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Statement by the Hon. **CARLOS CARVALLO SPALDING**,
Governor of the Fund for **PARAGUAY**

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I would like to express my deep appreciation to the World Bank Group (WBG) and the International Monetary Fund (IMF) for their steadfast support in recent years as Paraguay and the world confronted profound challenges, including the prolonged pandemic, climate-related shocks, and a period of global economic deceleration. As Governor of the Central Bank of Paraguay, I firmly believe that our ongoing commitment to collaboration in advancing monetary policy, sustainable finance, digitalization, and integrated supervision will continue to complement and reinforce the efforts of both the WBG and the IMF.

Global and Regional Context

At the global level, this year has been marked by heightened uncertainty stemming from intensifying trade tensions, persistent geopolitical risks, rising debt vulnerabilities, and political and institutional challenges. These developments have disrupted trade dynamics, leading to a front-loading of shipments ahead of tariff implementation, followed by a slowdown, complicating assessments of the overall impact on the global economy. Despite this turbulence, global GDP growth has shown resilience in the first half of the year, although signs of moderation are becoming more apparent.

With respect to inflation, the initial effects of tariff measures are emerging, particularly in the United States, where the disinflation process has stalled. Elsewhere, direct impacts remain limited, with falling energy prices providing some relief. At the same time, U.S. labor markets have softened, with higher unemployment and fewer job openings. This prompted the Federal Reserve to reduce its policy rate in September, prioritizing risks to employment despite still-elevated inflation.

Financial markets have largely adjusted to these conditions and remain broadly positive, supported by expectations of further easing in U.S. monetary policy. Meanwhile, the U.S. dollar has depreciated against both advanced and emerging market currencies, reflecting concerns over slowing growth amid persistent policy uncertainty.

Across Latin America, growth in the largest economies has moderated, although some countries continue to perform comparatively well. Inflation has gradually eased and, in some cases, stabilized; however, it remains above target ranges in many jurisdictions. Consequently, monetary policy responses across the region have been more diverse this year.

Domestic Context

Paraguay has demonstrated remarkable resilience in recent years, successfully navigating not only a period of heightened global uncertainty but also a series of domestic and external shocks—including commodity price volatility, sharp increases in food and energy prices, recurrent droughts, and the widespread impact of the COVID-19 pandemic. This resilience has been underpinned by sound public policies, ongoing economic diversification, and prudent management of external risks.

The economy has consolidated its recovery with sustained growth, registering GDP expansions of over 4% in both 2023 and 2024. Growth for 2025 is projected at 5.3%, supported by robust performance in services—particularly commerce—along with gains in the livestock and manufacturing sectors. Domestic demand has emerged as a key driver of activity. A milestone in this trajectory was Paraguay's achievement of

Investment Grade status in July 2024, when Moody's upgraded the sovereign rating. This recognition validated the country's solid macroeconomic fundamentals, enhanced international credibility, and reduced financing costs for both the public and private sectors.

Price stability remains firmly anchored. Inflation closed 2024 below the 4% target, reflecting the effectiveness of the BCP's monetary policy in anchoring expectations. In December 2024, the Central Bank strengthened its credibility further by lowering the long-term inflation target to 3.5% (with a ± 2 percentage point tolerance band). Recent CPI readings, along with underlying inflation measures, have remained low. On a year-on-year basis, base effects and beef prices remain influential, but inflation is projected to remain comfortably within the new range in 2025, with full convergence toward the 3.5% target anticipated in 2026.

The financial system continues to be a pillar of stability, characterized by sustained credit growth, strong solvency and profitability, and persistently low non-performing loans. Paraguay's capital markets have advanced notably, with successful issuance of Guaraní-denominated sovereign bonds in international markets for two consecutive years. This has provided global investors with access to local-currency assets and reduced foreign exchange risks. In 2025, Paraguay's progress was further recognized through the inclusion of its sovereign bonds in a key J.P. Morgan emerging market index, significantly broadening visibility and appeal among global institutional investors.

Outlook for the WBG and IMF

We highly value the critical role that both the World Bank Group and the International Monetary Fund continue to play in supporting member countries in 2025. The WBG's enhanced focus on sustainable finance and digital transformation—through initiatives such as the Sustainable Development Finance Policy and the Sustainable Finance Facility—closely aligns with Paraguay's efforts to promote more resilient and inclusive growth.

Equally, we welcome the IMF's updated priorities: reinforcing sound macroeconomic and monetary policy advice; integrating climate and digitalization considerations into its surveillance and lending; and advancing more predictable and effective debt restructuring frameworks. These actions are vital to safeguarding global financial stability, strengthening the effectiveness of monetary policy, and ensuring that economic progress translates into lasting prosperity for our societies.