

Paraguay's Stronger Guaraní Is Repricing the Investment Case

What Foreign Investors Need to Understand

Paraguay's currency has undergone one of the most significant shifts in its recent macroeconomic history. After years in which investors became accustomed to gradual guaraní depreciation, the currency has strengthened sharply against the US dollar. For companies already operating in Paraguay, this changes margins, debt service and the value of repatriated profits. For new investors, it changes entry costs, capital budgets and the relative attractiveness of imported equipment versus locally generated expenses. The stronger guaraní is therefore not simply a foreign-exchange story: it is beginning to alter the economics of investing in Paraguay.

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At the end of 2024, one US dollar was worth approximately **₲7,831**. By the end of 2025, the exchange rate had fallen to around **₲6,576 per dollar**. On 10 September 2026, the latest available Banco Central del Paraguay reference rate stood at approximately **₲5,933 per dollar**. That represents further appreciation of close to 10% since the beginning of 2026, after an already substantial movement during 2025.

The International Monetary Fund described the movement in unusually direct terms in its August 2026 Article IV assessment. By June, the guaraní had appreciated **23.1% year on year against the US dollar and 8.6% since the beginning of 2026**. The Central Bank's own data also show that the movement has not been purely nominal: Paraguay's multilateral real exchange rate had appreciated 13.2% year on year by April.

For investors, the difference between nominal and real appreciation matters. A nominal rise in the currency can be partly offset if domestic prices and wages evolve more favourably than those of trading partners. Real appreciation, however, means that Paraguayan costs are becoming more expensive relative to those of foreign competitors.

That creates winners, losers and strategic decisions that did not matter nearly as much when the guaraní was steadily weakening.

This is not simply another short-term currency fluctuation

Exchange rates rarely have one identifiable cause, and the current strengthening of the guaraní should not be reduced to a single explanation.

Part of the movement reflects developments outside Paraguay, including changes in the international value of the US dollar and monetary conditions in the United States. Regional currencies have also appreciated at different points during 2026.

But Paraguay-specific factors have become increasingly important.

The country enters this period with investment-grade ratings from Moody's and Standard & Poor's, strong economic growth, moderate sovereign debt and inflation expectations that remain well anchored. Real GDP expanded 6.6% in 2025, according to the IMF, and is expected to grow around 4.4%–4.5% in 2026.

International investors are also becoming more willing to hold Paraguayan currency directly.

In February 2026, Paraguay placed the equivalent of **USD 1 billion in twelve-year sovereign bonds denominated in guaraníes**, at an 8.5% coupon. The issue attracted 64 international investors and demand equivalent to approximately 1.5 times the amount offered.

That transaction matters beyond government finance. When foreign investors purchase long-duration securities denominated in guaraníes, they acquire exposure to the currency itself. As Paraguay becomes more integrated into international fixed-income markets, portfolio flows can therefore play a larger role in the foreign-exchange market.

Export receipts remain another source of foreign currency. Paraguay's total exports reached **USD 12.13 billion during January–July 2026**, 25.2% more than in the same period of 2025. Registered exports rose 20.5%, while maquila exports increased more than 32%.

The resulting picture is more complex than a traditional emerging-market currency rally. Paraguay is receiving increasing international financial attention at the same time as exports, domestic investment and economic activity remain strong.

The first benefit is lower imported inflation

A stronger currency makes imported goods cheaper in guaraní terms.

That effect has become visible in Paraguay's inflation data. The IMF specifically noted that declining prices for some imported durable goods helped offset higher fuel costs during the first half of 2026 because of the stronger guaraní.

Inflation stood at only **1.5% year on year in August 2026**, with accumulated inflation of 1.8% during the first eight months of the year. Core inflation was even lower, at 1.3%.

This is considerably below the Central Bank's 3.5% inflation target.

For investors, low imported inflation has several advantages. Machinery, vehicles, electronics and foreign intermediate goods become less expensive in domestic currency. Companies importing capital goods can therefore experience a meaningful reduction in the guaraní cost of investment.

A machine costing USD 1 million illustrates the point.

At ₡7,800 per dollar, its currency cost would be approximately ₡7.8 billion before taxes, freight and other expenses. At approximately ₡5,900 per dollar, the same dollar invoice represents only around ₡5.9 billion.

That is a very substantial difference for an industrial investment programme.

The same logic applies to imported construction equipment, technology, telecommunications infrastructure and production inputs.

But establishing a business in Paraguay has become more expensive for dollar investors

There is another side to the equation.

A foreign investor bringing USD 1 million into Paraguay today receives materially fewer guaraníes than the same investor would have received eighteen months ago.

This matters wherever project expenditure is predominantly local.

Land purchased in guaraníes, local construction services, salaries, professional fees and domestic operating expenses now represent a higher dollar cost.

Suppose an annual payroll is ₡6 billion.

At an exchange rate of ₡7,800 per dollar, the dollar equivalent is approximately USD 769,000. At ₡5,900, the same payroll represents slightly more than USD 1 million.

Nothing has changed for the Paraguayan employees. They continue to receive the same number of guaraníes. But the cost measured from the perspective of a foreign shareholder has risen dramatically.

This distinction is particularly important for service companies and labour-intensive investments.

An industrial plant importing most of its machinery may benefit significantly from appreciation during construction. A business-process outsourcing operation whose main cost is local payroll may experience the opposite effect.

Foreign investors therefore need to stop treating the exchange rate as a secondary assumption in their financial models.

Exporters face a genuine competitiveness issue

Export-oriented businesses deserve particular attention.

An exporter receiving dollars or another foreign currency while paying wages, electricity, rent and local services in guaraníes experiences margin compression when the guaraní appreciates.

That does not mean Paraguay has suddenly become an uncompetitive export location.

The actual 2026 data tell a more nuanced story.

Manufactures of industrial origin reached **USD 1.314 billion during January–July 2026, up 35% year on year**. Combined industrial and agro-industrial manufactured exports amounted to more than USD 4 billion during the period.

Maquila has also continued expanding strongly despite currency appreciation.

This suggests that other structural advantages — taxation, energy costs, proximity to Brazil, relatively competitive wages and the Maquila regime itself — are still sufficiently powerful to support export growth.

But an investor evaluating a new factory should distinguish between Paraguay being competitive today and Paraguay remaining equally competitive if the real exchange rate continues appreciating.

A project whose profitability depends exclusively on low labour costs is more vulnerable than one based on productivity, energy advantages, automation, favourable taxation or regional logistics.

The strategic response to a stronger currency is therefore not necessarily to abandon export investment. It is to increase productivity faster than domestic costs rise in foreign-currency terms.

The fiscal system also feels the exchange-rate movement

The appreciation has consequences for the government.

Customs duties and taxes linked to imports are ultimately recorded in guaraníes. When the local currency strengthens, a dollar invoice produces a smaller tax base once converted into domestic currency.

This effect is already measurable.

The Dirección Nacional de Ingresos Tributarios reported that customs revenue in August 2026 fell **5.4% year on year**, despite relatively strong economic activity. The agency explicitly attributed part of the result to the approximately **19.4% year-on-year appreciation of the guaraní**, which reduced the local-currency tax base.

The IMF reached a similar conclusion. Through June, customs revenue had fallen 11.5% year on year, while non-tax revenue had fallen 11.3%, with currency appreciation identified as an important factor.

This should not be interpreted as an immediate fiscal crisis. Paraguay's public debt remains moderate and the economy continues growing rapidly.

It does demonstrate, however, that appreciation produces macroeconomic trade-offs. Consumers and importers benefit from cheaper foreign goods, while some government revenues and export margins come under pressure.

Dollar debt suddenly looks cheaper — but the lesson can be dangerous

Companies with revenues in guaraníes and debt denominated in dollars are currently experiencing another benefit.

Their debt becomes cheaper when measured in domestic currency.

A USD 10 million liability represented roughly ₡78 billion at the end of 2024. At current exchange rates it represents closer to ₡59 billion.

This can substantially improve leverage ratios and debt-service capacity.

Foreign-currency borrowing is also nominally cheaper than local borrowing. In July 2026, the weighted average lending rate in local currency was approximately **15.61%**, while lending rates in foreign currency averaged around **7.57%**.

The temptation is obvious: borrow in dollars at a lower interest rate and rely on a strong guaraní.

That can be a serious mistake.

Currency appreciation reduces the domestic burden of dollar debt only while appreciation continues. If the guaraní later depreciates, the same mechanism works in reverse.

Companies should therefore match debt currency to revenue currency wherever possible or hedge the mismatch rather than treating recent appreciation as a permanent feature of Paraguay's economy.

Paraguay's foreign-exchange market is becoming more sophisticated

Fortunately, the financial infrastructure available for managing this risk is improving.

The Banco Central del Paraguay has progressively expanded the ability of banks to undertake forward foreign-exchange transactions with residents and non-residents. In August 2025, the BCP increased limits applying to forward operations specifically to give companies greater capacity to hedge exchange-rate risks.

The Central Bank now also publishes forward exchange-rate curves based on observed market transactions and interest-rate differentials.

For a foreign investor, this is an important development.

A company building a factory over eighteen months should not necessarily leave future dollar purchases completely exposed. An exporter with predictable dollar receipts and guaraní costs can use forward contracts to lock in part of its future exchange rate. A foreign shareholder expecting dividend distributions can likewise manage repatriation risk.

Hedging has a cost, and Paraguay's forward market is not yet as deep as those of major developed economies. But the relevant comparison is not between hedging and zero cost. It is between the cost of hedging and the potentially much larger cost of an adverse currency movement.

The events of 2025–2026 demonstrate how quickly that movement can occur.

The guaraní is also changing foreign investors' returns

Currency appreciation affects not only operating companies but also owners of Paraguayan assets.

Imagine an investor who acquired an asset worth ₡30 billion when the exchange rate was ₡7,800 per dollar.

Its dollar value at acquisition was approximately USD 3.85 million.

If the asset is still worth exactly ₡30 billion today, its dollar value at an exchange rate of ₡5,900 would exceed USD 5 million.

The investor has therefore generated a substantial dollar return even if the asset has not appreciated at all in domestic currency.

The reverse is equally important.

A new investor buying the same local asset today is entering at a materially higher dollar valuation.

This is why property, companies and other Paraguayan assets can appear to have become considerably more expensive to foreign investors even when local valuations have changed much less dramatically.

Currency movements can create or destroy foreign-investor returns independently of the underlying asset.

Is Paraguay developing a Dutch-disease problem?

The obvious longer-term question is whether sustained currency appreciation could eventually undermine the tradable sectors that have helped drive Paraguay's growth.

The concern deserves attention but should not yet be overstated.

Classic Dutch disease normally involves very large foreign-exchange inflows — often from natural resources — causing real exchange-rate appreciation and gradually making manufacturing and other exports less competitive.

Paraguay unquestionably possesses some of the ingredients that can generate appreciation pressures: major commodity exports, hydroelectric revenues, growing capital inflows and increasing international investor interest.

The Central Bank's estimate of a 13.2% year-on-year real exchange-rate appreciation in April therefore deserves careful monitoring.

But Paraguay currently differs from the classic Dutch-disease model in several ways.

The current account remains in deficit rather than showing an enormous structural surplus. The IMF expects a current-account deficit of approximately 2.6% of GDP in 2026. Exports are expanding rather than contracting, and manufactured exports are growing especially rapidly.

The correct conclusion is therefore not that Paraguay already suffers from Dutch disease.

It is that **currency strength is becoming a new competitiveness variable that policymakers and investors can no longer ignore.**

What foreign investors should change in their models

The most important adjustment is to stop using a single exchange-rate assumption.

Investment models should now include meaningful appreciation and depreciation scenarios.

Projects should separate costs according to currency: imported machinery, dollar debt, guaraní payroll, locally purchased materials and foreign-currency sales should not be placed into the same sensitivity category.

Exporters should calculate the exchange rate at which operating margins become unacceptable.

Import-intensive projects should determine how much of their recent cost advantage disappears if the currency returns towards earlier levels.

Financing decisions should distinguish nominal interest cost from currency-adjusted cost.

And investors acquiring long-term Paraguayan assets should calculate their expected returns both in guaraníes and in the currency in which they ultimately measure wealth.

These are ordinary practices in larger emerging markets. Paraguay's increasing integration into international capital markets makes them increasingly necessary there as well.

Conclusion: a stronger currency is both an achievement and a test

The appreciation of the guaraní reflects, at least in part, something positive about Paraguay.

International confidence has increased. Foreign investors are willing to own long-term guaraní assets. Inflation is low. Foreign reserves exceed USD 11 billion. The economy continues to grow faster than most of the region.

But strong currencies create economic adjustments of their own.

Imported capital goods become cheaper. Dollar debt becomes easier to service. Existing Paraguayan assets become more valuable to foreign owners. Consumers benefit from cheaper imports.

At the same time, local labour and services become more expensive in dollar terms, exporters face narrower margins, customs revenues decline and new foreign investors obtain fewer guaraníes for each dollar they bring into the country.

The shift therefore does not make Paraguay either more attractive or less attractive in any simple sense.

It makes the investment case **more differentiated.**

Capital-intensive businesses importing machinery may find Paraguay more attractive. Companies whose competitive advantage depends heavily on cheap local labour may need to reconsider their assumptions. Exporters increasingly need productivity, scale and financial hedging rather than relying primarily on a weak currency.

Paraguay's economic model has spent many years proving that macroeconomic stability can coexist with comparatively low taxation and rapid growth.

The next challenge may be more sophisticated: learning how to preserve external competitiveness when that success itself begins strengthening the currency.

Sources

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