



PARAGUAY: A BEACON OF GROWTH AND STABILITY

**Ministry of Economy and Finance
May 2024**





A CLASSIC TALE OF...

A CONSISTENTLY IMPROVING CREDIT STORY, IMPRESSIVE FISCAL DISCIPLINE AND PLENTY OF ROBUST ECONOMIC GROWTH.

"ONE OF THE MOST POPULAR STORIES IN LATAM."

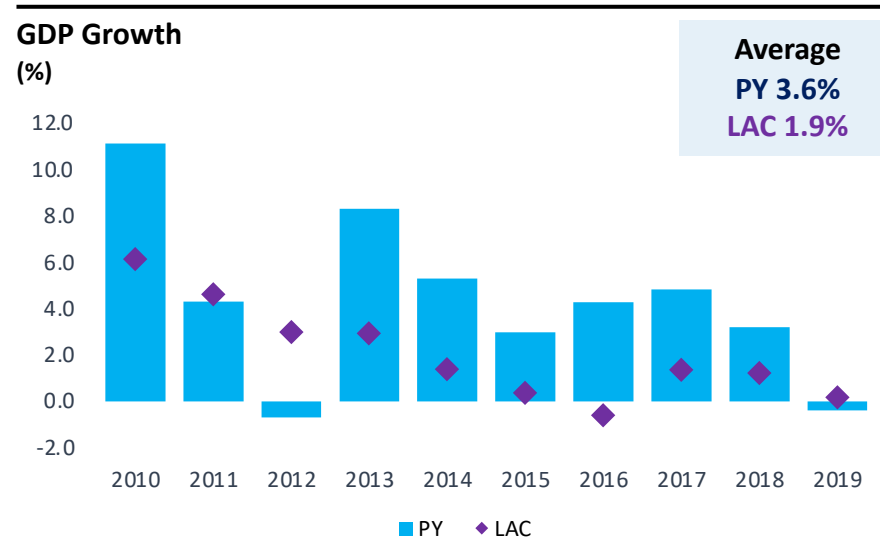
PARAGUAY

PARAGUAY

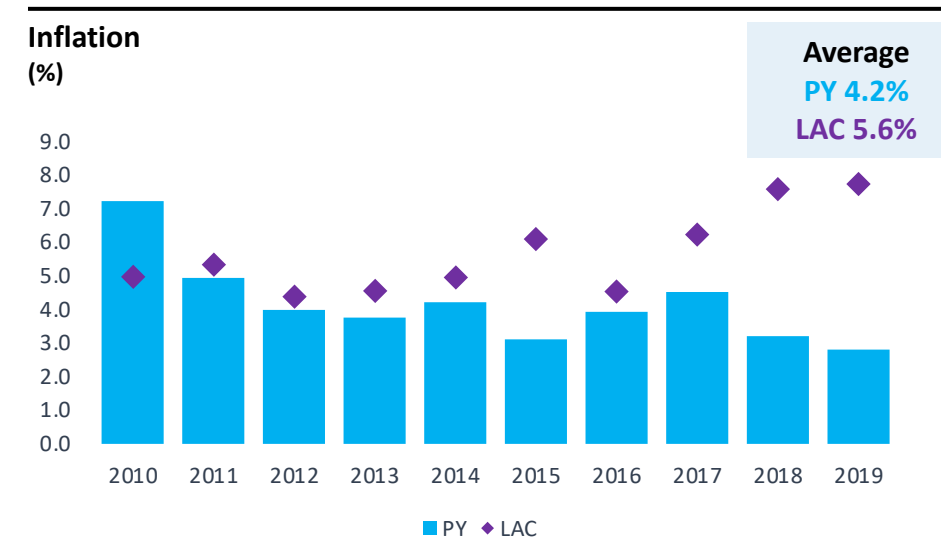
GUARANI DEBUT
G 3.643 tr
2031 7.9%
x2 OVERSUBSCRIBED
\$500m 6% 2036
BOOK \$3.25bn

Goal 1: Rebuilding macro space

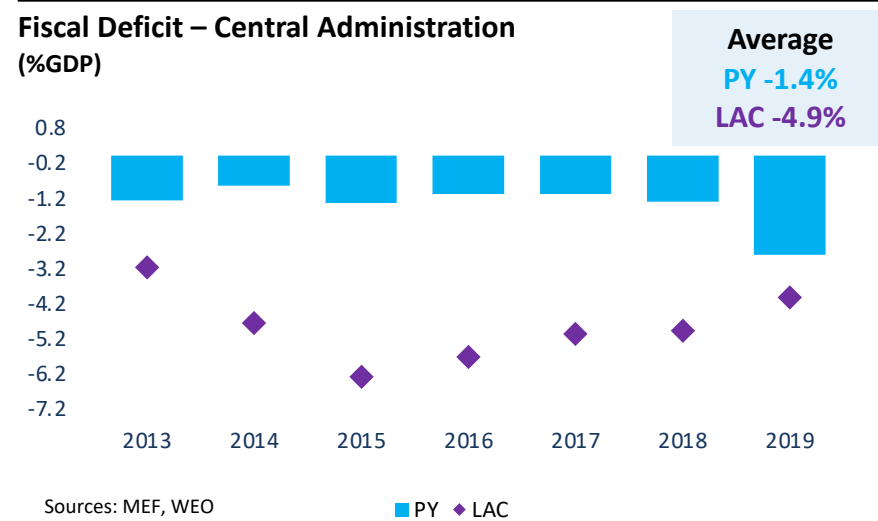
A long history of strong growth and macro-stability.



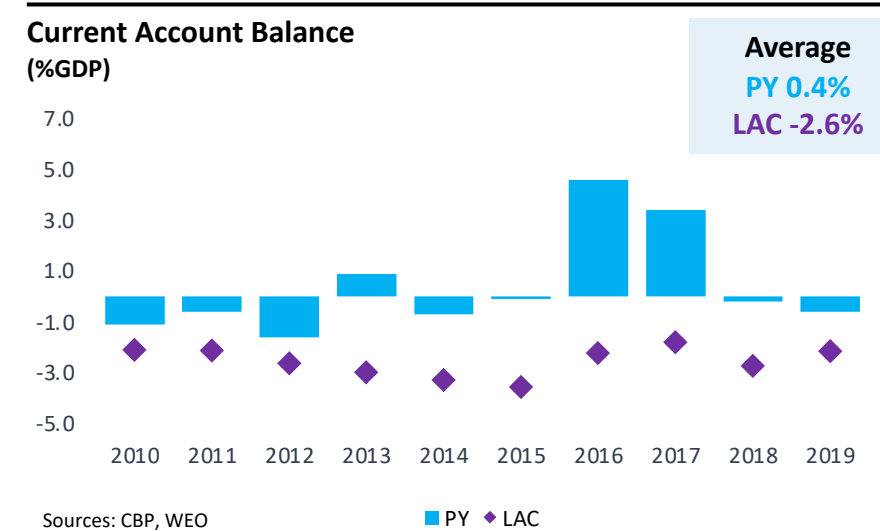
Sources: CBP, WEO



Sources: CBP, WEO



Sources: MEF, WEO



Sources: CBP, WEO

Several shocks affected the economy in recent years...



Drought
2019-2022



COVID
2019-2022



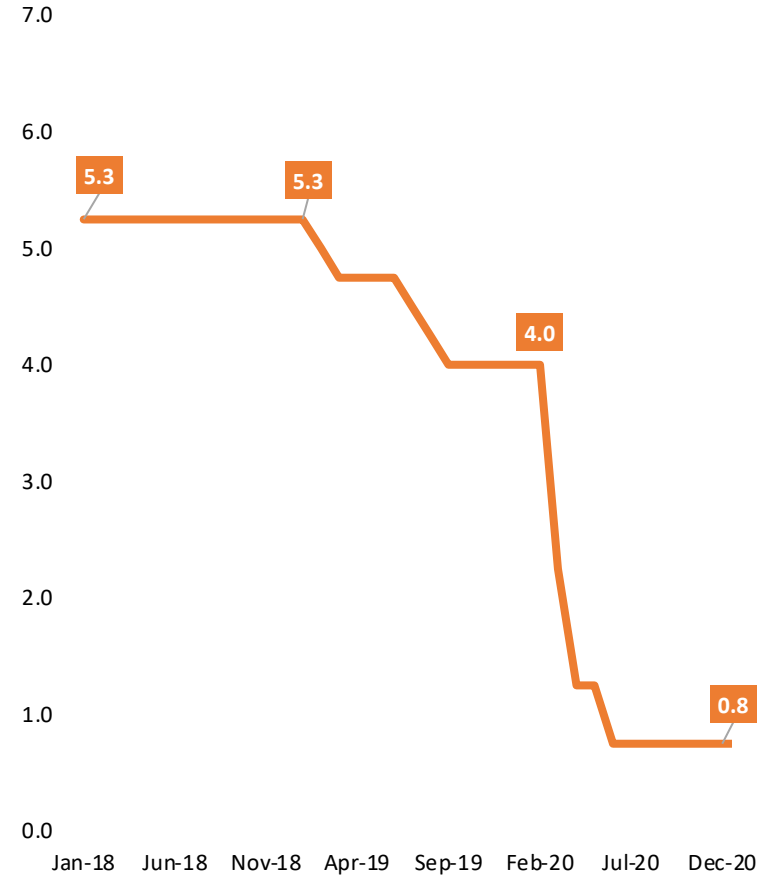
Global supply chain crisis
2021-2022



War
2022

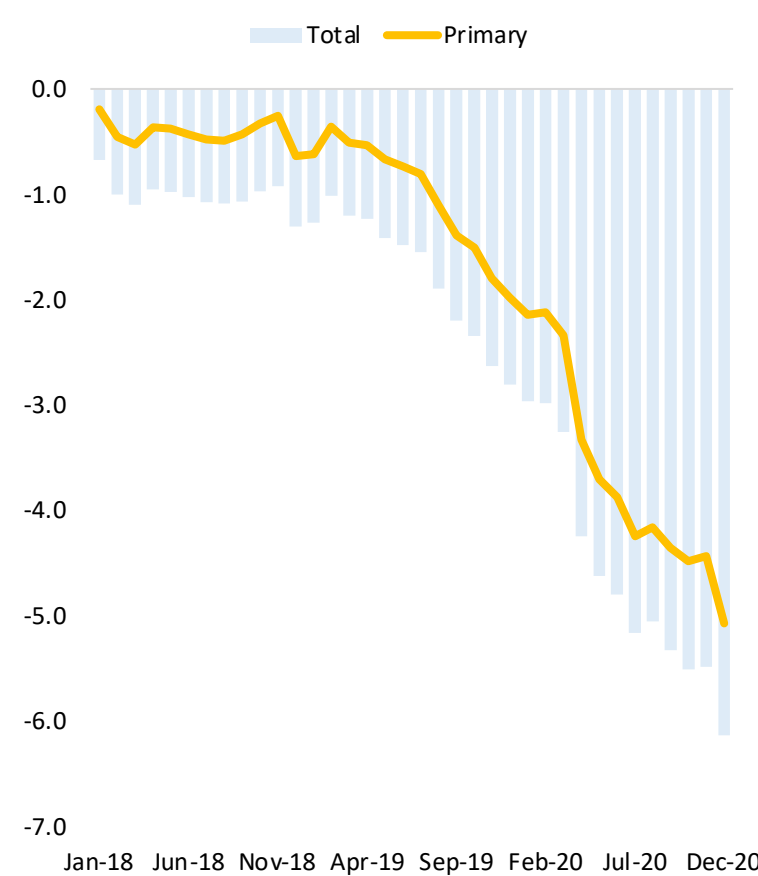
...leading to implementation of countercyclical policies.

Monetary Policy Rate (%)



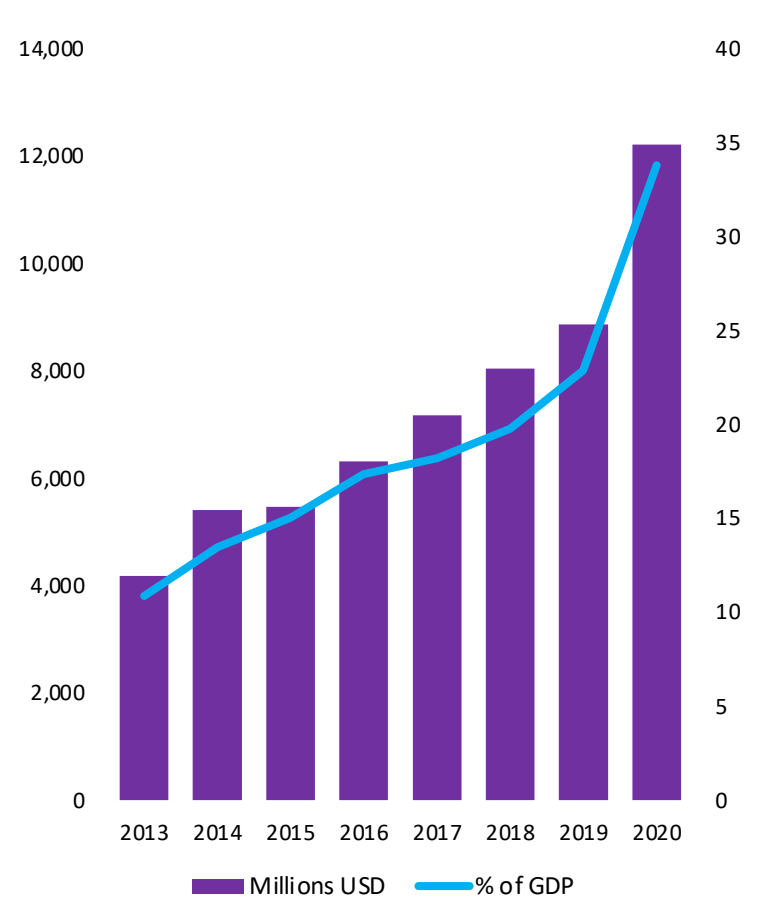
Source: Central Bank of Paraguay

Fiscal Balance– Central Administration (% GDP)



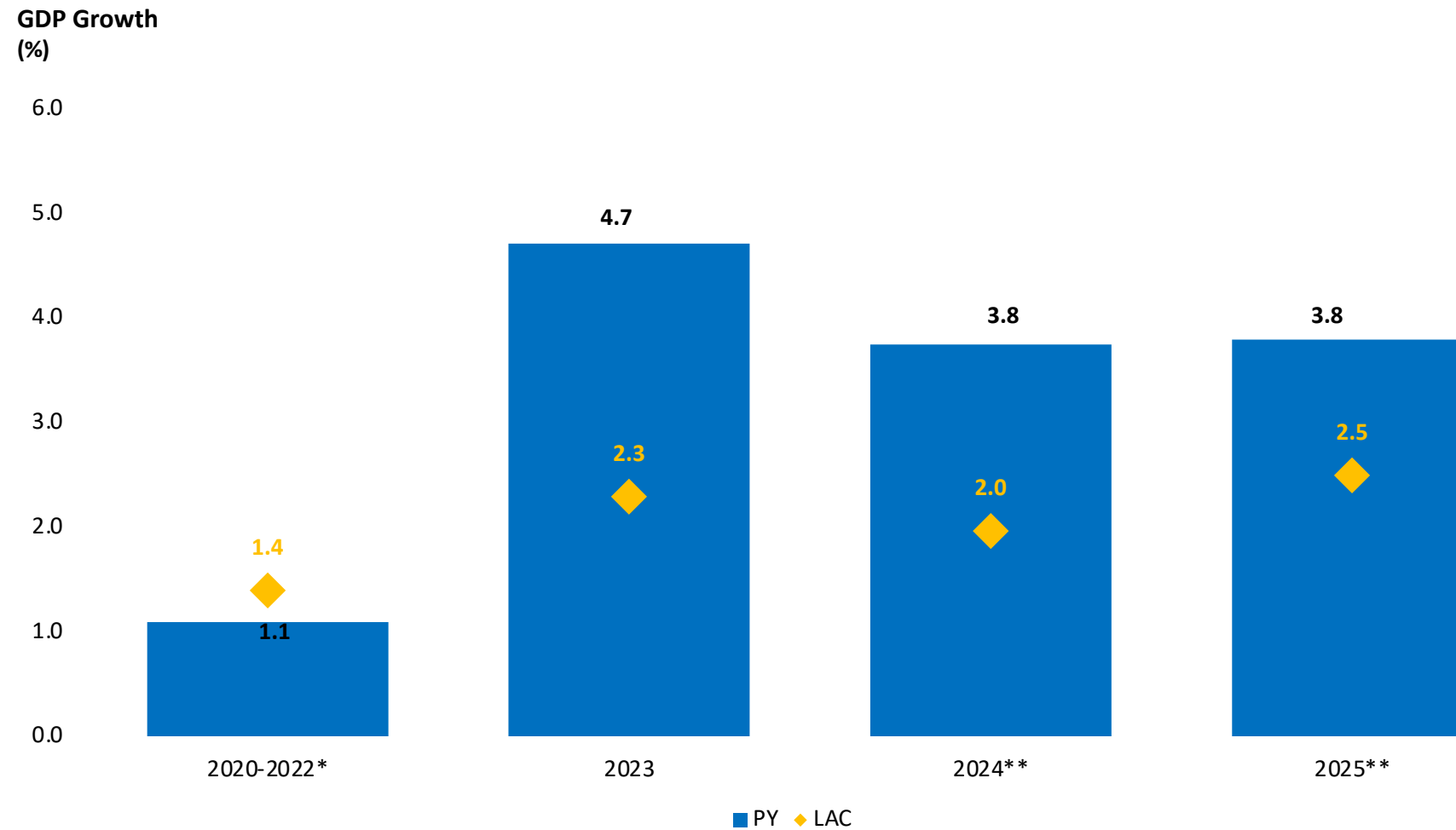
Source: Ministry of Economy and Finance

Public Debt (% GDP)



Source: Ministry of Economy and Finance

With activity gaining momentum,...



Sources: Central Bank of Paraguay and WEO-April 2024
*Average
**Estimates

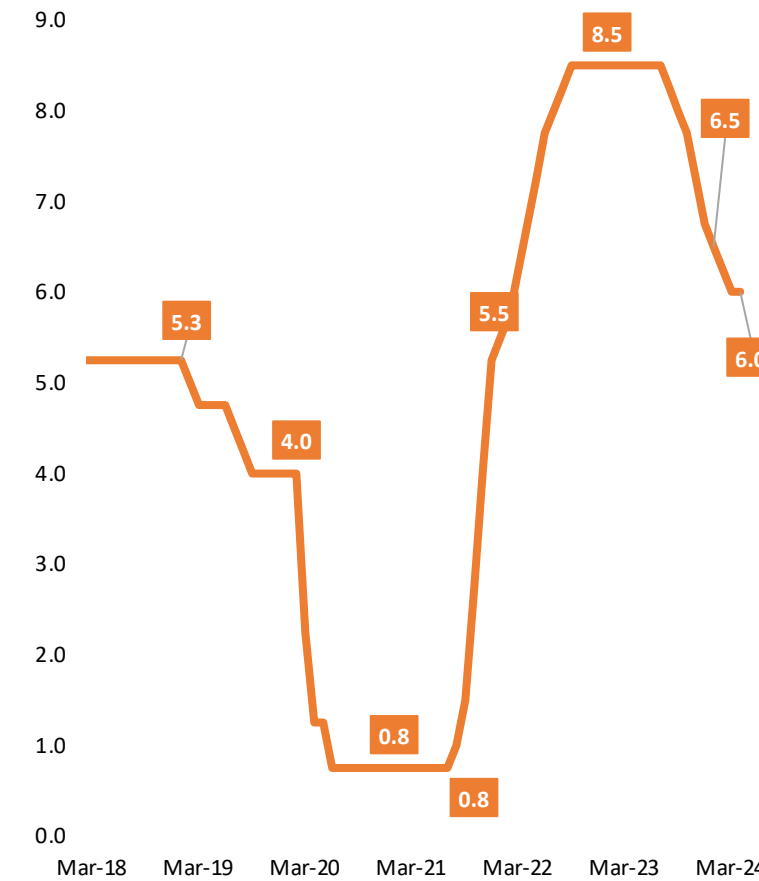
...a main objective is to normalize macro-policies I.

YoY Inflation and target (%)

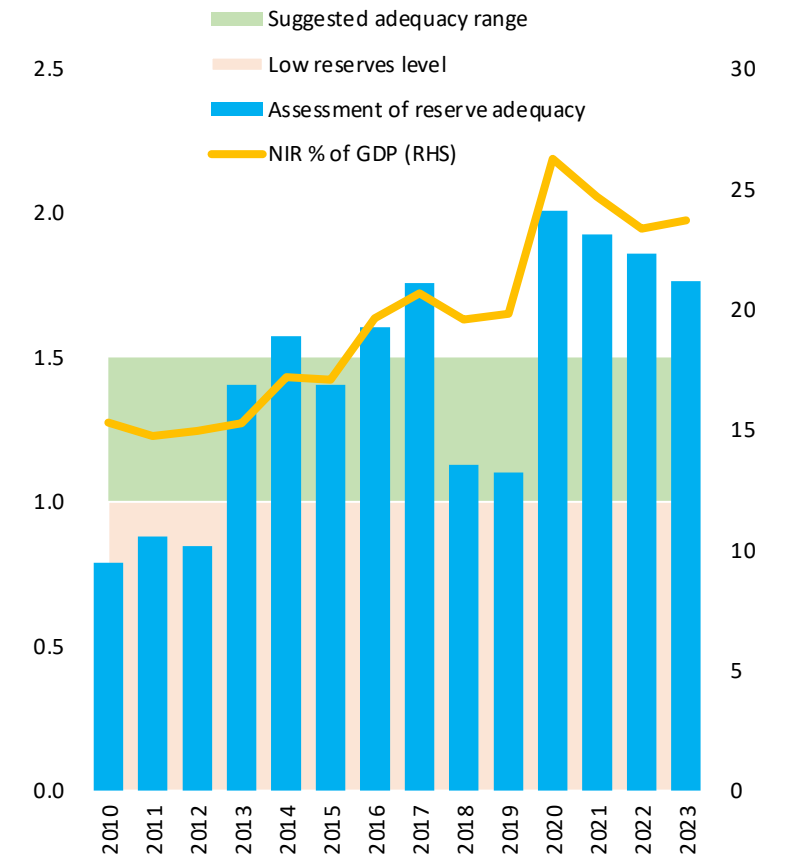


Source: Central Bank of Paraguay

Monetary Policy Rate (%)

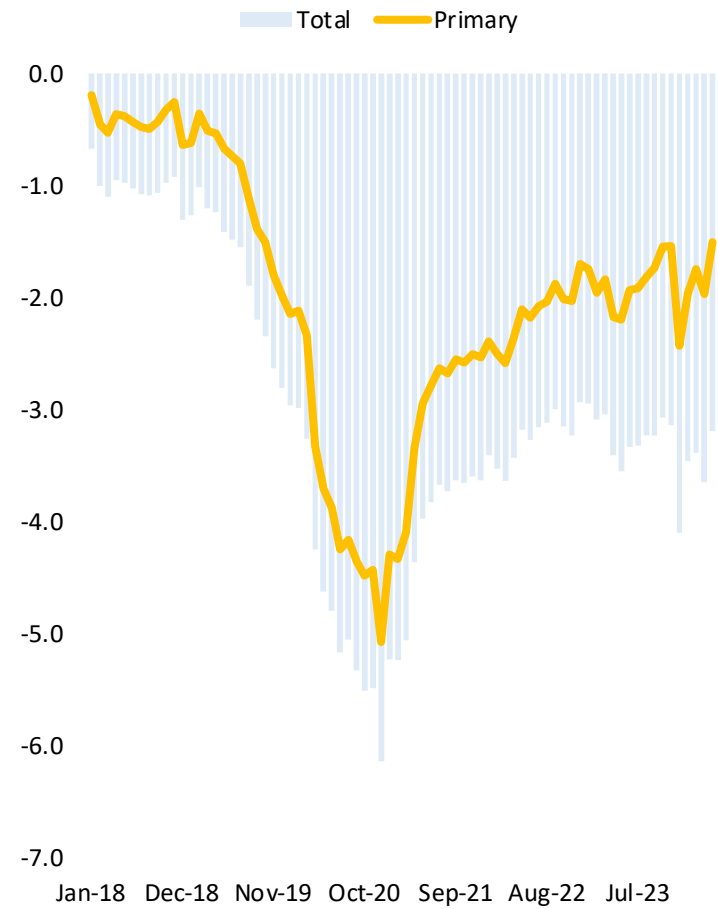


Net international reserves



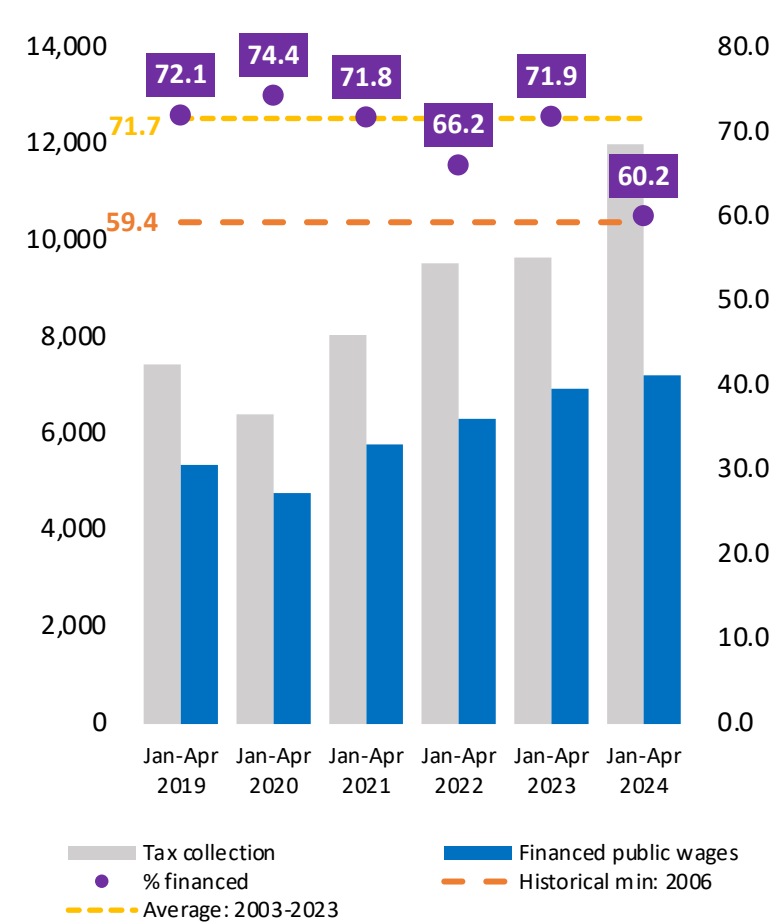
...a main objective is to normalize macro-policies II.

Fiscal Balance – Central Administration
(% GDP)

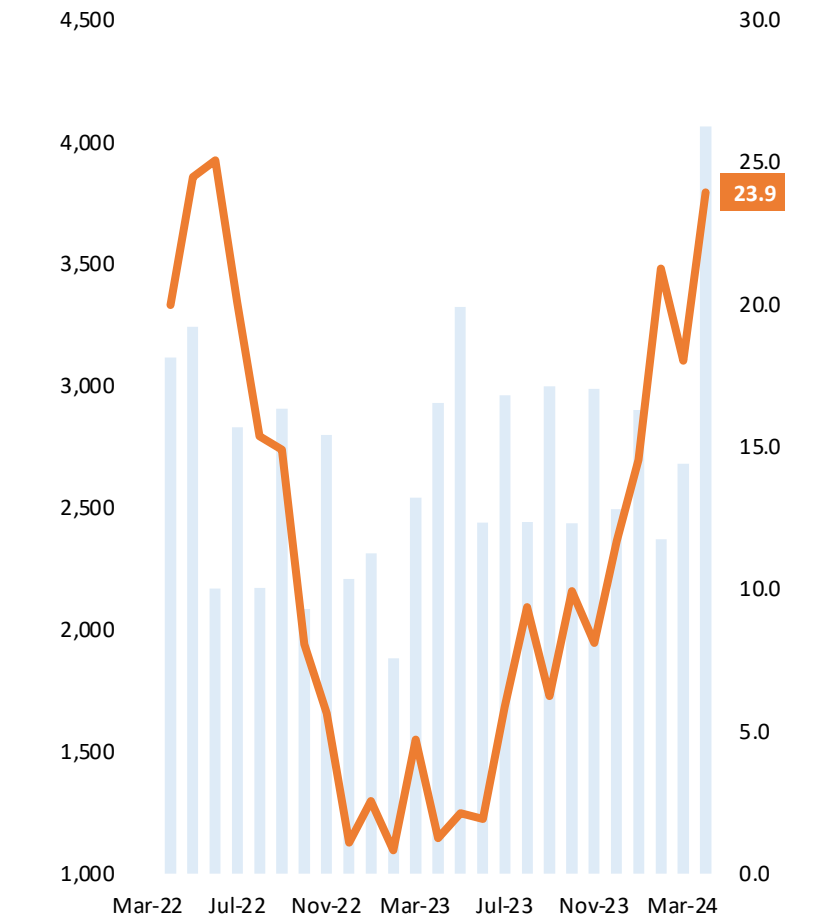


Source: Ministry of Economy and Finance

Public sector wages financed with taxes
(Millions of PYG and %)



Tax collection
(Millions of PYG and YoY %)



Complemented with 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.

FRL update

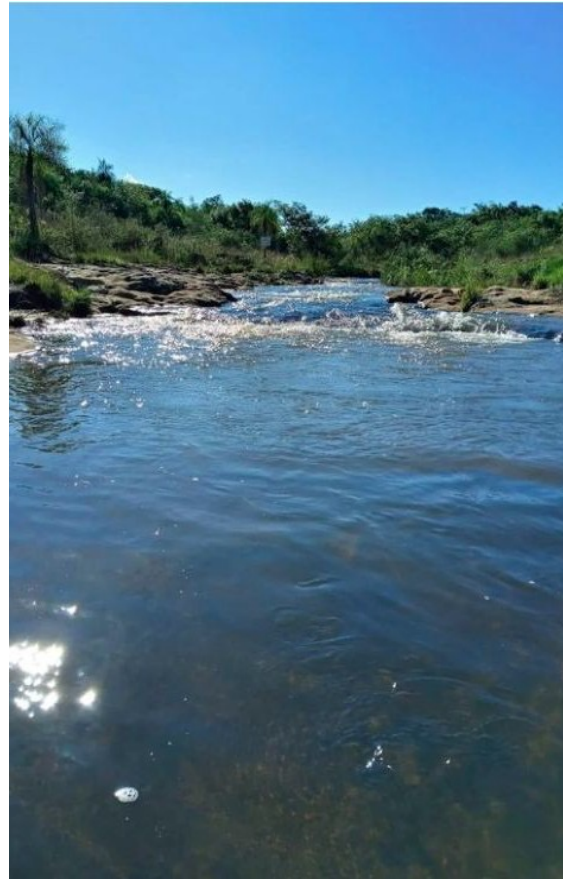
Update the FRL to strengthen fiscal institutional framework.

Public employees pension system law

Update the pension system legal framework to ensure the long-term financial sustainability.

Goal 2: Sustaining strong growth

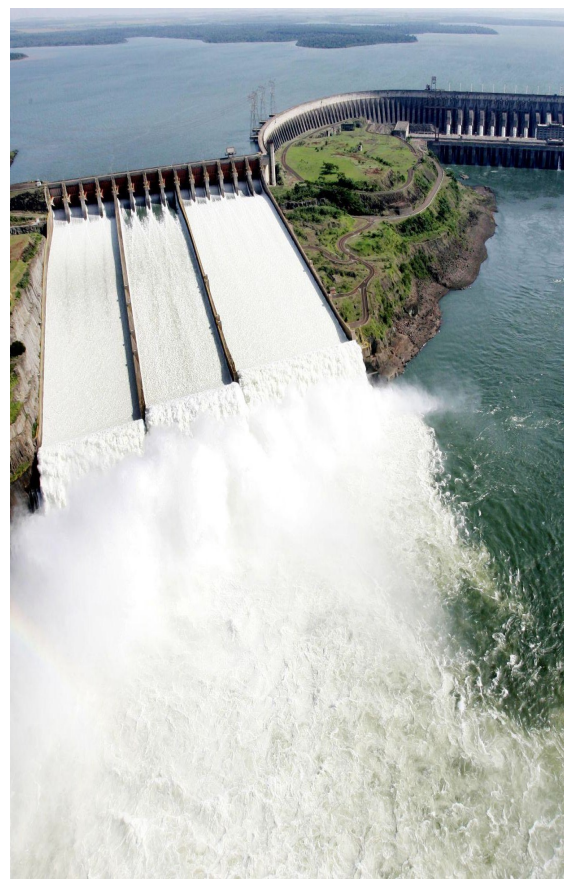
Paraguay has an extraordinary natural capital...



**WATER
SWEET**



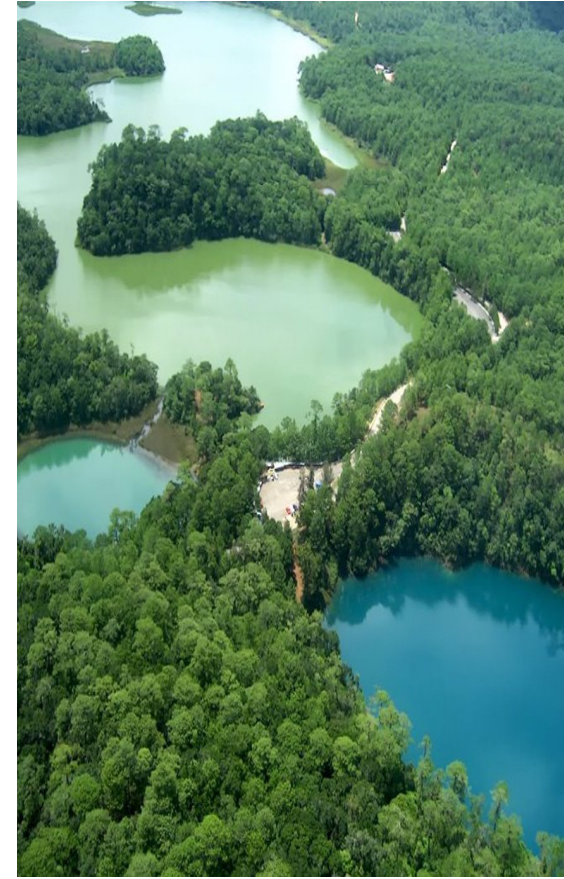
**FERTILE
LAND**



**CLEAN
ENERGY**



**FOREST
WEALTH**



**NO NATURAL
DISASTERS**

...and significant production capacity, which allows it to collaborate in the global fight against food insecurity.



Renewable energy



Stevia



Yerba mate



Barge fleet



Soybean



Soybean oil



Cassava starch



Soybean



Corn

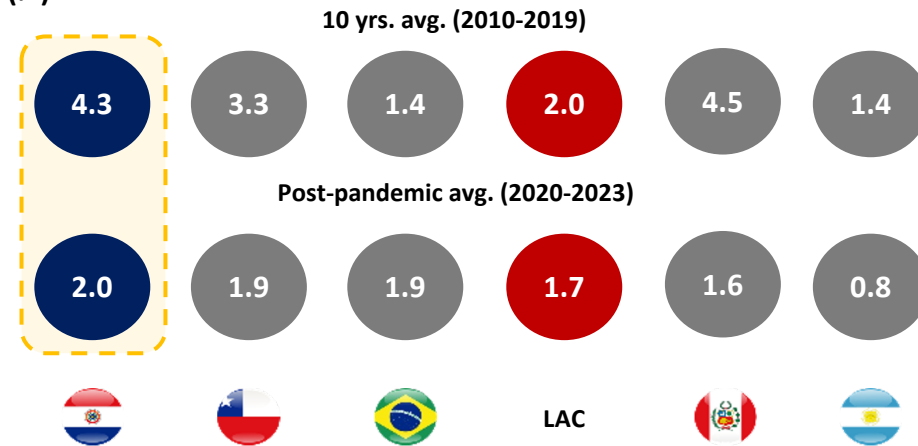


Meat

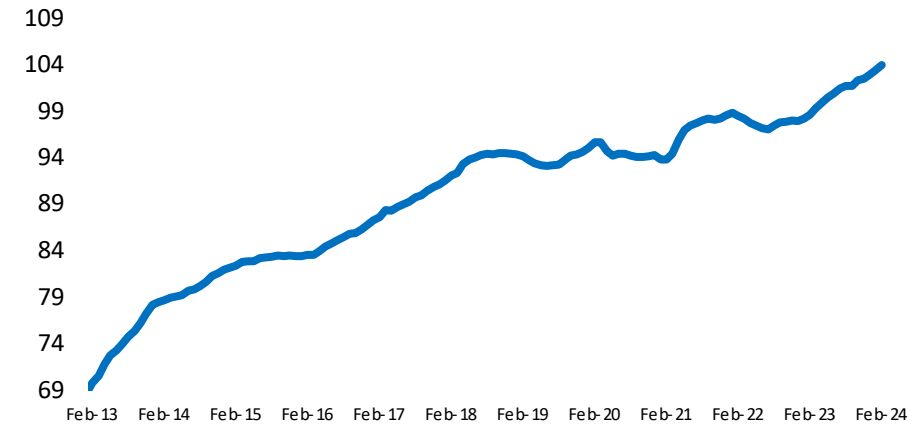
Source: Ministry of industry and Commerce.

Despite recent challenges, Paraguay demonstrates strong economic resilience.

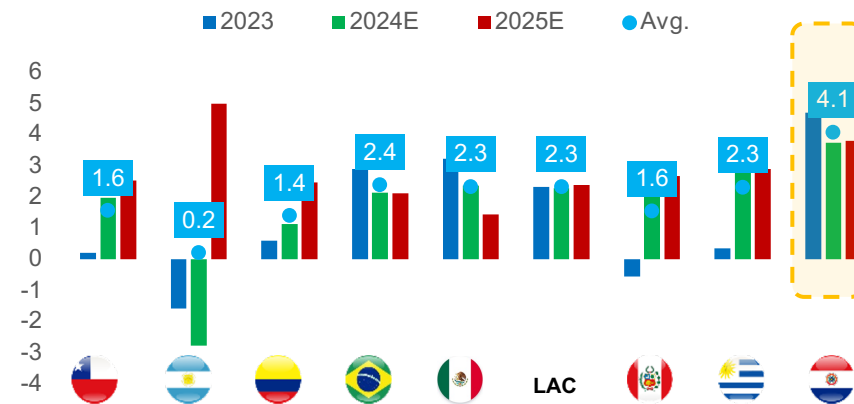
Real GDP growth (%)



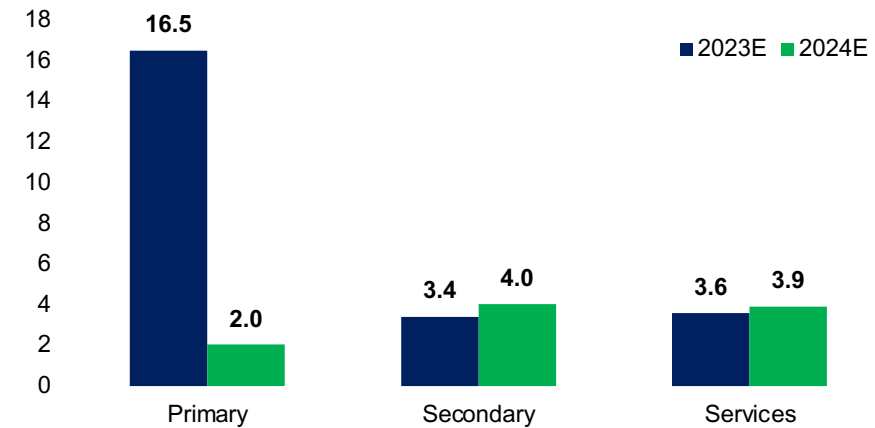
Economic activity indicator (12-month SA MA, Index Feb-20=100)



Real GDP growth¹ (YoY, %)



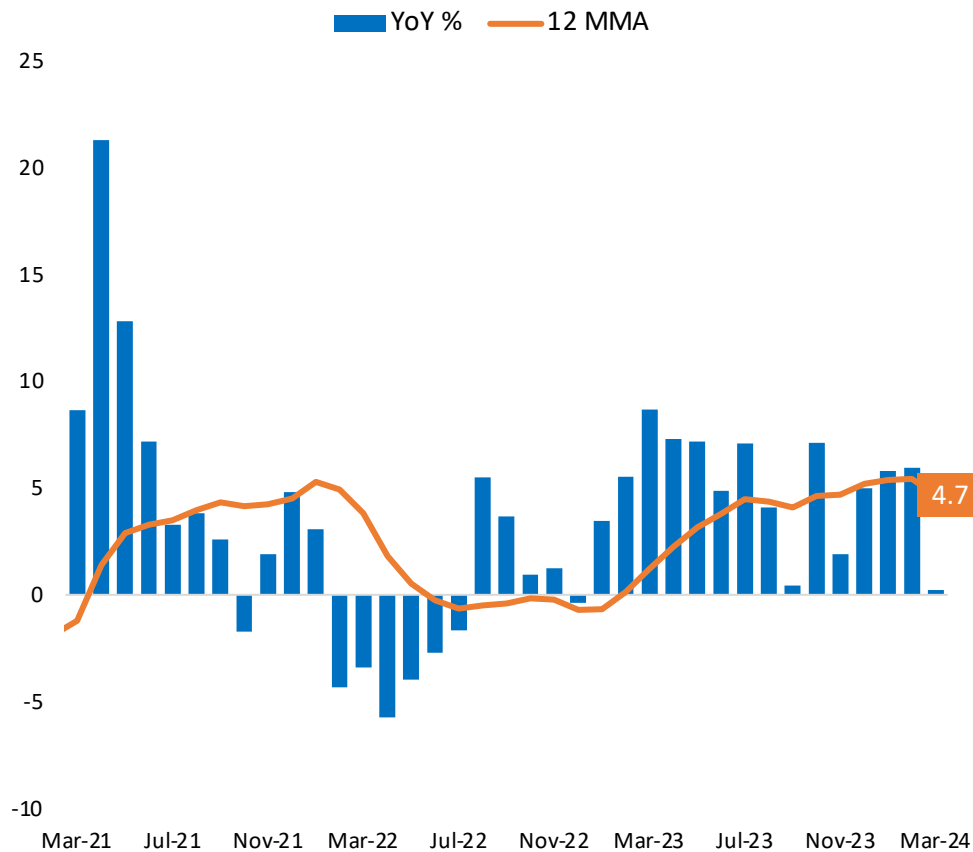
Key sectors contributing to economic growth (YoY, %)



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.

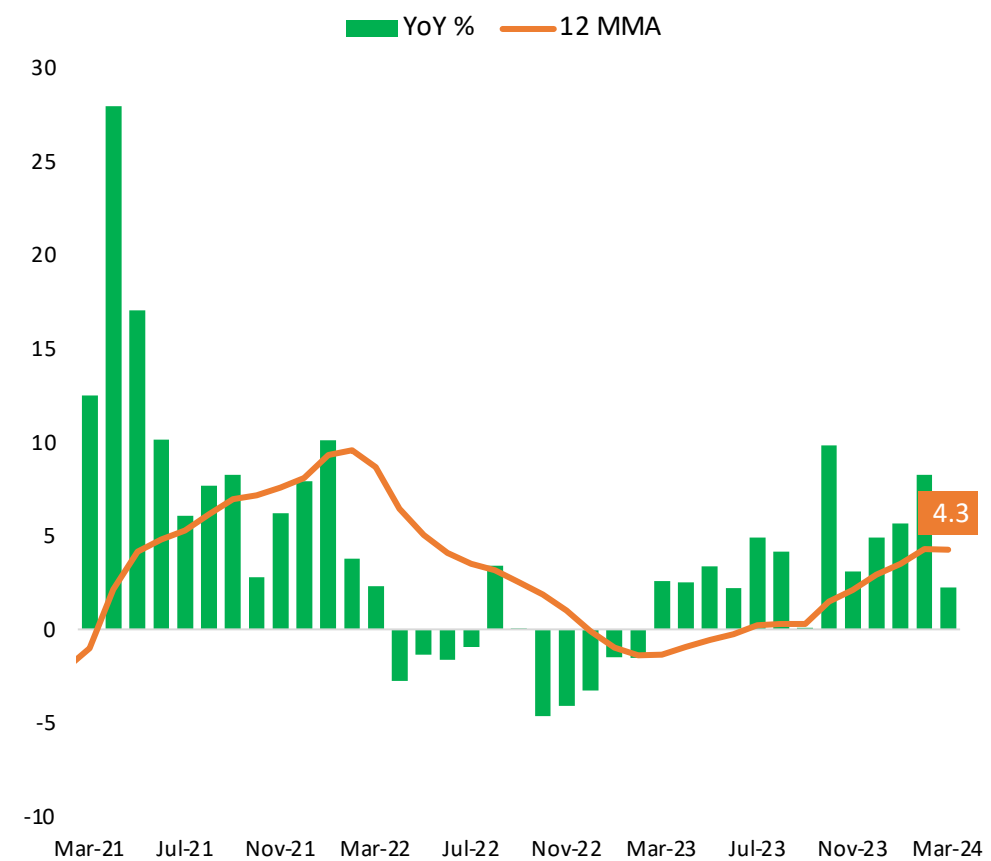
High frequency economic activity indicators signal robust dynamics...

Economic activity indicator (12-month SA MA, %)



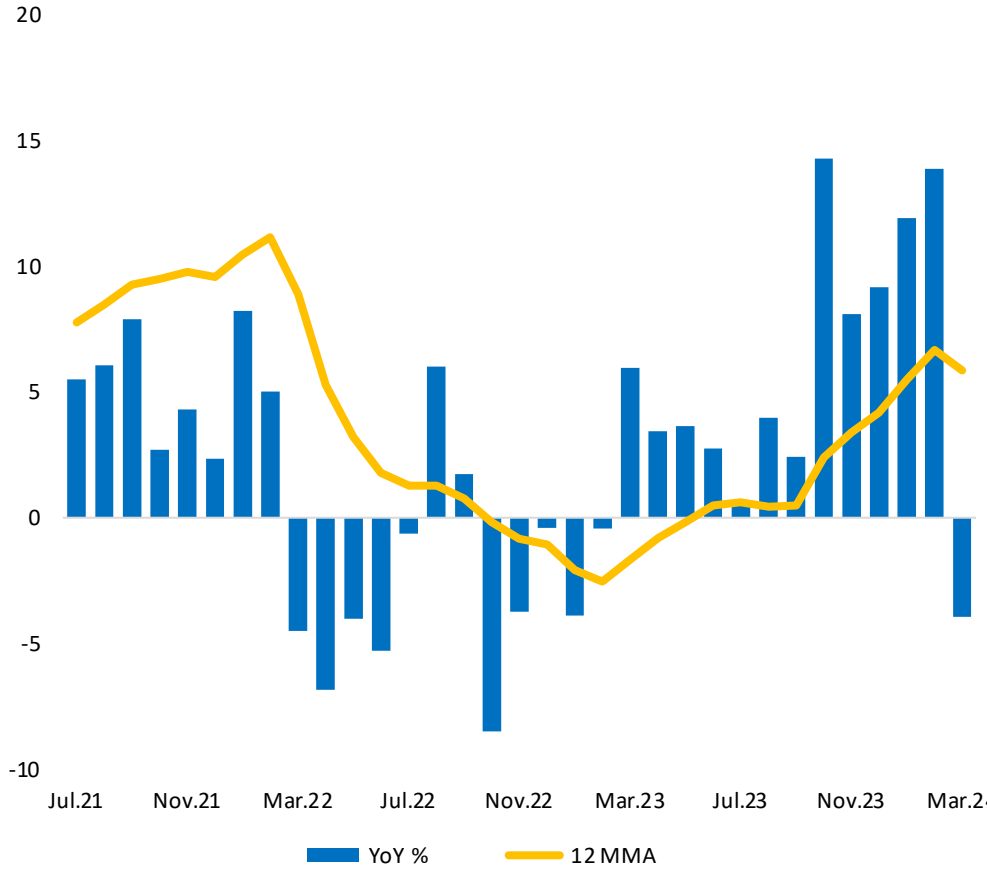
Source: Central Bank of Paraguay

Economic activity indicator w/o Agr. and Bin. (12-month SA MA, %)

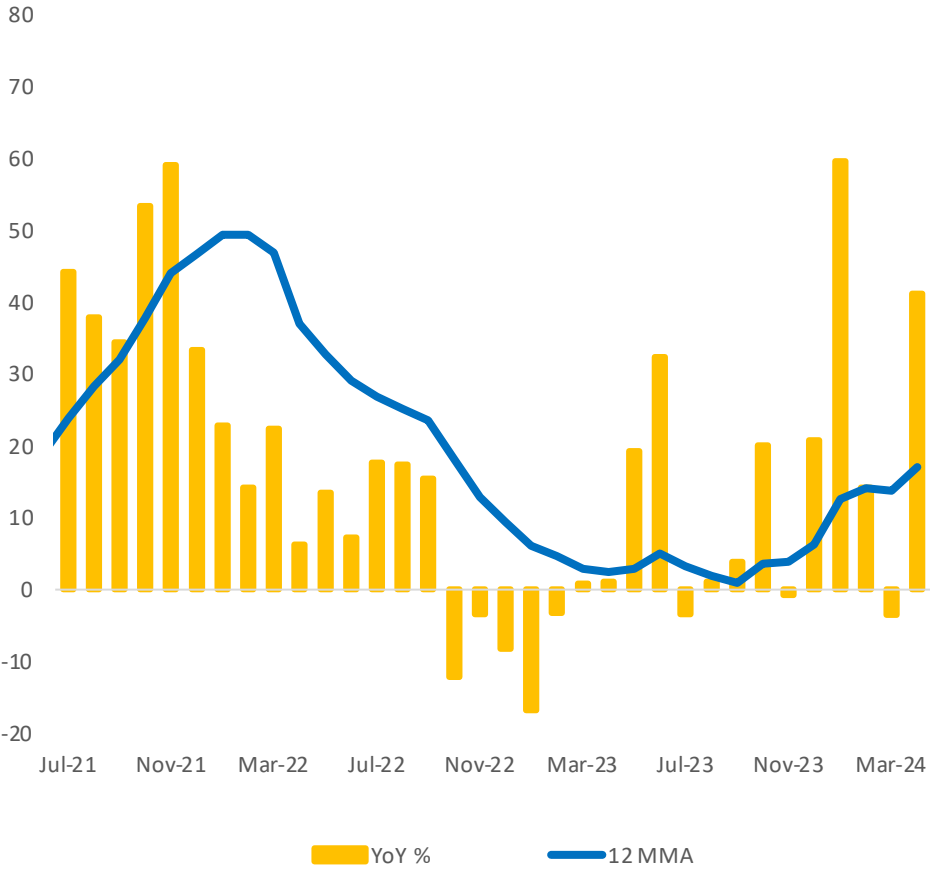


...including a strong performance of consumption and investment.

Monthly sales indicator (12 MMA, %)



Capital goods imports for domestic consumption (12 MMA, %)



Source: Central Bank of Paraguay



The country has a legal framework that encourages private investment...

| Laws and Tax Benefits | |
|-----------------------|--|
| Decree 11.771/00 | Special Tariff Regime for the Import of Raw Materials and Inputs |
| Law 2422/04 | Special Customs Regimes |
| Law 4427/12 | Incentives for the Production, Development, and Assembly of High-Tech Products |
| Law 4903/13 | Industrial Parks |
| Law 5102/13 | Public-Private Partnership Law |
| Law 5542/15 | Investment Guarantees |

Regulation of Non-conventional renewable energies Law 6977/2023

- The regulation of Law 6977/2023, approved in February 2024, aims to maintain and expand Paraguay's 100% clean and renewable electricity matrix by promoting non-hydraulic renewable energy sources.
- This initiative seeks to preserve Paraguay's status as a leading producer and net exporter of clean energy in LATAM.



New regulation of PPP Law 5102/13

- The updated regulations of Law 5102/13, approved in April 2024, modernize the framework to promote public infrastructure investments.
- Key changes include enhancing the evaluation system, reducing processing times, and aligning procedures with international standards.

Source: Ministry of Economy and Finance.



...complemented by initiatives to foster new business development...



Maquila Regime:
Approval of Capital Goods Increase



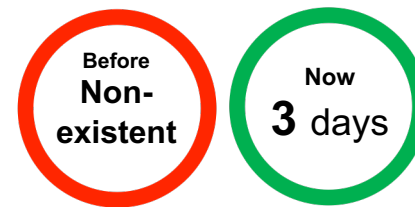
Maquila Regime:
Additions or Modifications



Maquila Regime:
Import Clearance



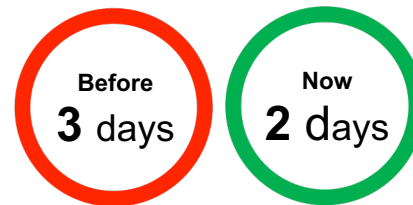
60/90 Law:
Approval



SJSC (Simplified Joint Stock Company) Law:
Simplify the opening of new businesses



USOCC (Unified System for Opening and Closing Companies):
Process optimization to facilitate and simplify the opening of new businesses



SEW (Single Exporter Window):
Time to obtain documentation for export procedures



SEW (Single Exporter Window):
Export Registration Authorization

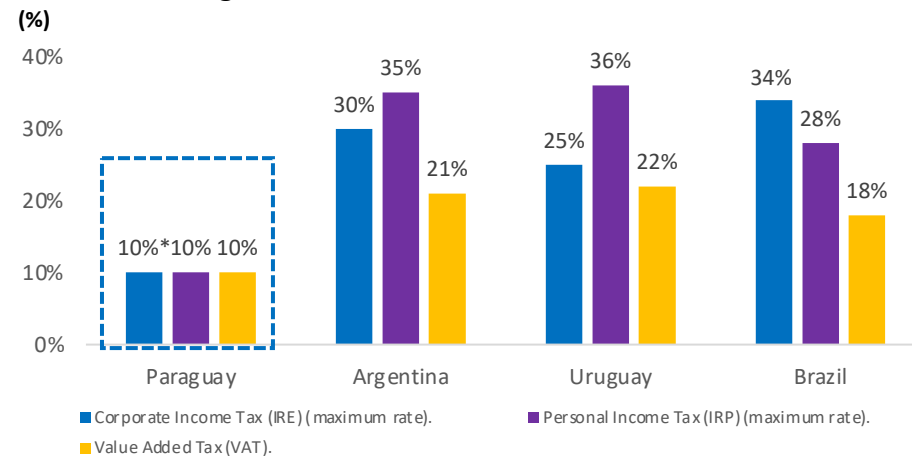
SJSC Law impact in the last three years

+10K
New companies

+USD 500 M
Social capital

...with low tax burden for investment.

Taxes in the Region

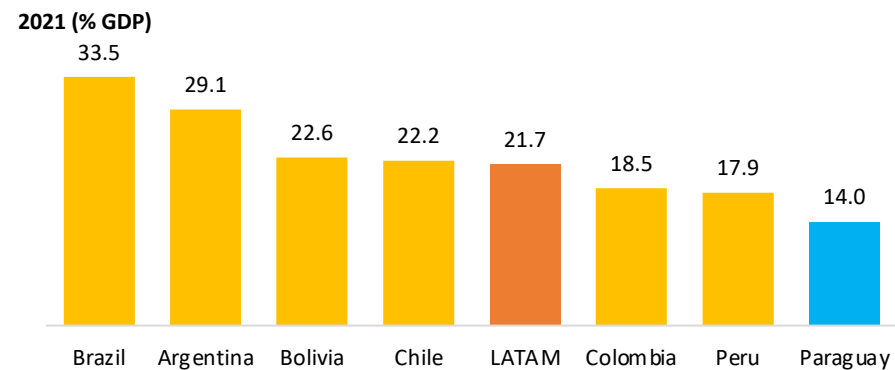


Source: REDIEX, DNIT

(*) In the case of dividend payments, an 8% tax is applied on net profit. If the dividends are remitted abroad, a 15% tax is applied on the remaining profit..



Tax burden



Exemption or temporary suspension of import duties on machinery and equipment.

Exemption or temporary suspension of Value Added Tax (VAT) payment on the import of capital goods.

Exemption from all national taxes, replacing them with a single tax in the cases of the Free Trade Zone Law and the Maquila Law.

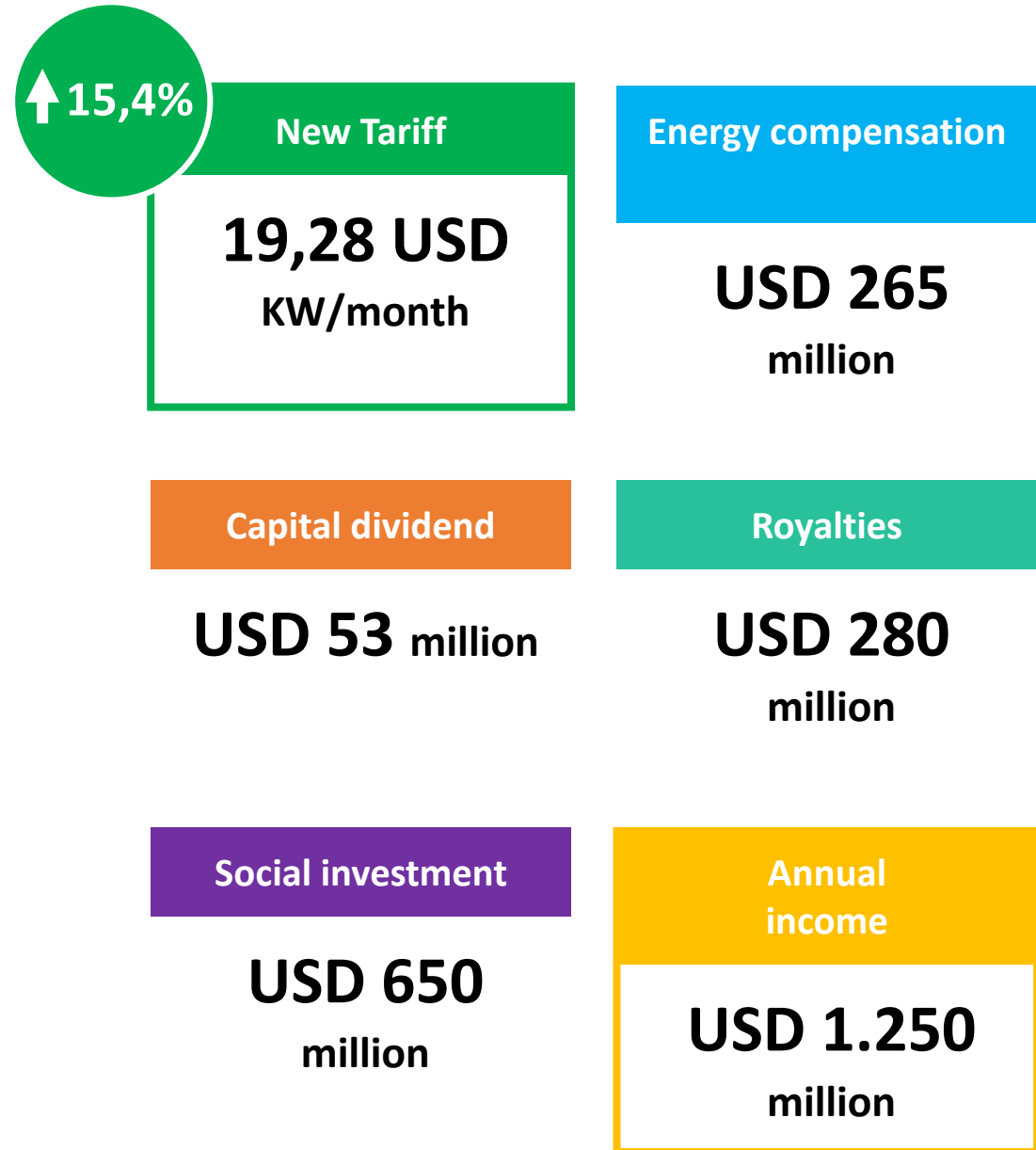
More favorable Mercosur rules of origin in relation to the percentages of non-zone materials usage.

Exemption from taxes and other levies on remittances and payments abroad (dividends), for investments equal to or greater than USD 5,000,000 (five million dollars)

Itaipú: a new source of financing for critical investment.

“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...”

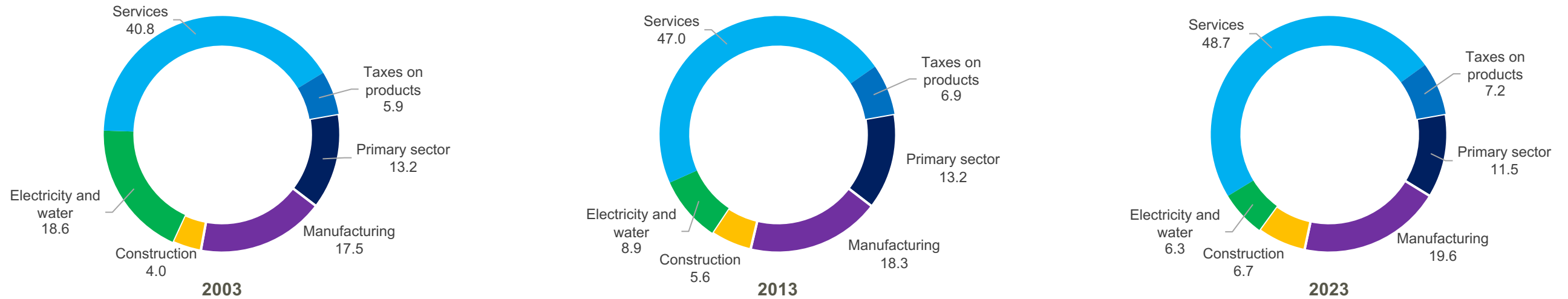
 Santiago Peña



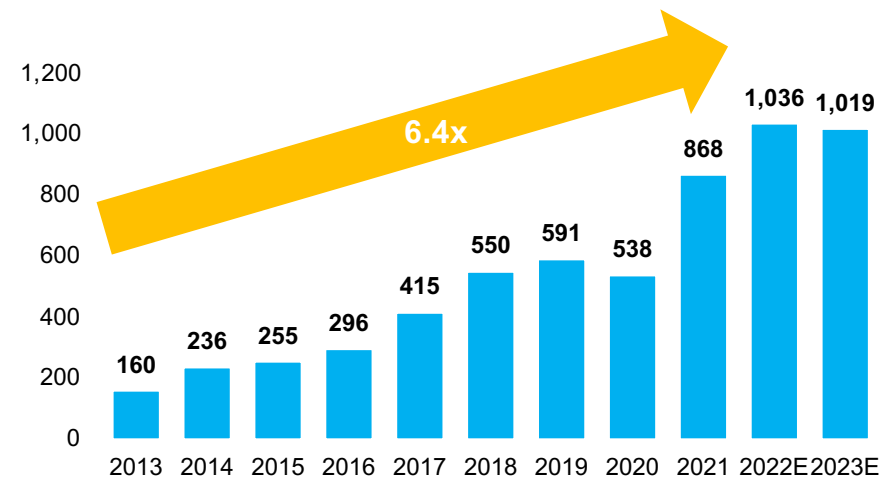
Goal 3: Diversifying the economy

An ongoing process of economic diversification.

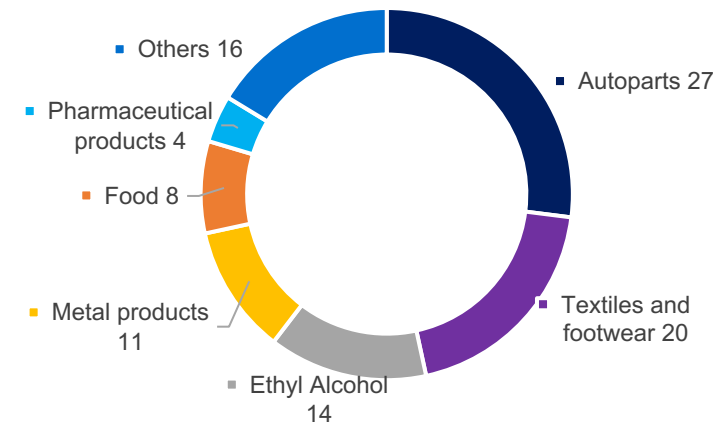
GDP by economic sector (% of total)



Maquila exports (million USD)

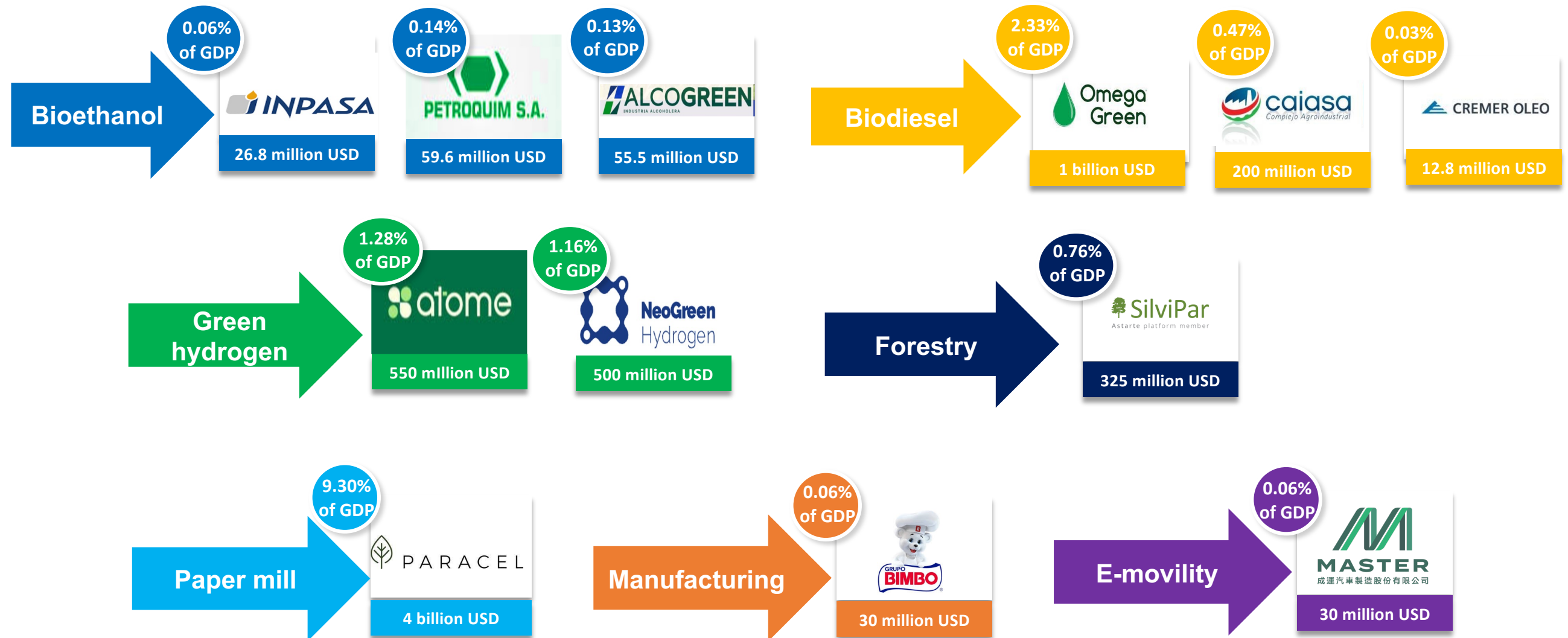


Maquila exports by products in 2023 (% of total)



Source: Central Bank of Paraguay.

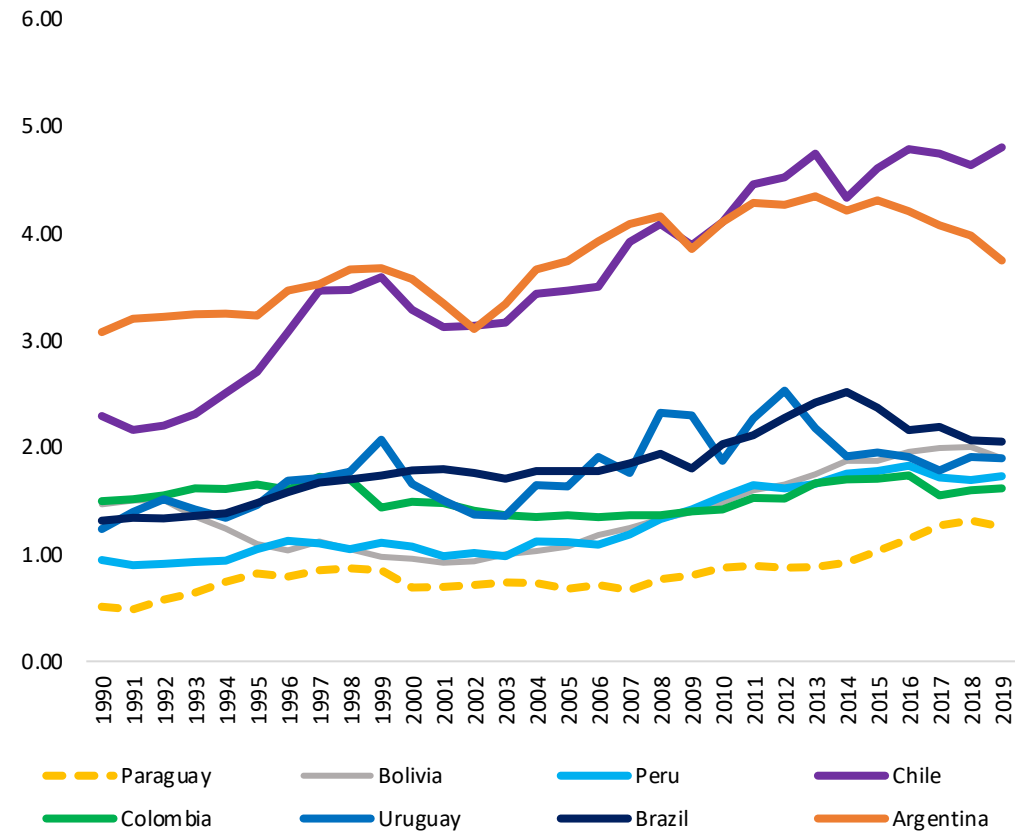
Our comparative advantage is attracting investment in new sectors.



Sources: Ministry of Economic and Finance of Paraguay, Central Bank of Paraguay. Obs: GDP in million USD, 2024

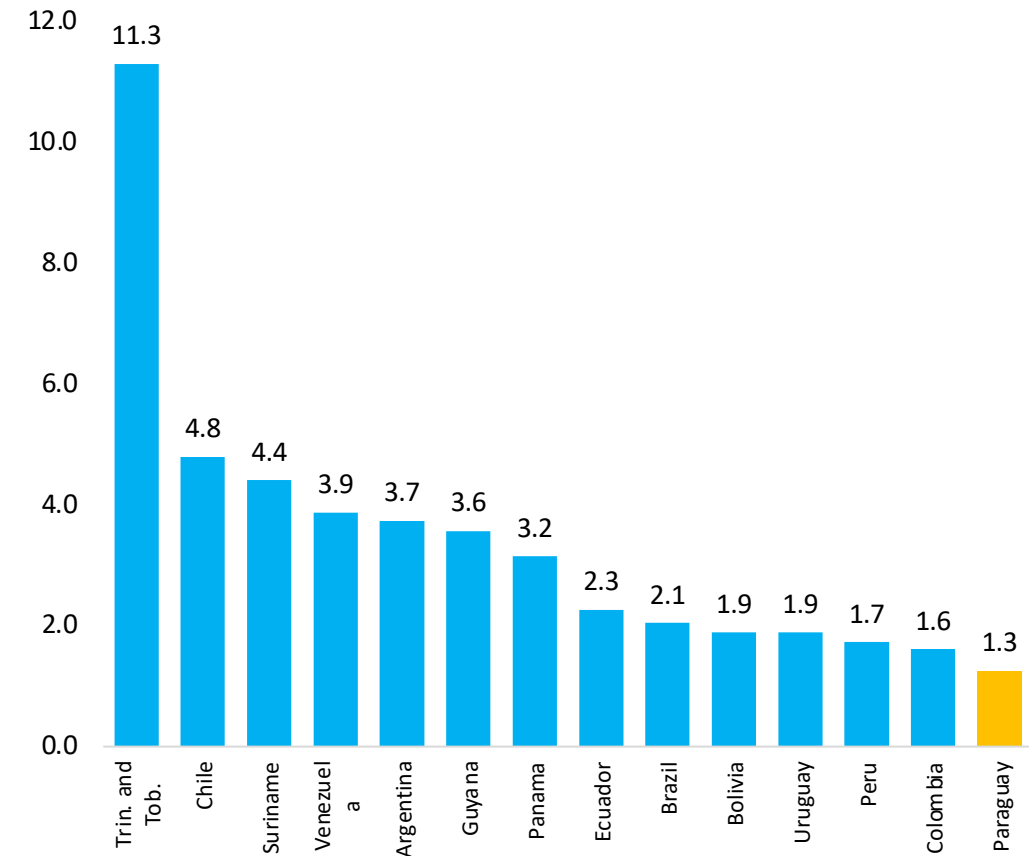
A Plus: a green and renewable energy matrix.

CO₂ emissions per capita (LAC)



Source: World Bank

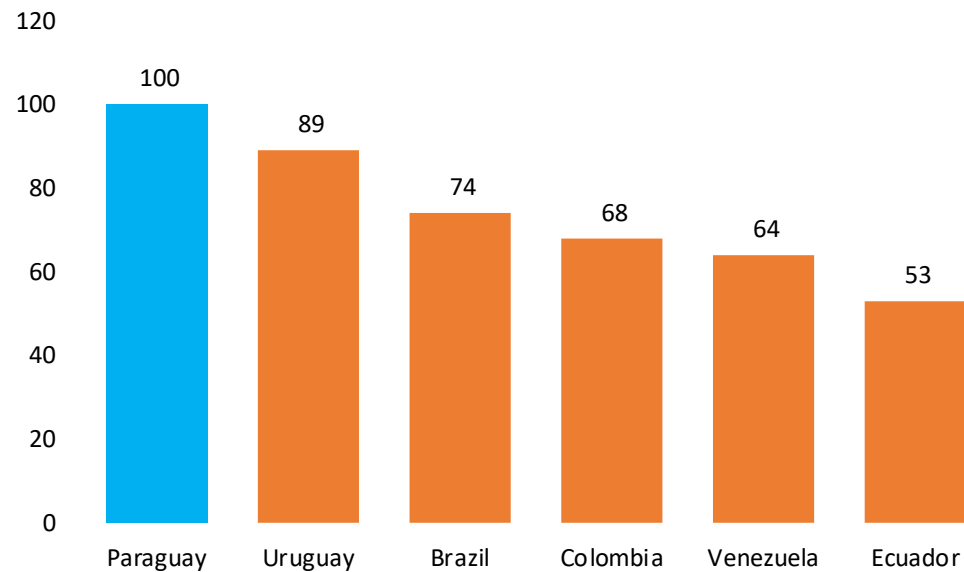
CO₂ emissions per capita (LAC 2019)



Itaipú: a new source of growth and development.

1° Renewable energy producer

Electricity generation from renewable sources (% 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

At least 87 million tons of CO₂ emissions are avoided.

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

Sources: World Bank, Itaipú, FDI Intelligence

Ongoing efforts to reach new markets and introduce non-traditional products.



United Kingdom
Biodiesel and blends
Blood products and vaccines



United States
Metal working machines



Dominican Republic
Rice



Puerto Rico
Frozen beef



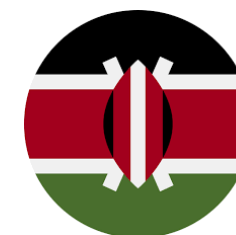
Malaysia
Ethanol



Uruguay
Floating artifacts



Switzerland
Unprocessed cotton



Kenya
Food and beverage machines

Source: Central Bank of Paraguay

Goal 4: Projection of Paraguay in the world

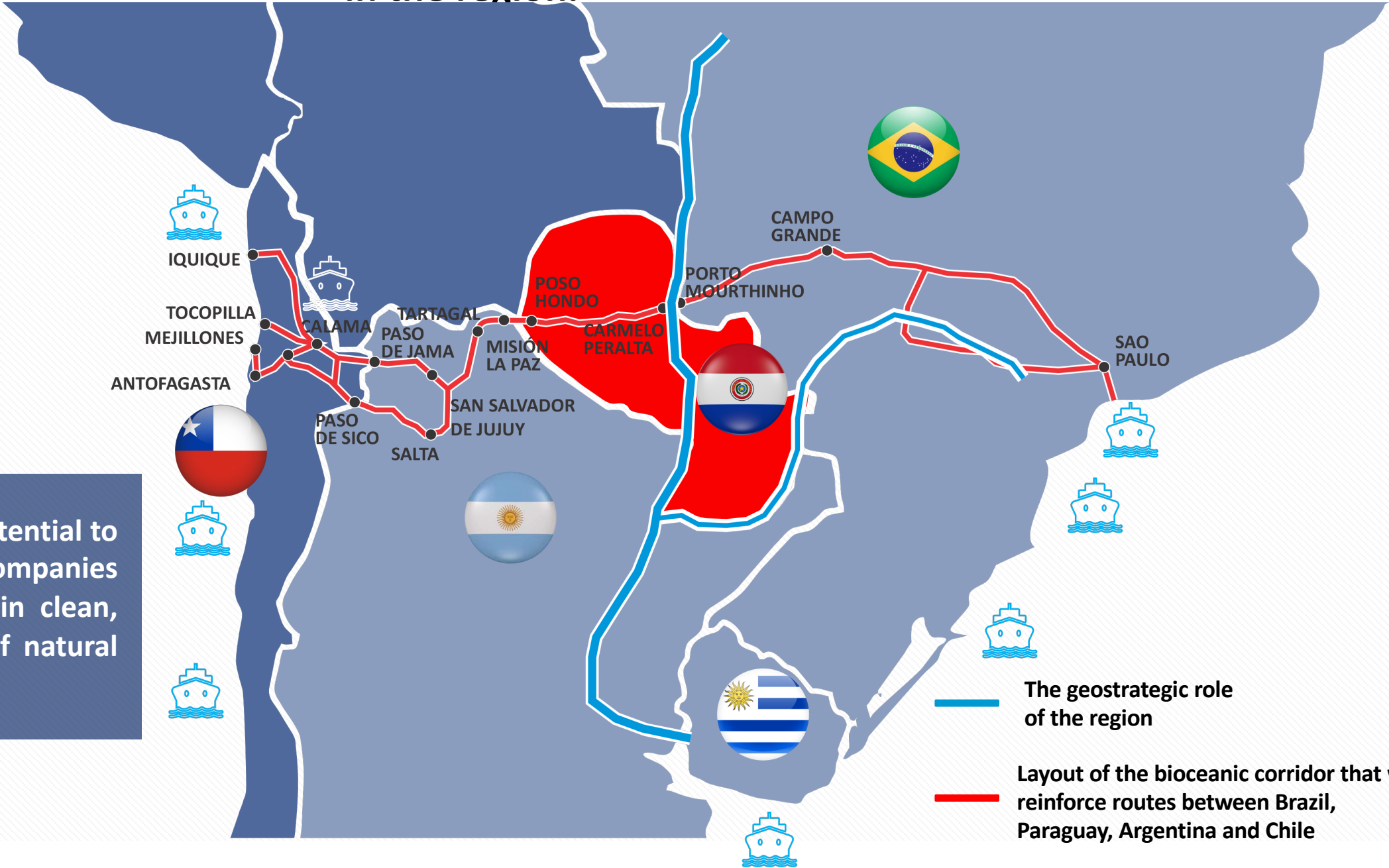
**BEFORE: Paraguay is at the heart of South America...
but far from main destinations.**



**NOW: the region's main urban centers are easily accessible,
and this reduces logistics costs.**



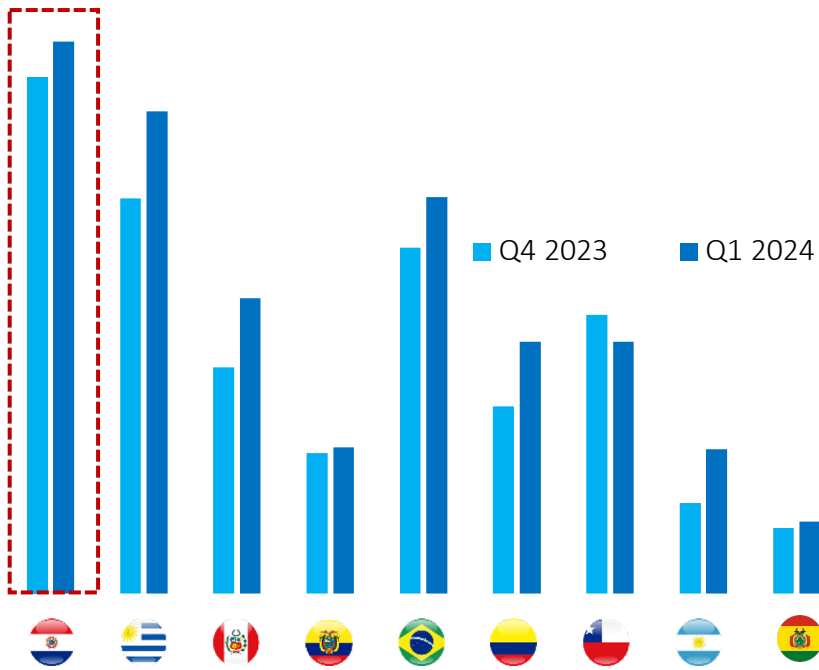
Clearly, Paraguay has a geostrategic position in the region.



Jeffrey Sachs: Paraguay has the potential to become a “digital hub”. Big tech companies are looking for places to invest in clean, reliable energy with no history of natural disasters.

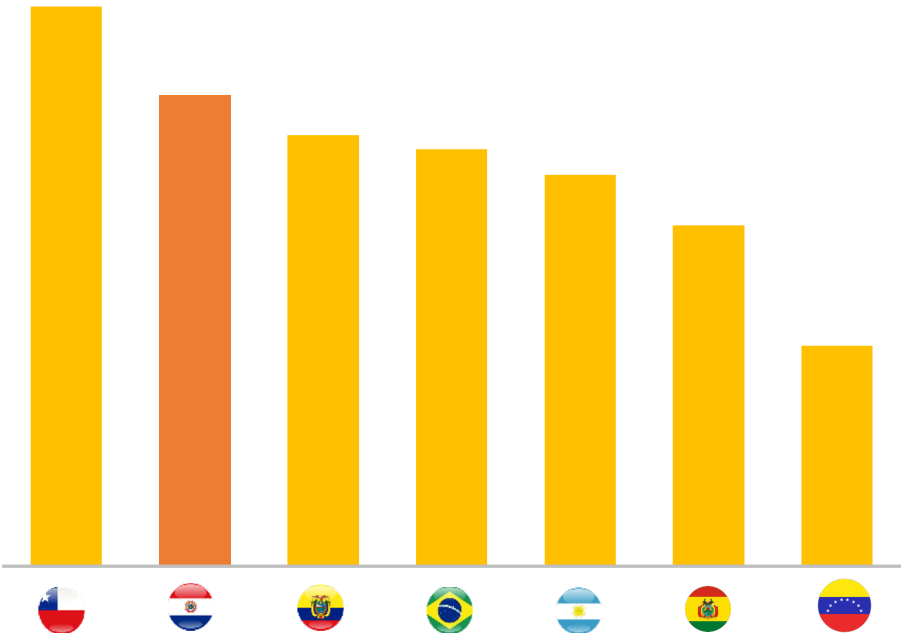
According to the FGV, Paraguay ranks among the best countries in the region for doing business.

Business Confidence Index.



Source: Getulio Vargas Foundation (FGV).

Economic Freedom Ranking. (2024)



Source: The Heritage Foundation (www.heritage.org)

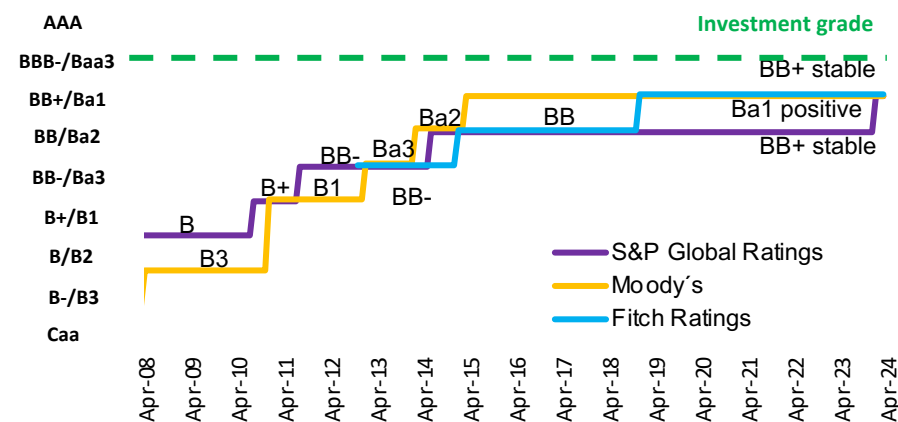
Furthermore, the country has a positive international perception.

Paraguay is the only country in the region with an improvement in its credit rating outlook...

Comparative between December 2022 and April 2024

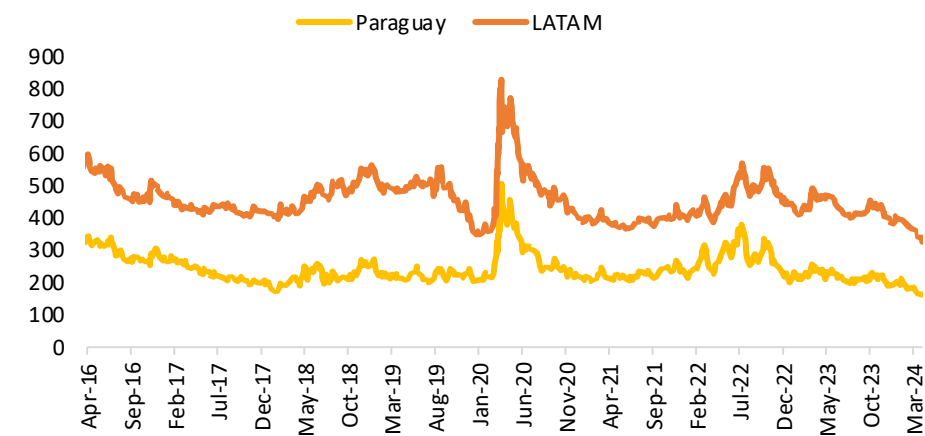
| | S&P | | Moody's | | Fitch | |
|-----------|--------------|-----------------|---------------|-------------------|-------------|----------------------|
| Paraguay | BB+ \wedge | Stable = | Ba1 = | Positive = | BB+ = | Stable = |
| Uruguay | BBB+ = | Stable = | Baa1 \wedge | Stable = | BBB = | Stable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

... and is showing a strong upward trend in its rating.



Source: Bloomberg

Sovereign risk premium



Source: Bloomberg

The government is working closely with multilateral agencies.

IDB

IDB Climate

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

2026 Annual Meetings

- ❖ Forum for discussion among the institution's Governors.
- ❖ Strategic partnership for development.

IMF

RSF

- ❖ Maximum access (150% of the country's quota).
- ❖ Favorable long-term financial conditions.
- ❖ Reforms to strengthen economic resilience and sustainability.

PCI

- ❖ Help countries demonstrate commitment to a reform agenda.

OECD

Country Programme

- ❖ Draw on OECD expertise and best practices.
- ❖ Strengthen institutions.
- ❖ Build capacity for successful policy reforms.

Sources: Ministry of Economy and Finance, IMF, IDB, OECD.



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**Ministry of Economy and Finance
May 2024**

