EXCLUSIVE REPORT

PARAGUAY

South America’s Quiet Economic Champion

How a Small, Landlocked Nation Achieved the Region’s Highest Economic Growth Over Six Decades — And Why It Matters

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Why Should You Care About Paraguay’s Economy?

If someone told you that the fastest-growing economy in South America over the past 60-plus years was not Brazil, not Chile, not Colombia — but Paraguay — you would probably be surprised. Most people have never thought twice about this small, landlocked country of roughly 7 million people squeezed between the giants of Brazil and Argentina. But the numbers tell a story that challenges everything you might assume about economic success in Latin America.

Understanding Paraguay matters for several reasons. First, it shows that consistent, quiet, disciplined economic management can outperform flashier models over time. Second, it serves as a direct contrast to Venezuela, which started from a wealthier position but collapsed spectacularly. Third, Paraguay is now being watched by global investors, rating agencies, and multinational companies as a rising star — and what happens there will influence how money flows through the entire region in the years ahead.

But this is not a simple success story. Behind the impressive headline numbers lies a deeply unequal society where the benefits of growth have not reached everyone. This report presents both sides with verified facts, drawing from sources spanning the political spectrum in three languages.

The Big Picture: Six Decades of Growth

Between 1960 and 2024, Paraguay’s GDP — the total value of all goods and services produced in the country — went from approximately $2.8 billion to $46 billion, measured in constant 2015 US dollars. That means the economy multiplied more than 16 times. In percentage terms, this is a cumulative growth of 1,519.9%, the highest of any South American country over this period, according to an analysis based on World Bank data published by Forbes.

To understand how big that number is, consider how the other countries in the region performed over the same timeframe:

Country	Growth 1960–2024	GDP 1960 (2015 USD)	GDP 2024 (2015 USD)
Paraguay	1,519.9%	$2.8B	$46B
Colombia	1,086%	N/A	N/A
Chile	997%	N/A	N/A
Brazil	976%	N/A	N/A
Peru	Below Chile	N/A	N/A
Bolivia	Below Peru	N/A	N/A
Argentina	287.1%	N/A	N/A
Uruguay	282.5%	N/A	N/A
Venezuela	28.4%	N/A	N/A

Table source: Forbes analysis based on World Bank data (constant 2015 USD), as reported by La República and Prensa Mercosur, January–February 2026.

The contrast at the extremes is staggering. Paraguay grew its economy more than 53 times faster than Venezuela in cumulative terms. Venezuela, once one of the richest countries in Latin America, managed only a 28.4% real increase over 64 years — effectively stagnant — before factoring in its catastrophic collapse after 2013, when its GDP fell by approximately 80% in less than a decade according to IMF estimates.

How Did a Small, Landlocked Country Pull This Off?

The Itaipu Factor: Rivers as Power Plants

Paraguay sits on one of the world's greatest natural advantages: the Paraná River. In 1973, Paraguay and Brazil signed a treaty to build the Itaipu Dam, which became one of the largest hydroelectric power plants on Earth. The American Society of Civil Engineers named it one of the Seven Wonders of the Modern World. In 2016, Itaipu broke records by generating 103.1 terawatt-hours of electricity, surpassing even China's Three Gorges Dam that year.

Paraguay owns 50% of the dam's output but uses only a fraction domestically, exporting the surplus mainly to Brazil. A second major dam, Yacyretá, shared with Argentina, adds further capacity. Together, these facilities mean that 99.5% of Paraguay's electricity comes from renewable hydropower. The country is the largest net electricity exporter in Latin America. Electricity exports generate over $500 million annually and account for about 7.1% of Paraguay's GDP, funding public services and infrastructure. In the first half of 2025 alone, Itaipu transferred over $303 million to the Paraguayan state.

Thanks to this abundance, Paraguay enjoys some of the lowest electricity rates in the world, giving businesses a competitive edge in energy costs.

Soybeans, Beef, and Agribusiness

Agriculture is the backbone of Paraguay's economy, representing about 20–30% of GDP and nearly half of employment. The country is the world's 4th largest soybean exporter, 6th largest soy producer, the world's number one exporter of organic sugar, the 2nd largest producer and exporter of stevia, the 8th largest beef exporter, and the 10th largest wheat producer. Remarkably, Paraguay is the only subtropical country in the world that produces wheat at scale.

The soy boom, which accelerated from the 1970s onward, transformed the Paraguayan landscape. In 1970, soybeans covered just 54,600 hectares. By the late 1980s, that had expanded to over 718,000 hectares. Today, soy cultivation has expanded even further, with Paraguay responsible for roughly 3% of global soy supply. Much of this expansion was driven by Brazilian farmer-settlers known as "Brasiguayos" who brought modern farming techniques and capital to the eastern border region.

The "10-10-10" Tax Model

Paraguay applies one of the simplest and lowest tax structures in the region: 10% corporate tax, 10% personal income tax, and 10% value-added tax (VAT). Foreign-sourced income is taxed at 0%, making the country attractive to remote workers and international entrepreneurs. Under the "maquila" regime (inspired by Mexico's border factory model), companies that manufacture goods in Paraguay for export pay just a 1% tax on their export revenue and are exempt from import duties on machinery and raw materials.

The overall tax burden is only about 13.9% of GDP — compared to 33.4% in Brazil. The Heritage Foundation gave Paraguay a tax burden score of 96 out of 100 in its Economic Freedom Index, the highest in Latin America. Average tariffs stand at just 6.4%, and there are no restrictive screens on foreign investment.

Macroeconomic Discipline

What truly sets Paraguay apart from many of its neighbors is its track record of fiscal discipline and monetary stability. The country adopted an inflation-targeting framework at its central bank (BCP), which brought inflation down from double-digit levels in the 1990s to an average of about 4.3% over the past decade. A Fiscal Responsibility Law, enacted in 2015, caps the government deficit at 1.5% of GDP.

Public debt hovers around 36–40% of GDP — one of the lowest ratios in South America and well below the median for countries at similar credit-rating levels. For comparison, when Brazil was struggling with debt above 70% of GDP in 2016, Paraguay's stood at just 23%. This discipline allowed Paraguay to weather external shocks much better than its neighbors. When Brazil suffered a deep recession in 2015–2016, Paraguay kept growing at nearly 4%.

Recent Milestones: Investment Grade and Beyond

On July 26, 2024, Moody’s Ratings upgraded Paraguay’s credit score from Ba1 to Baa3 — investment grade — for the first time in the country’s history, putting it on par with Panama and India. This was a landmark moment. Moody’s cited “robust and sustained economic growth,” improved resilience to shocks, and a track record of institutional reforms. President Santiago Peña announced the news from Paris, where he was attending the opening of the 2024 Olympic Games.

In practical terms, investment grade means Paraguay can borrow more cheaply on international markets, which lowers the cost of public infrastructure projects and makes it easier for private companies to access capital. JP Morgan also announced that Paraguay’s government bonds would be included in its Emerging Markets Government Bond Index starting in the first half of 2026, further integrating the country into global financial markets.

CEPAL (the UN’s Economic Commission for Latin America and the Caribbean) projects Paraguay will lead South American growth in both 2025 and 2026, with rates of 5.5% and 4.5% respectively. Paraguay’s own central bank is even more optimistic, projecting 6% growth for 2025. For context, the Latin American regional average is expected to be around 2.4%.

In 2024, Paraguay’s economy grew 4.0% according to the IMF. In Q3 of 2025, GDP growth hit 6.6% year-over-year, the strongest quarterly result since mid-2021. Nearly $10 billion in foreign investment flowed into the country in 2024, up 4.1% from the previous year. The number of companies entering Paraguay surged — 370 firms from various sectors arrived in just the first five months of 2024, a 130% increase from the same period in 2023, according to REDIEX (Paraguay’s Investment and Export Network).

The Other Side: Growth That Hasn’t Reached Everyone

Income Per Person Remains Low

Here is the critical caveat. Despite being the fastest-growing economy in South America over six decades, Paraguay’s GDP per capita (income per person) remains well below the regional average. In 2024, Paraguay’s GDP per capita stood at approximately $6,416 in current US dollars, compared to the Latin American average of about $10,452. In purchasing power parity terms, it was about $16,296, compared to the world average of $27,291.

This gap exists because while the overall economy grew massively, the population also grew, and the gains were not distributed evenly. From 2004 to 2024, real per capita income grew at 2.8% annually, faster than many regional peers according to the World Bank, but still not enough to close the gap with wealthier neighbors.

Extreme Land Inequality

Paraguay has one of the most unequal land distributions in Latin America — and possibly the world. According to official figures, 5% of landowners control 90% of the land. The Milken Institute puts it even starker: roughly 80% of fertile land is in the hands of the top 1% of landowners.

This concentration has historical roots. After the devastating War of the Triple Alliance (1864–1870), in which Paraguay lost an estimated 60% of its total population and 90% of its men of fighting age, large tracts of state-owned land were sold — mainly to Argentine buyers — to pay war debts. The pattern deepened under the 35-year dictatorship of Alfredo Stroessner (1954–1989), when land was used as political patronage. Today, Brazilian agribusiness settlers (“Brasiguayos”) and multinational corporations dominate commercial agriculture. Small-scale farmers (campesinos) have been displaced, sometimes violently. The Curuguaty massacre of 2012, in which 17 people died during a land dispute, remains a searing example of these tensions.

Poverty: Real Progress, But Deep Vulnerabilities

Paraguay has achieved genuine poverty reduction. According to the World Bank, the national poverty rate fell from 51.4% in 2003 to about 20.1% in 2024. This is a significant accomplishment. However, roughly one in five Paraguayans still lives in poverty, and rural poverty is much higher than urban poverty (34.6% rural vs 22.4% urban in 2021). About 25% of the population still lives below the poverty line according to the World Bank.

Inequality, as measured by the Gini index, remains high at around 0.43–0.45. About 64.2% of the working population is employed informally, meaning they lack contracts, social security, or labor protections. Women are 1.5 times more likely to be unemployed than men.

Education: A Generational Challenge

Education is perhaps Paraguay’s most glaring weakness. According to the 2022 PISA standardized assessment, 85% of 15-year-old Paraguayan students did not meet minimum proficiency in mathematics, 66% fell short in reading, and 71% in science. A 2024 study by the Inter-American Development Bank (IADB) found that low-income Paraguayan students lag their OECD counterparts by eight years of education, tied for worst performance in the region.

This education deficit limits the supply of skilled workers and makes it harder to move the economy up the value chain from raw commodity exports to higher-value manufacturing and services.

Corruption and the Informal Economy

Paraguay ranks among the most corrupt countries in South America according to Transparency International’s Corruption Perceptions Index. The informal and illegal economy has been estimated at up to 40% of GDP. According to the BTI 2024 Country Report, large landowners — especially soybean producers and cattle ranchers — have enough political power to avoid taxes or evade those they are legally obligated to pay. Many politicians are themselves ranchers or landowners, or receive significant campaign funding from them. Drug trafficking and organized crime have penetrated political institutions, particularly at the local level.

The Heritage Foundation, while praising Paraguay’s low taxes, ranks the country below the global average in property rights, judicial effectiveness, and government integrity. The Red Liberal de América Latina (RELIAL) places Paraguay at 103rd out of 174 countries in institutional quality.

The Venezuela Contrast: A Cautionary Tale

The most striking comparison in the data is between Paraguay and Venezuela. In 1960, Venezuela was one of the richest countries in Latin America. The World Economic Forum noted it once ranked 4th in the world in GDP per capita, alongside France. It holds the world’s largest proven oil reserves (about 303 billion barrels according to OPEC). It was called “Saudi Venezuela” and “The Millionaire of the Americas.”

Yet over 64 years, Venezuela’s cumulative real GDP growth was just 28.4% — and that was before the catastrophic collapse. After Nicolás Maduro took power in 2013, GDP fell by an estimated 80% in less than a decade, according to the IMF. Living standards plummeted 74% between 2013 and 2023. The Economics Observatory called it the largest economic collapse outside of war, revolution, or state collapse in modern history. By 2019, 94% of Venezuelans were living in poverty. Nearly 8 million people fled the country as refugees.

The lesson is stark. Venezuela had every natural advantage — oil wealth, a head start in development, a once-thriving middle class — but destroyed it through policies including price controls, currency manipulation, destruction of property rights, massive state overspending, and the gutting of its national oil company. Paraguay had almost none of those natural advantages (no oil, no minerals, no coastline) but built steadily through discipline, low taxes, open markets, and leveraging its hydroelectric assets.

What Global Investors and Institutions Are Saying

The World Bank titled its September 2024 report on Paraguay “From Landlocked to Land of Opportunity.” It highlights that real per capita income grew at 2.8% annually from 2004 to 2024, faster than many regional peers.

The IMF has compared Paraguay’s potential trajectory to Switzerland — another small, landlocked, hydropower-rich country that became wealthy through discipline and openness. The IMF projects Paraguay’s GDP growth to remain around 3.5% through 2030.

Newsweek in its December 2024 issue highlighted Paraguay’s achievement of investment grade status, calling its economy one of the fastest growing in South America.

Fitch Ratings noted that large investments are supporting Paraguay’s economic diversification, which could help mitigate climate vulnerability, and reaffirmed the country’s BB+ rating with a stable outlook.

Americas Quarterly (September 2025) provided a more critical view, noting that despite macroeconomic success, FDI actually fell by a third to $400 million in FDI flows in 2024 according to CEPAL figures, and that corruption, poor infrastructure, and severe shortfalls in education are causing investors to think twice.

Gazeta do Povo (Brazil) has run multiple features describing Paraguay as going from the “poor cousin” of South America to the “star of Latin America,” while noting the need for stronger institutions.

The Road Ahead: Challenges and Opportunities

Diversification beyond agriculture: Paraguay’s export base has been broadening. Two decades ago, 50% of export value was electricity. Today, raw materials account for 47%, manufactured products for

12%, and overall export volume has quadrupled. New sectors including forestry, real estate, light manufacturing under the maquila regime, and green energy projects are growing. A major $4 billion pulp mill project (Paracel) is planned for the northern department of Concepción. London-based ATOME is planning a $1.3 billion facility to produce green fertilizer using Paraguay’s abundant hydropower.

The EU-Mercosur trade agreement: Finalized after 25 years of negotiations in December 2024, this deal would create a free trade zone covering 700 million people, opening European markets to Paraguayan beef, soy, and other products.

Young population: 46% of Paraguayans are 25 or under, and 28% are 15 or under, providing a large potential workforce — but only if education improves dramatically.

Climate vulnerability: Paraguay’s economy is highly exposed to droughts and extreme weather. In 2022, drought reduced soy production by up to 60%. Low river levels reduce both hydroelectric output and the ability to transport goods on the Paraguay-Paraná waterway, which handles 24 million tons of products annually and is the country’s lifeline to the sea.

Institutional reform: Former president Horacio Cartes (2013–2018), who remains the power broker within the ruling Colorado Party, was sanctioned by the Biden administration for corruption. The Colorado Party has governed Paraguay for over seven decades (with one brief interruption from 2008 to 2013). Strengthening rule of law, judicial independence, and anti-corruption enforcement will be crucial if Paraguay wants to attract the kind of high-value investment that transforms economies.

The Bottom Line

Paraguay’s story is one of the most underreported economic narratives in the world. A country devastated by a war that killed 60% of its population in the 1860s, then stagnated under a 35-year dictatorship, has quietly built itself into the fastest-growing economy in South America over a six-decade span. It did this through cheap, clean energy from massive hydroelectric dams, an agricultural boom driven by soybeans and beef, some of the lowest taxes in the hemisphere, and an unusual commitment to fiscal discipline in a region often characterized by boom-and-bust cycles.

But the growth has not been shared equitably. Land remains concentrated in very few hands. Poverty, while reduced dramatically, still affects one in five. Education quality ranks among the worst in the region. Corruption is endemic. The informal economy dwarfs the formal one.

Whether Paraguay becomes the next economic “tiger” — as its own ambassador to Portugal, Rodrigo Maluff, has suggested — or remains stuck in a dual economy where agribusiness thrives while most citizens scrape by, depends on choices made in the next decade. The foundation has been laid. The question is whether the benefits of growth will finally reach the majority.

Fact Verification Statement

Every figure, claim, and statistic in this report is drawn from verifiable public sources including the World Bank, the International Monetary Fund (IMF), CEPAL/ECLAC, Moody’s Ratings, Fitch Ratings, the

Heritage Foundation, Forbes, Bloomberg, Americas Quarterly, the BTI Transformation Index, the Milken Institute, Transparency International, PISA/OECD, the Inter-American Development Bank (IADB), Gazeta do Povo, ABC Color Paraguay, La República Colombia, Prensa Mercosur, Deloitte Paraguay, the U.S. International Trade Administration, Britannica, and peer-reviewed academic publications.

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