

MACROECONOMIC OUTLOOK OF PARAGUAY 2024

January

February

March

April

May

June

July

August

September

October

November

December

MINISTRY OF ECONOMY AND FINANCE

Vice-ministry of Economy and Planning
General Directorate of Debt Policy
Investor Relations Office.



PARAGUÁI
**TEMBIGUEREKOITA
HA VIRUÑANGAREKO**
MOTENONDEHA





January

Macroeconomic Outlook of Paraguay

World Economic Scenario.

According to the report on World Economic Perspectives of the World Bank, a 2.4% growth has been estimated by 2.4%, being this the third consecutive year of deceleration. “Projections show that monetary policies, restrictive credit conditions, the low trade level and the world investments have an impact on growth”. Among the main risks, we may emphasize: the recent conflict in the Middle East, financial strains, inflation persistence, world trade fragmentation and disasters related to the weather.

Regional Economic Scenario.

A 1.2% growth is foreseen for advanced economies in 2024, in line with the USA growth. A slight growth increase is foreseen for the Eurozone as the lower inflation fosters real salaries.

Growth in Emerging and Developing Economies (EMEDs) is expected to reach 3.9% between 2024 and 2025. For China, a growth deceleration is estimated. Excluding China, EMEDs growth is projected by 3.5% this year and a 3.8% increase in 2025. This reflects a trade recovery and an improvement of the domestic demand in various sizeable economies, as inflation keeps on decelerating.

Table 1: World Growth, annual variation

	2022	2023e	2024f
World	3.0	2.6	2.4
Advanced Economies	2.5	1.5	1.2
United States	1.9	2.5	1.6
Eurozone	3.4	0.4	0.7
(MEED)	3.7	4	3.9
China	3	5.2	4.5
Latin America and the Caribbean (ALC)	3.9	2.2	2.3
Brazil	2.9	3.1	1.5
Argentina	5	-2.5	2.7

Source: World Bank.



World Economic Outlook

ALC Economic Overview.

Latin America and the Caribbean have experienced a significant economic deceleration, having a 2.2% growth in 2023. This deceleration has taken place within a high inflation context, as well as restrictive monetary conditions, a world trade weakness and adverse weather phenomena. The region economy overview foresees a 2.3% growth for 2024.



Latin American and Caribbean highlights -- Spanish



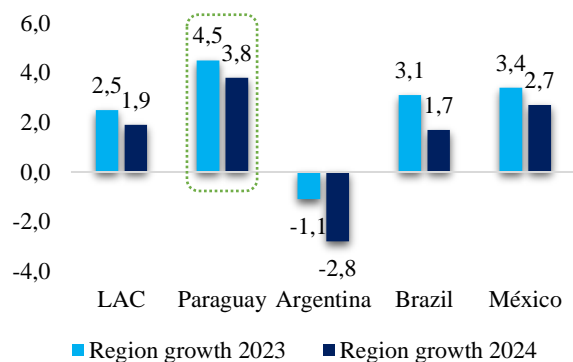
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Macroeconomic Overview in Paraguay.

The growth overview for the domestic economy has been placed among the most positive of the region for 2024.

According to projections of the Central Bank of Paraguay (BCP), the growth expectation of Paraguay is 3.8% for 2024, due to the expansion of the three economic sectors. This keeps on being one of the most positive expectations among the region countries.

Chart 1: Growth in the region, percentage variation. 2023-2024.



Source: SITUFIN - Ministry of Economy and Finance

Concerning the **primary sector**, a 4.2% perspective is foreseen, especially explained by the positive expectations as to the weather, which would favor the agricultural production. On the other hand, a 1.6% growth is expected for livestock, in line with improvement projections in this sector, after the United States' market opening, as well as the recent uncertainty reduction as to the overseas demand.

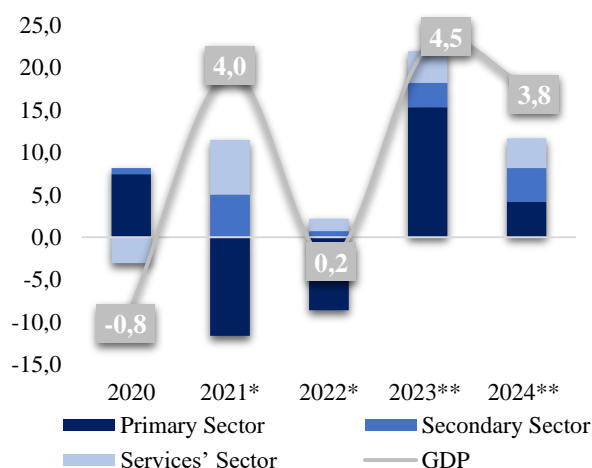
Concerning the **secondary sector**, a 4.7% construction recovery is expected, mainly fostered by the private sector. The positive expected performance in construction and the

primary sector, would also contribute in the manufacturing industry with an expected growth of 3.6%. Likewise, good expectations concerning the weather with the Niño phenomenon in the hydrological flow of the Parana River, foresee a good performance as to energy production.

For the **tertiary sector or services**, a 3.5% growth is expected, mainly explained by the positive dynamics of trade.

Concerning the expense, a domestic demand increase is projected, and supported by the private consumption growth of 3.6% and a 5.0% increase of gross fixed capital formation; on the other hand, exports and imports have increased by 3.0% and 2.8% respectively.

Chart 2: Growth by economic sectors. 2020-2024.



Source: Statistic Schedule of the Central Bank of Paraguay.



Central Bank of Paraguay



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Public Debt

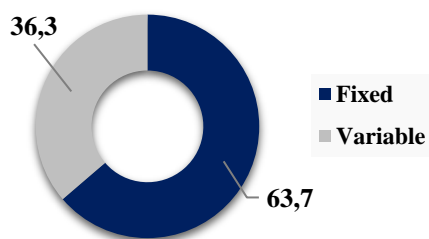
Debt levels and structures of the Total Public Sector.

The Law 1535/2000 on the “Financial Administration of the State”, in its Article N° 42, establishes that the public debt shall be classified in internal and external, direct and indirect. The direct public debt of the Central Administration is the one assumed as the main debtor; on the other hand, the indirect debt of the Central Administration is the one established by any natural or legal, public or private person, different from itself, but that has its corresponding guarantee or security, duly authorized by the law (state-owned companies, second-tier banks, etc.)

As of January, a debt level of the Total Public Sector has been registered by 36.4% of the GDP, which is considered sustainable for the country’s public finances and is one of the lowest debt levels in the region.

According to the **debt classification of the total public sector debt, per kind of rate as of January, 2024**, it has been observed that 63.7% is at a fixed rate and 36.3% at a variable rate.

Figure 1: Total Public Debt Balance per rate of interest.

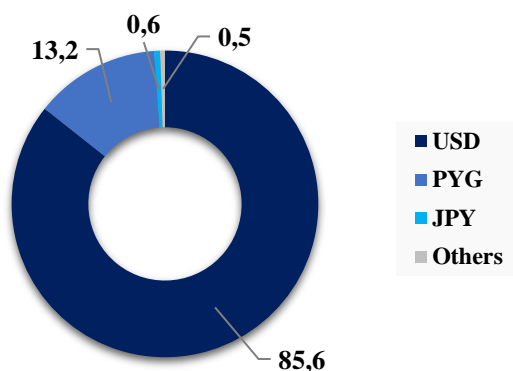


Source: Vice-ministry of Economy and Planning.

On the other hand, the public debt structure per currency as of January, keeps a greater proportion in USD (85.6%) together with PYG (13.2%), JPY (0.6%) and other currencies in (0.5%).

It is worth pointing out that, the greatest debt proportion in Dollars does not represent a risk for the country, because Paraguay perceives income in Dollars as annual royalties for usage of the hydraulic potential of the Parana River for the electric energy production, coming from the binational entities (Itaipu and Yacyreta).

Figure 2: Total Public Debt Balance per currency in percentage.



Source: Vice-ministry of Economy and Planning.



According to the Debt Maturity average.

Due to placements in international markets in longer terms than those of the domestic markets, the average deadline of the Central Administration (ATM) has been increased from 10.9 years (2017) to 11.37 years (2022). This allows a greater public debt maneuverability.

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Table 2: Debt Average Maturity (Years*).

Central Administration			
Years	External Debt	Domestic Debt	Total Debt
2017	11,5	2,4	10,9
2018	12,7	3,4	12
2019	13,3	3,4	12,6
2020	14,9	4,8	14,3
2021	12,6	7,6	12,3
2022	11,58	7,12	11,37

* Does not include perpetual debt with the BCP

Source: Vice-ministry of Economy and Planning



Strategic Guidelines

Fiscal policy

Financial Situation as of January 2024

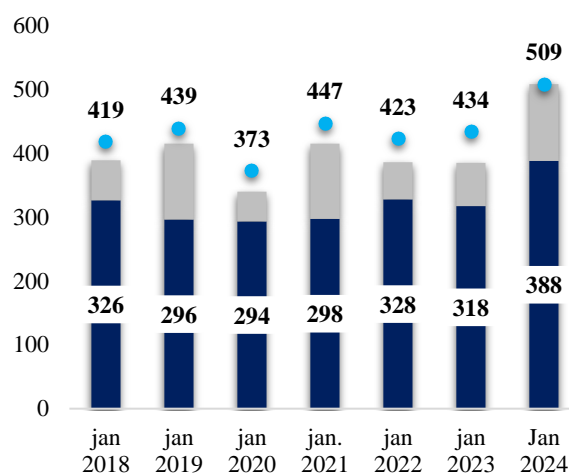
The annualized deficit was 3.46% of the GDP, showing a relative improvement concerning the closing of the fiscal year of 2023, having a deficit of 4.13%, as a consequence of a lower dynamics in the execution of expenses and in the investment registered as of the first month of 2024.

Income

As of 2024, total income registered an increase of 20.3%.

Total income as of the first year of the year, have reached USD 509 million, mainly explained by the good dynamics of tax revenues, being the tax collection emphasized by domestic and foreign taxes, represented by an 18.6% participation within the total income variation.

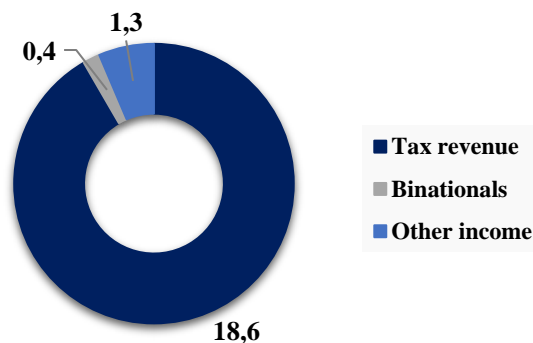
Chart 3: Income accrued as of January 2024, in million Dollars



■ Tax Revenue ■ Non-tax Revenues ● Total Income

Source: SITUFIN – Ministry of Economy and Finance

Chart 3: Income components in percentage.



Source: SITUFIN– Ministry of Economy and Finance.

Public Expenditure

The total expense presented a 9.6% reduction as of the first month of the year.

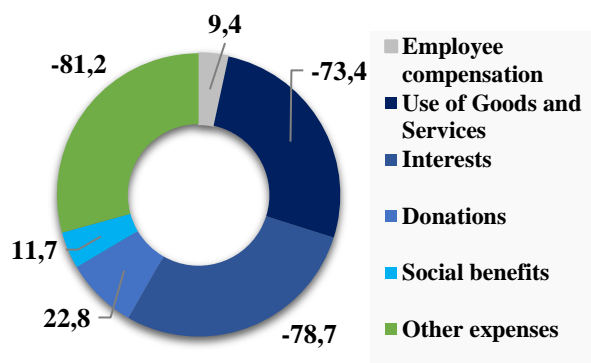
As of January 2024, the total expense presented an inter-annual variation downwards of 9.6% due to a reduction as Payment of Interests and Use of Goods and Services.



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Chart 4: Variation Arrangement of accrued expenses in percentage.



Source: SITUFIN– Ministry of Economy and Finance.

Public investment

National System of Public Investment SNIP.

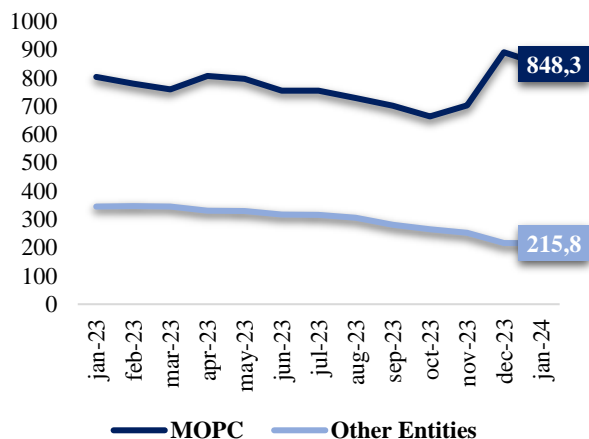
Is the set of standards and instruments aimed at arranging the Public Investment process in order to optimize the use of resources in financing more profitable investment projects from a socio-economic point of view. (PGN 2024)

Investment as of January, 2024.

Concerning the public investment as of the first month of the year, a level has been presented that is kept in line with the fiscal convergence path.

This consists of: USD 848.3 million, representing 1.87% of the GDP corresponding to the Ministry of Public Works and Communications; and; by USD 215.8 million, corresponding to other entities, equivalent to 0.47% of the GDP.

Chart 5: Accrued Investment, in million Dollars

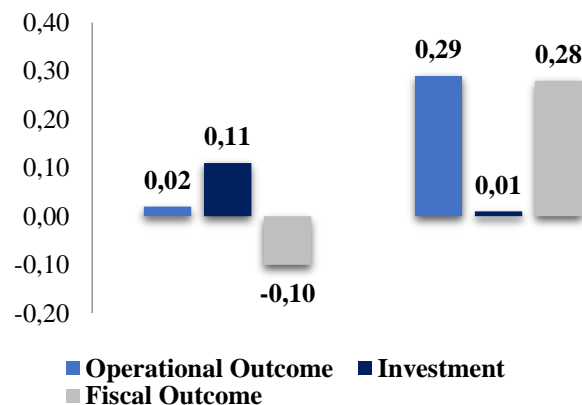


Source: SITUFIN – Ministry of Economy and Finance.

Fiscal indicators in GDP percentage, January 2024.

January has closed with an accrued fiscal outcome of USD 128.8 million representing 0.28% of the GDP. Likewise, it registered a positive operational outcome of USD 133.8 million that is equivalent to 0.29% of the GDP.

Chart 6: Fiscal Indicators in GDP percentage



Source: SITUFIN - Ministry of Economy and Finance.



Monetary Policy

The Central Bank of Paraguay leads the monetary policy under an inflation goal scheme. Since 2011, officially under this goal scheme, the main goal of the Monetary Policy according to the Law N° 6104 that modifies and widens the Organic Law N° 489/95 of the Central Bank of Paraguay (BCP), is to preserve and safeguard the value stability of the currency providing a face foreseeability framework for the Paraguayan economy, on which the economic agents may be based to make decisions concerning consumption and investment.

Inflation

International Context

Concerning the **United States** in inter-annual terms, the Consumer Price Index (CPI) presented a 3.1% increase; likewise, the monthly inflation measured by the CPI and the PPI stood at 0.3% as of January.

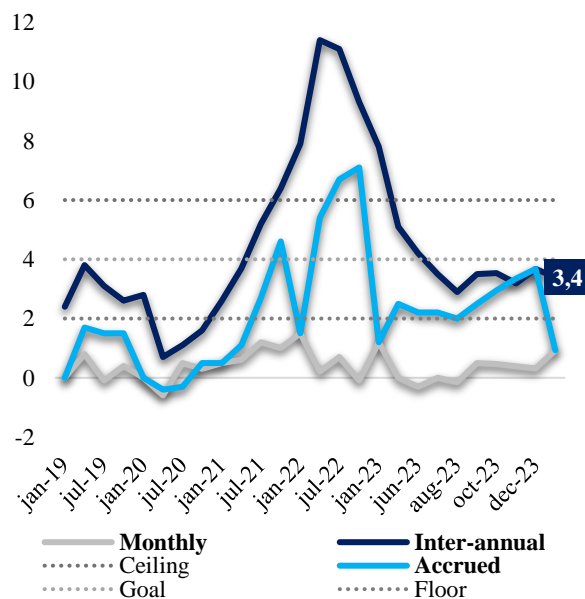
In the **Eurozone**, the inter-annual inflation has been 2.8% pursuant to what has been expected; however, lower than 2.9% of the previous month. The core inflation has also decelerated being from 3.4% to 3.3% in January.

Domestic Context

In Paraguay, the inflation goal, measured by the variation between the Consumer Price Index, is 4.0%, having a tolerance range of 2 points upwards and 2 points below the goal, which allows that the inflation fluctuate within the goal range, considering the Paraguayan economy exposure to external shocks given its features of a small and open economy.

As of January 2024, the inflation inter-annual variation has been 3.4%, whereas the accrued variation as of the first month of the year presents a 0.9% figure.

Chart 6: Inflation as of January 2024, in percentage.



Source: Central Bank of Paraguay

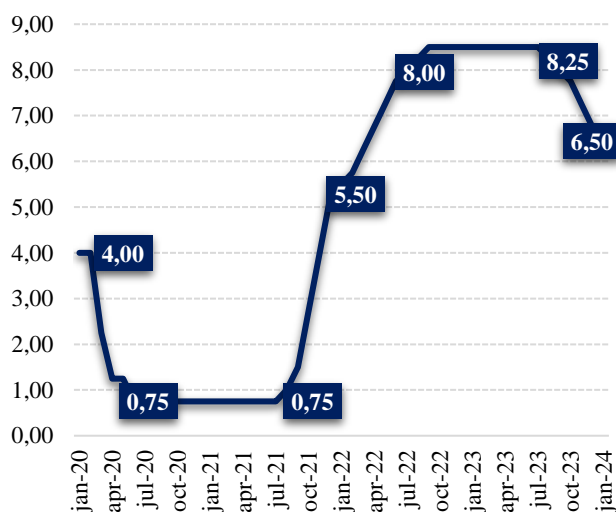
Rate of Interest of the Monetary Policy

This is a monetary policy instrument through which it is exercised influence in the liquidity and the rates of interest of the market that may affect part of the economic activity and has an impact on inflation.

Monetary Policy Rate (TPM) as of January 2024

The Monetary Policy Committee (CPM) has decided to reduce the Monetary Policy Rate (TPM) from 6.75% to 6.50%. Concerning this TPM, the Committee points out that, according to the last decisions, it is close to the neutral range.

Chart 7: Monetary Policy Rate (2020-2024)



Source: Central Bank of Paraguay

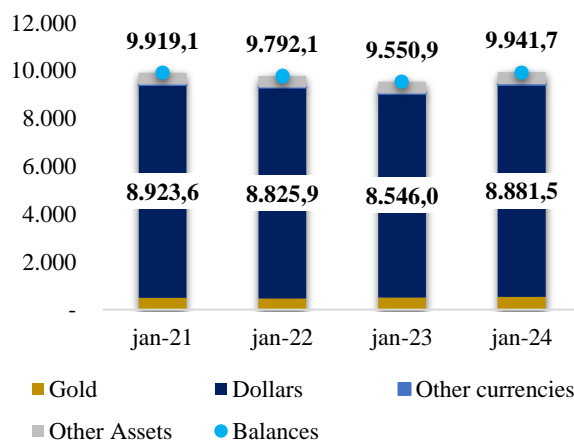


CPM's Minutes of Meetings

Net International Reserves

The Net International Reserves stock as of January 2024, has achieved a USD 9,941.71 million balance, consisting of USD 541.06 million corresponding to Gold; USD 8,881.53 million Dollars; USD 20.84 million in other currencies and USD 498.28 concerning other assets.

Chart 8: RIN composition, in USD million



Source: Central Bank of Paraguay.

Balance of Trade

In January 2024, foreign trade figures (Exports plus Imports) represented USD 2,770,239 million.

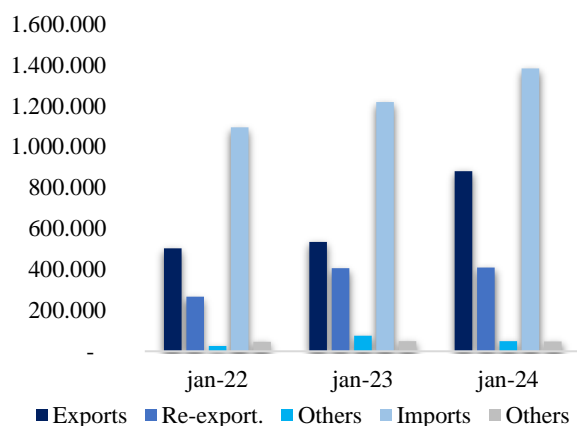
Total exports as of January 2024, were USD 1,339,073 million. On the other hand, total imports as of January 2024, have been USD 1,431,166 million; finally, the balance of trade has been USD 92,093 million, in favor of imports.



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Chart 9: Balance of Trade, in thousands of Dollars.



Source: Central Bank of Paraguay.



BCP Statistical Schedule

Credit Perspective of Paraguay

Sovereign rating history

Paraguay has managed to keep the country risk rating and the stable perspective with the credit rating agencies Fitch and Standard & Poor's (S&P), and even improving the stable perspective to positive with Moody's Investors Service (Moody's) in 2022. In view of context, it is worth pointing out that **Fitch Ratings considering its review in November 2023 increased the Country Ceiling of Paraguay to BBB- (investment grade) from BB+.**

Table 2: Sovereign Risk Ratings 2024.

Risk Rating Agency	Rate	Perspective	Last Review
S&P	BB	Stable	29-mar-2023
Moody's	Ba1	Positive	05-dec-2023
Fitch	BB+	Stable	01-nov-2023

Source: Vice-ministry of Economy and Planning.

Country Ceiling

The Country Ceiling increase implies that in Paraguay, private issuers may go to the international market and fulfill their respective obligations. This occurs because risks in exchange rate controls are mitigated with sound external liquidity, a floating exchange rate, sound policies and macroeconomic institutions and efforts to diversify the economy and attract Foreign Direct Investment.

On December 5, 2023, Moody's in its rating review report confirms Paraguay's rating at Ba1 with a positive outlook. The rating agency highlights aspects that influence the country's credit strength, among them the low burden of public debt supported by the history of compliance with goals established in the Fiscal Responsibility Law, it also highlights that Paraguay registers greater growth of the GDP in relation to its peers with the same rating, with a growing potential for economic growth and diversification of the economy.

In addition, they highlight that tax administration and the boost in revenue collection have been improved in recent years and reforms have been proposed to the pension system and the Government's commitment to public investment in order to improve the country's road infrastructure.

The rating agency mentions that the positive outlook reflects a history of solid growth and prudent fiscal policy, reflected in the low debt burden comparable to Baa-rated sovereigns. In addition, it is worth mentioning that this implies



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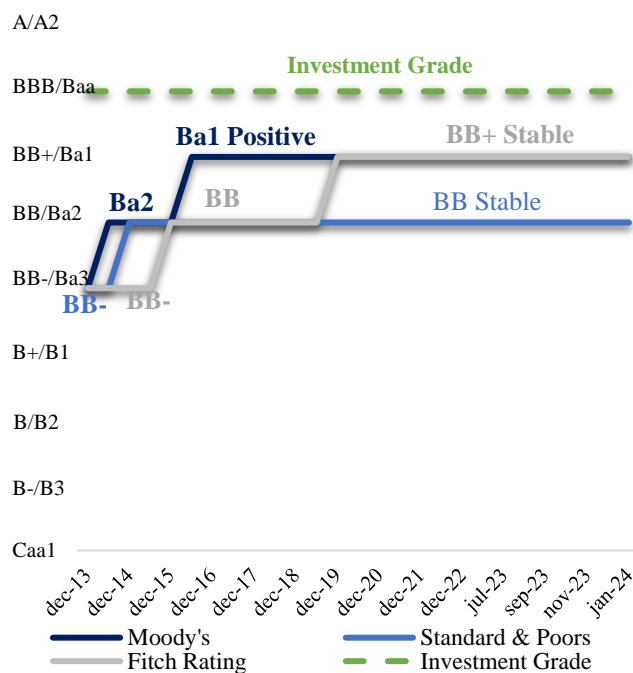
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progress towards the Investment Grade of the country's Sovereign Rating.

Likewise, in spite of the uncertainty worldwide, and in view of this context, many countries of the region have had variations in their risk ratings and perspectives respectively, being Paraguay one of the few countries which has not been affected concerning its risk rating.

Currently, Paraguay is at one step of the investment grade with Moody's and Fitch and at two steps with S&P.

Chart 7: Sovereign Risk Rating of Paraguay
Period 2013 – 2024



Source: Vice-Ministry of Economy and Planning.



Other accesses of interest



Please click on the text to address to the Web Site

Monetary Policy Reports



**National Accounts Report (Fiscal
Quarters)** 



**Statistic Schedule of the Economic
Report**



**Foreign Trade Report (Fiscal
Quarters)**



Direct Investment



Monetary Policy

ODS



Sustainable Paraguay



**Sustainable Development Objectives
(ODS))**

Ministry of Industry and Trade



MyPIMES



Maquila



Programs and Projects for S&MEs

Environmental Actions



**Legal Provisions on environmental
policies and actions**



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Schedule

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Economic Indicators / 2020 – 2024					
	2020	2021	2022	2023(*)	2024(**)
Real Sector					
Population (million)	7,252.7	7,353.0	7,453.7	7,554.8	7,656.2
GDP (USD million)	36,145.8	40,284.1	42,093.1	43,389.2	45,536.9
GDP per capita (USD)	4,983.8	5,478.6	5,647.3	5,743.3	5,947.7
GDP (annual variation in %)	-0.8	4.0	0.2	4.5	3.8
Total Consumption (annual variation in %)	-2.2	5.5	1.6	3.6	3.0
Capital Investment (annual variation in %)	5.3	18.2	-1.8	-3.0	5.0
Unemployed Rate (open unemployment)	7.9	6.8	5.7	6.5	nd
Economy Structure					
In view of Supply					
(percentage change)					
Primary Sector	-3.1	7.4	-11.6	-8.6	15.3
Agriculture	-4.4	9.0	-18.2	-12.5	22.5
Livestock	1.2	4.4	6.2	-0.3	0.0
Others	-1.1	0.9	6.8	-0.7	7.3
Secondary Sector	-3.0	0.7	5.0	0.7	2.9
Industry	-1.1	-1.3	6.9	-0.1	2.3
Construction	2.5	10.5	12.8	-3.2	-5.7
Binationals	-11.5	-2.3	-7.6	7.8	13.8
Tertiary Sector	2.4	-3.1	6.5	1.5	3.8
General Government	4.3	6.4	-3.4	-0.7	4.5
Trade	-1.2	-8.1	14.3	3.4	5.2
Communications	4.6	6.1	4.5	-2.4	0.0
Other Services	3.0	-5.7	7.7	2.1	3.5
Taxes	-2.7	-5.1	9.0	1.1	4.0
In view of Demand					
(Thousands of USD)					
Total Investment	5,737.84	6,912.80	6,390.53	6,117.22	6,469.13
Total Consumption	22,548.42	24,240.20	23,181.73	23,711.20	24,603.67
Exports	9,844.63	10,236.77	9,536.16	12,335.46	12,796.61
Imports	8,630.26	10,710.55	11,037.34	12,231.79	12,664.43
Monetary and Financial Sector					
Rate of Exchange (PYG per USD, fdp)	6,944.0	6,815.5	7,238.7	7,335.2	7,283.0
Inflation (CPI, annual variation in %, Average, last 12 months)	2.8	2.6	7.9	7.8	3.4
Inter-banking rate of interest (% , fdp)	3.86	0.55	5.15	8.42	6.56
Monetary Aggregates (annual variation of M2 in %)	6.9	20.7	6.3	2.1	10.4
Dollarization Ratio (% of banking deposits in ME)	43.7	42.9	44.8	44.7	-
Banking sector credits granted to the private sector (% of GDP)	8.1	11.9	12.7	8.5	-
Real Salary (annual variation, %)	1.1	5.5	6.9	6.5	-

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External Sector					
(Thousands of USD)					
Exports	898,350.4	770,734.4	797,709.1	1,017,577.6	1,339,072.7
Inter-annual variation in %	-7.8	-14.2	3.5	27.6	31.6
Imports	1,050,337.4	804,339.0	1,141,360.7	1,268,807.4	1,431,165.9
Inter-annual variation in %	8.6	-23.4	41.9	11.2	12.8
Trade Balance	-151,987.1	-33,604.6	-343,651.7	-251,229.8	-92,093.2
% of GDP	-0.4	-0.1	-0.8	-0.6	-0.2
(Million of USD)					
Current Account	669.2	-347.4	-2,993.1	266.6	-
% of GDP	1.9	-0.9	-7.1	0.6	-
Capital and Financial Account	283.8	-299.5	-2,691.2	47.9	-
% of GDP	0.8	-0.7	-6.4	0.1	-
Direct Foreign Investment	7,909.4	8,345.1	8,664.9	8,975.1	-
% of GDP	21.9	20.7	20.6	20.7	-
International Reserves	8,068.5	9,919.1	9,792.1	9,550.9	9,941.7
% of GDP	22.3	24.6	23.3	22.0	21.8
Public Sector					
(% of GDP)					
Income	13.5	13.7	14.0	13.9	1.1
<i>Which: Taxation Income represents</i>	9.5	9.8	10.2	10.1	0.9
Expenses	19.7	17.3	17.0	18.0	0.8
<i>Which: Payment of interests represents</i>	1.1	1.1	1.2	1.7	0.0
Primary Outcome	-5.1	-2.5	-1.8	-2.5	0.3
Fiscal Outcome	-6.1	-3.6	-2.9	-4.1	0.3
Total Debt of the Public Sector	33.8	33.8	35.8	38.2	36.4
Deuda Externa Pública	29.0	29.3	31.7	32.9	31.5
% of the Total Public Debt	85.9	86.7	88.5	87.9	86.6
Domestic Public Debt	4.8	4.5	4.1	4.5	4.9
% of the Total Public Debt	14.1	13.3	11.5	12.1	13.4
Service of the Domestic Public Debt	1.6	1.6	1.8	3.0	0.0

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References:

Remarks and Sources: Chart prepared by the Directorate of Indebtedness Policy (DGPE, Ministry of Economy and Finance), including data of the Central Bank of Paraguay (BCP, Statistical Schedule as of March 12, 2023) and the Ministry of Economy and Finance.

1. The exchange rate corresponds to the one of the last working day of the year.
2. Income and Expenses as of January 2024 are preliminary.
3. These letters shall have the following meanings: M: month (i.e., M12: December); T: Quarter (i.e., T01: quarter 1); n/a: non-available, ME: Foreign Currency; fdp: end of period.
4. (*) means preliminary data subject to changes and (**) projections.
5. Data after 2012 are preliminary and they may be subject to reviews.
6. The Economy Structure includes data in Guaranies as of 2014. Historical data as well as projections correspond to the BCP.
7. Inflation as of January 2024 corresponds to the goal rate of inflation established by the BCP.
8. Other services include: transportation; financial intermediation; residential lease; services rendered to companies; hotels and restaurants and services rendered to households.
9. Binational mean currency income as energy cession of Paraguay to Argentina and Brazil, corresponding to the hydroelectric plants Yacyreta and Itaipu. The Real Sector and Economy Structure projections are figures prepared by the BCP.
10. Public Sector data are figures prepared by the Ministry of Finance. Since 2015, a migration has been performed to the methodology contemplated in the Manual on Statistics of the Public Finances 2001 (MEFP 2001)
11. Exports and imports as of 2024 correspond to January of the mentioned year. (2024, M1).
12. Exports include reexports and other exports. The inter-annual variation of exports/imports as of January 2024 (Jan 2024/Jan, 2023) obtains the accrued variation of exports/imports of the total exports and imports accrued of January 2024, concerning the same period of the year 2023.

Vice-ministry of Economy and Planning
General Directorate of Debt Policy



February

Macroeconomic Outlook of Paraguay

World Economic Scenario

World growth projections for 2024 are at 3.1% and for 2025 at 3.2% according to the “World Economic Outlook Update” of the International Monetary Fund (IMF). This result is attributed to China’s fiscal stimulus, as well as greater resilience in the United States, including emerging markets and developing economies.

Regional Economic Scenario

For advanced economies, a downward adjustment in growth is expected, going from 1.6% in 2023 to 1.5% in 2024, with a recovery of 1.8 in 2025. In the United States, growth would decline from 2.5% in 2023 to 2.1% in 2024. On the other hand, in the Eurozone, affected by the conflicts in Ukraine, a recovery is expected from 0.5% in 2023 to 0.9% in 2024.

China’s growth is adjusted by 0.4 percentage points for 2024 with respect to the October 2023 WEO report, thus remaining at 4.6% for 2024 and 4.1% for 2025.

Table 1: World Growth, annual variation

	2023	2024*	2025**
World	3,1	3,1	3,2
Advanced Economies	1,6	1,5	1,8
United States	2,5	2,1	1,7
Eurozone	0,5	0,9	1,7
China	5,2	4,6	4,1
Latin America and the Caribbean	2,5	1,9	2,5
Brazil	3,1	1,7	1,9
México	3,4	2,7	1,5

Source: World Bank



World Economic Outlook

ALC Economic Outlook

Regarding Latin America and the Caribbean, a decrease in growth is projected from 2.5% in 2023 to 1.9% in 2024. This forecast is affected by Argentina’s negative growth in its economic policy adjustments, mainly with regard to the reestablishment of its macroeconomic stability.

For Brazil and Mexico, improvements of 0.2 and 0.6 percentage points respectively are projected, motivated by a boost in domestic demand and higher-than-expected growth in the main trading partners.



World Economic Outlook (IMF)

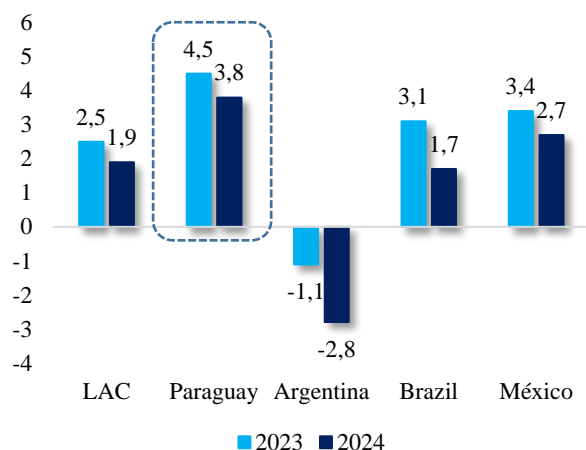


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Growth outlook in Paraguay

According to the GDP Growth Review prepared by the Central Bank of Paraguay (BCP), the growth projection for the year 2024 stood at 3.8% driven by the growth of the three sectors within the economy.

Chart 1: Growth in the region, % variation 2023-2024.



Source: SITUFIN – Ministry of Economy and Finance

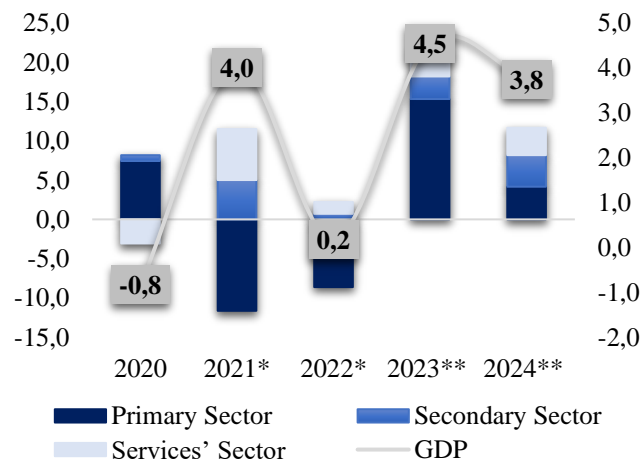
Concerning the **primary sector**, a 4.2% perspective is foreseen, especially explained by the positive expectations as to the weather, which would favor the agricultural production. On the other hand, a 1.6% growth is expected for livestock, in line with improvement projections in this sector, after the United States' market opening, as well as the recent uncertainty reduction as to the overseas demand.

Concerning the **secondary sector**, a 4.7% construction recovery is expected, mainly fostered by the private sector. The positive expected performance in construction and the primary sector, would also contribute in the manufacturing industry with an expected growth of 3.6%. Likewise, good expectations concerning the weather with the Niño phenomenon in the hydrological flow of the Parana River, foresee a good performance as to energy production.

For the tertiary **sector or services**, a 3.5% growth is expected, mainly explained by the positive dynamics of trade.

Concerning the expense, a domestic demand increase is projected, and supported by the private consumption growth of 3.6% and a 5.0% increase of gross fixed capital formation; on the other hand, exports and imports have increased by 3.0% and 2.8% respectively.

Chart 2: Growth by economic sectors. 2020-2024.



Source: Statistic Schedule of the Central Bank of Paraguay



Public Debt

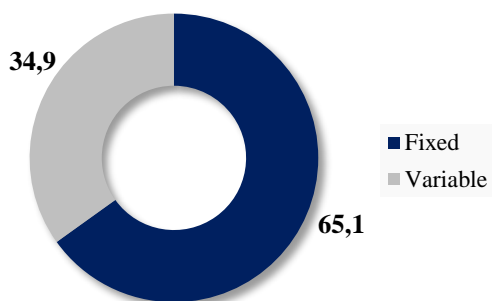
Debt levels and structures of the Total Public Sector

The Law 1535/2000 on the “Financial Administration of the State”, in its Article N° 42, establishes that the public debt shall be classified in internal and external, direct and indirect. The direct public debt of the Central Administration is the one assumed as the main debtor; on the other hand, the indirect debt of the Central Administration is the one established by any natural or legal, public or private person, different from itself, but that has its corresponding guarantee or security, duly authorized by the law (state-owned companies, second-tier banks, etc.)

As of February, a debt level of the Total Public Sector has been registered by 38.3% of the GDP, which is considered sustainable for the country’s public finances and is one of the lowest debt levels in the region.

According the debt classification of the total public sector debt, per kind of rate as of February, 2024, it has been observed that 65.1% is at a fixed rate and 34.9% at a variable rate.

Figure 1: Total Public Debt Balance per rate of interest.

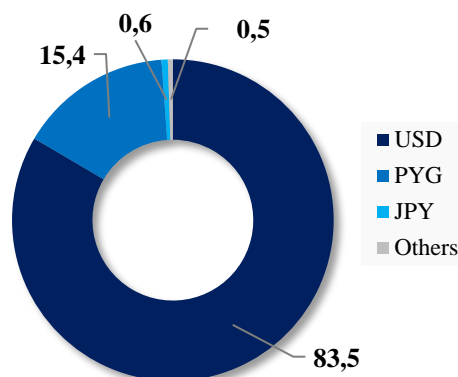


Source: Vice-ministry of Economy and Planning

On the other hand, the public debt structure per currency as of February, keeps a greater proportion in USD (83.5%) together with PYG (15.4%), JPY (0.6%) and other currencies in (0.5%).

It is worth pointing out that, the greatest debt proportion in Dollars does not represent a risk for the country, because Paraguay perceives income in Dollars as annual royalties for usage of the hydraulic potential of the Parana River for the electric energy production, coming from the binational entities (Itaipu and Yacyreta).

Figure 2: Total Public Debt Balance per currency in percentage.



Source: Vice-ministry of Economy and Planning



According to the Debt Maturity average

Due to placements in international markets in longer terms than those of the domestic markets, the average deadline of the Central Administration (ATM) has been increased from 10.9 years (2017) to 11.37 years (2022). This allows a greater public debt maneuverability.

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Table 2: Debt Average Maturity (Years*)

Years	Central Administration		
	External Debt	Domestic Debt	Total Debt
2017	11,5	2,4	10,9
2018	12,7	3,4	12
2019	13,3	3,4	12,6
2020	14,9	4,8	14,3
2021	12,6	7,6	12,3
2022	11,58	7,12	11,37

* Does not include perpetual debt with the BCP.

Source: Vice-ministry of Economy and Planning



Strategic Guidelines

Fiscal policy

Financial Situation as of February 2024

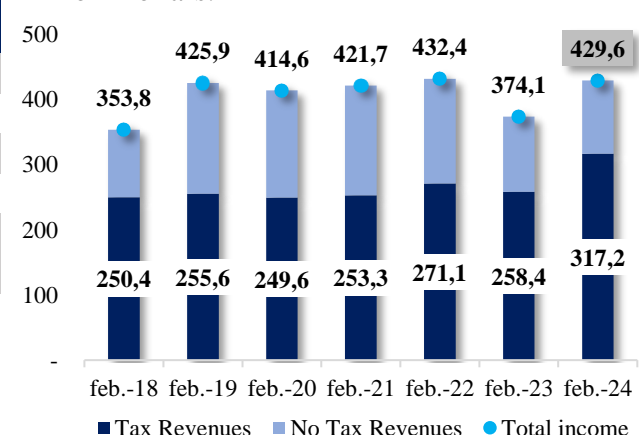
As of February, the accrued fiscal outcome was USD 17.6 million which represents 0.04% of the GDP. Likewise, a positive operational outcome of USD 38.7 million was registered, representing 0.08% of the GDP. In addition, the annualized deficit as of February was 3.34% of the GDP, showing a better outcome concerning the closing of 2023 of 4.1%.

Income

As of February 2024, total income increased by 17.1%.

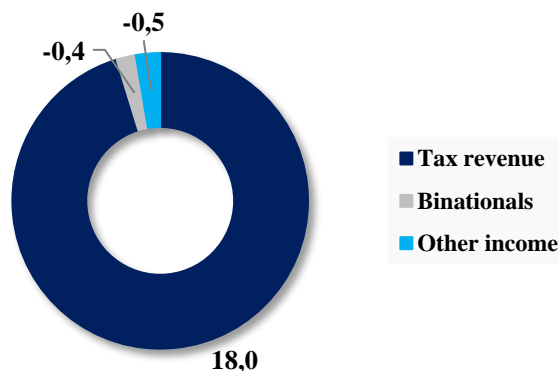
Total income as of the second month of the year, have reached USD 429.6 million. The income increase is mainly due to the positive evolution of tax revenues were presented a nominal variation of 25.3%.

Chart 3: Income accrued as of February 2024, in million Dollars.



Source: SITUFIN – Ministry of Economy and Finance.

Figure 3: Income components in percentage.



Source: SITUFIN – Ministry of Economy and Finance.

Public Expenditure

The total expense presented an accrued increase of 4.5%.

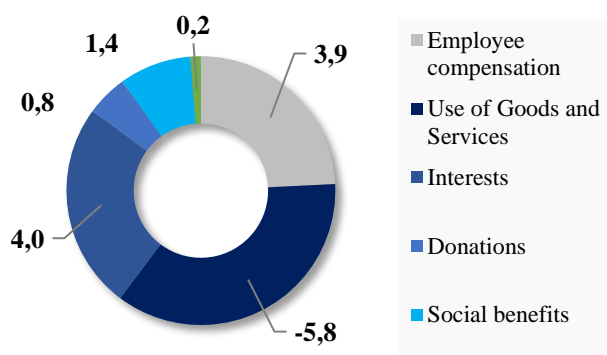
The outcome is mainly explained by the payment of interests and the increase in remunerations for the Ministry of Education and Culture (MEC), the Ministry of Public Health and Social Welfare (MSPBS) and the Law Enforcement Officers (FFPP). This increase was accompanied by a slowdown in primary current spending.



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Chart 4: Variation Arrangement of accrued expenses in percentage.



Source: SITUFIN – Ministry of Economy and Finance.

Public Investment

National System of Public Investment SNIP.

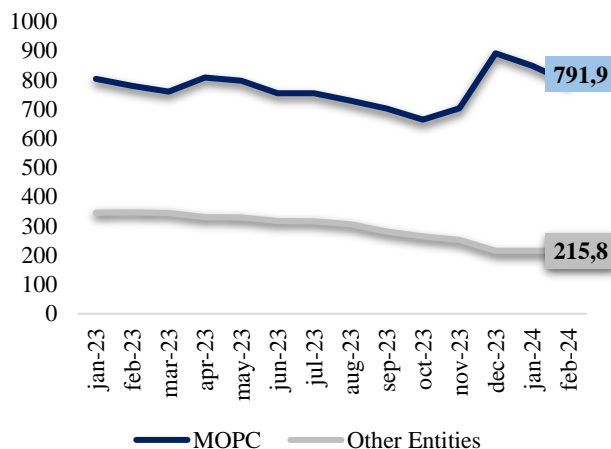
Is the set of standards and instruments aimed at arranging the Public Investment process in order to optimize the use of resources in financing more profitable investment projects from a socio-economic point of view. (PGN 2024)

Investment as of February, 2024

In the second month of the year, the level of public investment is in line with the path of fiscal convergence.

The investment as of February was: USD 1,007.2 million which consists of USD 791.9 million corresponding to the Ministry of Public Works and Communications and USD 215.3 million to other entities.

Chart 5: Accrued Investment, in million Dollars.



Source: SITUFIN – Ministry of Economy and Finance.



Monetary Policy

The Central Bank of Paraguay leads the monetary policy under an inflation goal scheme. Since 2011, officially under this goal scheme, the main goal of the Monetary Policy according to the Law N° 6104 that modifies and widens the Organic Law N° 489/95 of the Central Bank of Paraguay (BCP), is to preserve and safeguard the value stability of the currency providing a face foreseeability framework for the Paraguayan economy, on which the economic agents may be based to make decisions concerning consumption and investment.

Inflation

International Context

In the **United States**, the monthly inflation rate as of February measured by the CPI was 0.4%, in line with expectations, but higher than what was observed in January, of 0.3%. Monthly inflation measured by the IPP was 0.6%, a result higher than the expected 0.3%.

In the **Eurozone**, inflation slowed down in February, although it was above the expected rate. The interannual inflation was 2.6% in February, slightly above the expected 2.5%, but lower than the month of January, which was 2.8% while core inflation slowed down from 3.3% to 3.1% in the same period.

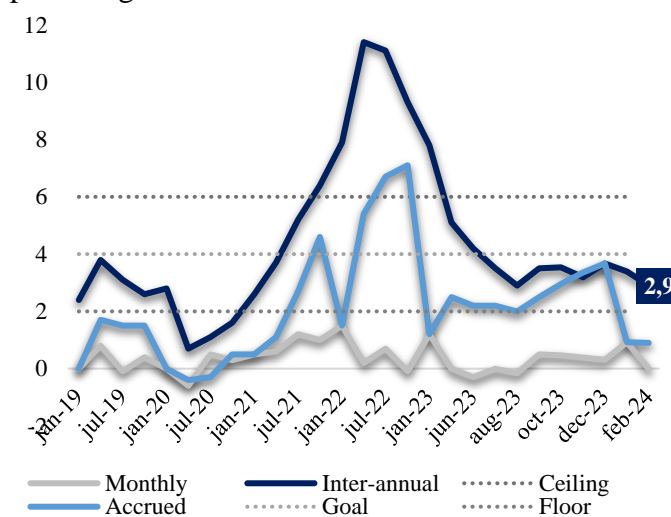
Domestic Context

In Paraguay, the inflation goal, measured by the variation between the Consumer Price Index, is 4.0%, having a tolerance range of 2 points upwards and 2 points below the goal, which allows that the inflation fluctuate within the goal range, considering the Paraguayan economy exposure to external shocks given its features of a small and open economy.

As of February 2024, the monthly inflation of the CPI was 0%, presenting price increases of services and a reversion of some volatile prices of the family shopping basket.

Interannual inflation stood at 2.9%, IPCSAE inflation was 0.4% monthly and 3.5% interannual.

Chart 6: Inflation as of February 2024, in percentage.



Source: Central Bank of Paraguay.

Rate of Interest of the Monetary Policy

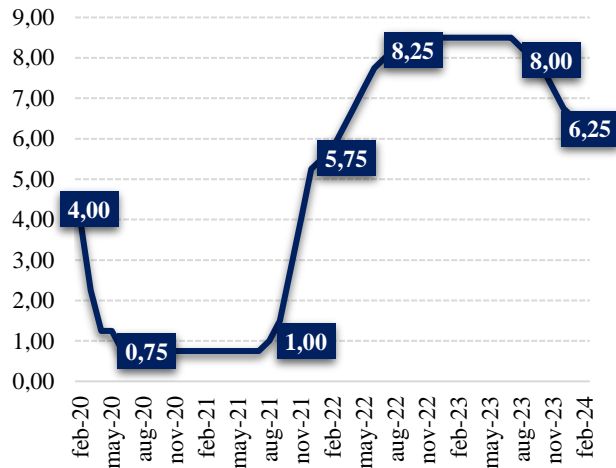
This is a monetary policy instrument through which it is exercised influence in the liquidity and the rates of interest of the market that may affect part of the economic activity and has an impact on inflation.

Monetary Policy Rate (TPM) as of January 2024.

The Monetary Policy Committee (CPM) has decided to reduce the Monetary Policy Rate (TPM) by 25 percentage points from 6.50% to 6.25%.

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Chart 7: Monetary Policy Rate (2020-2024)



Source: Central Bank of Paraguay.

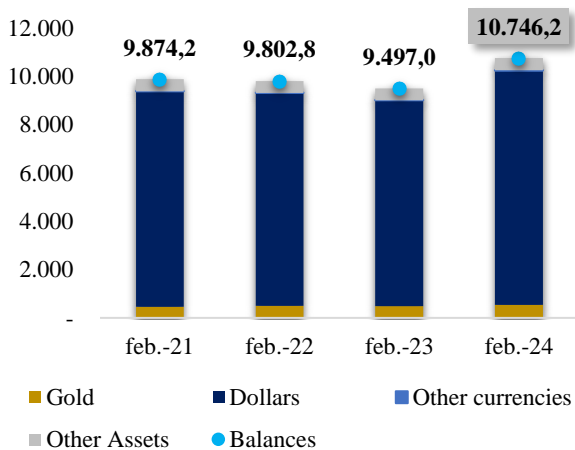


CPM's Minutes of Meetings

Net International Reserves

The Net International Reserves' stock as of February 2024, has achieved a USD 10,746.19 million balance, consisting of USD 539.87 million corresponding to Gold; USD 9,697.76 million in Dollars; USD 10.13 million in other currencies and USD 498.43 concerning other assets.

Chart 8: RIN composition, in million Dollars.



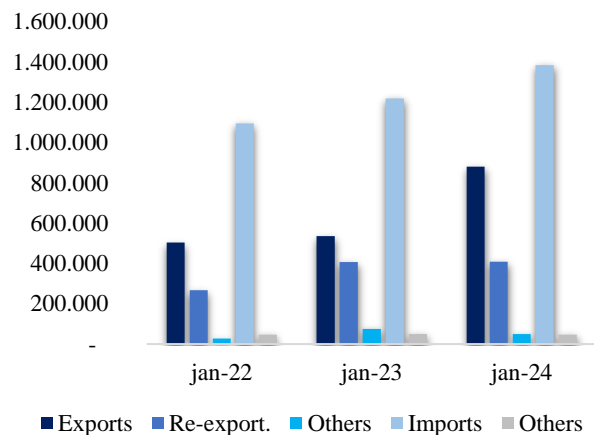
Source: Central Bank of Paraguay

Balance of Trade

In February, 2024, foreign trade figures (Exports plus Imports) represented USD 2,557.5 million.

Total exports as of February, 2024, were USD 1,453.3 million. On the other hand, total imports as of February, 2024, have been USD 1,104.3 million; and finally, the balance of trade has been USD 349.0 million, in favor of exports.

Chart 9: Balance of Trade, in thousands of Dollars.



Source: Central Bank of Paraguay



BCP Statistical Schedule

Credit Perspective of Paraguay

Sovereign Risk Rating Record

Paraguay has managed to keep the country risk rating and the perspectives with the credit rating agencies Fitch and Standard & Poor's (S&P). It is worth pointing out that Fitch Ratings in view of its review of November, 2023, increased Paraguay's Country Ceiling to BBB- (investment grade) from BB+.



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Table 2: Sovereign Risk Ratings 2024.

Risk Rating Agency	Rate	Perspective	Last Review
<i>S&P</i>	BB+	Stable	01-feb-2024
<i>Moody's</i>	Ba1	Positive	05-dic-2023
<i>Fitch</i>	BB+	Stable	01-nov-2023

Source: Vice-ministry of Economy and Planning

The Country Ceiling increase implies that in Paraguay, private issuers may go to the international market and fulfill their respective obligations. This occurs because risks in exchange rate controls are mitigated with sound external liquidity, a floating exchange rate, sound policies and macroeconomic institutions and efforts to diversify the economy and attract Foreign Direct Investment.

In December 5, 2023, Moody's, in its rating review report confirms Paraguay's rating at Ba1 with a positive outlook. The risk rating agency highlights aspects that influence the country's credit strength, among them, the low burden of public debt supported by the compliance records of goals established in the Fiscal Responsibility Law. Likewise, it stands out that Paraguay registers a greater GDP growth in relation to its peers with the same rating, having a growing potential for economic growth and diversification of the economy. In addition, they highlight that tax administration and the boost in revenue collection have been improved in recent years and reforms have been proposed to the pension system and the Government's commitment to public investment in order to improve the country's road infrastructure.

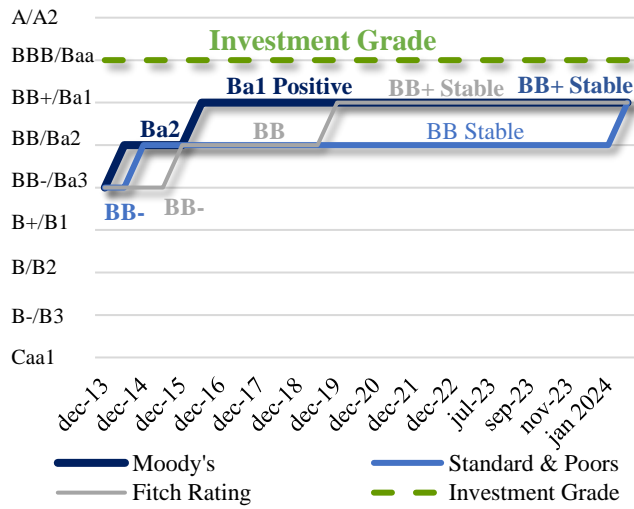
The risk rating agency mentions that the positive outlook is based on a solid growth record and a prudent fiscal policy, reflected in the low debt burden that has allowed Paraguay to be one of the few countries that has not seen its credit rating affected.

On February 1, 2024, Standard and Poor's, after 10 years, has decided to increase Paraguay's rating from BB to BB+, keeping the stable outlook. The report from the aforementioned risk rating agency emphasizes that the country's government institutions have gradually matured in recent years, with greater predictability and continuity in Economic Policies through changes in the administration; it emphasizes that the approval of the laws that create institutions such as the Directorate of National Tax Revenues, the Ministry of Economy and Finance, the Superintendency of Securities and the most recent, the Superintendency of Pensions are key to guaranteeing the efficient operation of institutions.

Currently, Paraguay is at one step of the investment grade with the three most important risk rating agencies; Moody's, Fitch Ratings and Standard and Poor's.

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Chart 7: Sovereign Risk Rating of Paraguay
Period 2013 – 2024.





Source: Vice-Ministry of Economy and Planning.


Other accesses of interest



Please click on the text to address to the Web Site

Monetary Policy Reports

 **National Accounts Report (Fiscal Quarters)** 

 **Statistic Schedule of the Economic Report**

 **Foreign Trade Report (Fiscal Quarters)**

 **Direct Investment**

 **Monetary Policy**

ODS

 **Sustainable Paraguay**

 **Sustainable Development Objectives (ODS)**

Ministry of Industry and Trade

 **MyPIMES**

 **Maquila**

 **Programs and Projects for S&MEs**

Environmental Actions

 **Legal Provisions on environmental policies and actions**

Ministry of Economy and Finance

▶▶ **General Budget of the Nation**

▶▶ **Public Investments**

▶▶ **SITUFIN**

▶▶ **Rendering of Accounts**

▶▶ **Statistics on Public Debt**

▶▶ **Debt Monthly Reports**

▶▶ **Monthly Financial Management of
the General Budget of the Nation**

▶▶ **Report on Foreign Trade (RCE)**

▶▶ **Planning System according to
Outcomes**

▶▶ **General Directorate of Cooperation
for Development**

▶▶ **Estadísticas de las Recaudaciones**

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▶▶ **Products**

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Schedule

Vice-ministry of Economy and Planning
General Directorate of Debt Policy

Economic Indicators / 2020 – 2024					
	2020	2021	2022	2023(*)	2024(**)
Real Sector					
Population (million)	7.252,7	7.353,0	7.453,7	7.554,8	7.656,2
GDP (USD million)	36.145,8	40.284,1	42.093,1	43.389,2	45.536,9
GDP per capita (USD)	4.983,8	5.478,6	5.647,3	5.743,3	5.947,7
GDP (annual variation in %)	-0,8	4,0	0,2	4,5	3,8
Total Consumption (annual variation in %)	-2,2	5,5	1,6	3,6	3,0
Capital Investment (annual variation in %)	5,3	18,2	-1,8	-3,0	5,0
Unemployed Rate (open unemployment)	7,9	6,8	5,7	6,5	nd
Economy Structure					
In view of Supply (percentage change)					
Primary Sector	7,4	-11,6	-8,6	15,3	4,2
Agriculture	9,0	-18,2	-12,5	22,5	4,9
Livestock	4,4	6,2	-0,3	0,0	1,6
Others	0,9	6,8	-0,7	7,3	4,2
Secondary Sector	0,7	5,0	0,7	2,9	4,0
Industry	-1,3	6,9	-0,1	2,3	3,6
Construction	10,5	12,8	-3,2	-5,7	4,7
Binationals	-2,3	-7,6	7,8	13,8	4,3
Tertiary Sector	-3,1	6,5	1,5	3,8	3,5
General Government	6,4	-3,4	-0,7	4,5	3,4
Trade	-8,1	14,3	3,4	5,2	3,4
Communications	6,1	4,5	-2,4	0,0	1,5
Other Services	-5,7	7,7	2,1	3,5	3,8
Taxes	-5,1	9,0	1,1	4,0	3,7
In view of Demand (Thousands of USD)					
Total Investment	5.737,8	6.912,8	6.390,5	6.117,2	6.467,3
Total Consumption	22.548,4	24.240,2	23.181,7	23.711,2	24.596,7
Exports	9.844,6	10.236,8	9.536,2	12.335,5	12.793,0
Imports	8.630,3	10.710,6	11.037,3	12.231,8	12.660,9
Monetary and Financial Sector					
Rate of Exchange (PYG per USD, fdp)	6.944,0	6.815,5	7.238,7	7.335,2	7.285,0
Inflation (CPI, annual variation in %, Average, last 12 months)	2,4	2,5	9,3	6,9	2,9
Inter-banking rate of interest (% , fdp)	3,79	0,47	5,46	8,56	6,25
Monetary Aggregates (annual variation of M2 in %)	5,6	21,0	5,7	2,7	10,4
Dollarization Ratio (% of banking deposits in ME)	43,9	42,3	45,2	45,3	44,8
Banking sector credits granted to the private sector (% of GDP)	8,0	10,5	14,5	8,5	12,5
Real Salary (annual variation, %)	1,1	5,5	6,9	6,5	-

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External Sector					
(Thousands of USD)					
Exports	1.033.060,5	844.843,8	996.848,4	1.179.868,7	1.453.278,8
Inter-annual variation in %	-3,3	-18,2	18,0	18,4	23,2
Imports	895.309,0	893.464,0	1.095.605,6	1.047.502,1	1.104.251,8
Inter-annual variation in %	-5,4	-0,2	22,6	-4,4	5,4
Trade Balance	137.751,5	-48.620,2	-98.757,2	132.366,7	349.027,0
% of GDP	0,4	-0,1	-0,2	0,3	0,8
(Million of USD)					
Current Account	669,2	-347,4	-2.993,1	266,6	-
% of GDP	1,9	-0,9	-7,1	0,6	-
Capital and Financial Account	283,8	-299,5	-2.691,2	47,9	-
% of GDP	0,8	-0,7	-6,4	0,1	-
Direct Foreign Investment	7.909,4	8.345,1	8.664,9	8.975,1	-
% of GDP	21,9	20,7	20,6	20,7	-
International Reserves	8.215,0	9.874,2	9.802,8	9.497,0	10.746,2
% of GDP	22,7	24,5	23,3	21,9	23,6
Public Sector					
(% of GDP)					
Income	13,5	13,7	14,0	13,9	2,0
<i>Which: Taxation Income represents</i>	9,5	9,8	10,2	10,1	1,5
Expenses	19,7	17,3	17,0	18,0	2,0
<i>Which: Payment of interests represents</i>	1,1	1,1	1,2	1,7	0,2
Primary Outcome	-5,1	-2,5	-1,8	-2,5	0,2
Fiscal Outcome	-6,1	-3,6	-2,9	-4,1	0,0
Total Debt of the Public Sector	33,8	33,8	35,8	38,2	38,3
Deuda Externa Pública	29,0	29,3	31,7	33,0	33,5
% of the Total Public Debt	85,9	86,7	88,5	86,6	87,3
Domestic Public Debt	4,8	4,5	4,1	5,1	4,9
% of the Total Public Debt	14,1	13,3	11,5	13,4	12,7
Service of the Domestic Public Debt	1,6	1,6	1,8	3,0	0,4

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References:

Remarks and Sources: Chart prepared by the Directorate of Indebtedness Policy (DGPE, Ministry of Economy and Finance), including data of the Central Bank of Paraguay (BCP, Statistical Schedule as of March 12, 2023) and the Ministry of Economy and Finance.

1. The exchange rate corresponds to the one of the last working day of the year.
2. Income and Expenses as of February 2024 are preliminary.
3. These letters shall have the following meanings: M: month (i.e., M2: February); T: Quarter (i.e., T01: quarter 1); n/a: non-available, ME: Foreign Currency; fdp: end of period.
4. (*) means preliminary data subject to changes and (**) projections.
5. Data after 2012 are preliminary and they may be subject to reviews.
6. The Economy Structure includes data in Guaranies as of 2014. Historical data as well as projections correspond to the BCP.
7. Inflation as of February 2024 corresponds to the goal rate of inflation established by the BCP.
8. Other services include: transportation; financial intermediation; residential lease; services rendered to companies; hotels and restaurants and services rendered to households.
9. Binationals mean currency income as energy cession of Paraguay to Argentina and Brazil, corresponding to the hydroelectric plants Yacyreta and Itaipu. The Real Sector and Economy Structure projections are figures prepared by the BCP.
10. Public Sector data are figures prepared by the Ministry of Finance. Since 2015, a migration has been performed to the methodology contemplated in the Manual on Statistics of the Public Finances 2001 (MEFP 2001)
11. Exports and imports as of 2024 correspond to February of the mentioned year. (2024, M2).
12. Exports include reexports and other exports. The inter-annual variation of exports/imports as of February 2024 (Feb 2024/Feb, 2023) obtains the accrued variation of exports/imports of the total exports and imports accrued of February 2024, concerning the same period of the year 2023.