

# El Salvador Strategy Flash

## The administration paid back the 2023 bond.

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El Salvador announced the payment of the remaining outstanding of its 2023 bond. The country managed to fulfill its obligations, paying the remaining USD604mn in principal plus 23mn in interest to complete the disbursement of its 2023 Eurobond, after the twin buybacks cleared USD196mn in principal payments in advance. The administration combined a hawkish fiscal strategy in addition to multilateral funding to gather the monies needed for the disbursement.

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The sinking was the main financing need the administration had to cover this year, and so, GFN's post payment now total USD4.9bn. They are composed by 1.6bn in interest payments, of which USD0.6bn belong to the remaining Eurobond payments. In addition, the administration must now face 2.6bn in amortizations, which mostly come on the back of internal debt, which adds up to USD1.7bn, spearheaded by short term LETES and CETES sinkings, which are very likely to be rolled over by the government. Furthermore, it must also pay back USD0.6bn in sinkings related to multilateral and bilateral agreements. All in all, we find external GFN's seem manageable for the rest of the year, as the administration should not face major disbursements until the 2027 Eurobond.

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With the largest payment out of the way, now El Salvador can fully exploit the gap created by its previous buybacks, as its next Eurobond sinking will come in 2025, amounting to just USD347mn. The strong decompression in the payment profile of the international market bonds is likely to benefit the 2027's as they are now virtually the new front end, with the 2025's size marking it as less relevant. The administration can now bide its time to prepare for both the 2025 and 2027 sinkings, having several years to accumulate primary surpluses to face its obligations in the medium run. Now that El Salvador has effectively honored its commitments, we expect the news to impact the space positively, with the 2027's still having some upside post payment, which could drive it into the low 60s.

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