

Paraguay

Latin America's rising star

Benefitting from robust macroeconomic fundamentals, abundant natural resources, and fast-growing manufacturing and services sectors, Paraguay is a rising star in Latin America. The World Bank has praised the country for strong recent growth and a sharp recent reduction in poverty, and Paraguay's GDP contracted by less than 1% in 2020 despite the pandemic. Growth is forecast to rebound to 4% this year, leaving the country well-positioned to leverage its position as a leading regional investment destination.

Under the presidency of Mario Abdo Benítez, the country has already made major strides. Elected in 2018, Abdo has maintained a firm focus on attracting more foreign investment into Paraguay by keeping taxes and energy costs low, and investing heavily into human capital and infrastructure. His efforts are paying off, with FDI inflows surging from \$308 million in 2015 to \$478 million in 2019, a 55% increase.

With Paraguay standing as the world's fourth-largest soybean producer and a major producer of beef, agricultural growth has been especially strong, and food items comprised 59% of the country's \$7.6 billion of merchandise exports in 2019. But Abdo has set



Mario Abdo Benítez
President of Paraguay

his sights beyond soybeans, investing heavily in infrastructure and updating the country's National Development Plan to maintain momentum. Private sector participation is critical, as Abdo told parliament in 2019:

"The NDP will guide the private sector for effective and efficient investments for the good of the nation. Paraguay will continue to grow, but we need more inclusive economic growth, and the private sector will play an important role in this."

Paraguay has demonstrated its commitment to ensuring investor certainty and stability, with a series of reforms that have improved the business climate. These have included rolling out an electronic case management system to improve contract enforcement, increasing the reliability of power supply, and reducing the time required to import.

And as a strong proponent of democracy as a path to growth, Abdo's politics have added to the country's popularity among investors. As he explained in a recent interview:

"People must know that democracy is the path to prosperity. If this base of a stable macroeconomy doesn't break, Paraguay can make an exponential leap in the coming years."

Celexx

Trusted tech partner

Paraguay's economy has performed better than any other in the region in the wake of the Covid-19 pandemic. GDP growth rebounded to 7.4% in Q3 2020, and its 1.1% annual GDP contraction was the smallest in Latin America last year, leading Fitch Ratings to praise the country's resilient growth. Economic recovery is expected to be strong in 2021, supported by rising demand for new technology in a post-Covid world.

One leader in this area is Celexx, a tech distributor and service provider representing the world's top international brands. Founded in 2009, the company business lines today span everything from retail distribution to 4G networks and data centers. It has expanded its portfolio over the years to include logistics, approvals, certifications, financial services, brand positioning, and after-sales services, among many others.

Maximiliano Altieri, board president of Celexx, attributes its successes to strong partnerships with major brands and a forward-thinking approach to doing business.

"Our number one focus is of course customer satisfaction, the customer being



Maximiliano Altieri
President - Celexx

in our case the brands we represent, or the customers we deliver the end product to. Our competitive advantage is that we are well-structured and active in all the main segments of the economy. We are able to tackle big

business opportunities," he explained.

This agile and adaptive approach, combined with a strong focus on sustainability and 360 solutions, and intensive efforts to develop retail and corporate sales channels in partnership with brands including Motorola, Huawei, Microsoft, Epson, Adobe, Xerox, VMware and Lenovo among others, have made Celexx a force to be reckoned with. The company is now seeking new partnerships as it shifts its growth to areas such as cloud services, fintech, and the future of work. The business case is solid, according to Altieri:

"We're starting to work in developing skills that are needed for this new way of life, which are mostly related to new ways of working. We see huge opportunities coming. We are well-placed to lead the way in this area, because our company is financially very solid, and Covid-19 found us in a very good position. We are financially solid, well-diversified, and have a strong team."



SUNSET TIRES

Growth drivers

Paraguay's rapid recent economic growth has put it at the forefront of Latin American economies, and the knock-on benefits to personal incomes have been significant: The World Bank reports that GDP per capita soared by nearly 50% between 2009 and 2019, giving a burgeoning consumer class significantly higher purchasing power. As the country moves towards a robust economic rebound in 2021, leading homegrown manufacturers and distributors like SUNSET TIRES are set to benefit from resurgent demand for retail, trade and transport.

SUNSET TIRES was founded in July 1988, and originally active in importing, exporting and distributing tires. It rose rapidly to become a market leader in Latin America, and today it produces, distributes and recycles a variety of own- and internationally branded tires and wheels across the region, while holding a 50% share of the domestic market. Nabil Chamseddine, president and CEO, explained that the company's strong focus on core business activities helped it attain and maintain its market-leading position:

"We are very focused as a company. We sell tires, and that's all we do. The group has other branches. But me, as the president of SUNSET TIRES, I'm focused 100% on the production and distribution of tires. I believe this is the big point regarding the development of the company and how we became the leader in this market. It was through our know-how and the quality of our products."

With a firm focus on tires and wheels, the company has developed a robust product portfolio, and its range today includes PCR, UHP, SUV, LTR, TBR, agricultural, off-road, industrial, tubes, flaps and wheels for cars and trucks. With its roots in Paraguay, a country lacking rail links and well-developed transport networks, SUNSET TIRES has simultaneously developed a reputation for producing tires that can handle the toughest terrain and worst roads. This has allowed it to expand exports to key markets such as Brazil, Colombia and Chile. High-quality, durable products have also been exported to Europe and Asia, while regional trade flows have helped boost domestic demand, as Chamseddine highlighted:

"Paraguay exports a lot of grain to the world thru Brazil, and the roads in Brazil aren't very good either. So there is a lot



of wear on the tires, much more than in other countries. In that sense the situation here is an advantage for us. We have bad road conditions, high temperatures, and overloaded cargo trucks, so we have been working intensively to improve the composition of our tires. If you bring in a tire made for Russia, it wouldn't work here. This is our specialty: products specific to the conditions of our transportation networks and roads, and the development of new kinds of rubber."

SUNSET TIRES's focus on innovation has also included sustainability, and the company is currently working to expand its recycling activities, with the aim of better covering every stage of a tire's life cycle. It was the first company of its kind in Paraguay to buy recycling equipment and launch activities in this sphere, later

entering into agreements with Brazilian companies to ensure unused tires can find a new life, while boosting sustainability and environmental best practices along the way. Although tire recycling is a time-consuming process requiring intensive investment in machinery, it is another example of the forward-thinking strategy that has guided the company for more than three decades.

International expansion remains a priority for SUNSET TIRES, and Chamseddine's growth strategy remains focused on long-term goals and sustainable, profitable international operations. Under his leadership, SUNSET TIRES will focus on shoring up its operations in Chile and Colombia, before turning its attention to new markets including Peru, Argentina, and Mexico. Further investment in recycling activities is also planned in the near- and medium-term.

As he looks to the future, Chamseddine is optimistic about his company's prospects. A strong knowledge base, forward-looking strategy and well-developed supply chain will keep SUNSET TIRES on an upwards trajectory, he said:

"Through our production facilities in China, Vietnam, Malaysia, South Korea, Pakistan and Turkey we are able to deliver the right amount of product to large and small clients. Our technology supply chain and the quality of our products underscores our competitive advantages. Furthermore, we are always studying our markets to ensure we have the right amount of product for each region. This enables us to be competitive in prices. Since we have the knowledge beforehand, we're always ahead."



Index Saci

Paraguay's trusted pharma provider

Paraguay's strong recent economic growth has been underpinned by rising personal incomes and domestic consumption, with its middle class doubling in size between 2003 and 2019. Rising domestic consumption is especially evident in the pharmaceuticals sector, which saw imports rise by 38% between 2014 and 2019 to hit \$263.4 million. Pharmaceutical demand is expected to continue increasing steadily over the medium-term as the economy exits recession and demand rebounds, leaving top local leaders like Index Saci poised to profit.

Founded more than four decades ago, Index Saci is a 100% Paraguayan family-owned pharmaceutical company representing the world's biggest brands. Employing more than 250 people directly and 500 indirectly, the company has risen to become a leader in its field and an important supplier to the government of Paraguay. It recorded more than \$44 million of turnover in 2020, a 12% gain over 2019. This is a stellar performance in a year marked by lockdowns and pandemic-related economic shocks, but as Dr. Ernesto Wasmosy Monti, president of Index Saci explained, the company's forward-thinking approach to medicine and care has left it resilient to the shocks:

"As president of the company, I insisted that we had to have and know the most up-to-date information before the rest in order to grow and cope with a year with so many challenges. I am sure that this information helped us to have the solutions in hand once the market required them. In addition, we accommodated some purchasing policies such as increasing the stock to four months, in order not to leave patients without their treatment, since air and land logistics to Paraguay were very complicated due to the border closure and limited connections to our country."

The strategy paid off, but it's hardly the first time Index Saci has been ahead of the curve. The pioneering company was the first to introduce contraceptives to

the Paraguayan market, which has supported strong and steady growth over the years and cemented the company's stellar reputation. Today it is among the country's top 10 government suppliers and one of its top taxpayers, boasting solid and solvent financial backing and a strong liquidity ratio to boot. An intense focus on quality control and optimal storage conditions has further bolstered the company's strong track record in Paraguay.

As a result of an independent approach that has anticipated market trends with the highest-quality products and patient outcomes, Dr. Wasmosy also works as an advisor to the health ministry, supporting development of new healthcare facilities and hospital builds, and underpinning his lifelong efforts to serve the public good.

"I have advised the health ministry that there should be many more maternal and child hospitals, and these are already being built, little by little. This is also how the history of contraceptives began in Paraguay, with the help of the government. Today in the Ministry of Health there is actually a sector called the Department of Human Reproduction and Contraceptives," he recounted.

A strong interest in fertility medicine and hormone therapy will guide the next phase of Index Saci's



Dr. Ernesto Wasmosy Monti
President - Index Saci

business development strategy, and to that end the company is now seeking new international partners to support new growth. Dr. Wasmosy sees huge future demand for fertility and hormone medications in Paraguay, and as an adventurous entrepreneur with a strong strategic vision and proven track record of success, his knowledge of the domestic market offers huge opportunities for like-minded pharma investors. Index Saci already counts some of the best and biggest pharma companies on its list of partners - Ferrer, Abbott, Schering, Knoll, Smith & Nephew, Baxter, Abbvie, Biogen, Sysmex, Massone, Grifols, Johnson & Johnson vision and more recently Becton Dickinson, to name a few - but new partnerships could also focus on growing beyond the domestic market.

Dr. Wasmosy's dream project?

"My idea is to one day find an investor to build an airport in Chaco and make a free port like the one in Colón-Panama, and from there export to Bolivia, Chile, Argentina, Uruguay, and Peru, among others. Our competitive advantage is, above all, the philosophy of our work. Index today has an excellent image at the medical level, at the patient level, and at the government level. Index imports topnotch best quality pharmaceutical products that ensures our local physicians image with their patients".



LT

Paraguay's builder of choice

Public investment in infrastructure will play an important role in supporting Paraguay's post-pandemic growth. Spending had already increased in the previous decade - the World Bank reports that public investment in roads doubled between 2008 and 2017 - and a multi-billion dollar economic recovery plan released in August 2020 will support future growth. The main local companies such as LT are protagonists of this growth.

LT is a family-owned Paraguayan company founded 25 years ago. Operating mainly in construction and transportation, with the aim of expanding Paraguay's road networks and infrastructure, the company's deep experience has made it a destination partner for the Paraguayan government. Omar Bustos, President of LT, explained that the constancy and responsibility of the company has allowed it to achieve its position in the market.

"Our success is the sum of several factors, the most important is consistency over time. This is a family business, and we are all very involved in it. We have a very capable team that supports all branches in which we operate. The stability of the country and economy also guarantee a secure future."

LT has built a name for itself as a trusted partner capable of delivering the most complex compositions. Approximately 80% of its business is focused on the construction of road works including asphalt roads, culverts and bridges, and concrete paving, as well as civil construction, including industrial parks, service stations, homes, buildings and industrial plants.

The strength of the company is that it develops the entire construction value chain from the production of its own aggregates, transportation, project engineering and the execution of projects through its great human team and its own diversified fleet of more 250 machines and 300 trucks. It has 6 industrial units with its own quarries strategically

located in different areas of the country, with a production of 10,000 tons per day of aggregates, making it the country's largest producer of crushed stone for concrete, asphalt and road construction.

LT benefits from a simple structure and simplified decision-making process that has kept it agile and responsive to any changes in the market. Operations are also supported by strong recent economic growth and an increase in public spending on infrastructure development, according to Bustos:

"During the last decade, the government invested between 150 and 200 million dollars in infrastructure a year, and now they are investing between 1,000 and 1,200 million dollars a year. There is a serious State policy to provide the country with infrastructure in order to support long-term economic development."

In addition to its construction business, LT is active in transportation, offering shipments for dry, liquid, refrigerated and consolidated cargo to and from Paraguay, with a scope that extends to the entire Mercosur. Clients benefit from comprehensive services, including deconsolidation of containers in ports with additional area goods, as well as multimodal deliveries and collections.

LT has also formed a joint venture with Argentina's Hormax to establish an important business line, LT Hormax. Lt Hormax produces the



Omar Bustos
President - LT

highest quality concrete from the region. Lt Hormax can produce up to 300 cubic meters per hour, has six automatic batching plants, and is supported by 40 mixer trucks and eight concrete pumping machines. Large infrastructure projects in Paraguay have been built with LT Hormax concrete, adding to the growing portfolio of the group of highly successful projects.

As Paraguay looks beyond the pandemic, the government's infrastructure development agenda will see LT build bigger in the coming years. Bustos is now seeking new partnerships with foreign companies looking to invest in Paraguay either as a builder or as a partner of energy, technology and biofuel projects capable of adding value to their operations with knowledge and technology. The joint venture with Hormax has been a resounding success, and he is confident that the next collaboration will follow suit:

"In terms of partnerships, know-how and technology are very important to us. Innovation - in capabilities, engineering and new knowledge - is important, so we would be interested in a partnership that could contribute technological factors and innovation."

