



Rating Action: Moody's Ratings affirms Paraguay's Baa3 ratings, maintains stable outlook

17 Jul 2026

New York, July 17, 2026 -- Moody's Ratings (Moody's) has today affirmed the Government of Paraguay's (Paraguay) Baa3 long-term local- and foreign-currency issuer and senior unsecured bond ratings. The outlook is stable. We have also affirmed the Baa3 senior secured notes rating of Bioceanico Sovereign Certificate Limited (Bioceanico), a government-related entity and maintained the stable outlook. The principal remaining credit risk related to Bioceanico arises from the credit quality of the Government of Paraguay, that is ultimately responsible for making the payments on the notes that the entity acquired.

The affirmation of Paraguay's Baa3 ratings reflects its solid trend growth supported by sizeable capital investment, a relatively low and stable government debt burden, and ongoing adherence to a medium-term fiscal responsibility framework. Credible monetary policy with an established track record of maintaining price and external stability adds further support to the credit profile, along with a track record of political stability. As a result, overall susceptibility to event risks is low. These strengths are balanced against a narrow government revenue base that limits fiscal flexibility and weighs on debt affordability, despite a relatively low debt burden. Meanwhile, a high share of foreign-currency denominated debt increases exposure to exchange-rate shocks. Institutional strength remains below that of Baa-rated peers, and the economy's reliance on agriculture and hydroelectric generation exposes growth to climate-related volatility.

The stable outlook reflects our assessment that risks are balanced. Increasing economic diversification beyond agriculture, ongoing capital investment, and effective fiscal and monetary policymaking offer resilience to potential shocks, although downside risks remain, including those related to reliance on agriculture and hydroelectric generation. On the upside, improvement in the strength of institutions, particularly related to anti-corruption and the rule of law could be more significant than we currently expect.

Paraguay's local-currency and foreign-currency country ceilings remain unchanged. The local-currency country ceiling is positioned at A2, four notches above the sovereign rating, reflecting the economy's robust growth, sound macroeconomic fundamentals, resiliency to shocks, limited government intervention in the economy, political stability, and improving institutional framework. The foreign-currency country ceiling is positioned one notch below the local-currency ceiling at A3, reflecting moderate external indebtedness, an open capital account and floating exchange rate, along with moderate policy effectiveness which together reduce convertibility risks.

RATINGS RATIONALE

RATIONALE FOR THE AFFIRMATION OF THE Baa3 RATINGS

STRONG GROWTH, INCREASING DIVERSIFICATION AND LOW SUSCEPTIBILITY TO EVENT RISK SUPPORT CREDIT RESILIENCE

Paraguay's growth performance remains a core support to the rating. Real GDP grew by 6.6% in 2025 and has averaged 3.2% per year over the past decade. We expect growth of around 4.5% in 2026 before moderating toward 3.5% in 2027 as the economy converges to its medium-term potential.

We expect continued public infrastructure investment, including the near-complete Bioceanic Corridor linking Paraguay to Atlantic and Pacific ports, together with large private sector project investments like

Paracel and Atome, to support higher-value-added activity, greater economic diversification, and gradual income convergence. After a decade of strong growth, GDP per capita on a purchasing-power-parity basis has increased to about \$21,931 in 2025 from \$13,912 in 2016, and is now effectively in line with the Latin America and Caribbean median of \$22,543, but still below that of Baa3-rated peers at \$33,491. Nonetheless, the economy's scale remains modest with nominal GDP of \$49.7 billion in 2025, exposing it to recurrent climate shocks that affect both agricultural output and hydroelectric generation.

Paraguay's growth dynamic is further supported by monetary policy that has an established track record of effectively maintaining price stability and anchoring inflation expectations through its inflation targeting regime. This, along with a flexible exchange rate and prudent fiscal policymaking, underpins the country's macroeconomic stability. The sovereign credit profile is also supported by an overall low susceptibility to event risk, which reflects a stable political environment that fosters relatively low domestic and geopolitical risk, low external vulnerabilities, and limited government liquidity and banking sector risk.

LOW DEBT BURDEN AND FISCAL DISCIPLINE BALANCE A NARROW REVENUE BASE AND HIGH FOREIGN-CURRENCY DENOMINATED DEBT

Paraguay's relatively low and stable government debt burden is a key credit strength. Under our baseline scenario, we expect the fiscal deficit to remain around 2% of GDP through 2028, before narrowing toward the government's medium-term target of 1.5% of GDP. This scenario is consistent with Paraguay's debt burden remaining broadly stable at around 40% of GDP. General government debt stood at around 42% of GDP in 2025, well below the Baa3-rated median of around 59%.

Despite a relatively low debt burden, Paraguay's fiscal strength is constrained by a narrow revenue base with government revenue of just 14.3% of GDP in 2025. A narrow revenue base limits fiscal flexibility and contributes to weaker debt affordability metrics. Paraguay's interest-to-revenue ratio at 13.1% in 2025, is above the Baa3-rated median of 11.8%. Meanwhile, a high share of foreign-currency debt - over 80% of total debt in 2025 - leaves the fiscal position exposed to exchange-rate movements.

INSTITUTIONAL REFORMS ARE ADVANCING, BUT PUBLIC FINANCIAL MANAGEMENT WEAKNESSES PERSIST

Institutional strength remains weaker than that of similarly rated peers and continues to constrain the rating. While reforms are gradually improving policy effectiveness, institutional capacity limitations and implementation challenges persist, as highlighted by the recently announced fiscal arrears.

Although the recognition of fiscal arrears in early 2026, totaling around 2.1% of GDP, underscores institutional weaknesses in public financial management, we expect that the government will fully clear domestic arrears as planned by 2028 and that it will prevent the re-emergence of future arrears by improving the alignment between the annual government budget and cash-flow planning, while also strengthening expenditure oversight and controls.

Nevertheless, Paraguay's institutional and policy frameworks have improved in recent years with the passage of several laws, including the Fiscal Responsibility Law (FRL), the Law to Modernize the State's Financial Administration, the Public-Private Partnership Law, the creation of the Superintendency of Pensions and Retirement Funds, and the 2026 Caja Fiscal pension reform.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects our assessment that risks to the Baa3 rating are balanced. As public and private investment continue to deepen and broaden economic activity, economic diversification beyond agriculture, along with effective fiscal and monetary policymaking, will offer resilience to future shocks. Nonetheless, downside risks remain including reliance on agriculture and hydroelectric generation that expose the economy to climate risks.

We expect the strengthening of institutions and governance, particularly related to anti-corruption and the rule of law, to be gradual over the outlook horizon, resulting in more limited improvements in institutional effectiveness and a continuing lag in governance indicators relative to other Baa-rated sovereigns.

However, on the upside, improvement in the strength of institutions, particularly related to anti-corruption and the rule of law, could be more significant than we currently expect.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) CONSIDERATIONS

Paraguay's ESG Credit Impact Score of CIS-3 reflects effective macroeconomic and fiscal policies, and moderately strong governance profile. Social risks are driven by shortcomings in education and labor productivity, and some deficiency in access to basic services. Exposure to environmental risks is driven by climate shocks and reliance on agriculture. Strong fiscal metrics and economic diversification mitigate these risks.

Paraguay's E-3 issuer profile score reflects exposure to environmental risks related to the recurrence of droughts and flooding, which impacts the agriculture sector and hydroelectric generation. Paraguay also benefits from its position as a producer and exporter of clean energy with limited reliance on hydrocarbon.

Paraguay's S-3 issuer profile score reflects exposure to social risks that include positive demographic trends and rising income levels, but relatively weak educational outcomes which constrains economic and labor force competitiveness.

Paraguay's G-2 governance issuer profile score reflects a demonstrated track record of monetary, macroeconomic and fiscal policy effectiveness that is supported by a stable political environment. The country's institutional strength is more moderate, reflecting generally weaker control of corruption and rule of law indicators than similarly rated peers.

GDP per capita (PPP basis, US\$): 21,930 (2025) (also known as Per Capita Income)

Real GDP growth (% change): 6.6% (2025) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 3.1% (2025)

Gen. Gov. Financial Balance/GDP: -1.7% (2025) (also known as Fiscal Balance)

Current Account Balance/GDP: -2.5% (2025) (also known as External Balance)

External debt/GDP: 51.8% (2025)

Economic resiliency: baa3

Default history: No default events (on bonds or loans) have been recorded since 1983.

On 14 July 2026 a rating committee was called to discuss the rating of the Paraguay, Government of. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have not materially changed. The issuer's institutions and governance strength have not materially changed. The issuer's fiscal or financial strength, including its debt profile, has not materially changed. The issuer's susceptibility to event risks has not materially changed.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

We could upgrade Paraguay's rating if sustained reforms materially strengthen the country's institutions and governance framework. A durable increase in government revenue and a reduction in foreign-currency debt that improves debt affordability and fiscal flexibility would also support an upgrade. Higher private investment that raises long-term growth potential and reduces the economy's vulnerability to shocks would further strengthen the credit profile.

We could downgrade Paraguay's rating if a prolonged weakening in private investment and economic growth reduced the economy's resilience. A sustained deterioration in fiscal performance that increases government debt or weakens debt affordability, including through a renewed accumulation of government arrears, would also exert downward pressure. Weaker institutional effectiveness, including stalled reforms or persistent deficiencies in public financial management, could also lead to a downgrade.

The principal methodology used in these ratings was Sovereigns published in May 2026 and available at <https://ratings.moodys.com/rmc-documents/466021>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and UK and is(are) endorsed for use in the EU and UK in accordance with the EU and UK CRA Regulation.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on <https://ratings.moodys.com> for additional regulatory disclosures for each credit rating.

William Foster
SVP - Ratings

Ariane Ortiz-Bollin
Exec Dir - Ratings

Releasing Office:
Moody's Investors Service, Inc.

250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

© 2026 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE LEGAL, COMPLIANCE, INVESTMENT, FINANCIAL OR OTHER PROFESSIONAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION

CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating or assessment is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating or assessment process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating or assessment assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the

independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.ir.moody.com under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., Moody's Local PA Clasificadora de Riesgo S.A., Moody's Local CR Clasificadora de Riesgo S.A., Moody's Local ES S.A. de CV Clasificadora de Riesgo, Moody's Local RD Sociedad Clasificadora de Riesgo S.R.L. and Moody's Local GT S.A.(collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. EU: In the European Union, each of Moody's Deutschland GmbH and Moody's France SAS provide services as an external reviewer in accordance with the applicable requirements of the EU Green Bond Regulation. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.