

RATING ACTION COMMENTARY

Fitch Affirms Paraguay at 'BB+'; Outlook Positive

Wed 30 Sep, 2026 - 3:25 p.m. ET

Fitch Ratings - New York - 30 Sep 2026: Fitch Ratings has affirmed Paraguay's Long-Term Issuer Default Ratings (IDRs) at 'BB+' with a Positive Outlook.

A full list of rating actions is at the end of this rating action commentary.

Paraguay's ratings reflect its generally prudent and consistent macroeconomic policies, low government debt, and robust external liquidity. Its ratings are constrained by weak governance indicators, a low revenue base, a shallow local capital market that narrows fiscal financing flexibility, and vulnerability to adverse climactic shocks. However, these shocks are increasingly mitigated by greater economic diversification.

The Positive Outlook reflects Paraguay's strong growth performance and prospects due to a robust investment pipeline, which if sustained could facilitate per-capita income convergence and economic diversification. The Outlook also reflects Fitch's expectations for fiscal consolidation efforts that could stabilize government debt levels well below peer medians, gradual reduction of the high foreign currency share of government debt, and ongoing economic reform.

KEY RATING DRIVERS

Robust Growth: Paraguay's real GDP grew 6.6% in 2025, up from 4.7% in 2024, the fastest in Latin America and well above the 'BB' median of 3.8%. Private consumption and investment have supported strong growth in recent years. Growth was broad-based across sectors, including the mainstay agriculture and hydroelectricity sectors which are sensitive to climate conditions, but also construction, manufacturing and services, supporting greater economic diversification.

Fitch expects growth of 4.5% in 2026, moderating to around 4.0% thereafter but with upside from a significant pipeline of investment projects. However, uncertainty remains about several flagship projects, including the Paracel pulp mill and the Atome green hydrogen project, which is now subject to a dispute over electricity prices.

FX Appreciation Supports Lower Inflation: Inflation peaked at 2.4% in May 2026, following the global energy price shock, and fell to the 1.5% lower bound of the central bank's tolerance range by August. Paraguay's reliance on hydroelectricity and a stronger currency have helped shield the economy from the oil price spike and contain inflation. The guarani appreciated by 26% between March 2025 and September 2026. Inflation expectations remain anchored at the central bank's 3.5% target.

PFM Weaknesses Erode Fiscal Credibility: Public financial management weaknesses have again led to arrears accumulation. This prompted the government to relax the fiscal responsibility law (FRL) and postpone convergence to the 1.5% deficit limit to 2028 from 2026. Arrears total about USD1.3 billion (2% of GDP), owed to pharmaceutical and construction firms, reflecting liabilities not authorized by the Finance Ministry. This episode, alongside a 2023 arrears case and deviations from the fiscal rule since 2019, has weakened fiscal policy credibility.

Arrears Settlement, Consolidation Risks: New fiscal deficit targets are 3.2% in 2026 and 3.9% in 2027, still broadly in line with 'BB' medians but entailing a cumulative 4.1pp relaxation relative to the prior fiscal path. This includes 1.8pp to settle most of the arrears and 2.3pp to allow for a looser underlying fiscal position and accommodate higher spending needs for health care and public works. Construction-sector arrears are being settled in via budget outlays, which will affect the deficit in 2026. Pharma arrears will be cleared via budget outlays in 2027 as well as an "assignment of receivables" mechanism that spreads the fiscal cost across 2026-2029.

Fitch forecasts the deficit to narrow to 2.0% by 2028, but this is subject to uncertainty and upside risk from growing pressures in social spending and public salaries, as well as the absence of clear consolidation measures (beyond the end of one-off arrears payments) ahead of an upcoming election cycle.

Strong FX Lowers Debt, Composition Improving: Government debt fell to 31.7% of GDP in 2025 from 37.5%, in large part due to guarani appreciation, and it remains well below the 'BB' median of 51.6%. Fitch expects debt to rise modestly to 34.5% by 2028 due to higher deficits. Interest-to-revenue rose to 10.6% in 2025 and is now in line with the 'BB' median. Debt composition has improved markedly. Three consecutive years of global guarani

issuance and currency appreciation have lowered the FX-debt share to 74.5% in June 2026 from 90.2% in 2023.

Pension Reform Diluted: Paraguay approved a reform of the 'Caja Fiscal' in March 2026, but key parametric changes were modified after congressional and public pushback. Measures include 10% explicit state support, higher employee contributions (from 16% to 19% for sectors in deficit), and new minimum retirement ages. The reform slows growth in the Caja Fiscal deficit from 0.7% in 2026 to 1.2% of GDP from 2034 versus 1.6% without reform, according to government estimates. However, the near-term benefit is limited and is mainly derived from the 3pp contribution increase.

Moderate CAD, Strong External Buffers: Strong export growth should offset higher fuel import prices and support a narrowing of the current account deficit to 2.0% from 2.5% in 2025. Soy production for the 2025-2026 season is expected to reach a historical record. We project moderate current account deficits to persist over the medium term, in part due to high level of capital goods imports for investment projects. Net FDI inflows remain relatively low (at 1.9% of GDP in 2025) but have been above historic levels in recent years. External liquidity buffers remain adequate, with international reserves covering 5.8 months of current external payments in 2025, in line with the 'BB' median.

Limited Overheating, Rapid Credit Growth: Despite above-potential growth, overheating signs are limited given below-target inflation and moderate current account deficits. However, credit has grown rapidly, led by consumer credit, supported by financial-inclusion efforts that have more than doubled the number of borrowers since 2023. The NPL ratio rose modestly to 2.6% but reached 5.2% for consumer credit. However, Fitch views the system as broadly sound, with robust capital, liquidity and profitability.

ESG - Governance: Paraguay has a medium WBGI ranking at the 39th percentile, reflecting a recent track record of peaceful political transitions, a moderate level of rights for participation in the political process, weak institutional capacity, weak rule of law, and a high level of corruption.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Macro: Reduced prospects for a sustained improvement in growth and/or materialization of a shock, such as an adverse weather event, that negatively impacts growth, fiscal and external metrics.

Public Finances: Failure to consolidate fiscal accounts that leads to a significant increase in public debt to GDP.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Macro: Greater confidence in sustained high growth in the context of macroeconomic stability, that promotes economic diversification and increases prospects for GDP per capita convergence with higher rated sovereigns, for example due to progress on large scale investment projects.

Public Finances: Credible fiscal consolidation consistent with stabilization of the debt burden around current low levels, for example due to expansion of the revenue base and prevention of recurrence of arrears.

Structural: Evidence of a sustained improvement in governance including combatting corruption and strengthening public institutions.

SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)

Fitch's proprietary SRM assigns Paraguay a score equivalent to a rating of 'BB' on the Long-Term Foreign Currency (LT FC) IDR scale.

Fitch's sovereign rating committee adjusted the output by +1 notch from the SRM score to arrive at the final LT FC IDR of 'BB+' by applying its QO, relative to SRM data and output, as follows:

Macro: +1 notch, to reflect Paraguay's track record of prudent and consistent macroeconomic policies, including a floating FX regime and inflation targeting, that have helped manage shocks from recurring droughts and are not fully captured by the low governance scores feeding into the SRM score.

Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centered averages, including one year of forecasts, to produce a score equivalent to a LT FC IDR. Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

DEBT INSTRUMENTS: KEY RATING DRIVERS

Senior Unsecured Debt Equalized: The senior unsecured long-term debt ratings are equalized with the applicable long-term IDR, as Fitch assumes recoveries will be 'average' when the sovereign's long-term IDRs is 'BB-' and above. Fitch does not assign Recovery Ratings at this rating level. See the Rating Actions table below for the full set of instrument ratings.

COUNTRY CEILING

The Country Ceiling for Paraguay is 'BBB-', +1 notch above the LT FC IDR. This reflects strong constraints and incentives, relative to the IDR, against capital or exchange controls being imposed that would prevent or significantly impede the private sector from converting local currency into foreign currency and transferring the proceeds to non-resident creditors to service debt payments.

Fitch's Country Ceiling Model produced a starting point uplift of +1 notch above the IDR. Fitch's rating committee did not apply a qualitative adjustment to the model result.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for Paraguay.

ESG CONSIDERATIONS

Paraguay has an ESG Relevance Score of '5' for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and a key rating driver with a high weight. As Paraguay has a percentile rank below 50 for the respective Governance Indicator, this has a negative impact on the credit profile.

Paraguay has an ESG Relevance Score of '5' for Rule of Law, Institutional and Regulatory Quality and Control of Corruption as World Bank Governance Indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight. As Paraguay has a percentile rank below 50 for the respective Governance Indicator, this has a negative impact on the credit profile.

Paraguay has an ESG Relevance Score of '4' for Human Rights and Political Freedoms as the Voice and Accountability pillar of the World Bank Governance Indicators is relevant to the rating and a rating driver. As Paraguay has a percentile rank below 50 for the respective Governance Indicator, this has a negative impact on the credit profile.

Paraguay has an ESG Relevance Score of '4' for Creditor Rights as willingness to service and repay debt is relevant to the rating and is a rating driver for Paraguay, as for all sovereigns. Given that Paraguay has record of 20 years without a restructuring of public debt, which is captured in our SRM variable, this has a positive impact on the credit profile.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores,

visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT ↕	RATING TYPE ↕	RATING ↕	RATING ACTION ↕	PRIOR ↕
Paraguay	LT IDR	BB+ Rating Outlook Positive	Affirmed	BB+ Rating Outlook Positive
	ST IDR	B	Affirmed	B
	LC LT IDR	BB+ Rating Outlook Positive	Affirmed	BB+ Rating Outlook Positive
	LC ST IDR	B	Affirmed	B
	Country Ceiling	BBB-	Affirmed	BBB-

senior unsecured

LT

BB+

Affirmed

BB+

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Christopher Dychala

Director

Primary Rating Analyst

+1 646 582 3558

christopher.dychala@fitchratings.com

Fitch Ratings, Inc.

Hearst Tower 300 W. 57th Street New York, NY 10019

Todd Martinez

Senior Director

Secondary Rating Analyst

+1 212 908 0897

todd.martinez@fitchratings.com

Richard Francis

Senior Director

Committee Chairperson

+1 212 908 0858

richard.francis@fitchratings.com

MEDIA CONTACTS

Eleis Brennan

New York

+1 646 582 3666

eleis.brennan@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if

any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[Country Ceiling Criteria \(pub. 24 Jul 2023\)](#)

[Sovereign Rating Criteria \(pub. 27 Apr 2026\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Country Ceiling Model, v2.0.3 ([1](#))

Debt Dynamics Model, v1.4.0 ([1](#))

Macro-Prudential Indicator Model, v1.5.0 ([1](#))

Sovereign Climate Risk Model, v1.0.0 ([1](#))

Sovereign Rating Model, v3.14.4 ([1](#))

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

Paraguay

EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers.

Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in

accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions

about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor,

for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2026 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU Regulation or the UK Regulation, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.