

PARAGUAY

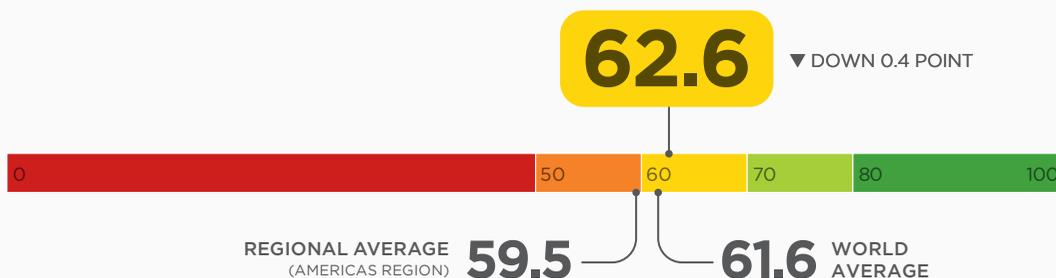
Paraguay's economic freedom score is 62.6, making its economy the 84th freest in the 2021 *Index*. Its overall score has decreased by 0.4 point, primarily because of a decline in **fiscal health**. Paraguay is ranked 16th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The Paraguayan economy remains in the ranks of the moderately free this year. A higher level of economic freedom will be unlikely without serious labor reform and sweeping improvements in the country's very weak rule-of-law institutions. The latter would require the government to confront and disable powerful narcotics gangs and pass meaningful anti-money laundering legislation.

IMPACT OF COVID-19: As of December 1, 2020, 1,771 deaths had been attributed to the pandemic in Paraguay, and the economy was forecast to contract by 4.0 percent for the year.

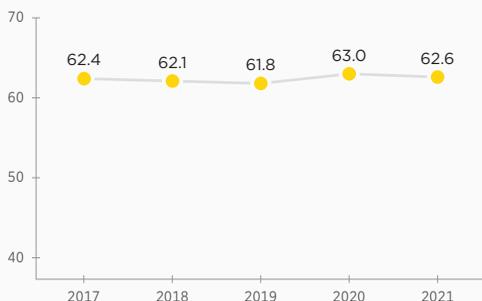


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -3.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
7.0 million

GDP (PPP):
\$96.3 billion
0.2% growth in 2019
5-year compound
annual growth 3.2%
\$13,210 per capita

UNEMPLOYMENT:
4.8%

INFLATION (CPI):
2.8%

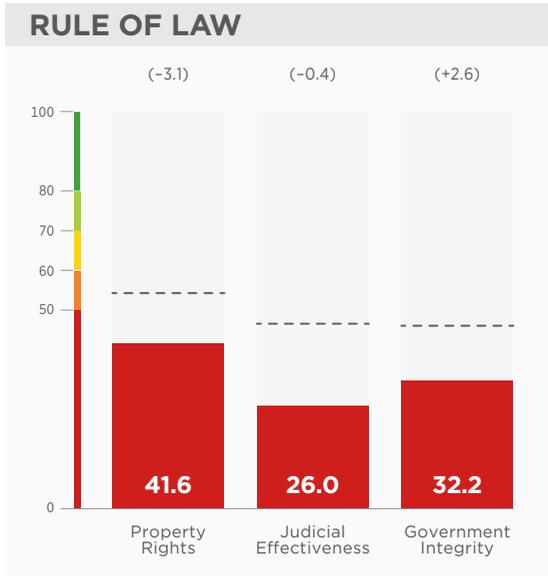
FDI INFLOW:
\$478.1 million

PUBLIC DEBT:
23.5% of GDP

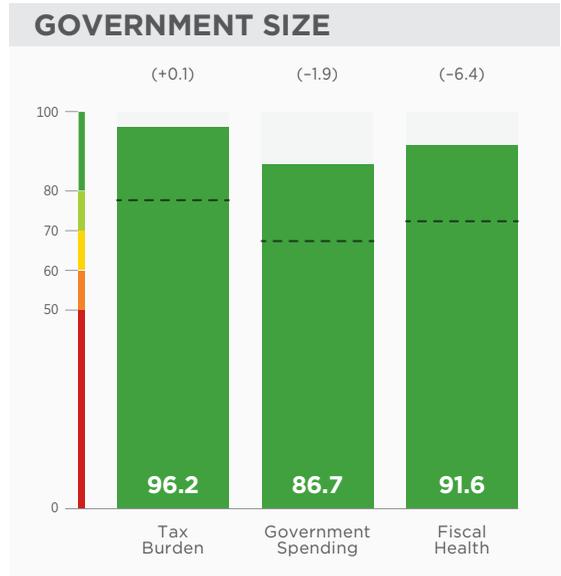
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Paraguay was established in the 19th century along with Bolivia and Uruguay as a buffer state between regional powers Brazil and Argentina. It is a global leader in hydroelectricity production, one-quarter of which is generated by the state-owned Itaipú dam, one of the world's largest. The Itaipú dam is co-owned by Paraguay and Brazil, and renegotiation of its financial terms is scheduled to begin by mid-2021. In the 2018 elections, Mario Abdo of the Colorado Party (PC) was elected to a five-year term, maintaining the PC's control of the presidency. The government recently enacted legislation to increase controls on illicit financing of political campaigns, but despite government efforts, Paraguay remains a significant international money-laundering and illicit smuggling hub.

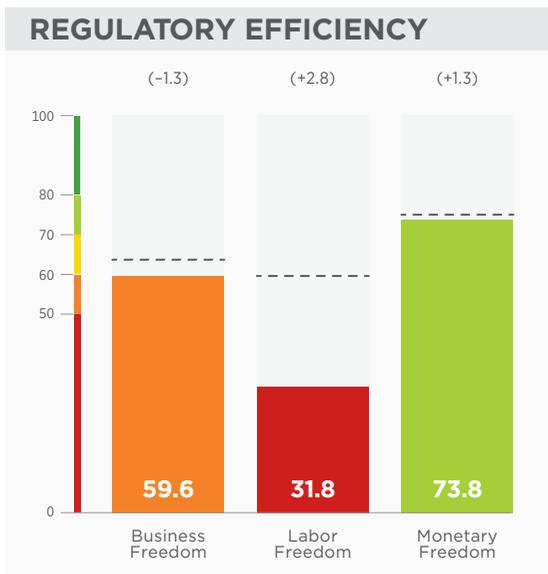
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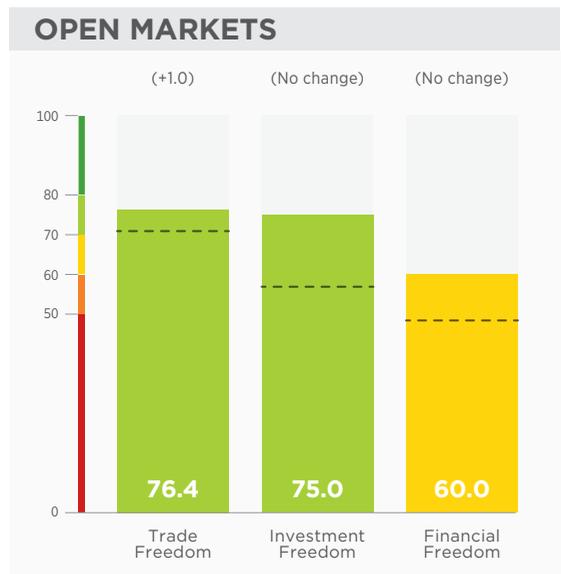
The 1992 constitution guarantees the right to own private property. A lack of consistent property surveys and registries often makes it difficult to acquire title documents for land, leaving property rights and contracts insecure, particularly in the interior of the country. The judiciary is nominally independent but vulnerable to political influence as well as to threats and intimidation by drug traffickers and money launderers. Corruption is widespread at all levels of government.



The top individual income and corporate tax rates are 10 percent. Other taxes include value-added and property taxes. The overall tax burden equals 13.5 percent of total domestic income. Government spending has amounted to 21.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 23.5 percent of GDP.



Paraguay has fallen from the ranks of the moderately free in business freedom for the first time since 2015 as entry costs for starting a business have increased. A large informal sector includes thousands of microenterprises and urban street vendors, but the formal labor force participation rate was higher in 2019. The government sets electricity rates and subsidizes state-owned enterprises in public transport, fuel importation and distribution, telecommunications, alcoholic beverages, and cement.



Paraguay has eight preferential trade agreements in force. The trade-weighted average tariff rate is 6.8 percent, and 16 nontariff measures are in effect. Foreign investment is not subject to restrictive screening, and foreign entities are allowed to own property. The informal economy remains large, with more dynamic investment growth deterred by lingering institutional weaknesses. The financial sector, primarily banking, is expanding.