	21
Scheduled public and officially guaranteed debt service ratio 2/	21.4	22.5	15.6	14.5	11.2	9.6
Ratio of total public and officially guaranteed debt to GDP	28.1	19.3	17.7	15.8	14.7	13.8
Memorandum items						
Public sector and officially guaranteed debt service payments (cash, in millions of U.S. dollars)	225	624	286	223	230	199
Public sector and officially guaranteed debt service ratio (cash, in percent) 2/3/	16.4	49.4	18.8	14.5	11.6	9.6

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

1/ Includes outstanding arrears.

2/ In relation to exports of goods and nonfactor services.

3/ Includes cash outlays for debt buybacks.

Paraguay: Summary of Tax System as of July 10, 1997

(All amounts in guaraníes, unless otherwise indicated)

Nature of Tax	Exemptions and Deductions	Rates
A. Central Government		
1. Taxes on income and profits		
<p>1.1. Income tax (Impuesto a la Renta) on enterprises engaged in commercial, industrial, and service activities. 1/</p> <p>Laws 125/91 and 210/93. Tax on Paraguayan source income; foreign source income is not taxed. Levied on all classes of public and private enterprises, resident and nonresident, except those indicated in section 1.3 or those providing services of a personal nature. Income is defined as gross income less operating and depreciation expenses. In the absence of proper accounting procedures, the tax authorities may impute a net income for tax purposes. Nonresident firms may opt instead to determine net income as a percentage of gross income. The percentage is specified by the law and varies by activity, ranging from 10 percent to 100 percent. Estimated tax, based on the amount paid in the preceding year, is paid in four quarterly installments, with an adjustment at the end of the tax year.</p>	<p>Exemptions: 1) Revenue: income of nonprofit organizations; dividends received by resident firms; and interest from public debt instruments; 2) Institutions: all state entities, labor unions, employees associations, mutual fund societies, welfare, cultural or sports organizations, schools, political parties, and nonprofit, educational and religious organizations. Under Law 438/94 all the Cooperatives are exempted of tax.</p> <p>Deductions: (1) ordinary business expenses, including the value added tax in the case of an enterprise producing for export; (2) extraordinary losses not covered by insurance or by other compensation; (3) donations to the State and municipalities, and to religious and charitable organizations. Losses may be carried over for a maximum period of three years; (4) capital actualization and annual depreciation by inflation for financial institutions under Law 861/96 (General Banking Law).</p>	<p>(a) The general tax rate is 30 percent.</p> <p>(b) The rate is 15 percent for firms under Law 210/93 which issue shares on the stock exchange, provided their issued share capital increases by 10 percent per year or by 50 percent over the initial (1993) amount. This is a temporary rate for the period 1993-97. Same criteria for enterprises under Law 548/95 for the next 10 years and with a tax rate of 10 percent.</p> <p>(c) Reinvested profits are taxed at 10 percent.</p> <p>(d) An additional tax of 5 percent is levied on profits accredited to partner companies abroad, unless they are reinvested in Paraguay, and on dividends paid to nonresident firms and individuals.</p>
<p>1.2. Income tax (Impuesto a la Renta) on enterprises engaged in agricultural and cattle activities. 2/</p> <p>Law 125/91. This tax is similar to the one described in section 1.1, except that net income is determined on a presumptive basis. The gross income of each rural property, including idle land, is assessed at 12 percent of the fiscal value of the property. Operating and other business expenses are then imputed at 40 percent of gross income if the taxpayer owns</p>	<p>Exemptions: properties less than 20 hectares in size, or 20 hectares on properties less than 100 hectares; parklands and lands occupied by permanent lakes or lagoons.</p> <p>Deductions: (1) ordinary business expenses, including any value added tax paid; this deduction is limited to 30 percent of gross income in any year. Where the tax exceeds this amount, the excess may be deducted against income in subsequent years.</p>	<p>25 percent of net income.</p>

Paraguay: Summary of Tax System as of July 10, 1997 (Continued)

(All amounts in guaraníes, unless otherwise indicated)

Nature of Tax	Exemptions and Deductions	Rates
<p>the property and 45 percent if he does not. The fiscal value of properties is determined by the National Cadastral Service (Servicio Nacional de Catastro) on the basis of land area, crop yields, and average market prices in the 12 months prior to November 1 of the tax year. The fiscal value is to be updated annually, and excludes the value of improvements or buildings on the property. A National Cadastral survey is currently being undertaken to divide the country in rural zones and determine fiscal values.</p>	<p>(2) Extraordinary losses by natural disasters, not covered by insurance or by other compensation. The tax authorities shall determine the percentage of gross income to be deducted for extraordinary losses.</p>	
<p>1.3. Small business turnover tax (Tributo Unico) on sole proprietorships in commercial, industrial, and services activities.</p>	<p>Deductions: 50 percent of any value added tax paid provided that the deduction cannot exceed the amount of tax liability.</p>	<p>3 percent of gross income was established in the Decree 13817/92. 3/</p>
<p>Law 125/91. Tax on sole proprietors, except those providing services of a personal nature, whose accrued gross income in the tax year does not exceed 37,208,310 guaraníes. 4/ Gross income may be imputed by the tax authorities on the basis of such criteria as expenses on wages and salaries, utilities, goods and services, and property taxes. The ceiling is to be updated annually in accordance with the movement in the consumer price index in the 12 months preceding November 1 of the tax year.</p>		

Paraguay: Summary of Tax System as of July 10, 1997 (Continued)

(All amounts in guaraníes, unless otherwise indicated)

Nature of Tax	Exemptions and Deductions	Rates
2. Social security contributions		
<p>2.1 Contributions to the Social Security Institute (Contribuciones al Instituto de Previsión Social). Under Law 98 of December 31, 1992; was established the unified regime in accordance to the articles of this law, the Decree Law 1860/50 accepted in the Law 375/56, 430/73 and complementary laws. Annual contributions of employees to the Social Security Institute are withheld at source. Employers must also insure apprentices not receiving wages.</p>	<p>Exemptions: 1) Government employees, 2) Public and private banks employees, 3) Military and police forces members, 4) Railway "Carlos Antonio Lopez" employees if they are in an independent Social Security System, 5) Local and regional employees.</p>	<p>Employees: 9.5 percent of payroll Employers: 16.5 percent of payroll Government: 1.5 percent of payroll <u>5/</u></p>
<p>2.2 Contributions to the Government Pensions Scheme (Contribuciones a la Caja Fiscal de Jubilaciones y Pensiones del Ministerio de Hacienda). Covers Central Government employees and Chaco War veterans. Law 186 of July 19, 1993 incorporated to the Government Pension Scheme the transit employees category. By Law 197/93 was established the assessment of the Public Administration and its actualization.</p>	None	<p>Government employees: 14 percent of payroll. Pensioned employees: 7 percent of payroll</p>
<p>2.3 Contribution to the Municipalities Pensions Scheme (Contribuciones a la Caja de Jubilaciones y Pensiones del personal municipal) Law 122 of January 5, 1993 established a unified system to Municipalities employees.</p>	None	<p>Employees: 10 percent of payroll. Municipalities: 10 percent of wages and salaries paid.</p>
<p>2.4 Other contributions To the National Service for Professional Promotion (SNPP) To the National Service for the Eradication of Malaria (SENEPA) To the National Workers' Bank (BNT)</p>		<p>1.0 percent of payroll 1.5 percent of payroll 0.5 percent of payroll</p>

Paraguay: Summary of Tax System as of July 10, 1997 (Continued)

(All amounts in guaraníes, unless otherwise indicated)

Nature of Tax	Exemptions and Deductions	Rates
3. Domestic taxes on goods and services		
<p>3.1. Value added tax (Impuesto al Valor Agregado) Law 125/91. Levied on (a) individuals employed in the provision of personal services and whose gross income in the tax year exceeds 17,509,793 guaraníes (this amount is updated annually as explained in section 1.3); (b) public and private enterprises, whether resident or nonresident, engaged in commercial, industrial, or service activities, except those subject to the gross income tax on sole proprietorships (section 1.3); and importers not already included in category (b) above. In all cases the tax base includes other indirect taxes. Individuals and firms deduct any value added tax paid to suppliers of goods and services to determine their net tax liability in any month. Where the difference is negative, it may be carried forward to offset future obligations or used to reduce other obligations such as the net income tax.</p>	<p>Exemptions: (1) Sales: exports sales, including freight and insurance; sale or transfer of agricultural products in their natural state, foreign currency, stocks and bonds; fixed property; tickets of games of chance; petroleum products; inherited goods; credits; (2) Services: personal services (excluding professional services) rendered under a relationship of dependence, which is defined to exist when the people involved pay social securities contribution, interest on public and private securities; rental of fixed property; most financial intermediation activities; (3) Importation of: crude oil; goods the domestic sale of which is exempt; accompanying luggage of travellers; goods by members of the diplomatic corps and staff of international organizations; and movable goods used directly in the agricultural and industrial production cycle during the initial installation process, provided such goods are not produced locally; and (4) Institutions: political parties and nonprofit, educational and religious organizations (on domestic purchases only).</p>	<p>(a) 10 percent (b) An effective rate of 1.5 percent is levied on a published list of goods of tourist consumption. (c) An effective rate of 6 percent is levied on cigarettes.</p>
<p>3.2. Excise taxes (Impuesto Selectivo al Consumo) Law 125/91 and Decrees 13946/92, 16141/93 and 7302/95. Tax on domestic sale and import of tobacco and tobacco products, carbonated and alcoholic beverages, alcohol, and petroleum products. The tax base is generally the ex-factory price or foreign currency value of imports as established by</p>	<p>Exemptions: export sales, including freight and insurance.</p>	<p>a. Tobacco and tobacco products: three rates, 4, 6 and 7 percent. b. Carbonated and alcoholic beverages: five rates ranging from 3 to 10 percent. c. Alcohol: two rates, 5 and 10 percent. d. Petroleum products: Motor fuel and alcohol fuel 45 percent Super gasoline 50 percent Aviation fuel 20 percent</p>

Paraguay: Summary of Tax System as of July 10, 1997 (Continued)

(All amounts in guaraníes, unless otherwise indicated)

Nature of Tax	Exemptions and Deductions	Rates
<p>customs authorities, exclusive of value added tax but, in the case of imports, inclusive of tariffs. In the case of petroleum products whose prices are controlled, the tax base is the sales price fixed by the Economic Cabinet. Petroleum tax revenues are transferred to the Treasury weekly; all others are transferred monthly.</p>		<p>Kerosene 10 percent Diesel 5.5 percent Fuel oil and liquified gas 10 percent Lead-free gasoline 50 percent Turbo fuel 1 percent</p>
<p>4. Taxes on international transactions</p>		
<p>4.1. Customs duties (Gravamen Aduanero sobre las Importaciones) 6/</p>	<p>Paraguay is allowed exemptions from the CET for capital goods, telecommunications products, automotive products and 399 other selected items, consisting mostly of inputs to production and goods destined for the tourist industry. There are also 427 exceptions to the agreement for duty free intra-MERCOSUR trade. These exemptions are to be phased-out gradually by January 2006 and January 2001, respectively.</p>	<p>MERCOSUR (CET rates) 0-20 percent</p> <p><u>Typical rates</u></p> <p>Raw materials and intermediate goods 0 percent Capital goods 5 percent Items for tourism 6 percent Consumer goods 10 percent Vehicles whose CIF value exceeds US\$10,000 15 percent Vehicles whose CIF value exceeds US\$20,000 20 percent</p> <p>Special rates (on exemptions from free trade agreement) 3-35 percent</p>
<p>Classification of goods for customs purposes is based on the nomenclature of the Council of Customs Cooperation.</p>		

Paraguay: Summary of Tax System as of July 10, 1997 (Continued)

(All amounts in guaraníes, unless otherwise indicated)

Nature of Tax	Exemptions and Deductions	Rates
5. Other taxes		
<p>5.1 Documents tax (Impuesto a los Actos y Documentos)</p> <p>Laws 125/91 and Decree 14001/92. Tax on any obligation, deed or contract whose existence is supported by a document. The tax law lists 34 taxable transactions. The tax on 30 of these automatically was abolished from July 1, 1994, two years after the value added tax was implemented. The four items permanently taxed are: credit transactions (loans and advances) by financial institutions, domestic transfers of funds through instruments such as money orders and letters of credit, foreign transfers of funds, and exportation of agricultural and cattle products in their natural state. The tax is a combination ad valorem and specific taxes. Ad valorem transaction or amount specified in the rates are applied to the value of the document.</p>	<p>Exemptions: 1) Documents: Those relating to raffles and lotteries by nonprofit organizations, donations to the State, Municipalities, Universities, and welfare agencies, compulsory military service, declarations concerning payment of taxes, receipts not constituting payment instrument, classification or rectifications, where the amount of tax is not affected, certain financial and legal transactions, and stock exchange transactions.</p> <p>2) Institutions: all state entities, political parties, mutual fund societies, labor unions and employees associations, welfare, cultural or sport organizations, school, agricultural productions cooperatives, the Institute of Rural Welfare (Instituto de Bienestar Rural), Agricultural Credit Agency (Credito de Agricola de Habilitación), and agricultural and industrial development loans not exceeding 36,846,695 guaraníes (updated annually as explained in section 1.3).</p>	<p>Specific rates: abolished.</p> <p>Ad valorem rates:</p> <p>Law 125/91 set a rate of 12 percent on the exportation of agricultural and cattle products in their natural state, but Decree 14001/92 subsequently reduced the rate to zero. The rates on the permanently taxed items are as follows:</p> <p>(a) credit transactions of financial institutions 1.74 percent</p> <p>(b) domestic transfers of funds 1.00 percent</p> <p>(c) foreign transfers of funds 1.50 percent</p> <p>The rate in (a) is an annual rate. For loans less than one year in maturity, the rate is reduced proportionately.</p>
<p>5.2 Race course tax (Impuesto sobre las entradas al Hipodromo)</p> <p>Established in Law 35/54.</p>	None.	10 percent
<p>5.3 Tax on income from gambling (Impuesto sobre las ganancias de juegos de azar)</p> <p>Established in Law 431/71.</p>	<p>Exemptions: All income up to Gs.5.000.</p> <p>Deductions: 10 percent of gross amount considered ordinary business expenses.</p>	10 percent

Paraguay: Summary of Tax System as of July 10, 1997 (Continued)

(All amounts in guaraníes, unless otherwise indicated)

Nature of Tax	Exemptions and Deductions	Rates
B. Municipal Governments		
1. Taxes on property		
1.1. Property tax (Impuesto Inmobiliario)	<p>Exemptions: 1) Total: Central and Municipal governments, and decentralized agencies not engaged in commercial activities, religious and charitable organizations, national historic monuments, institutions such as orphanages and hospitals offering services to the public free of charge, property of foreign governments used for diplomatic purposes, political parties, education, cultural social and sport institutions, labor unions, mutual self-help societies, private property used free of charge by religious organizations, schools, libraries and foreign governments used for diplomatic purposes, Chaco War veterans and their widows, property belonging to the Institute of Rural Welfare (Instituto de Bienestar Rural) distributed to the farmers, national parks and lands reserved for indigenous people. Property awarded to individuals in settlements established by the Institute of Rural Welfare is exempt for a period of five years.</p> <p>2) Partial: the tax liability may be reduced by 50 percent if the property suffers damage because of natural disasters.</p>	<p>a) 1 percent</p> <p>b) 0.5 percent, in the case of rural properties of less than 5 hectares used for farming or cattle.</p>
<p>Law 125/91. Annual tax on property owned by individuals, enterprises, or entities in general, whether resident or nonresident. The tax base is the fiscal value of the property as established by the National Cadastral Service. The fiscal value excludes improvements to the property or buildings. The fiscal value shall be adjusted annually over a period of not less than five years from the date of implementation of the tax, until it reaches the market value of the property.^{7/} The annual adjustment shall not exceed the percentage increased in the consumer price index in the 12 months preceding November 1 of every year. The market value shall be adjusted annually by a maximum of 15 percent.</p>		

Paraguay: Summary of Tax System as of July 10, 1997 (Concluded)

(All amounts in guaraníes, unless otherwise indicated)

Nature of Tax	Exemptions and Deductions	Rates																									
<p>1.2. Additional tax on idle urban land (Impuesto Adicional a los Baldíos) Law 125/91. Idle land is defined as that on which there are no buildings or improvements. This tax is paid in addition to the property tax. The tax base is the fiscal value of the property.</p>	<p><u>Exemptions:</u> The Economic Cabinet may establish zones on the outskirts of the capital and interior cities which shall be exempt from this additional tax.</p>	In the capital:	0.4 percent																								
		In Municipalities of the Interior:	0.1 percent																								
<p>1.3. Additional tax on large rural land holdings and estates (Impuesto Adicional al Inmueble de Gran Extensión y a los Latifundios) Law 125/91. For the purpose of this tax, the areas of noncontiguous parcels of land belonging to the same owner are summed and considered as one piece of land. This tax is paid in addition to the property tax. The tax base is the fiscal value of the property.</p>	None.	<p>a) on large land holdings:</p> <table border="1"> <thead> <tr> <th>Eastern Region</th> <th>Tax rate</th> <th>Western Region</th> </tr> <tr> <th>Area in hectares</th> <th>(%)</th> <th>Area in hectares</th> </tr> </thead> <tbody> <tr> <td>Up to 10,000</td> <td>0.0</td> <td>Up to 20,000</td> </tr> <tr> <td>10,001-15,000</td> <td>0.5</td> <td>20,001-30,000</td> </tr> <tr> <td>15,001-20,000</td> <td>0.7</td> <td>30,001-40,000</td> </tr> <tr> <td>20,001-25,000</td> <td>0.8</td> <td>40,001-50,000</td> </tr> <tr> <td>25,001-30,000</td> <td>0.9</td> <td>50,001-60,000</td> </tr> <tr> <td>30,001 and over</td> <td>1.0</td> <td>60,001 and over</td> </tr> </tbody> </table> <p>b) On large estates (Latifundios): A surcharge of 50 percent on the above rates.</p>		Eastern Region	Tax rate	Western Region	Area in hectares	(%)	Area in hectares	Up to 10,000	0.0	Up to 20,000	10,001-15,000	0.5	20,001-30,000	15,001-20,000	0.7	30,001-40,000	20,001-25,000	0.8	40,001-50,000	25,001-30,000	0.9	50,001-60,000	30,001 and over	1.0	60,001 and over
Eastern Region	Tax rate	Western Region																									
Area in hectares	(%)	Area in hectares																									
Up to 10,000	0.0	Up to 20,000																									
10,001-15,000	0.5	20,001-30,000																									
15,001-20,000	0.7	30,001-40,000																									
20,001-25,000	0.8	40,001-50,000																									
25,001-30,000	0.9	50,001-60,000																									
30,001 and over	1.0	60,001 and over																									

Source: Ministry of Finance.

1/ This tax was implemented on January 1, 1992.

2/ This tax was implemented on January 1, 1995.

3/ Law 125/91 sets a tax rate in the range 1-4 percent.

4/ US\$17,469 at end-December 1996 exchange rate.

5/ The Government does not pay its contribution.

6/ MERCOSUR was created by the Asunción Treaty on March 26, 1991. Member countries are Argentina, Brazil, Paraguay, and Uruguay.

7/ The property tax was implemented on January 1, 1992.