

# Republic of Paraguay

## Investor Presentation

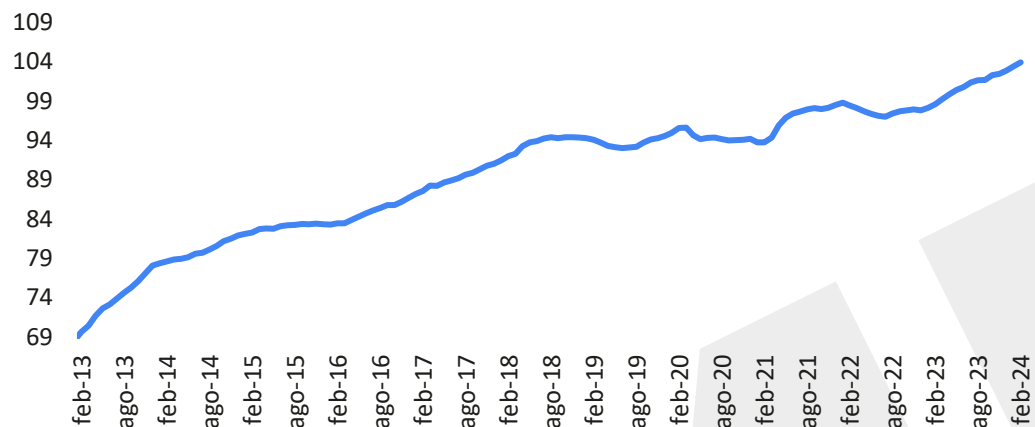
May 2024



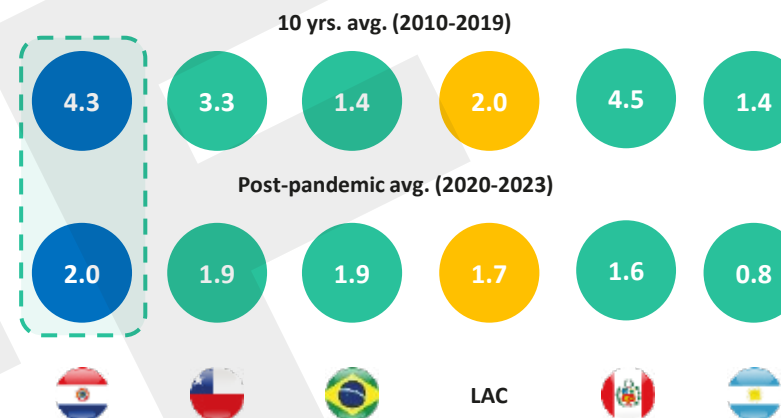
# A buoyant economy

# Economic resilience with a strong performance within the region.

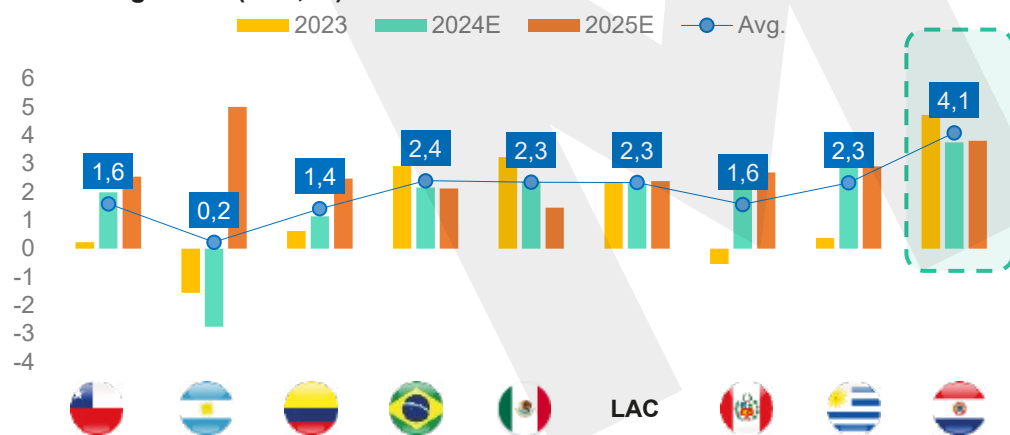
Economic activity indicator (12-month SA MA, Index Feb-20=100)



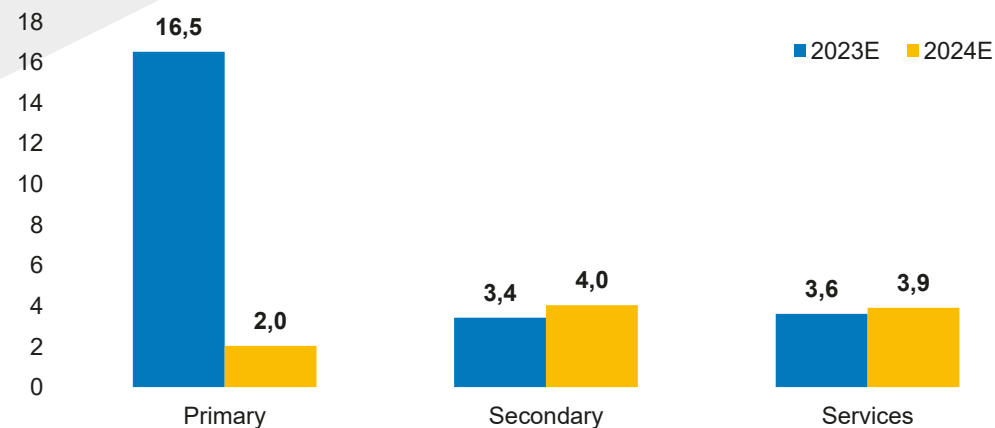
Real GDP growth (%)



Real GDP growth<sup>1</sup> (YoY, %)



Key sectors contributing to economic growth (YoY, %)

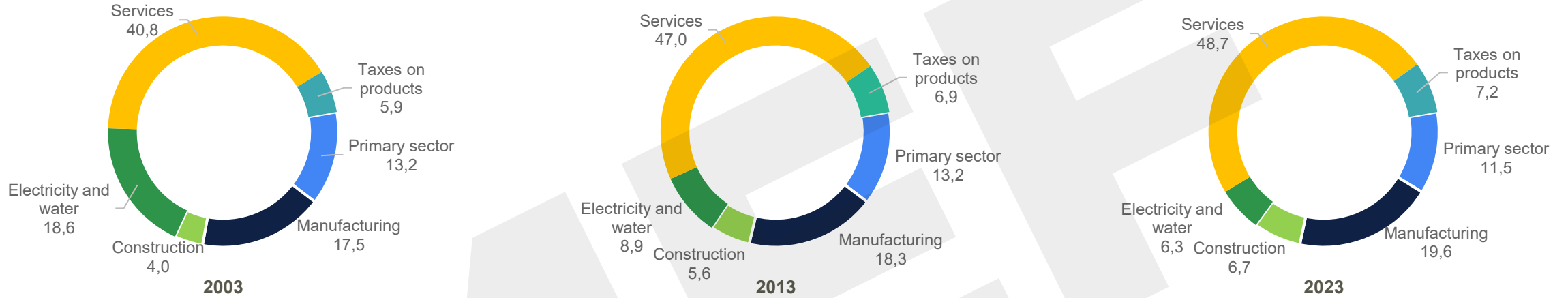


Sources: Central Bank of Paraguay, IMF WEO Apr. 2023.

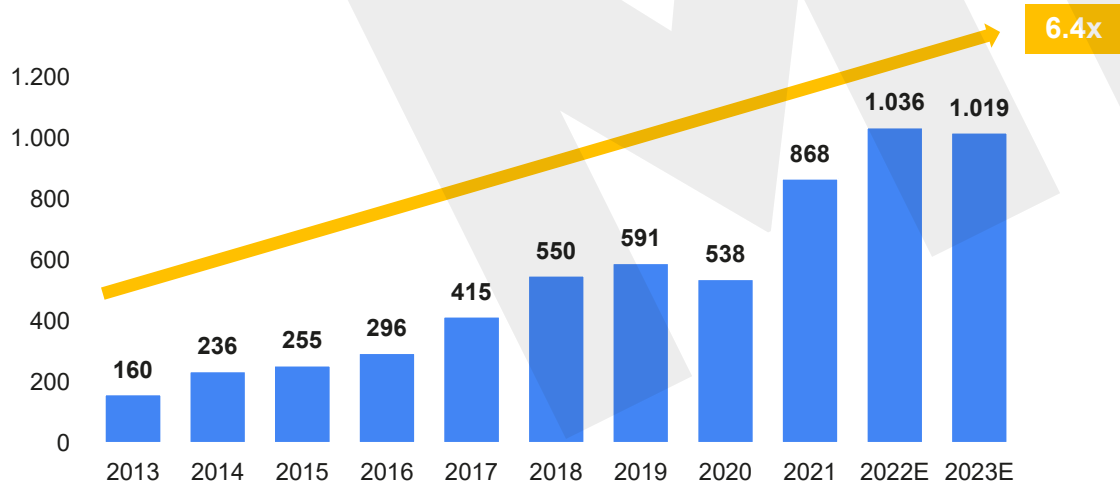
Note: 1. For Paraguay, 2023E and 2024E from Central Bank of Paraguay and 2025E from IMF WEO Apr. 2023.

# Growing economic diversification.

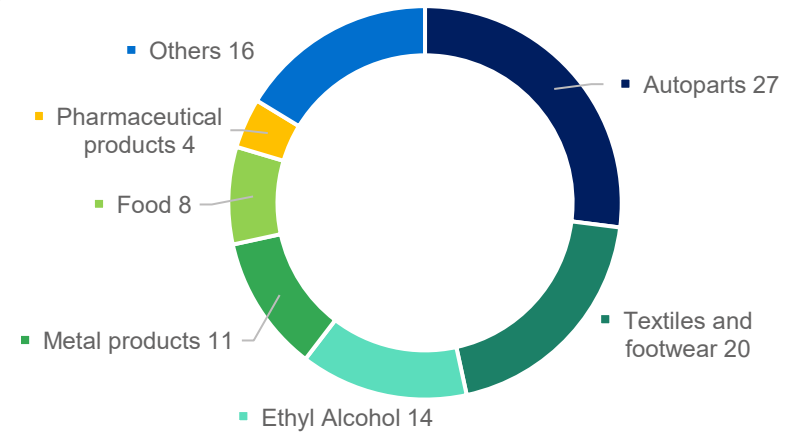
GDP by economic sector (% of total)



Maquila exports (million USD)

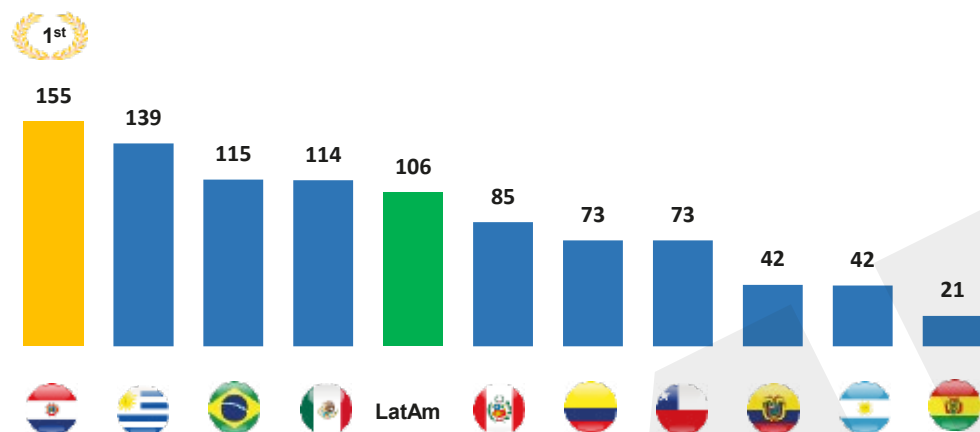


Maquila exports by products in 2023 (% of total)



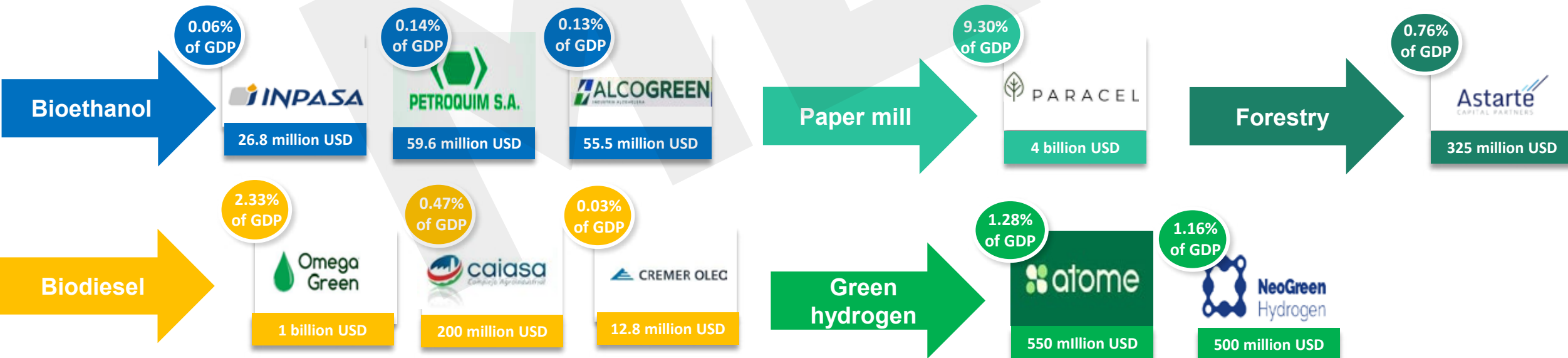
# Favorable business climate and competitive costs.

Economic Climate Indicator (points, Q1 2024)



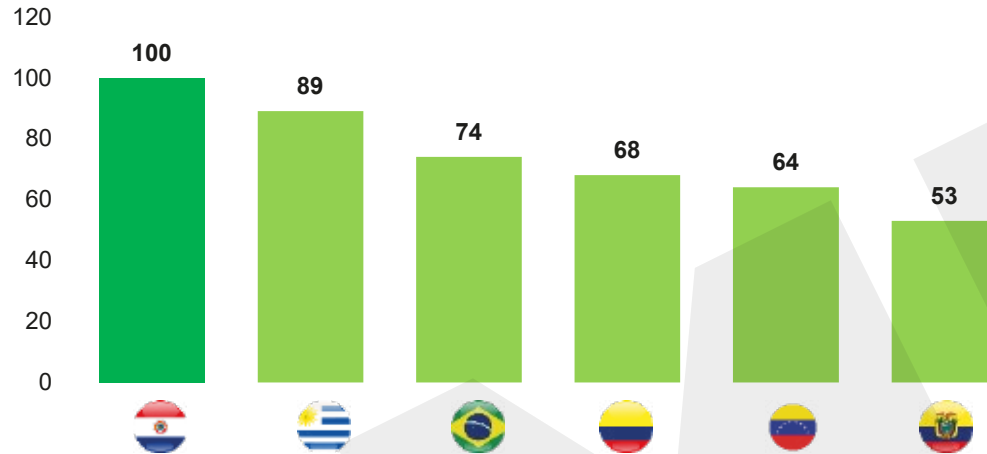
Competitive costs 2023

Item/Country	Argentina	Paraguay	Brazil	Chile	Uruguay
Energy Cost (c\$/kWh)	2.2	4.6	14.7	13.5	12.2
Indirect Tax Rate (%)	21	10	17	19	22
Corporate Tax Rate (%)	35	10	34	27	25



# Itaipú, a new source of growth and development...

Electricity generation from renewable sources 2015 (% of total)



*“...now we are able to use the resources of Itaipú to improve the quality of life of Paraguayans and Brazilians, and at the same time try to establish opportunities for new investments with money from the sale of energy...”*

 **Luis Inácio Lula da Silva**  
**President of Brazil**

**At least 87 million tons of CO<sub>2</sub> emissions are avoided.**

**Itaipú avoids the use of approximately 550,000 barrels of oil per day.**

“A historic achievement for Paraguay has been attained by allowing the direct sale of Paraguayan energy to the Brazilian market, thus achieving, after more than half a century, the long-awaited energy sovereignty...”  
Santiago Peña

↑ 15,4%

New Tariff

19,28 USD  
KW/month

Energy  
compensation

USD 265  
millions

Capital dividend

USD 53  
millions

Royalties

USD 280  
millions

Social investment

USD 650  
millions

Annual  
income

USD 1.250  
millions



# High economic potential.

## Paraguay contributes to global food security



Renewable energy Producer

1st



Stevia Producer

2nd



Producer and exporter of Yerba mate

3rd



Largest Barge fleet

3rd



Soybean Exporter

3rd



Cassava starch Exporter

5th



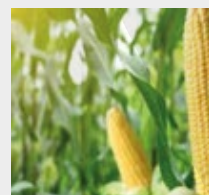
Soybean Producer

6th



Soybean oil Exporter

5th



Corn Exporter

6th



Bovine meat Exporter

8th

## Paraguay's 2023 performance highlights in the region

Lowest debt to GDP

38.2% of debt to GDP, well below LatAm average of 68.1% in 2023

Significant reserves cushion

USD 10.4bn (24% as a percentage of GDP) vs. USD 7.7bn in 2019

Booming economy

GDP growth of 4.7%, well above the LatAm average of 2.3% for 2023

Lowest inflation

3.7% inflation in 2023, the lowest inflation of the region and in line with target

Stable currency

The Guaraní boasts a rich 80-year history, standing as one of the oldest currencies in LatAm

Quick fiscal convergence

The government is committed to converge toward the FRL by 2026

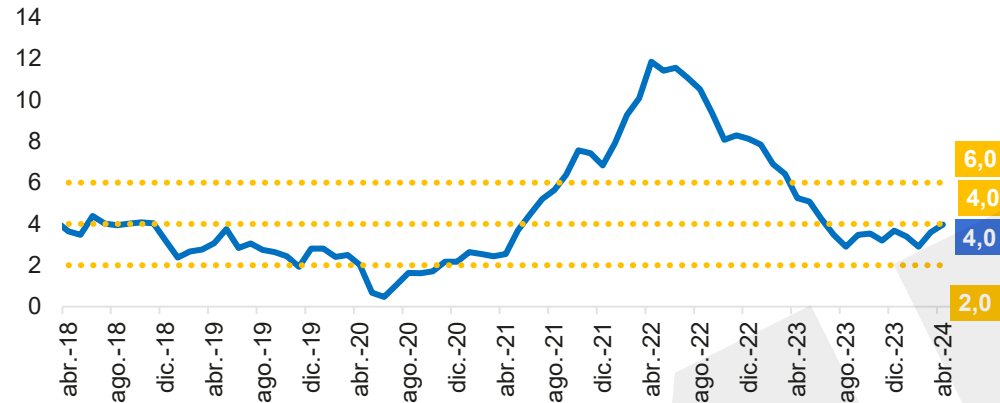
Commercially integrated

High degree of economic openness (81.3% of GDP) in 2023<sup>1</sup>

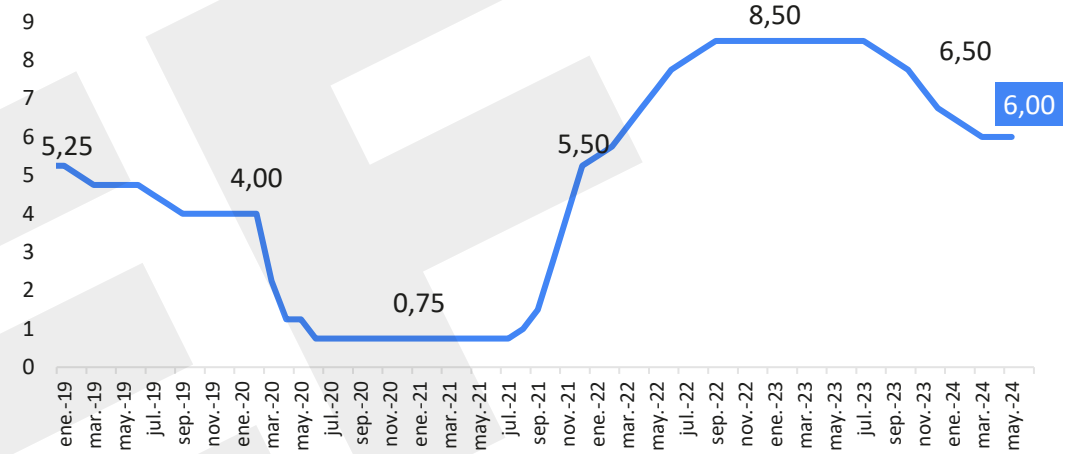


# Supported by robust macro policies.

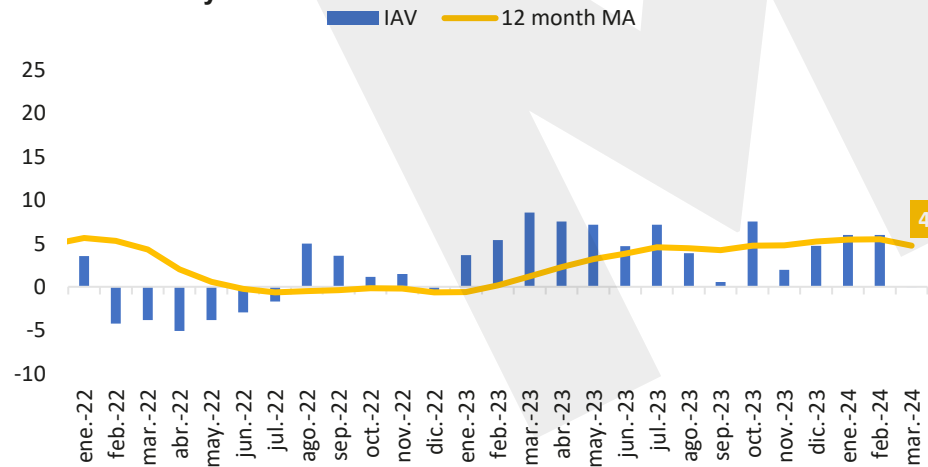
### Inflation 2024 (YoY %) and target



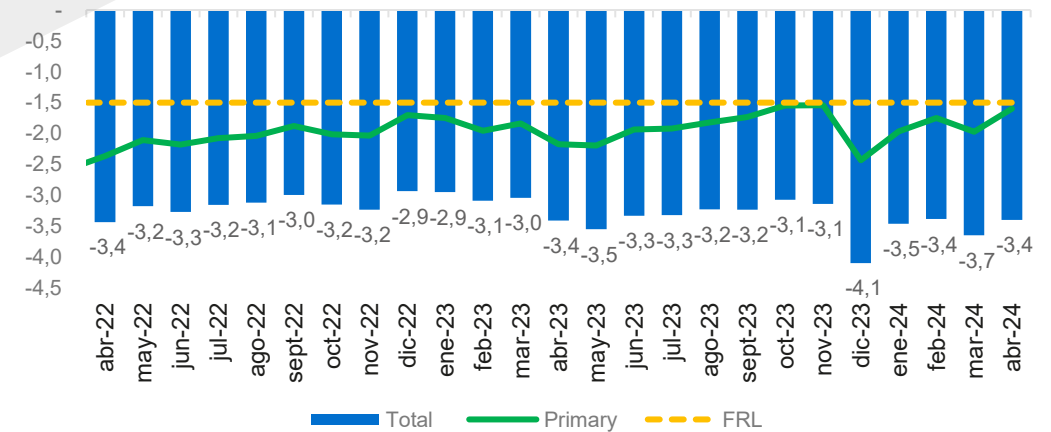
### Central Bank reference rate (%)



### Economic activity indicator



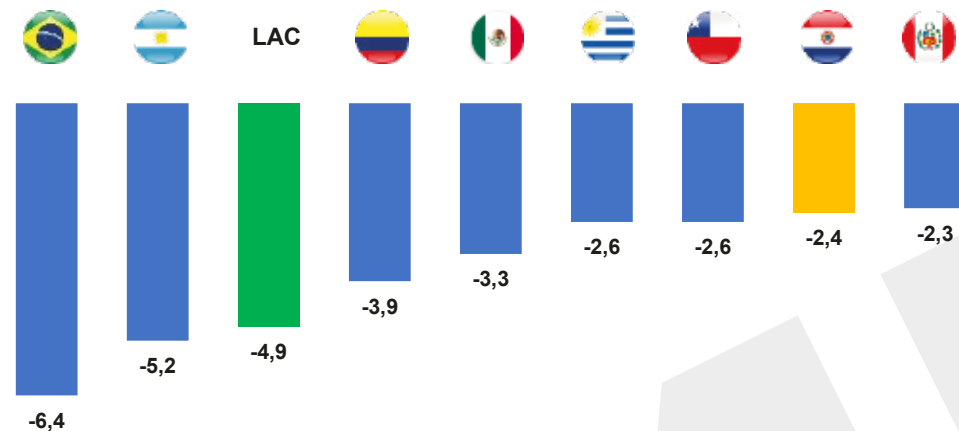
### Annualized Central Government total and primary balance (% of GDP)



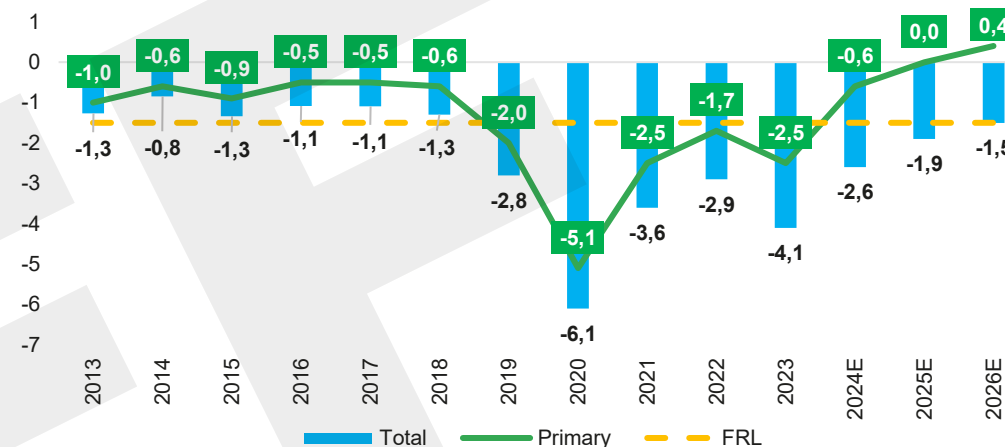
# A sound fiscal policy

# On track to achieve full fiscal consolidation.

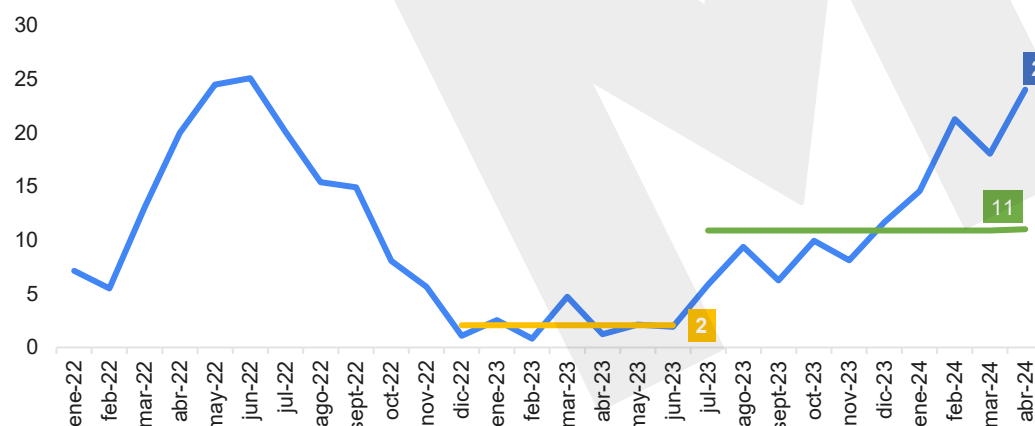
Government balance<sup>1</sup> (% of GDP, avg. 2013-2023)



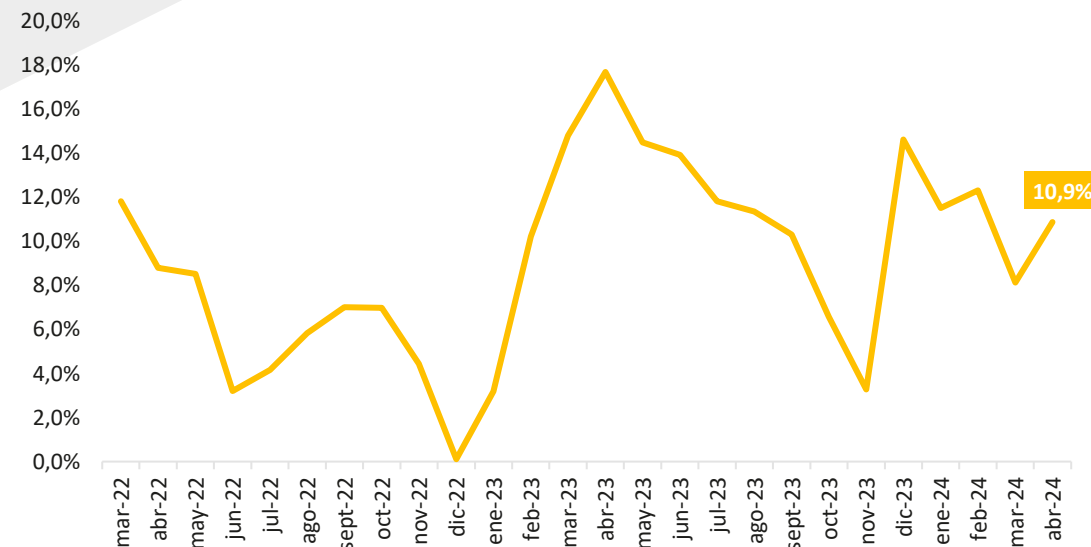
Central Government total and primary balance (% of GDP)



Tax revenues (3-month MA, YoY %)



Primary current spending<sup>2</sup> (3-month MA, YoY %)

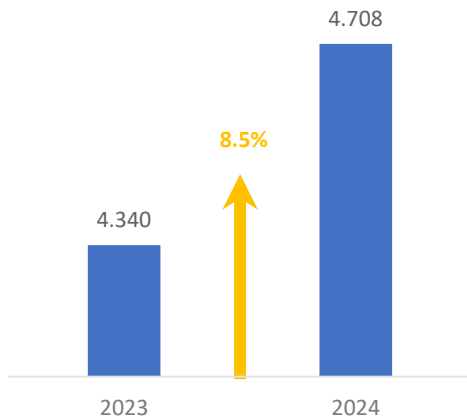


Sources: Ministry of Economy and Finance of Paraguay, Central Bank of Paraguay, IMF WEO Apr. 2023.  
 Note: 1. Central Government for Paraguay and General Government for the others. 2. Does not include Health Ministry arrears.

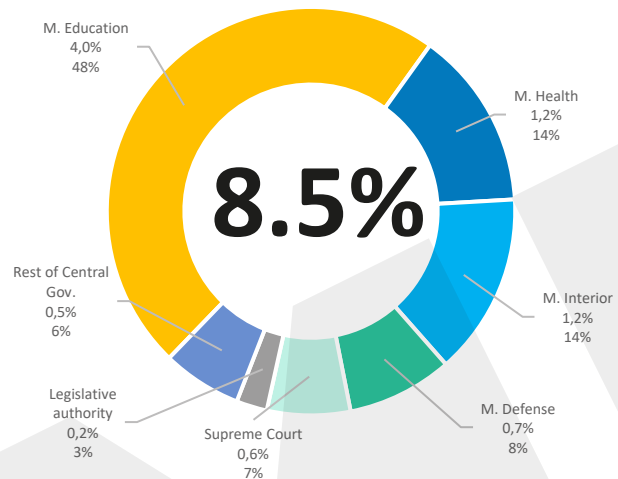
# Priority towards strategic sectors and public investment.

## Wages, Central Government cumulative Jan-Mar 24 (billion of PYG)

Accumulated total expenditure (billion of PYG)

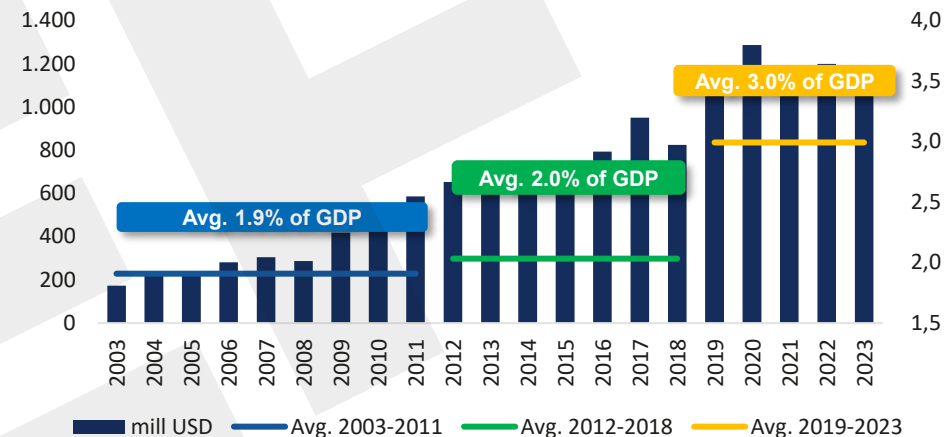


Components of total expenditure (% contribution to cumulative variation)



## Capital spending, Central Government (% of GDP and in million of USD)

Capital spending, Central Government (% of GDP and in million of USD)



USD 445 million

Highway PY01

USD 242 million

Silvio Pettirossi Airport

USD 320 million

Highway PY06

USD 110 million

Waterway

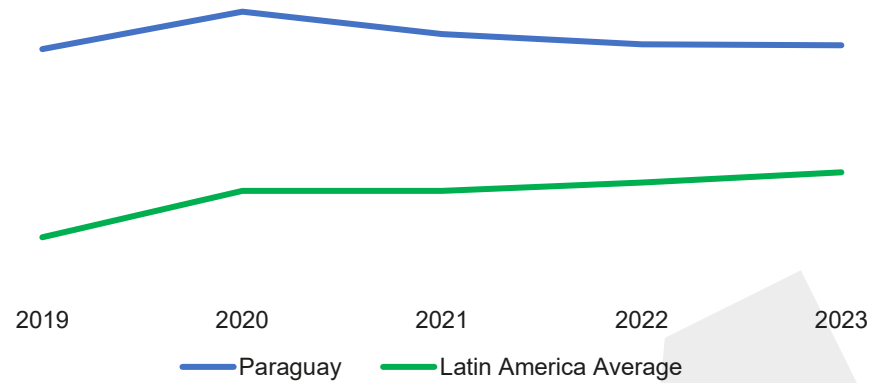
USD 575 million

Light Rail Transit

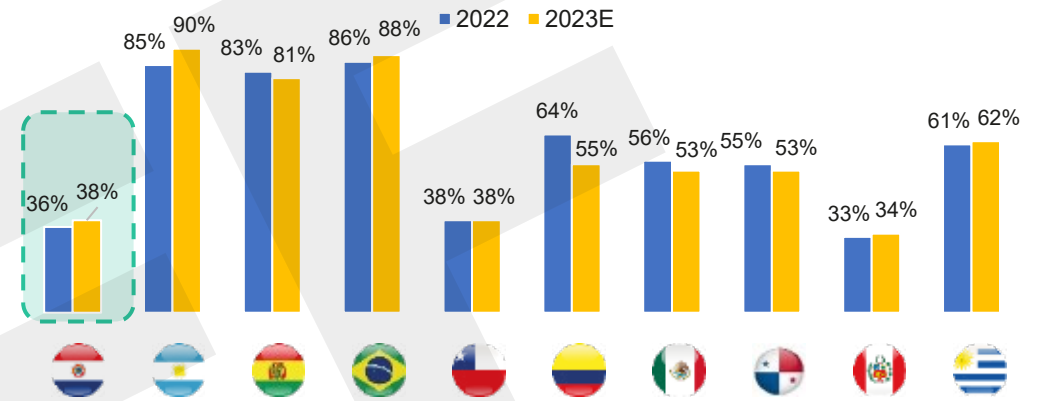
Potential PPP projects:  
USD 1,692 million

# One of the lowest public debts in the region.

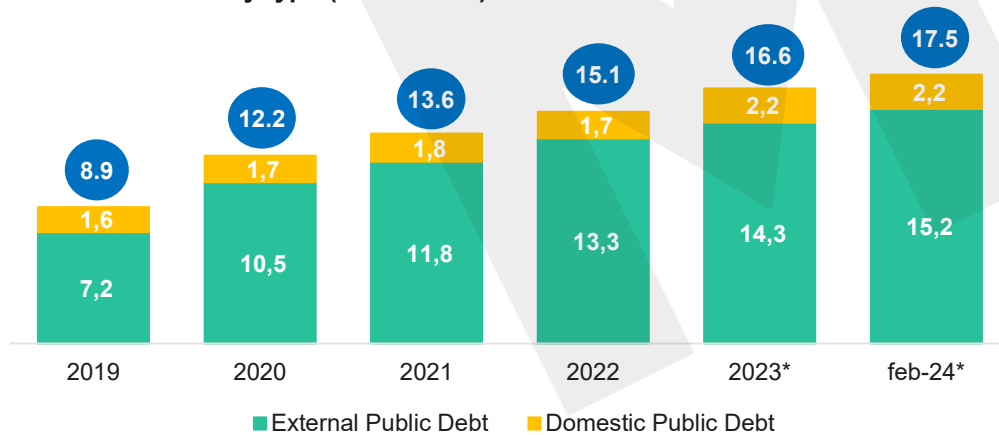
Government debt (% of GDP)



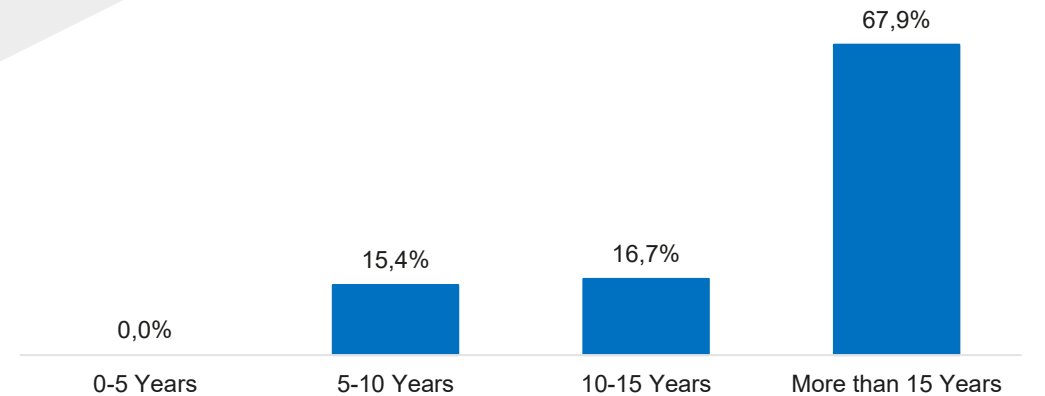
Government debt (% of GDP)



Government debt by type (USD billion)



External debt by maturity Feb-24 (% of total)

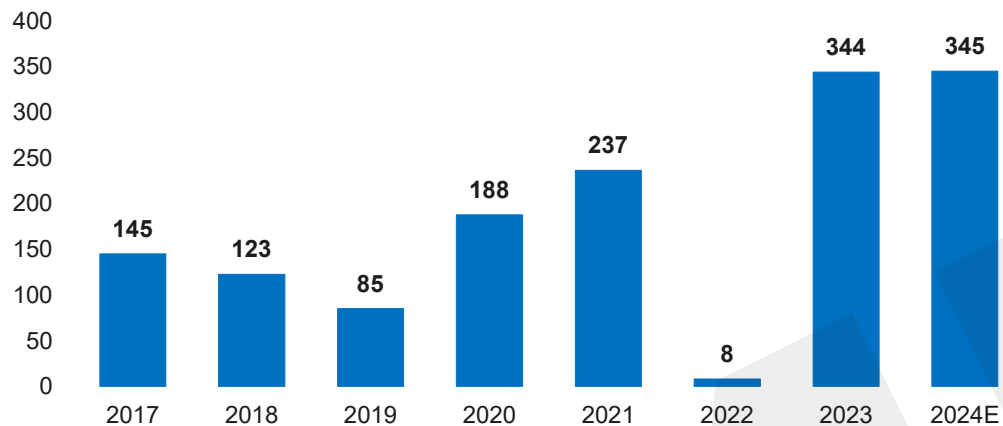


(\*) Preliminary data

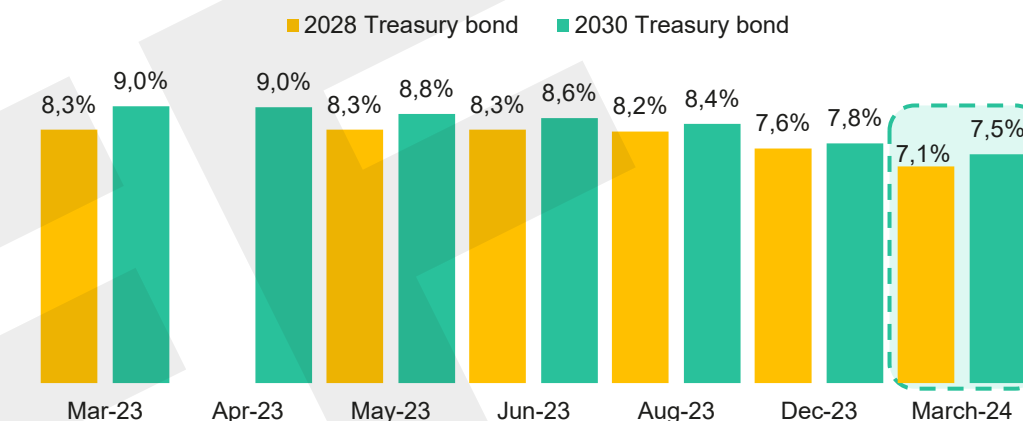
Sources: Ministry of Economy and Finance of Paraguay, Central Bank of Paraguay, IMF WEO Apr. 2023.

# A reliable local debt market.

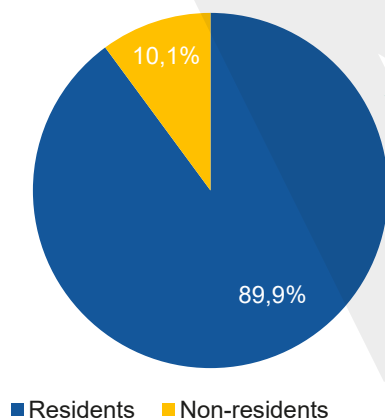
Treasury bonds issued in PYG (in USD million)



Treasury bond yields



Holders of Paraguay's Treasury bonds (% of total, as of Dec-23)



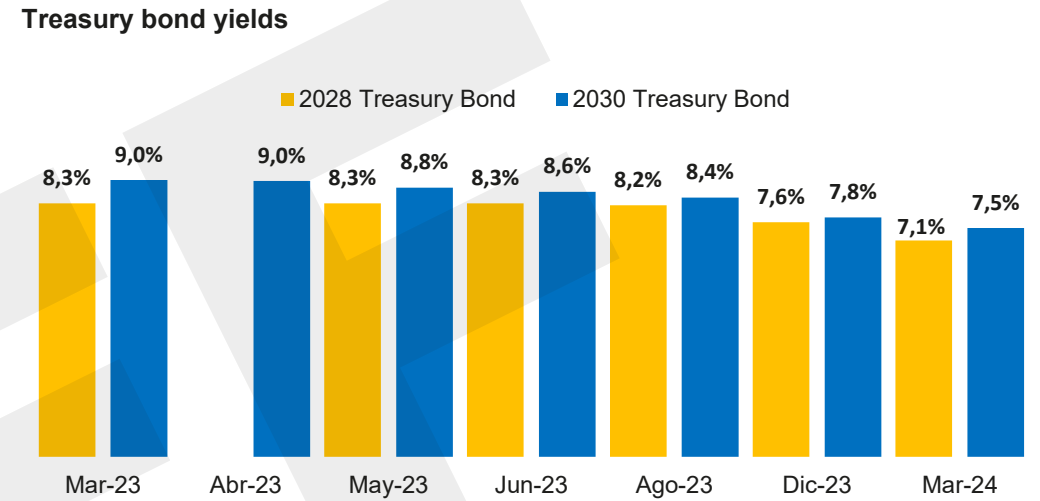
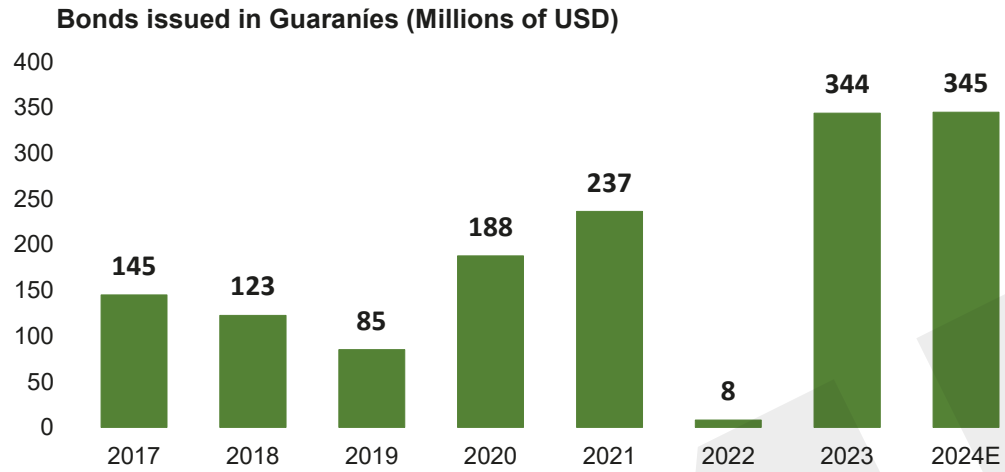
Since **June 2023**, non-resident investors can purchase treasury bonds in PYG through custodian banks in the market.

In **November 2023**, Paraguay successfully carried out a key step in the de-dollarization process by converting loans denominated in U.S. dollars to the local currency, securing highly favorable financial conditions for the country.

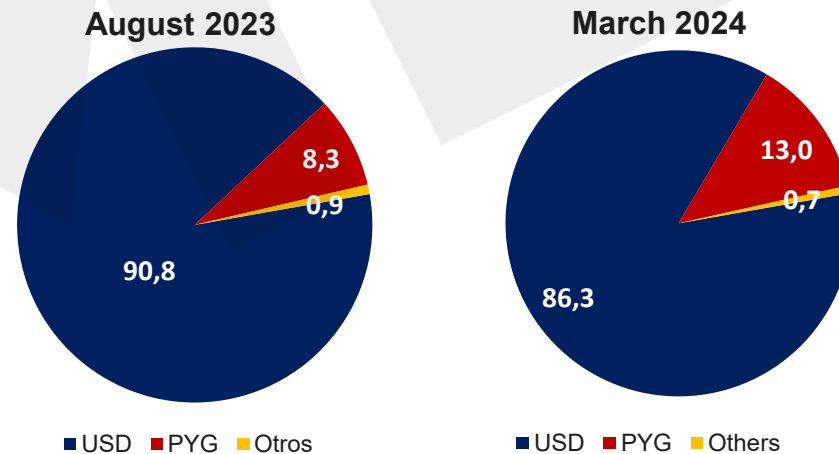
## De-dollarization of Paraguay's financial debt

Conversion date	November 24, 2023
Amount converted into PYG	USD 100 million
Amount outstanding of loan in PYG	743,763,000,000
Interest rate in PYG	6.3%
Maturity	March 15, 2036

# Gradual de-dollarization of public debt.



Debt classification by category - Central Gov





## IDB Climate

- One of the first pilot countries
- Nature and climate-related objectives
- Clean up the Ypacaraí Lake

## IMF - RSF

- First South American country to access the RSF
- Maximum access (150% of the country's quota)
- Favorable long-term financial conditions

### **Reforms to foster sustainable economic growth:**

- Resilience of public investments
- Mitigate climate risks
- Conserve and expand the clean energy matrix
- Preserve forests
- Improve waste management

## Green Bonds

- Clean and sustainable transportation
- Unconventional energy sources and energy efficiency
- Water use and sanitation management
- Sustainable buildings
- Biodiversity

## Social Bonds

- Food security
- Access to affordable housing
- Access to education
- Empowerment of women
- Support for low-income families

## Sustainable Bonds

- Mixed portfolios with a positive environmental and social impact

# An ambitious fiscal reform agenda.

**Key structural reforms already enacted...**

## Ministry of Economy and Finance

The Ministry is in charge of planning, coordinating and adopting a sustainable economic development policy for Paraguay.

## National Directorate of Public Revenues

Merge of the Customs Office and the Domestic Revenues Office to increase efficiency in revenue collection and reduce tax evasion.

## Superintendency of Pensions

Specialized technical body to oversee and supervise pension entities.

## Administrative Organization Law

Seeks to ensure the efficient and transparent use of public resources and enhance public service delivery to citizens.

**...and others in the process of being legislated.**

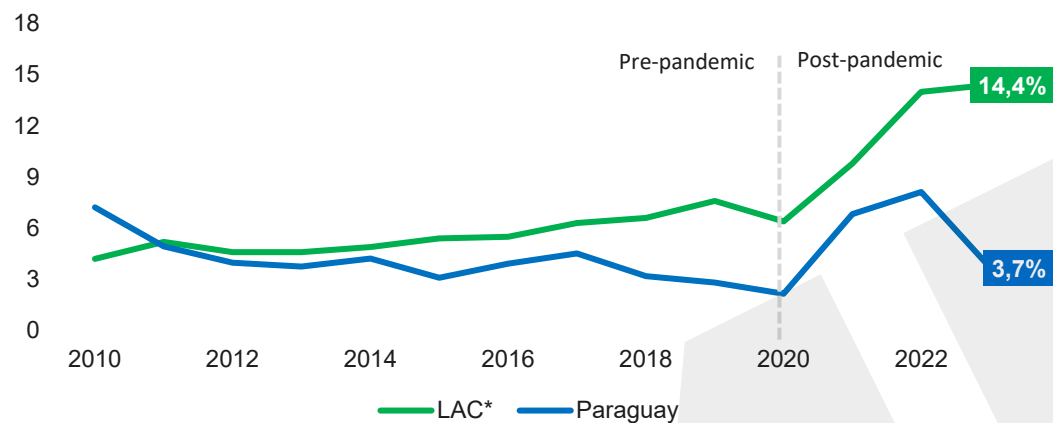
## Civil Service Law

The draft bill sent to Congress aims to establish the general provisions governing the public services and civil servants.

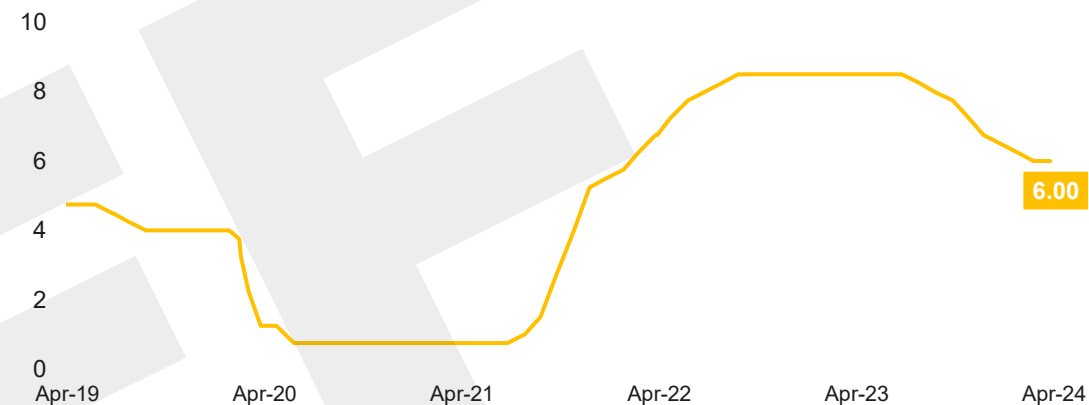
## A stable monetary policy

# Monetary policy backed by a credible central bank.

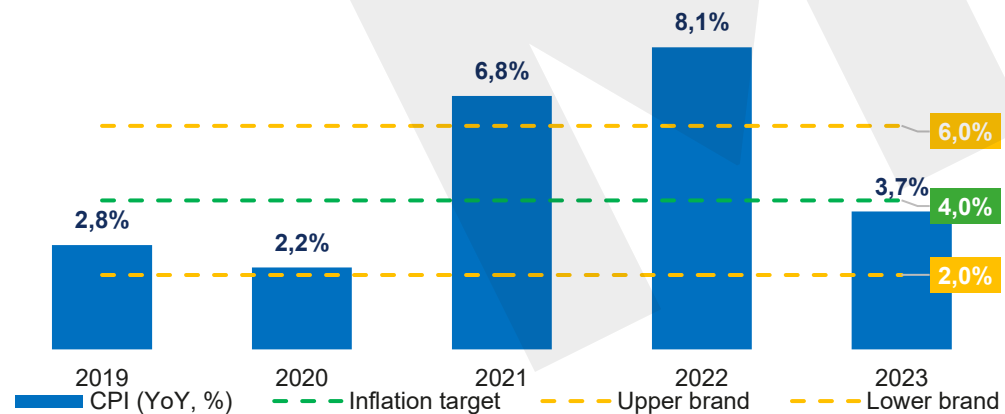
Inflation<sup>1</sup> (%)



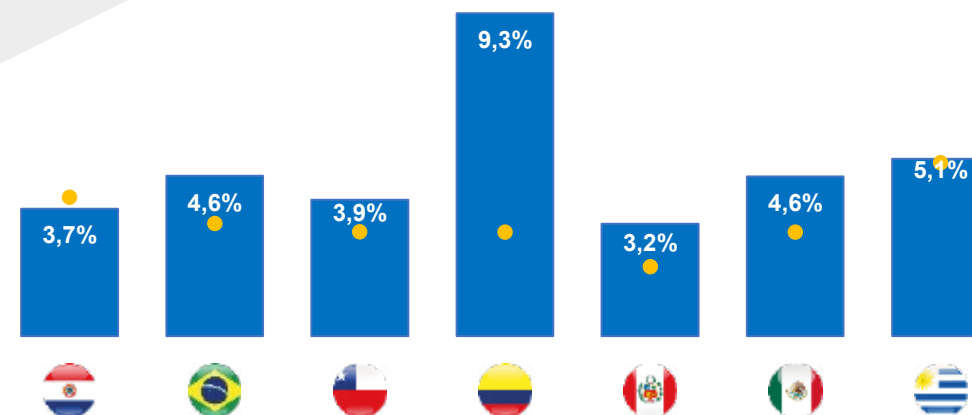
Central Bank reference rate (%)



Inflation (%) and target band 4.0% +/- 2%



Inflation 2023 (%) and target<sup>2</sup>



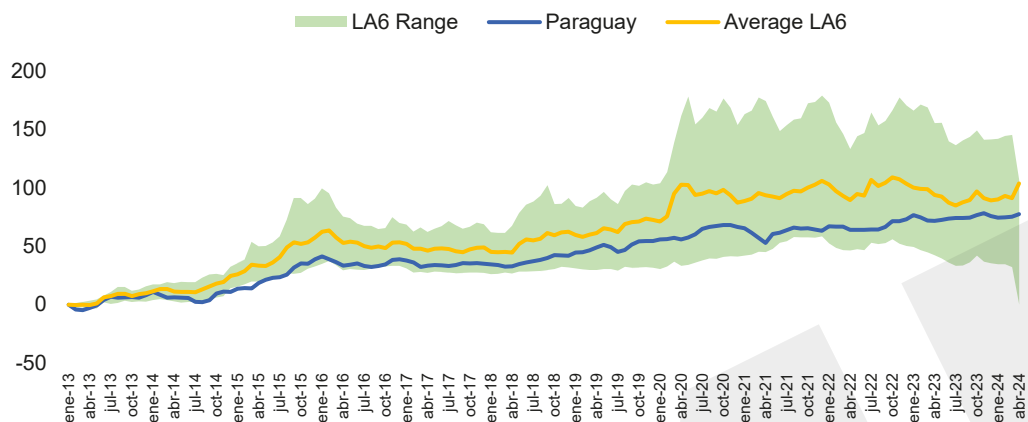
Sources: Central Bank of Paraguay, IMF WEO Apr. 2024, Bloomberg, regional Central Banks.

Notes: 1. For Paraguay from Central Bank of Paraguay.

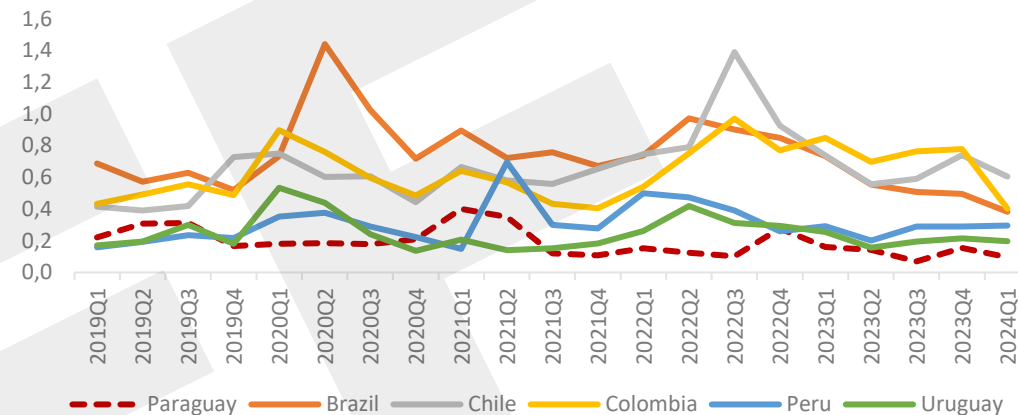
2. For Peru and Uruguay, the target was calculated as the midpoint within the target band.

# Flexible exchange rate with strong buffers.

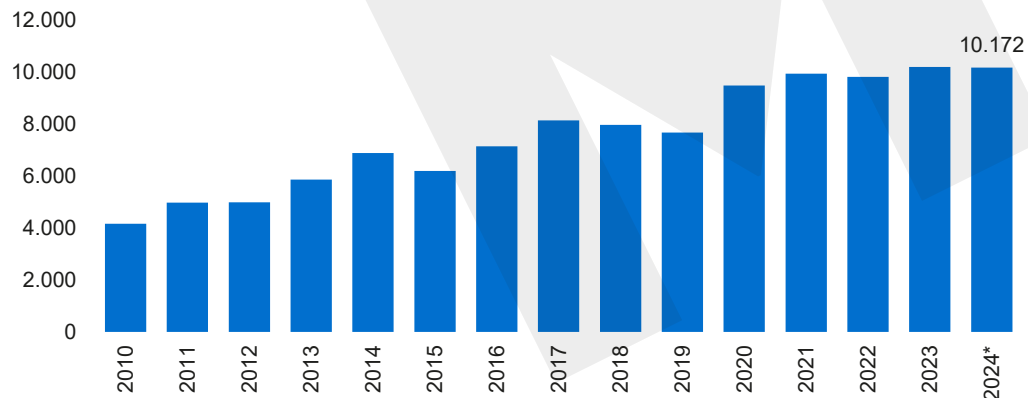
Exchange rate (cumulative percentage variation since January 2013)



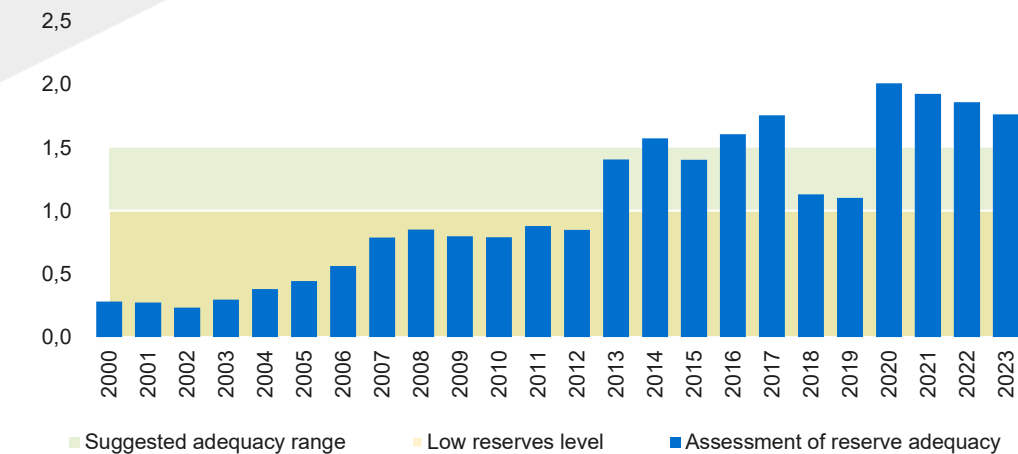
Exchange rate volatility (absolute value of daily percent changes, quarterly avg.)



Net international reserves (million of USD)



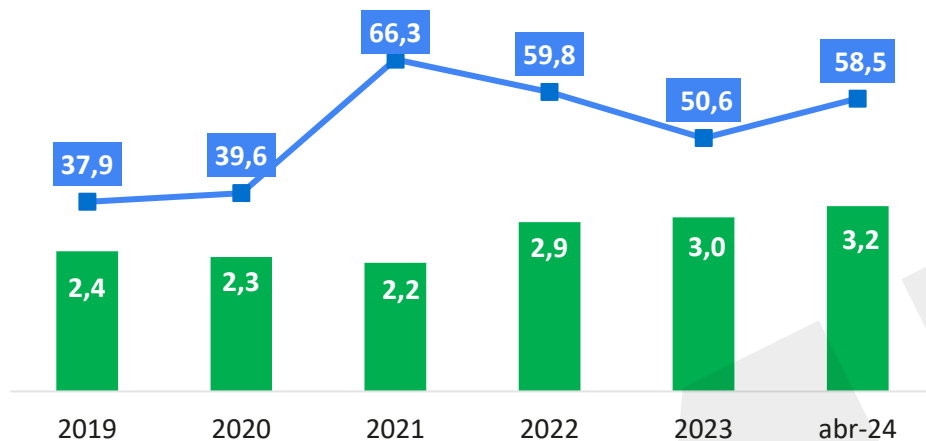
Net international reserves (adequacy range)



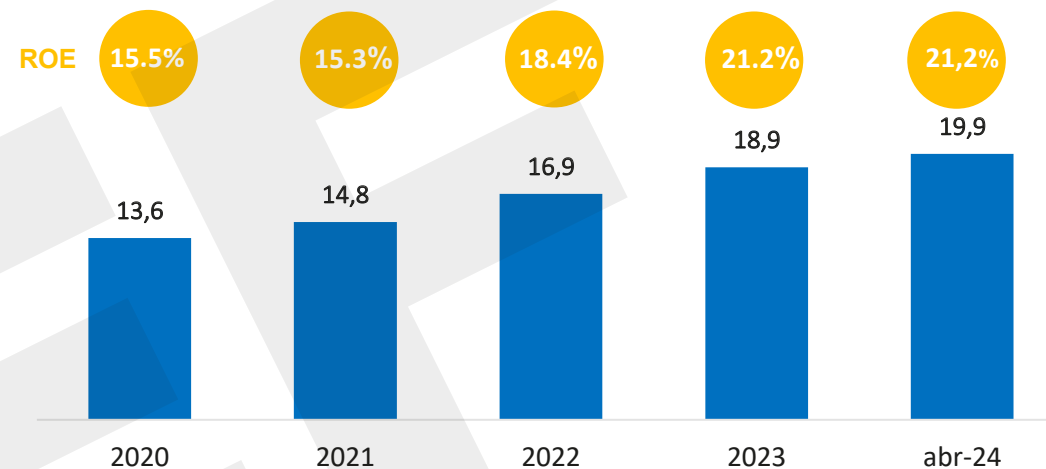
Sources: Central Bank of Paraguay, Central Bank of Chile, Bloomberg, IMF.  
Note: \*Correspond to Apr-2024.

# A well capitalized and profitable financial sector.

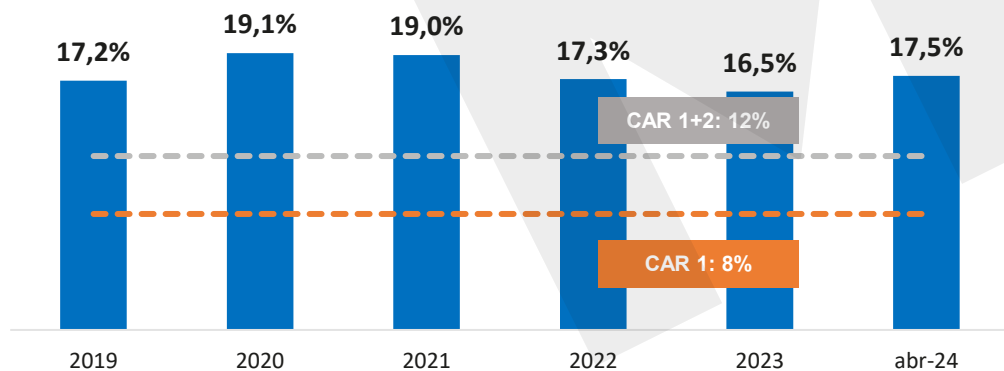
Non-Performing Loans (% of total loans) and Efficiency Ratio<sup>1</sup> (%)



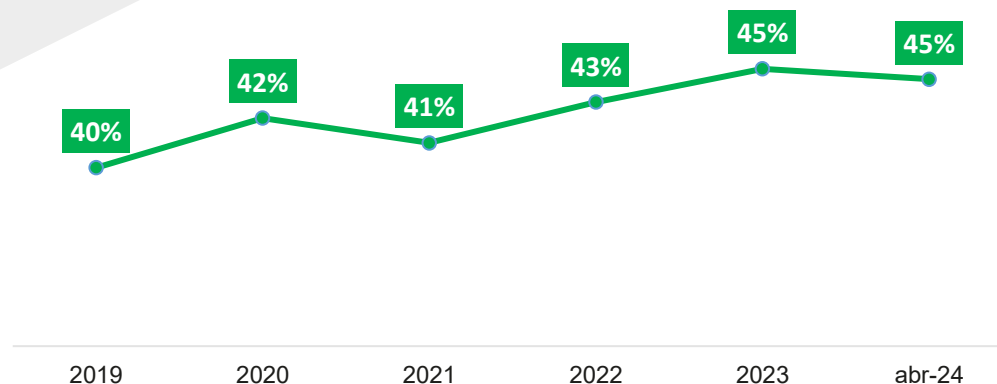
Loans evolution (USD bn) and Return on Equity - ROE (%)



Capital Adequacy Ratio<sup>2</sup> – CAR (%)



Loans (% of GDP)



Source: Central Bank of Paraguay.

Notes: 1. Efficiency ratio calculated as Operating Expenses/Total Assets.

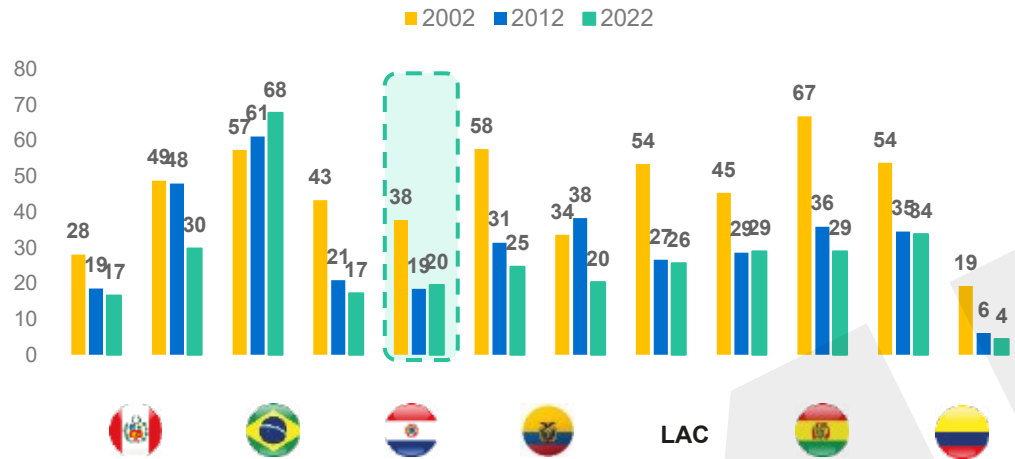
2. Capital adequacy ratio measures as regulatory capital to risk weighted assets

## A steady improvement in social indicators

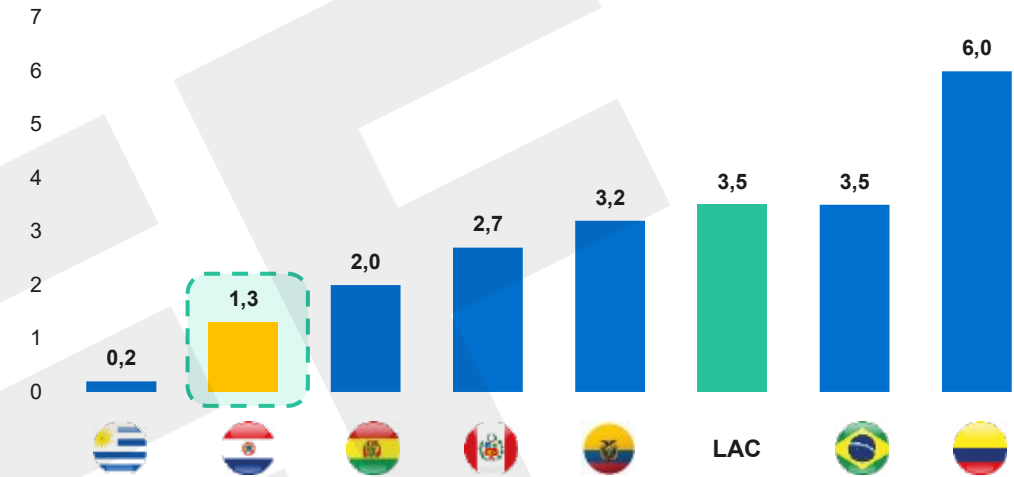


# Sustainable progress in key social indicators.

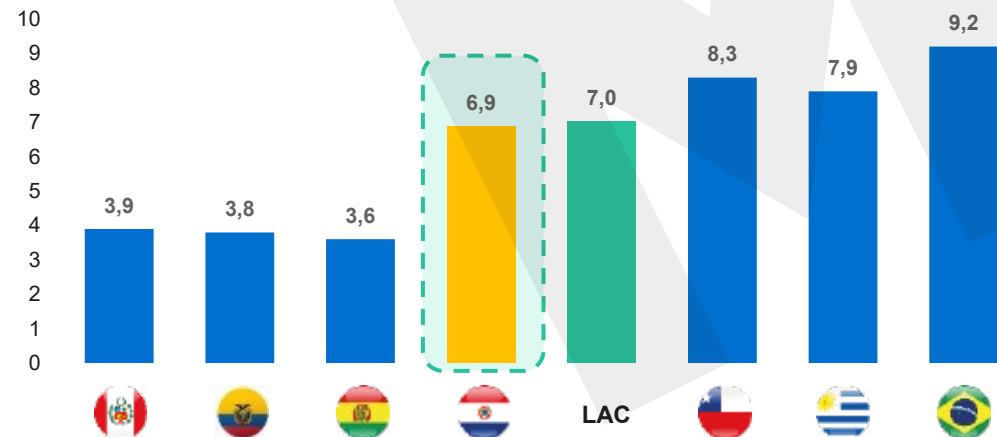
Total poverty<sup>1</sup> (% of total population)



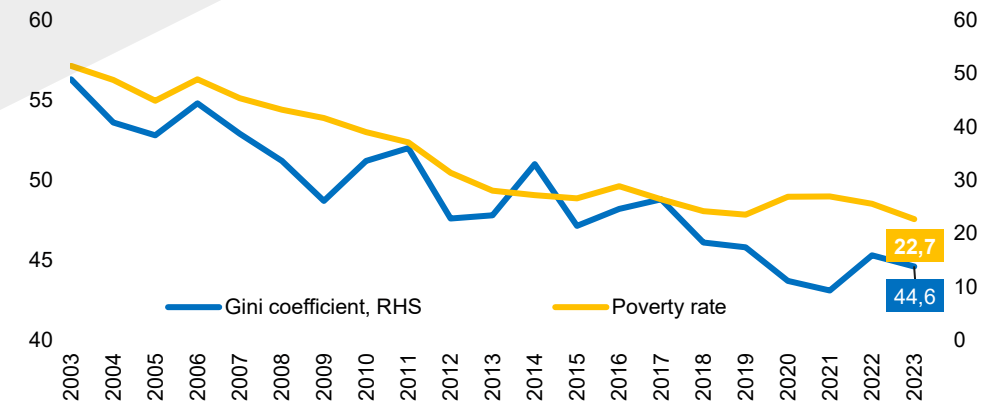
Extreme poverty<sup>2</sup> 2022 (% of total population)



Unemployment 2022<sup>3</sup> (%)



Inequality and poverty<sup>4</sup> (%)



Notes: 1. Source: Data for Paraguay is from the National Institute of Statistics of Paraguay, and from CEPAL for other countries. In 2002, data for Ecuador corresponds to 2001. In 2022, data for Bolivia and Colombia correspond to 2021.

2. Source: World Bank. Data for Bolivia correspond to 2021.

3. Source: World Bank.

4. Source: National Institute of Statistics of Paraguay.

# A positive international perception

# Continuous reduction of country risk.

Comparison between Dec 2022 and Apr 2024

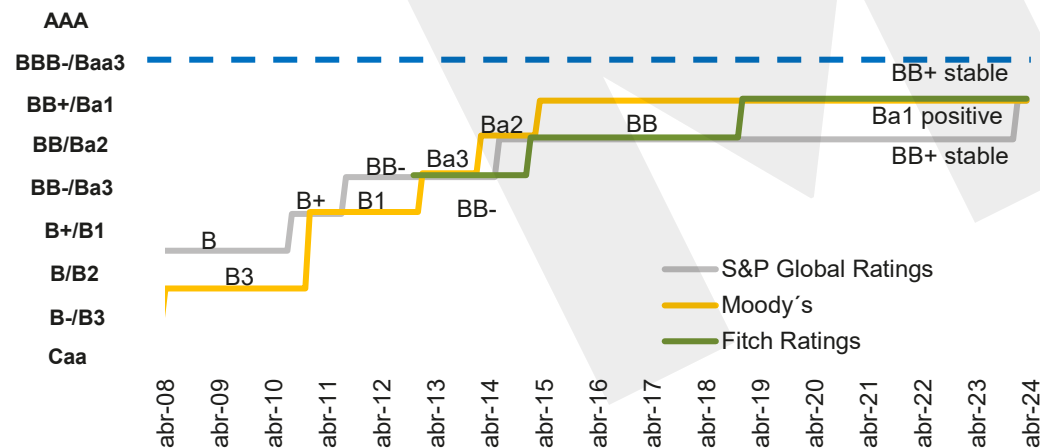
	S&P		Moody's		Fitch	
Paraguay	BB+ A	Stable =	Ba1 =	Positive =	BB+ =	Stable =
Uruguay	BBB+ =	Stable =	Baa1 A	Stable =	BBB =	Stable =
Brazil	BB A	Stable =	Ba2	Positive A	BB =	Stable =
Perú	BBB - V	Stable A	Baa1 =	Negative =	BBB =	Negative =
Chile	A =	Negative =	A2 =	Stable =	A- =	Stable =
Bolivia	CCC+ V	Negative =	Caa3 V	Stable A	CCC V	without perspective*
Argentina	CCC A	Stable =	Ca =	Stable =	CC A	without perspective*

## Improvement of country ceiling

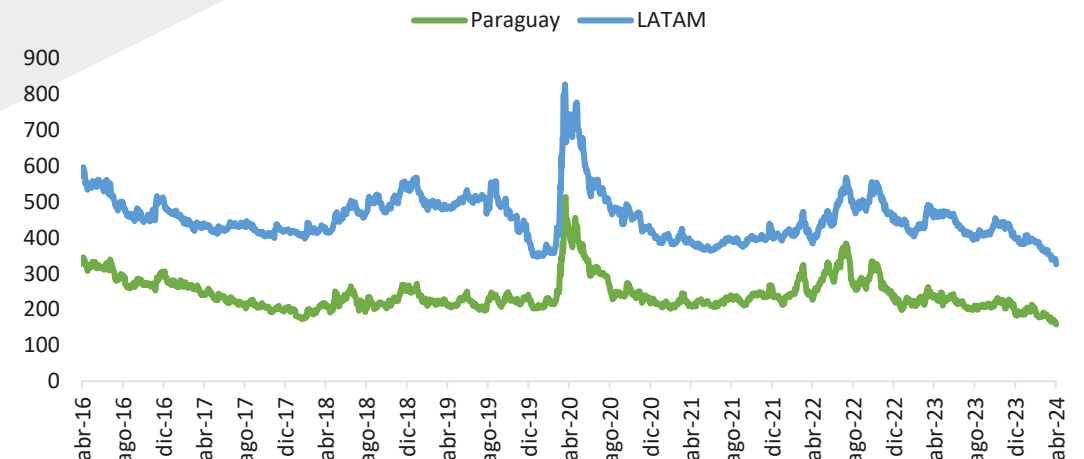
In November 2023, Fitch raised Paraguay's country ceiling to BBB- (investment grade) from BB+ justified by:

- ✓ No FX control mitigated by robust external liquidity
- ✓ Floating exchange rate
- ✓ Sound macroeconomic policies and institutions
- ✓ Solid efforts to diversify the economy and attract foreign direct investment

## Credit rating history



## Sovereign risk premium (bp)



Sources: Bloomberg and Fitch Ratings.

\*Fitch does not assign outlooks to sovereigns with a rating of 'CCC+' or below.

# Progress in key credit rating drivers.

## Credit rating requirements to reach investment grade

Moody's	Fitch ratings	Standard and Poor's
Pension funds Law	Expansion of the tax base	More efficient political management
Civil service career Law	Development of the domestic capital market	Increase of the tax base
Changes in the fiscal rule	Higher economic growth	Tackling pension system deficit
Increase in FDI flows	Higher economic diversification	Steady increase of public infrastructure

# Republic of Paraguay

## Investor Presentation

May 2024

