

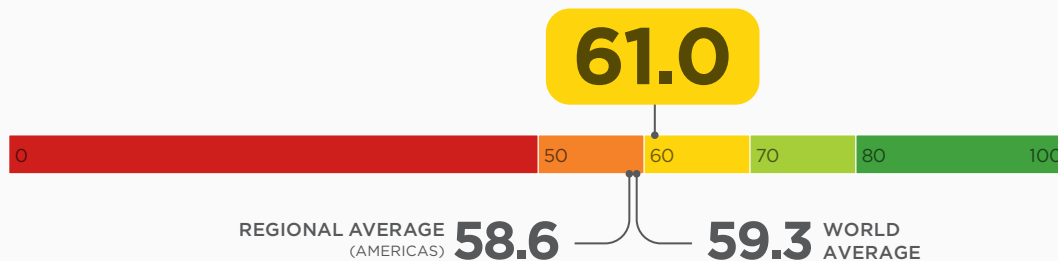
PARAGUAY



Paraguay's economic freedom score is 61.0, making its economy the 76th freest in the 2023 *Index*. Its score is 1.9 points worse than last year. Paraguay is ranked 16th out of 32 countries in the Americas region, and its overall score is above the world and regional averages.

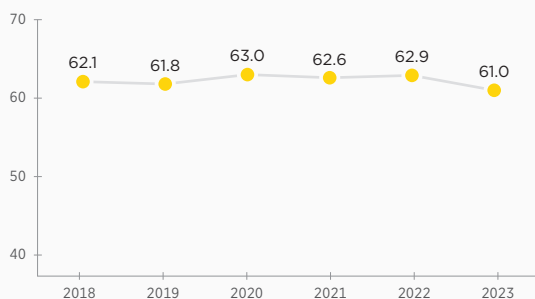
The economy underperforms in many critical areas. The absence of an independent judiciary weakens the rule of law and undermines long-term economic development. Reform measures have been pursued and have encountered entrenched resistance. A lack of deeper commitment to enhanced regulatory efficiency impedes the emergence of a more vibrant private sector.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -4.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
7.2 million

GDP (PPP):
\$100.9 billion
4.2% growth in 2021
5-year compound annual growth 2.2%
\$13,722 per capita

UNEMPLOYMENT:
7.6%

INFLATION (CPI):
4.8%

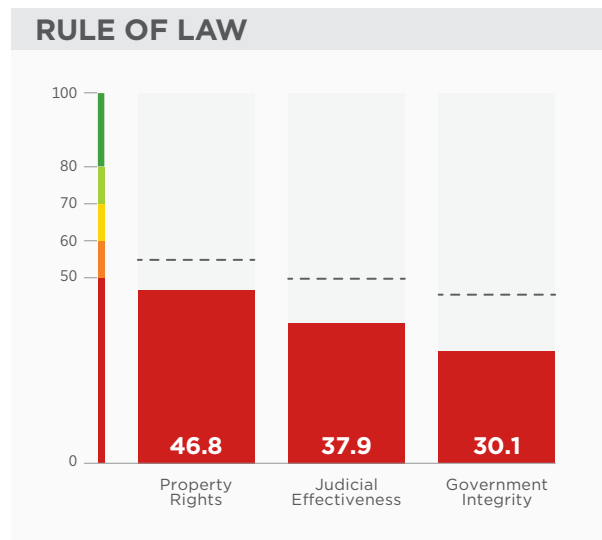
FDI INFLOW:
\$121.6 million

PUBLIC DEBT:
37.7% of GDP

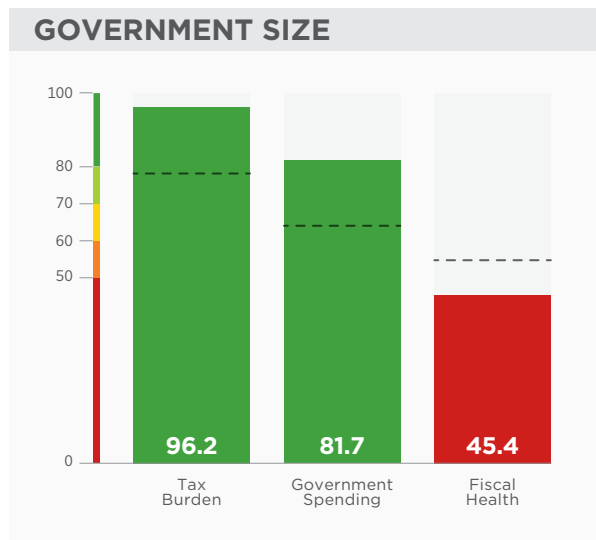
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: Paraguay was established in the 19th century along with Bolivia and Uruguay as a buffer between Brazil and Argentina. It is a global leader in hydroelectricity production, one-quarter of which is generated by the state-owned Itaipú dam. The Itaipú dam is co-owned by Paraguay and Brazil, and renegotiation of its financial terms is critical to Paraguay's fiscal health. Mario Abdo of the center-right Colorado Party will complete a five-year term in 2023 following tumultuous protests in 2021 and growing concerns about government corruption. Despite legislation to increase controls on illicit finance, Paraguay remains an international money-laundering and illicit smuggling hub.

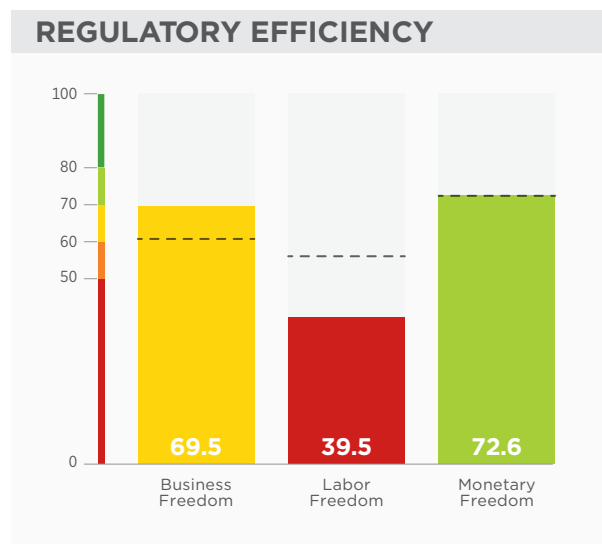
12 ECONOMIC FREEDOMS | PARAGUAY



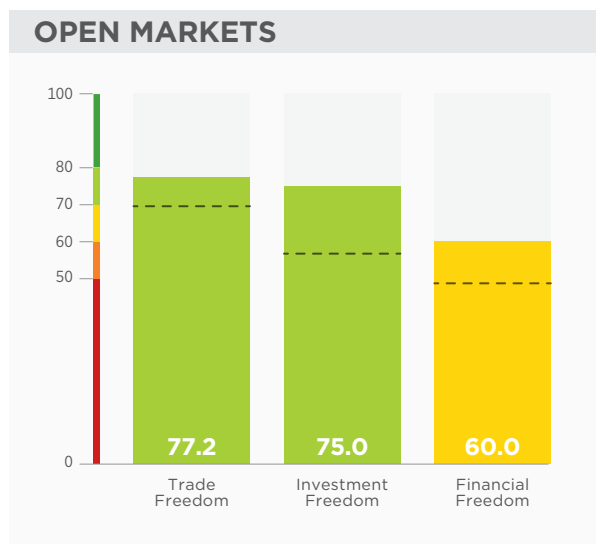
The overall rule of law is weak in Paraguay. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are 10 percent. The tax burden equals 13.4 percent of GDP. Three-year government spending and budget balance averages are, respectively, 24.7 percent and -5.7 percent of GDP. Public debt equals 37.7 percent of GDP.



Despite some progress in recent years, the overall regulatory framework remains burdensome and costly. The labor market's lack of flexibility hurts job growth and discourages the emergence of a more dynamic labor market. The most recent available inflation rate is 4.8 percent.



The trade-weighted average tariff rate is 6.4 percent. Foreign investment is not subject to restrictive screening, and foreign entities are allowed to own property. The informal economy remains large, and institutional weaknesses deter more dynamic investment growth. The financial sector is driven by banking.