

A photograph of several wind turbines silhouetted against a vibrant sunset sky with orange and purple hues. The turbines are situated in a field with a fence in the foreground.

República Oriental del Uruguay

Institutional Investor Presentation

April 2021



Ministerio
de Economía
y Finanzas

Key Credit Highlights



- 1 Effective response to the COVID-19 Pandemic in 2020; Massive Vaccination Plan Launched in 2021 Amid Accelerated Virus Spread in the Country.
- 2 Gradual Economic Recovery, supported by Foreign Direct Investment and Higher Commodity Prices, Facing Headwinds from Covid-19 Surge.
- 3 Fiscal Targets Met in 2020 under New Fiscal Rule; Continued Targeted Support in 2021 for Vulnerable Firms and Households while Aiming for Improved Structural Fiscal Balance.
- 4 Monetary Policies Focused on Bringing Down Inflation and Anchoring Inflation Expectations within Target, under a new Monetary Policy Framework.
- 5 Solid External Sector and Large International Reserve Buffers.
- 6 Government Forges Ahead with Structural and Market-Friendly Reforms, including Social Security Reform and Energy Markets.
- 7 Debt Management Strategies Focused on De-Risking Sovereign Debt Portfolio in a Cost-Efficient Way; Liquidity Buffers provide Financial Flexibility
- 8 Uruguay Remains One of the Top Global Performers on ESG Fundamentals; Government is Committed to Environmentally-Sound Policies and Climate Action.

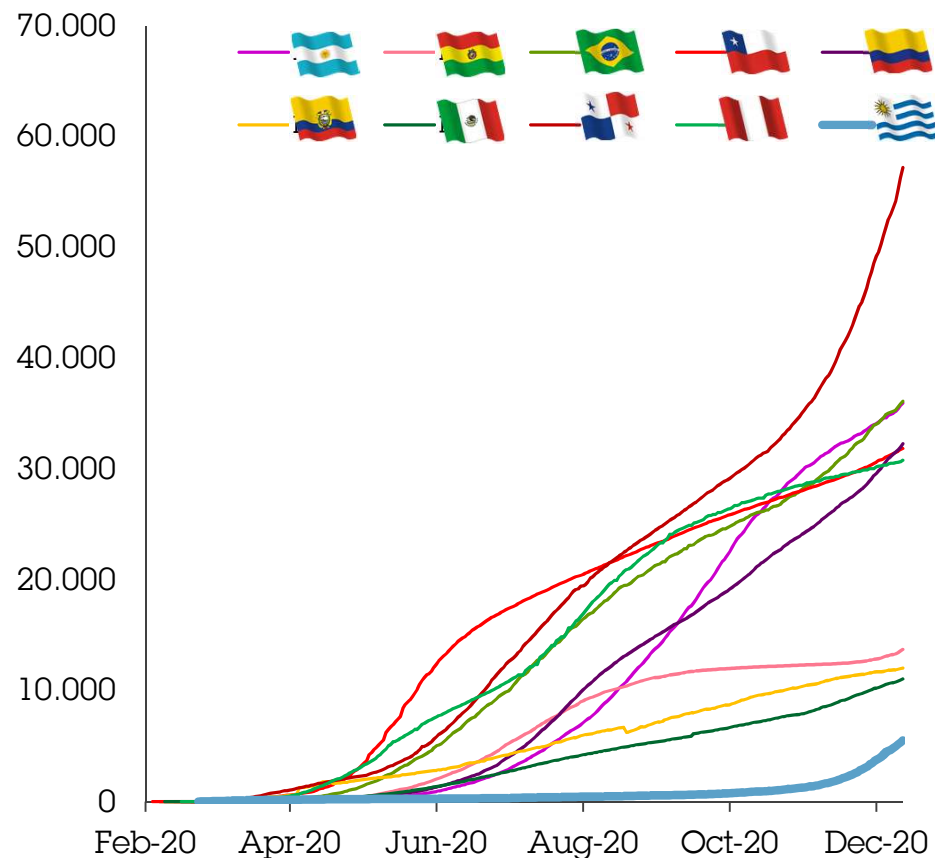
1 Effective response to the COVID-19 pandemic in 2020, without imposing mandatory lockdown...



Uruguay implemented a steadfast COVID-19 containment strategy that allowed the country to limit the virus spread and mitigate fatalities.

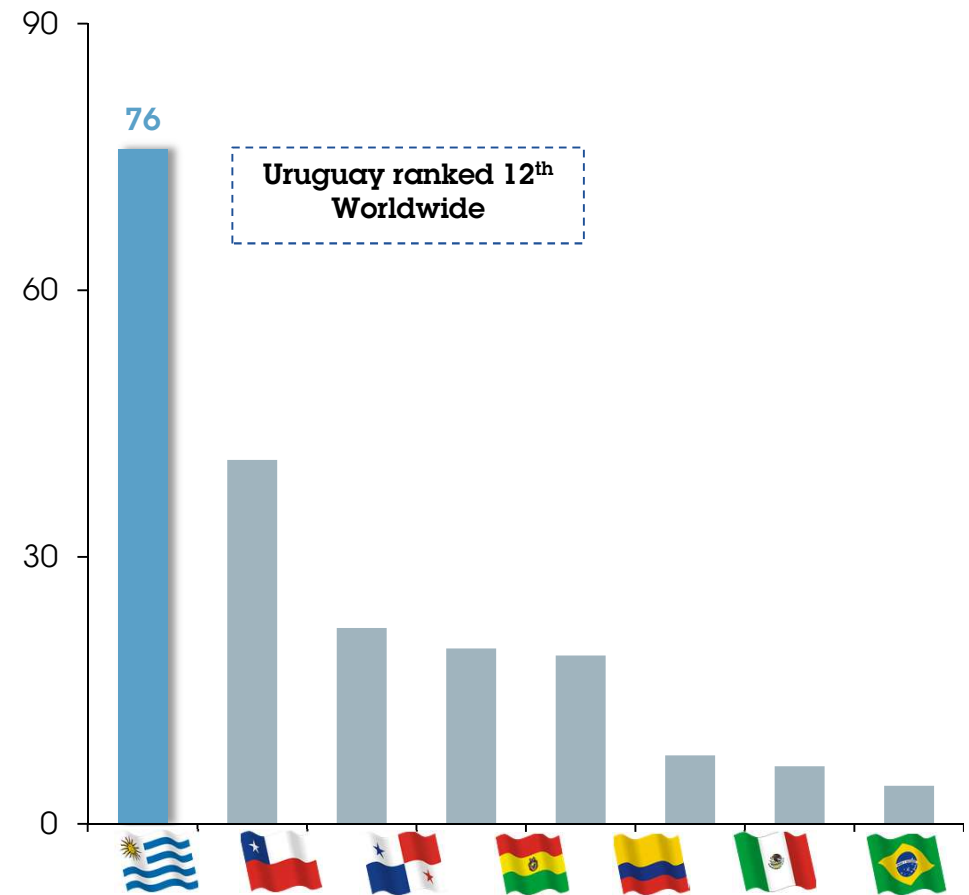
Total confirmed cases in 2020 ⁽¹⁾

(Per million people, as of December 31st, 2020)



Management of Covid-19 Pandemic in Latam in 2020 ⁽²⁾

(Index, 100 = best performance)



Note: Regional and country specific information is as aggregated or reported, as applicable. Each such country information may be calculated differently and aggregated by each respective source using various methodologies. Accordingly, this comparison is for illustrative purposes only and we do not purport to assert that the above information is actually comparable.

(1) Source: Our World in Data.

(2) Source: Lowy Institute, Australia. Based on data available through end-2020. The average of the rankings across six indicators (confirmed cases, confirmed deaths, confirmed cases per million people, confirmed deaths per million people, confirmed cases as a proportion of tests and tests per thousand people) was normalized for each of the 98 countries to produce a score between 0 (worst performing) and 100 (best performing) on any given day in the 36 weeks that followed their hundredth confirmed case of COVID-19.

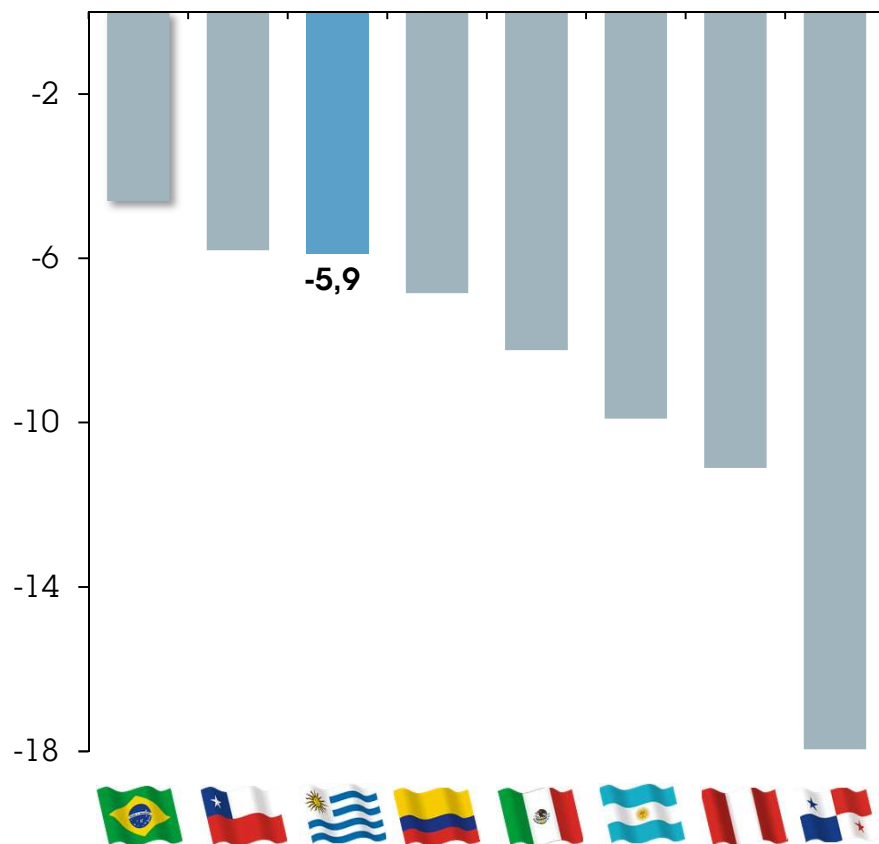
1 ...allowed for a comparatively smaller deterioration of macroeconomic fundamentals in 2020.



Uruguay's effective response to the COVID-19 outbreak coupled with political stability and a broad social safety net, allowed it to maintain solid macroeconomic fundamentals.

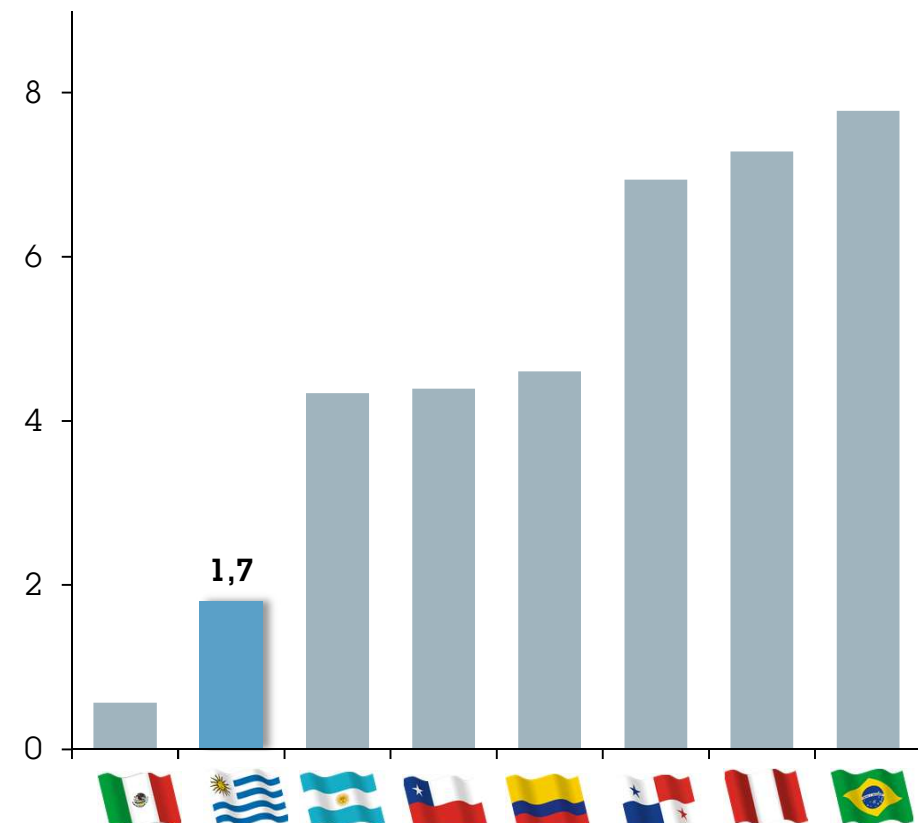
Real GDP Contraction in 2020 in LatAm ⁽¹⁾

(In %)



Deterioration in Fiscal Balances in LatAm in 2020 ⁽²⁾

(Change between 2019 and 2020 in fiscal deficit in % of GDP)



Note: Regional and country specific information is as aggregated or reported, as applicable. Each such country information may be calculated differently and aggregated by each respective source using various methodologies. Accordingly, this comparison is for illustrative purposes only and we do not purport assert that the above information is actually comparable

(1) Source : Official National Statistics.

(2) Source: Fitch Sovereign Data Comparator, as of March 2021, except for Uruguay that corresponds to official fiscal outturns as reported by the Ministry of Economy and Finance. In all cases, 4 corresponds to the General Government.

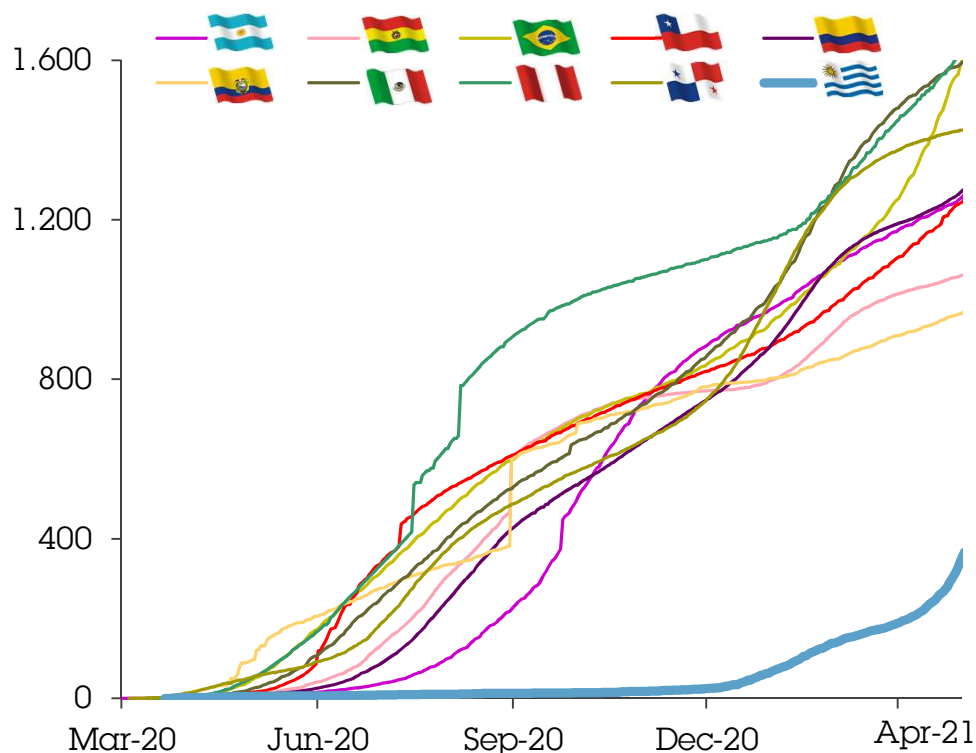
1 Since early 2021, virus spread in the country has accelerated; massive vaccination plan is launched.



Amid rising virus contagion, vaccination program is rapidly picking up pace: almost 25% of the total population received at least one dose in the first month approx. after roll-out.

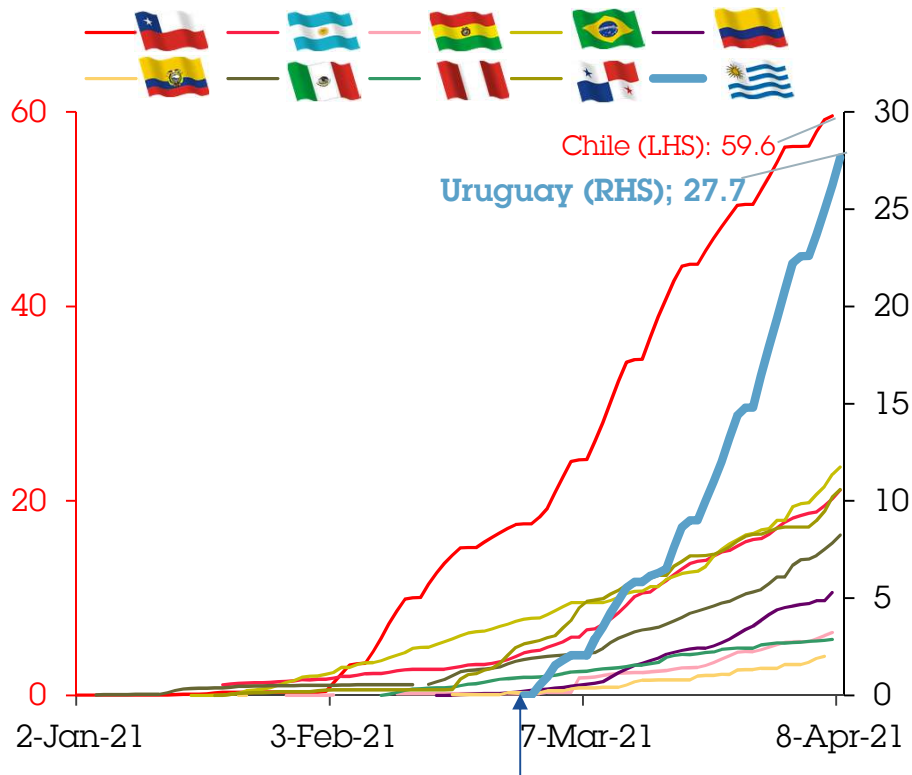
COVID Fatality Rate in Latam ⁽¹⁾

(Cumulative deaths per million people, as of April 8th, 2021)



Total vaccinations in Latam ⁽²⁾

(Cumulative doses in percent of total population, as of April 8th, 2021)



Vaccine Program Update as of April 8th, 2021

Vaccination Phase begins in Uruguay

- Total purchase of 5.25 million vaccine doses (Sinovac, Pfizer and AstraZeneca).
- Given expected shipment delivery of vaccines, if the current roll-out capacity is sustained (1% of the 3.4 million total population receiving a dose every day, on average, six days a week), the government could have every willing adult (18+ years old) vaccinated with two doses by early September 2021.

(1) Source: Our World in Data.

(2) Source: Our World in Data. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).

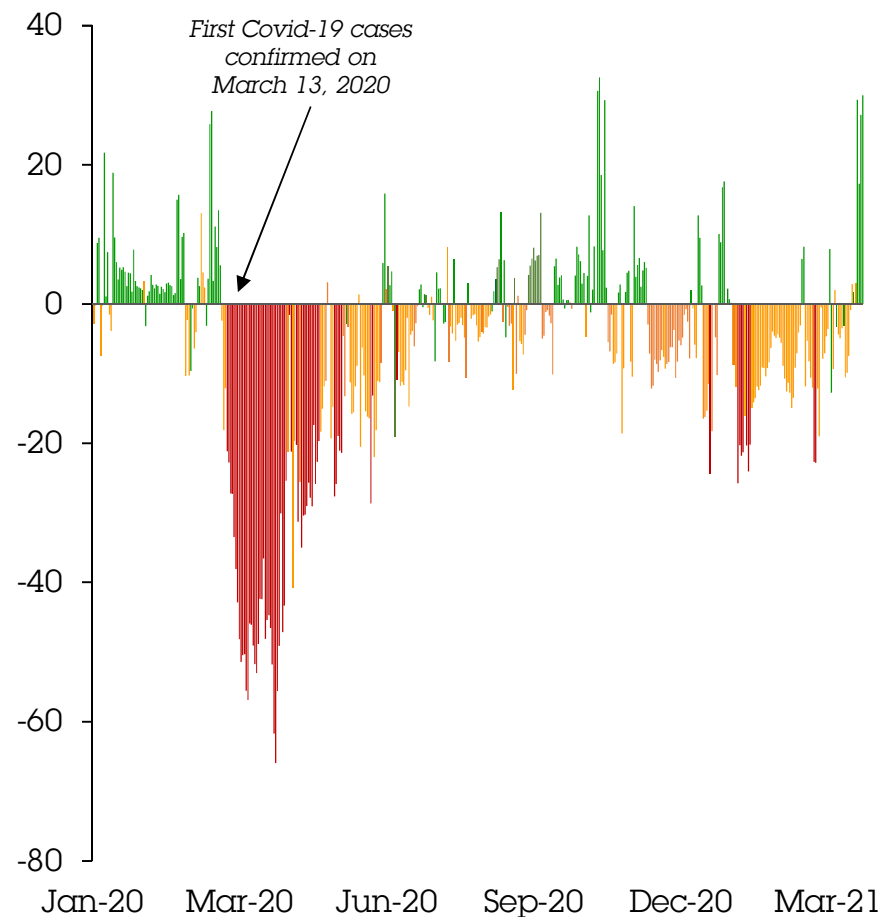
2 The economic recovery is facing headwinds from the recent Covid-19 outbreak and weak tourism season.



Rising COVID-19 cases and lower inbound tourism due to border closures and more stringent mobility restrictions, dampened the momentum of economic recovery and moderated tax revenues.

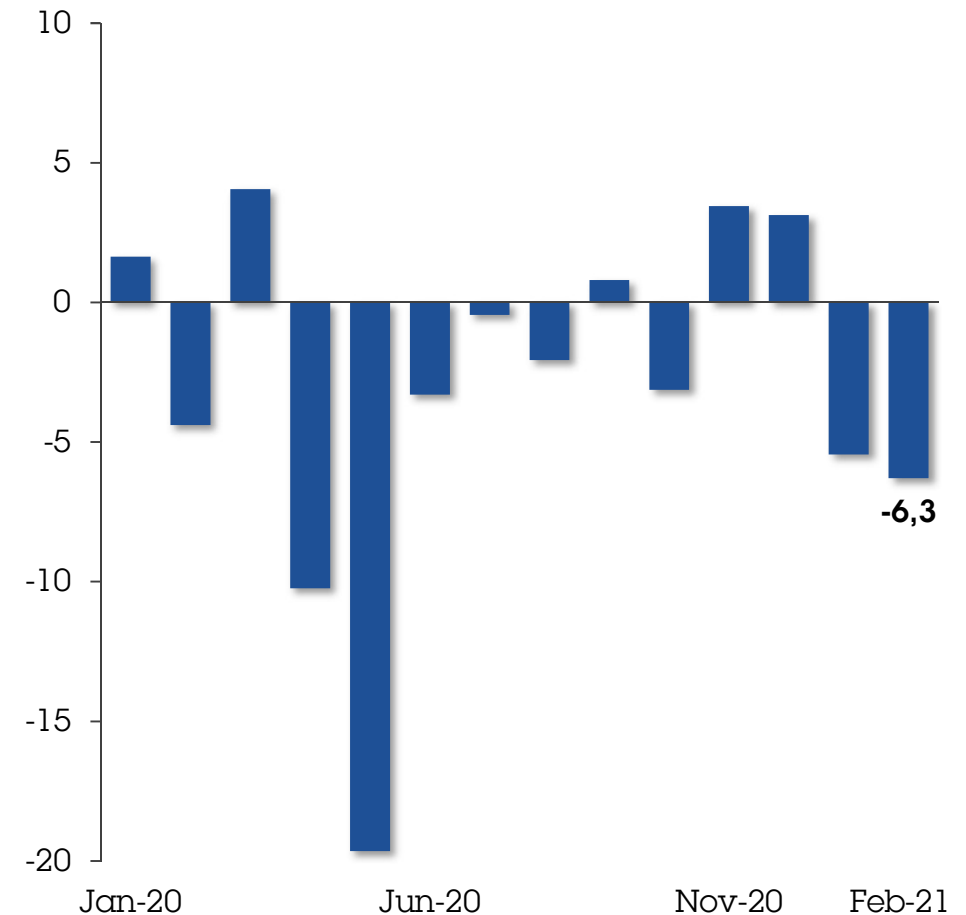
Fuel Demand

(Rolling 7-day average, YoY change, in %)



Tax Revenue Collection

(YoY real change, in %)

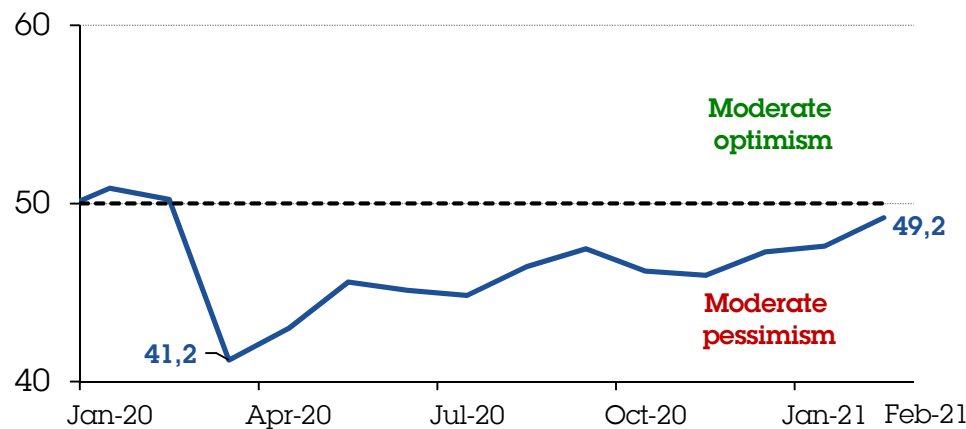


2 Amid signs of softening economic activity, other indicators suggest more upside: (i) *strengthening durable consumption...*

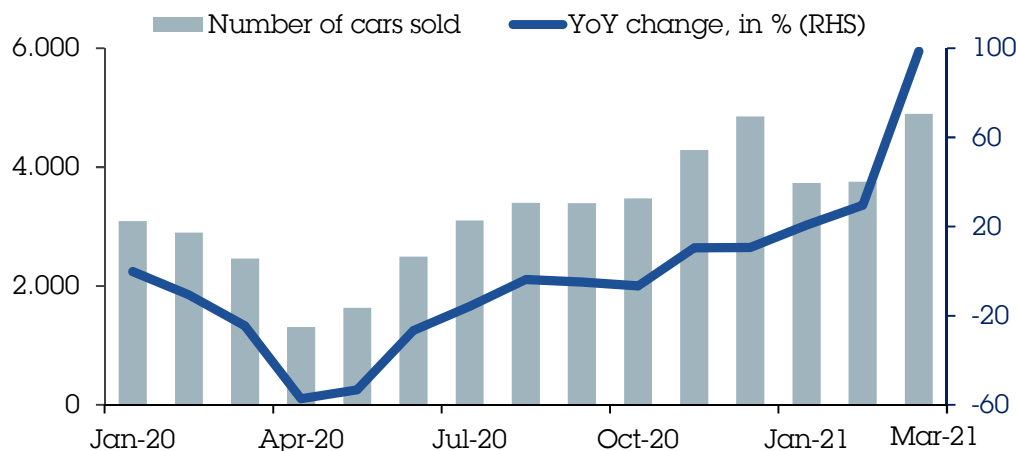


Consumer confidence has improved and durable consumption is recovering; the number of unemployment insurance beneficiaries has remained stable in a slowly-healing labour market.

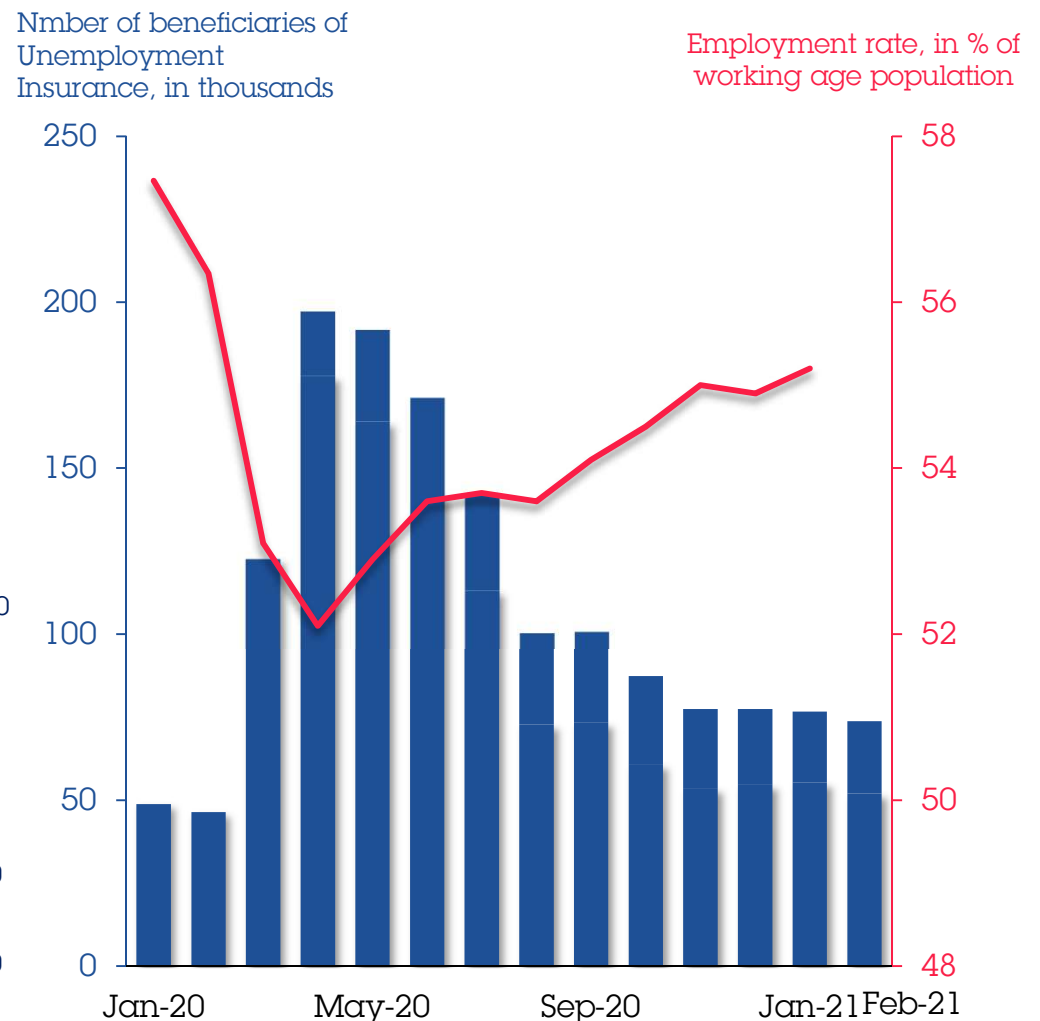
Consumer Confidence Index ⁽¹⁾



Car Sales ⁽²⁾



Unemployment Insurance and Employment Rate ⁽³⁾



(1) Source: SURA Chair of Economic Confidence - Catholic University of Uruguay and Equi

(2) Source: Uruguayan Car Trade Association.

(3) Source: Social Security Bank of Uruguay and National Institute of Statistics.

2 (ii) ramp up in foreign direct investment that is supporting the construction sector...



The largest-ever private investment project is on track, and is already showing up on FDI inflows.

UPM's Pulp Mill

- UPM will invest a total of **US\$ 3 billion (5.5% of GDP)** to build a 2.1 million-tonne greenfield eucalyptus pulp mill in central Uruguay
- **Proceeding according to planned schedule.** More than 3,000 people are currently working at the construction site.

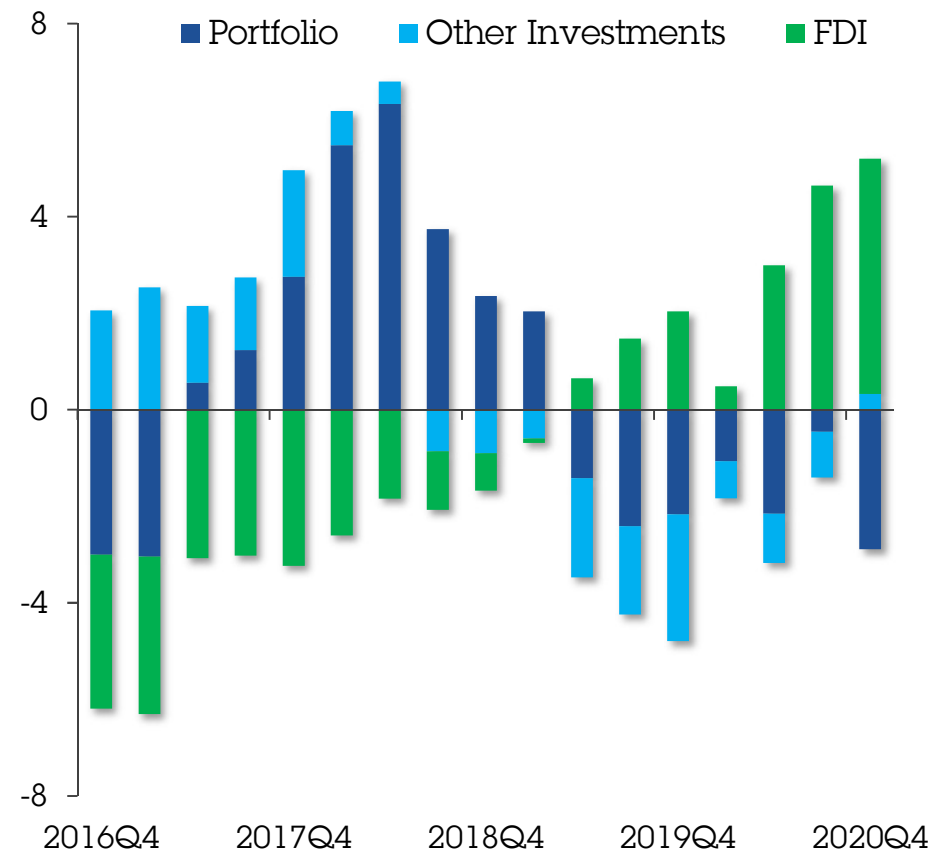
Central Railway Project

- **US\$ 1 billion investment** in a Central Railway that will run from the city of Paso de los Toros to the port of Montevideo (273 km long)
- Public-Private-Partnership (PPP) modality.



Key Components of Net Capital Inflows ⁽¹⁾

(Rolling 4-quarters, in % of GDP)



(2) Source: Central Bank of Uruguay. "Others" includes Other Investments and Financial Derivatives from the Financial Account of the Balance of Payments. Changes in Central Bank reserve assets are not included.

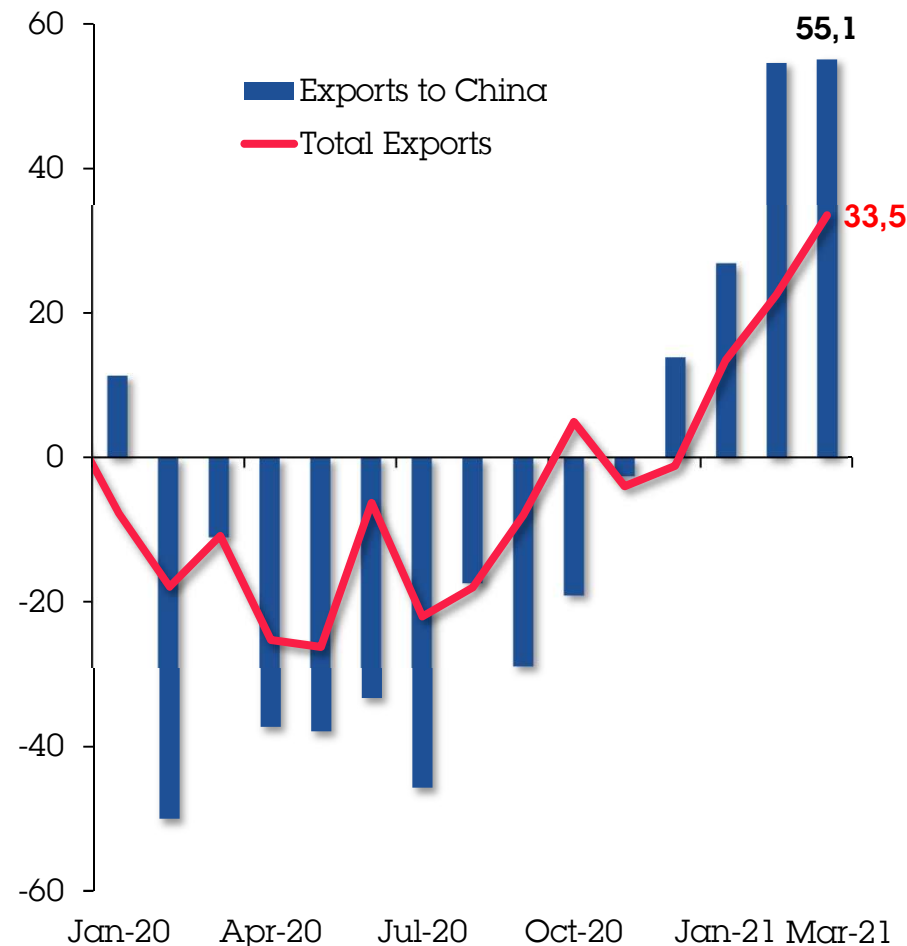
2 ... and (iii) higher commodity prices and export demand of goods that are lifting the agricultural sector.



Tailwinds coming from higher commodities prices and export demand from China, although increasing oil prices has tempered improvement in terms of trade.

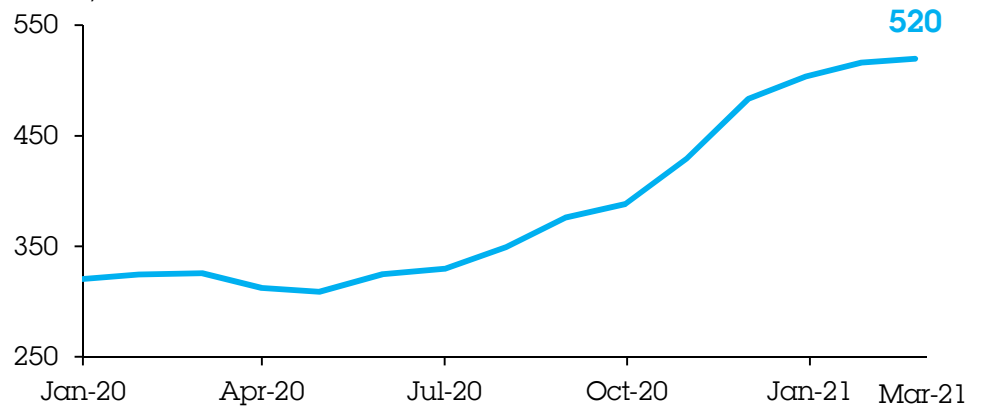
Export Value of Goods ⁽¹⁾

(YoY change, in %)



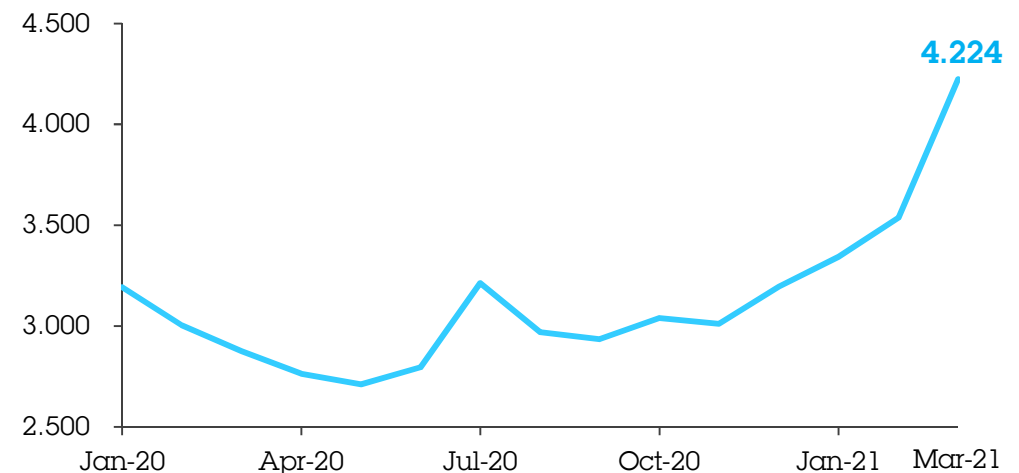
Soybean Prices ⁽²⁾

(US\$/ton)



Milk Powder ⁽³⁾

(US\$/ton)



(1) Source: Uruguay XXI. Includes exports from Free Trade Zones..

(2) Source: Bloomberg.

(3) Source: National Institute of Milk of Uruguay

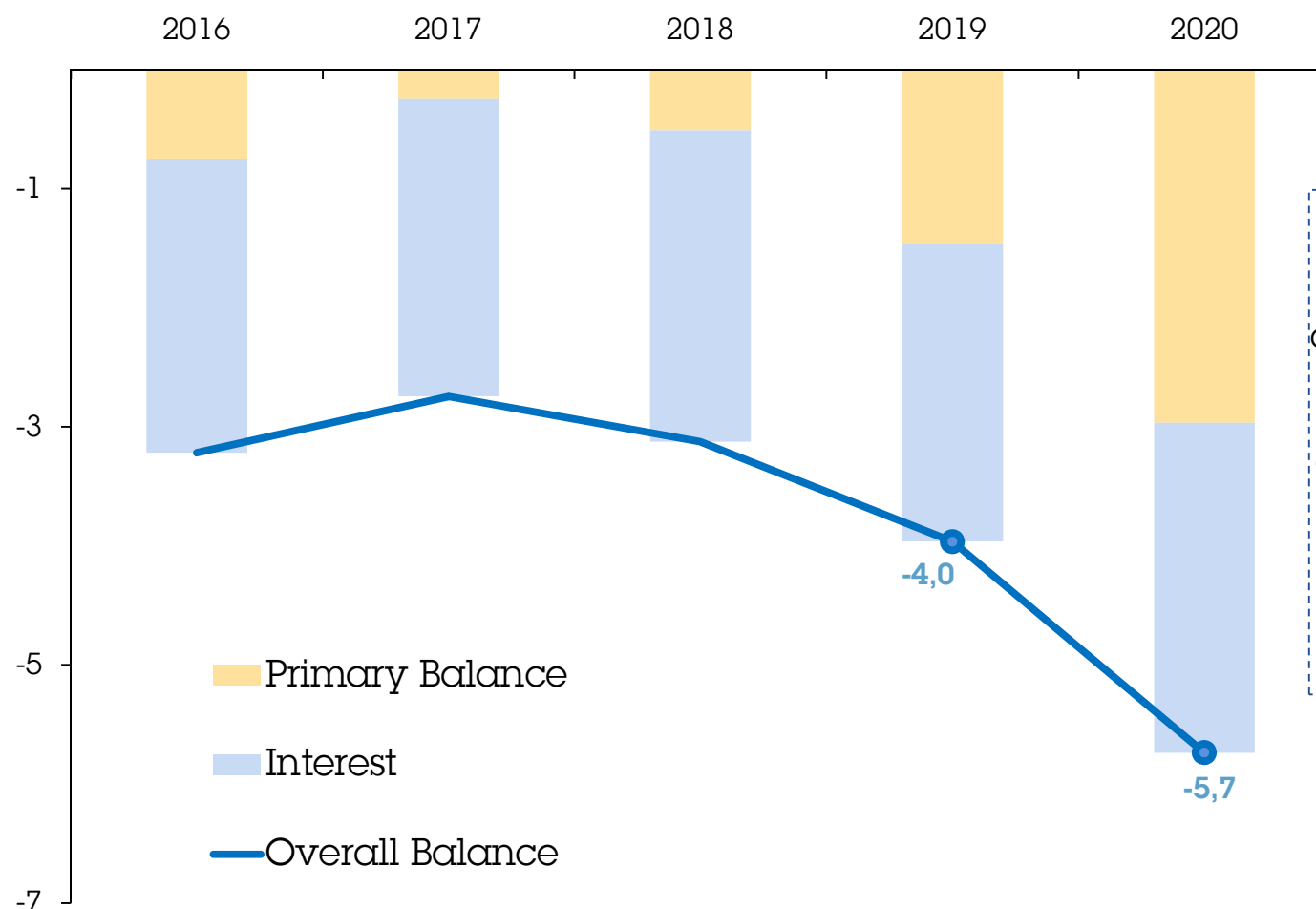
3 Fiscal targets met in 2020 on the back of disciplined policies and new fiscal framework...



The government honored its pledge to rationalize fiscal accounts by restraining discretionary expenditure, while allocating resources to contain Covid-19 impact on households and firms.

Central Government Fiscal Balance ⁽¹⁾

(In % of GDP)



The Government met the 2020 target set in the Budget Law, even accounting for re-basing of GDP (using previous national accounts estimates, which implies a lower nominal GDP, the fiscal balance observed would have been **-6.3%** of GDP, and the fiscal target was set at **-6.6%**).

Source: Central Bank of Uruguay; Ministry of Economy and Finance of Uruguay.

(1) Does not include extraordinary inflows to the Social Security Trust Fund.

3 ... and the government met the three pillars of the new fiscal rule, restoring fiscal credibility.



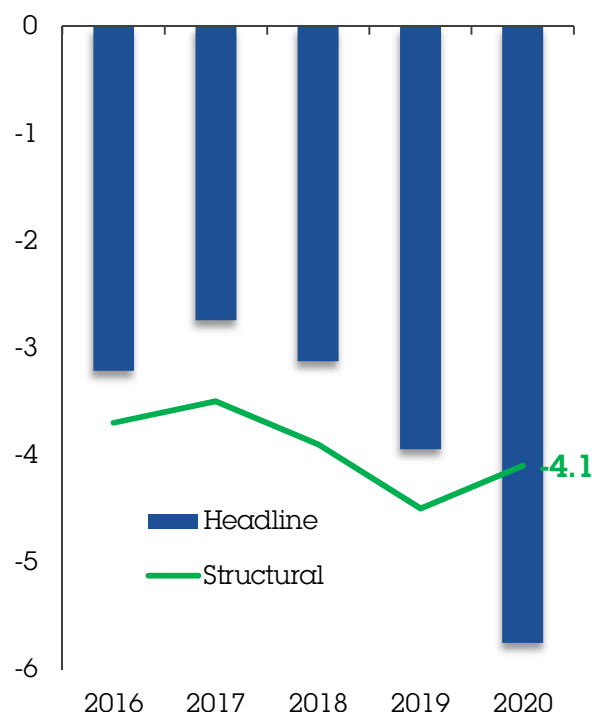
Austerity measures based on more efficient discretionary spending, restrictions on public sector hiring and spending oversight allowed to meet all three pillars of the newly-adopted fiscal rule.

✓ **Structural balance target**, to account for business cycle fluctuations and one-off/temporary spending and revenue items

✓ **Cap on real growth in primary expenditure** in line with potential real economic growth

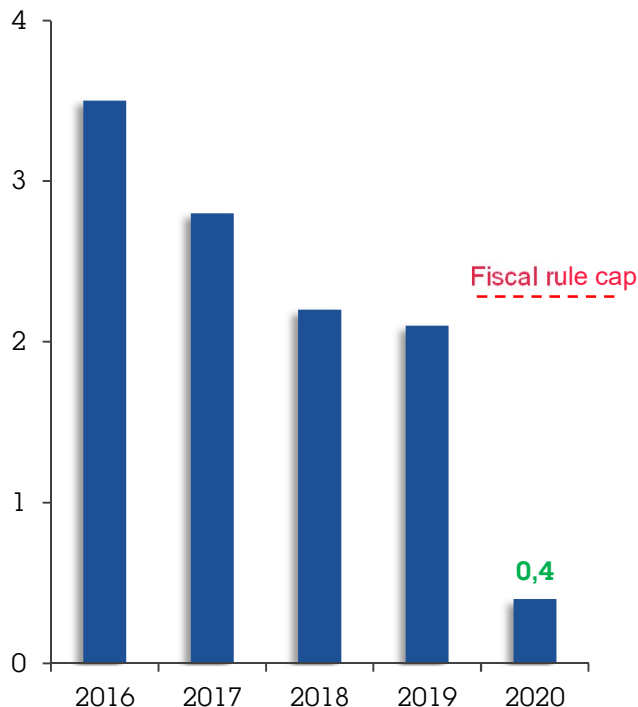
✓ **Binding maximum level** of annual net indebtedness in absolute dollar amount.

Headline and Structural Balance
(In % of GDP)



The target for the structural fiscal balance in 2020 was set at -4.4%

Primary Spending
(Annual real variation, in %)



The cap for real expenditure growth in 2020 was set at 2.3%

Net Indebtedness in 2020
(US\$ mm)

| | |
|---|--------------|
| (1) Gross Borrowing (Bonds + Loans) | 5,887 |
| (2) Amortizations (Bonds + Loans) | 2,194 |
| (3) Accumulated Financial Assets | 573 |
| Net Indebtedness = (1) - (2) - (3) | 3,120 |

Legal limit on net indebtedness was set at US\$ 3,500 million

In 2021, continued targeted measures to mitigate Covid-19 fallout on households and firms, coupled with incentives to promote private investment and formal employment...



Continue to protect viable firms and vulnerable households from the Covid-19, while promoting private investment through tax incentives.

Income support and tax relief for households and SMEs

- Direct income transfers, expanded unemployment and health insurance and tax deferrals to protect household income and human capital.
- Targeted tax relief and exemptions to mandatory contributions to preserve the financial health of micro, small and medium-sized enterprises (SMEs), to ensure functioning payment systems and supply chains between producers, suppliers, intermediaries and creditors.

Loan guarantees and temporary regulatory forbearance for hardest-hit sectors

- Sovereign-guaranteed lending programs to leverage banking system loans to SMEs.
- Central Bank easing of bank regulations and temporary forbearance on loan repayments for companies most affected by the pandemic.

New tax breaks for big-ticket construction projects and social housing

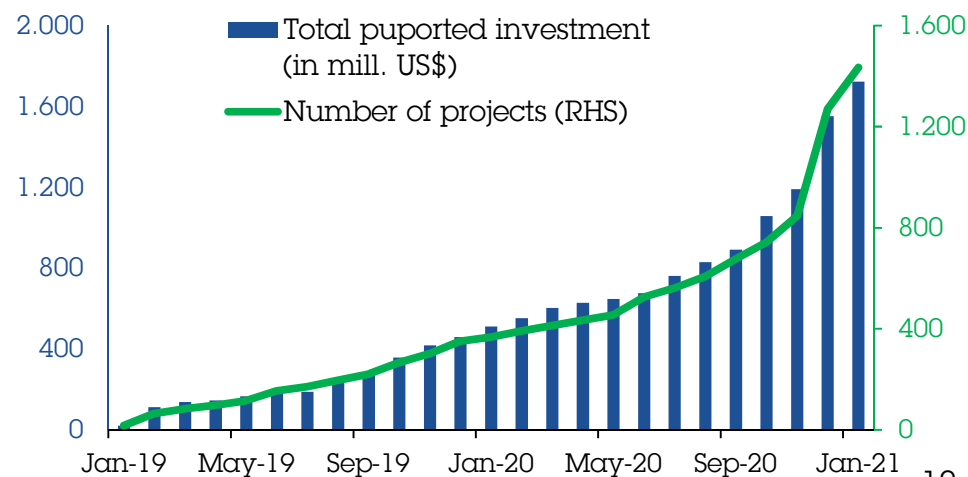


- ✓ Foreign investors are granted the same incentives as local investors: there is no tax discrimination or restrictions for transferring profits abroad.



- ✓ Recent changes to the **General Investment Promotion Regime (COMAP)** providing more tax incentives encouraging employment creation (housing, offices and urbanization construction) and clean technologies.

Investment projects presented under COMAP regime (Cumulative)



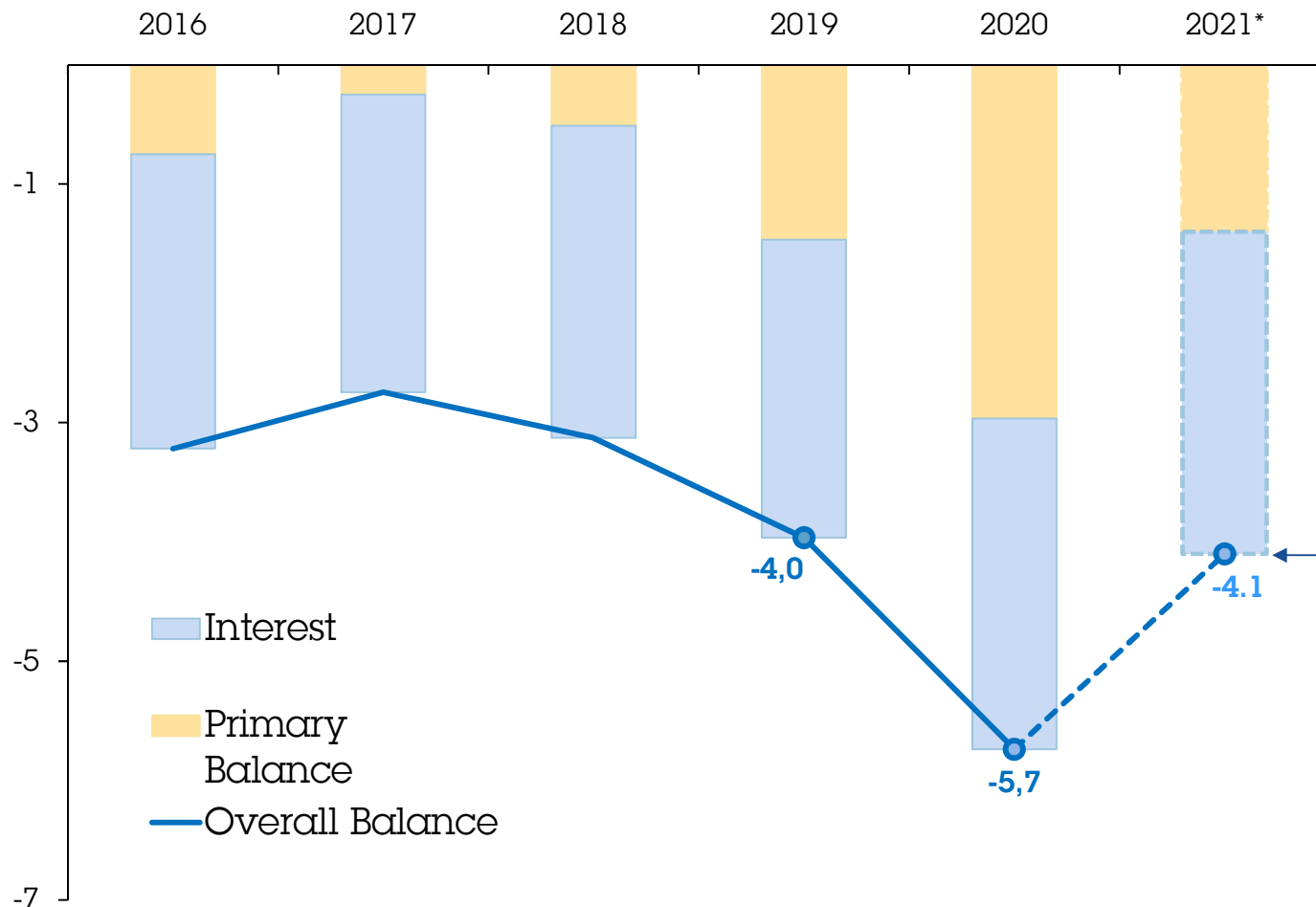
3 ... while targeting an improvement in the structural fiscal balance.



Even accounting for additional temporary measures to support households and firms coping with COVID-19, the government aims to shore up underlying public finances in 2021 to stabilize debt burden.

Central Government Fiscal Balance ⁽¹⁾

(In % of GDP)



Central Government deficit is currently projected at **4.1%** of GDP in 2021, given a projected real GDP growth of **3.5%**.

Projections for 2021 are under revision, in light of recent Covid-19 developments.

Source: Central Bank of Uruguay; Ministry of Economy and Finance of Uruguay.

(1) Does not include extraordinary inflows to the Social Security Trust Fund

(*) Projection, as of 8th of February, 2021.

4 Monetary policies focused on bringing down inflation and anchoring inflation expectations within target.



Monetary policy focused on anchoring inflation expectations.

- 1 Commitment to Lower Inflation**
 - Key focus is to bring inflation structurally down and anchor inflation expectations within the target band, under a floating exchange rate regime.
- 2 Short-term Interest Rate as new Policy Instrument**
 - New monetary policy framework under inflation targeting regime.
 - Improves market signals and allows for fine-tuning of monetary policy at higher frequency.
- 3 Enhanced Transparency in Communication**
 - Higher frequency in Monetary Policy Committee (MPC) meetings, published minutes of MPC, relaunched inflation survey, among others.
 - Publication of Central Bank's inflation projections and survey of firms' inflation expectations.
- 4 Expansionary Policies in the Short Term**
 - To respond to the current Covid-19 health emergency, monetary policy has geared into expansionary mode. To anchor medium term inflation expectations, the Central Bank signaled it will switch to tighter monetary policy once the pandemic eases.
- 5 Consistent Policy Mix**
 - Coherence between fiscal discipline, disinflation strategy and wage policies: monetary authority's commitment to break inflation expectations inertia is consistent with new wage-setting guidelines for the private sector prioritizing employment creation and consolidation in structural fiscal balance.

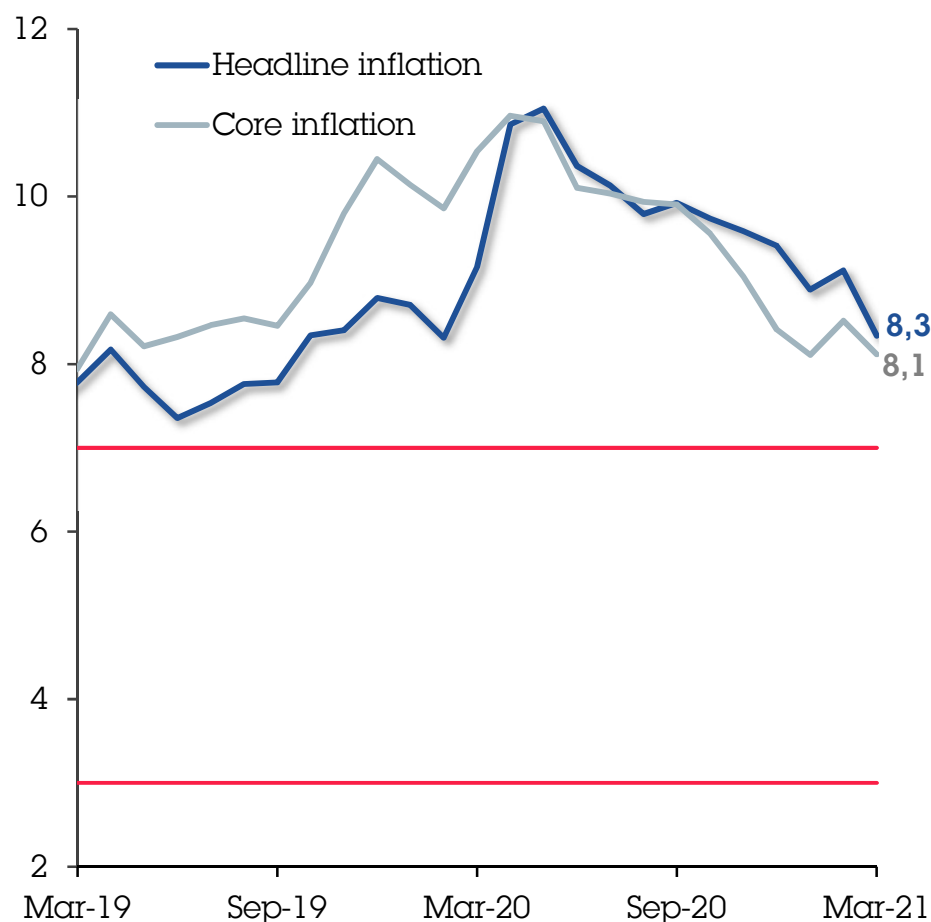
4 Inflation is projected to continue its downward trend, and revert within the target band in 2021.



Decelerating inflation consistent with new wage-setting guidelines for the private sector prioritizing employment creation, and consolidation in structural fiscal balance.

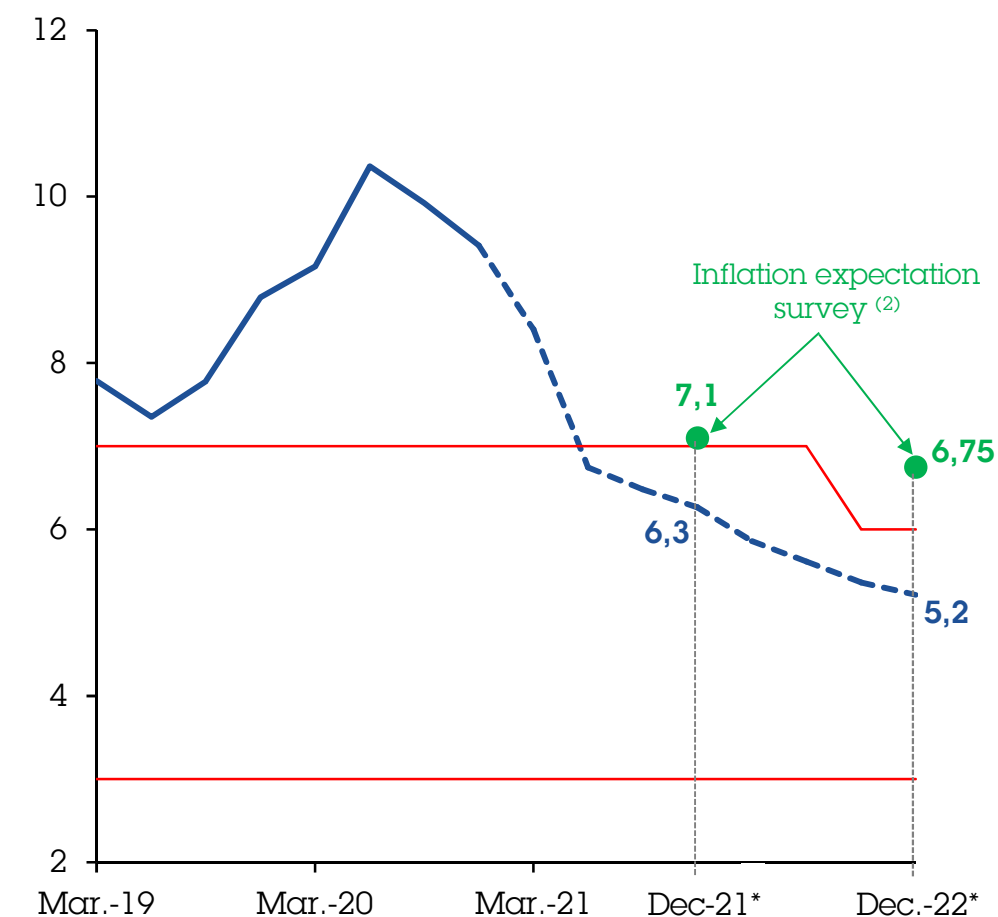
Headline and Core Inflation

(YoY, in %)



Central Bank's Projected Inflation Path ⁽¹⁾

(YoY, in %)



Source: National Institute of Statistics and Central Bank of Uruguay.

(1) Quarterly forecasts of the baseline scenario of the Central Bank as of March 2021 (based on COPOM minutes).

(2) Median expectation according to Central Bank's market survey as of March 2021.

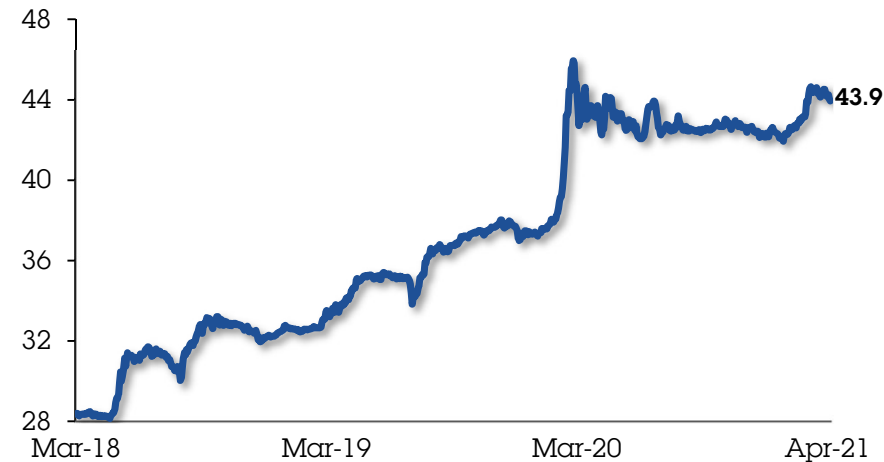
(*) Central Bank projections as of March 2021.

The Central Bank has intervened on both sides of the forex market only to smooth out volatility, in an otherwise floating exchange rate regime.

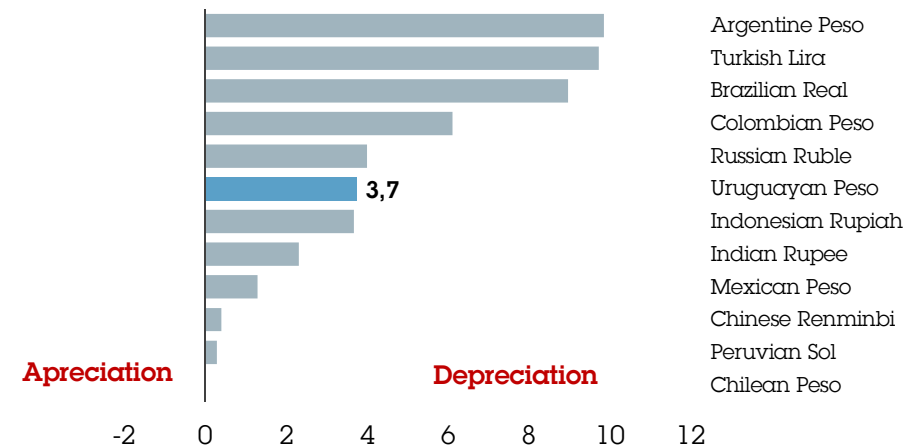


The multilateral real effective exchange rate is estimated to be broadly in line with fundamentals.

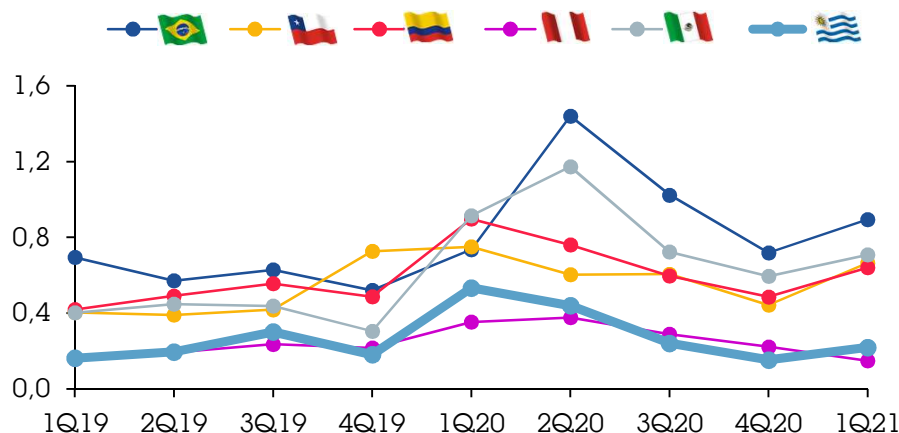
Nominal Exchange Rate ⁽¹⁾
(pesos per dollar, as of April 8th, 2021)



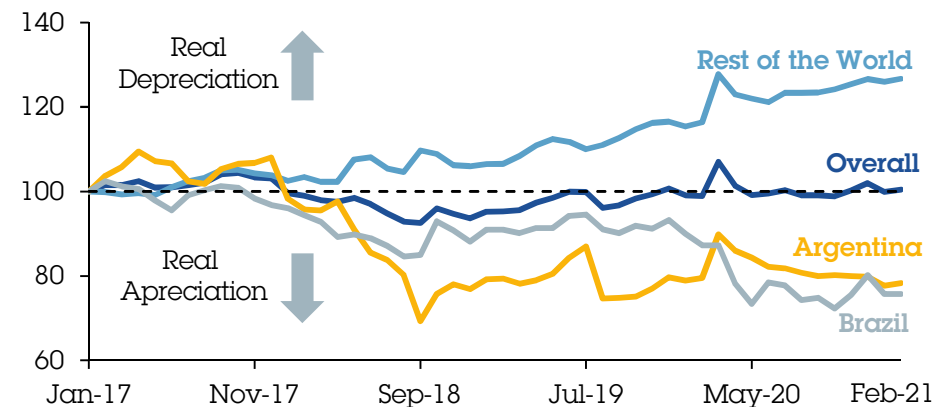
Currency Performance vs USD ⁽³⁾
(% change in nominal exchange rate YTD, as of April 8th, 2021)



Nominal Exchange Volatility in Latam ⁽²⁾
(Quarterly average of absolute value of daily percent changes)



Real Effective Exchange Rates of Uruguay vis-à-vis Other Regions or Countries ⁽⁴⁾
(Index base 100 = January 2017)



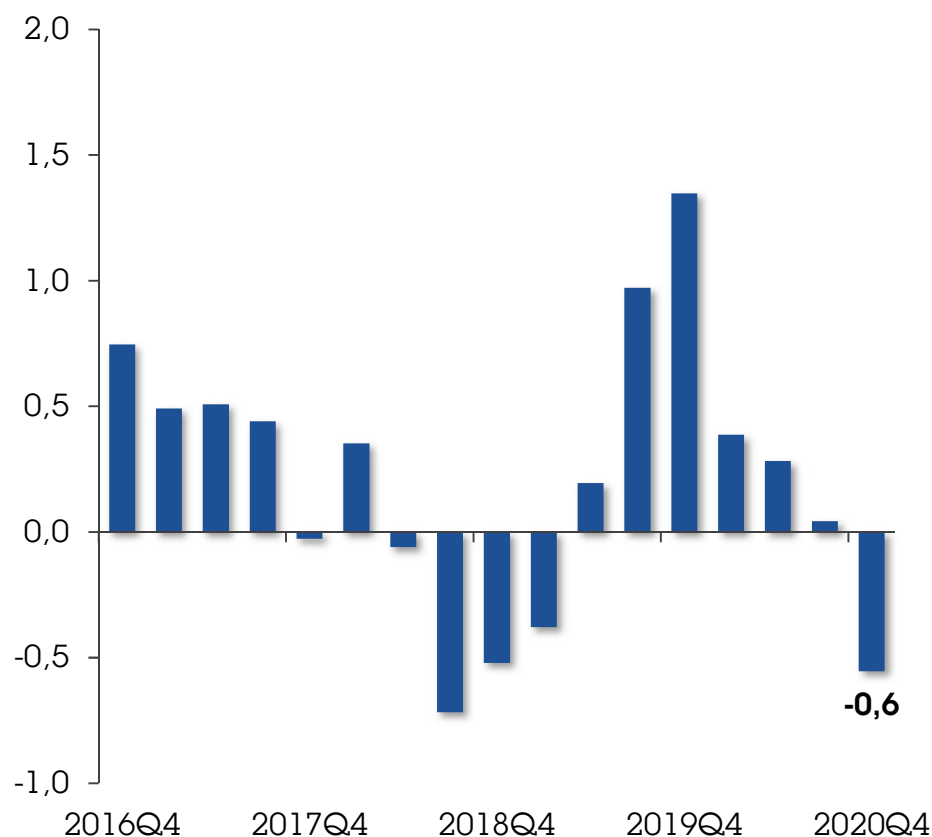
5 Solid external sector and large international reserves.



Mild deterioration in current account balance, on the back of lower service exports and higher foreign dividend payments; sizable international reserves provide large external buffer.

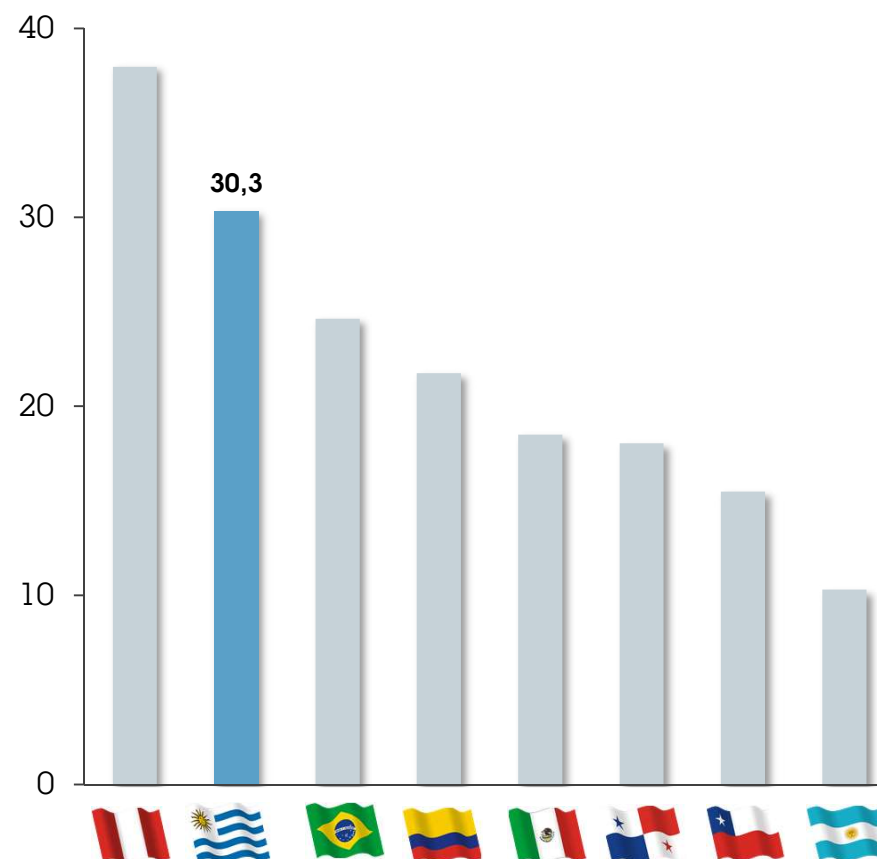
Current Account Balance of Uruguay ⁽¹⁾

(Rolling 4-quarters, in % of GDP)



International Reserves in Latam ⁽²⁾

(In % of GDP, as of end-2020)



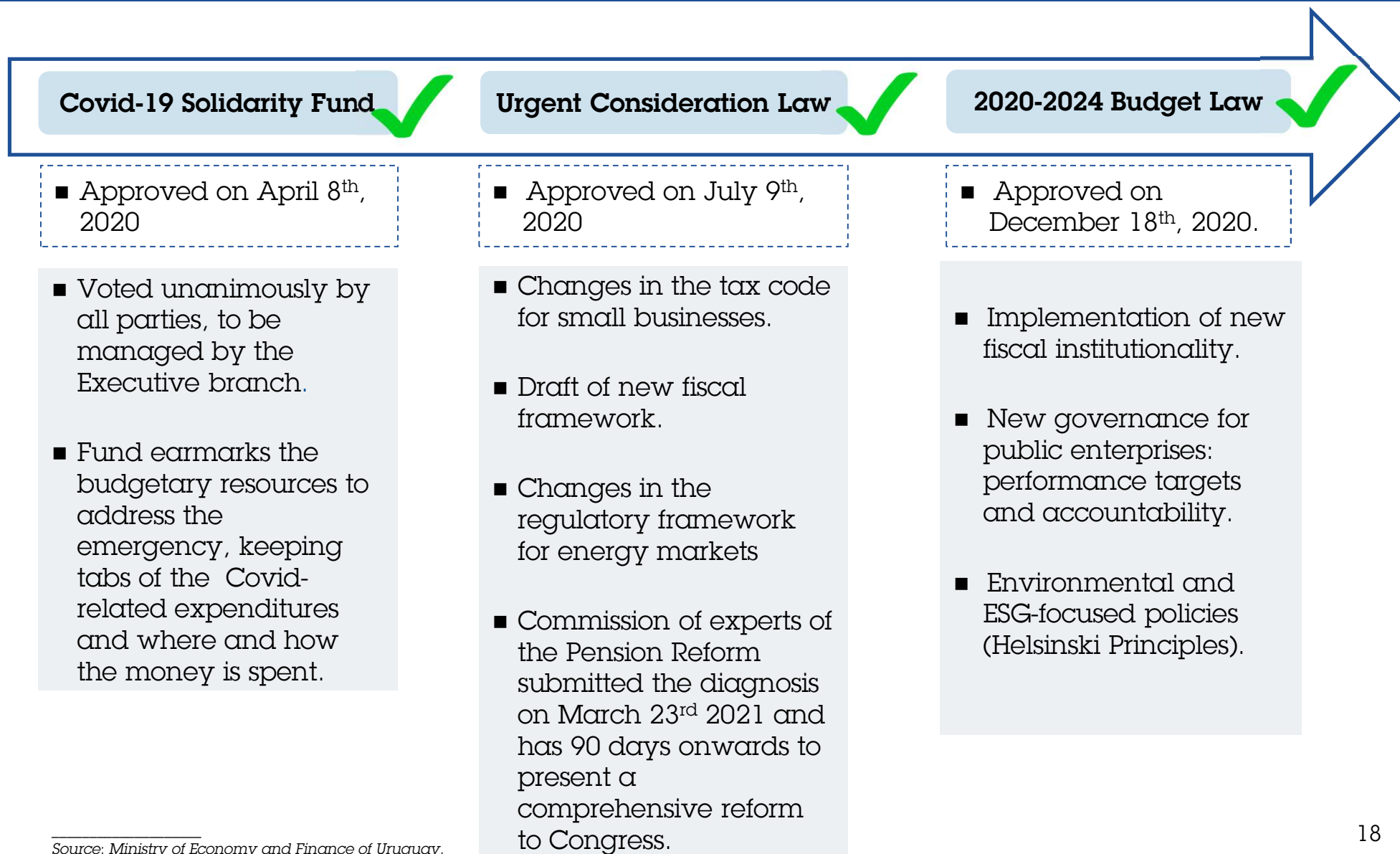
(1) Source: Central Bank of Uruguay.

(2) Source: Official National Statistics and International Monetary Fund. Note: Regional and country specific information is as aggregated or reported, as applicable. Each such country information may be calculated differently and aggregated by each respective source using various methodologies. Accordingly, this comparison is for illustrative purposes only and we do not purport assert that the above information is actually comparable.

6 Despite the pandemic, Government forges ahead with structural and market-friendly reforms.



Government moving forward with an ambitious agenda of fiscal and structural reforms backed by political majority in Congress.



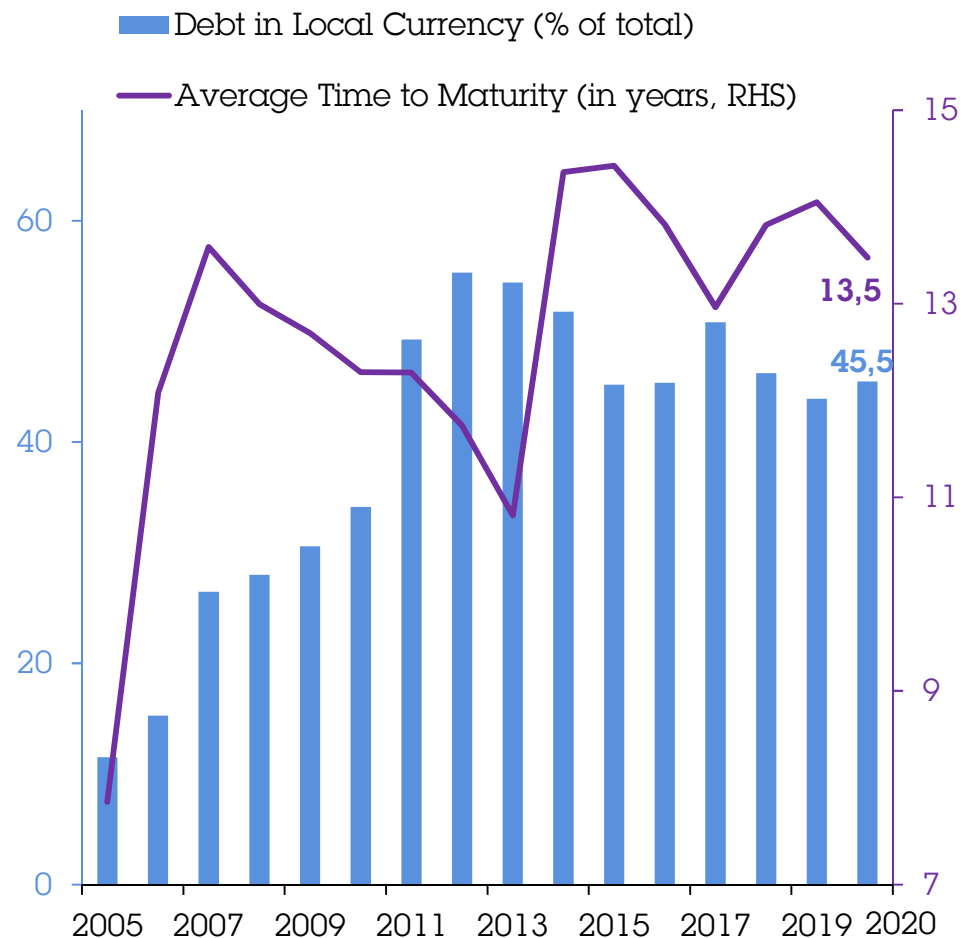
7 Proactive sovereign debt management strategies: developing local currency markets and de-risking debt portfolio.



Improved debt profile through liability management strategies, extending average maturity, smoothing maturity profile and reducing borrowing costs.

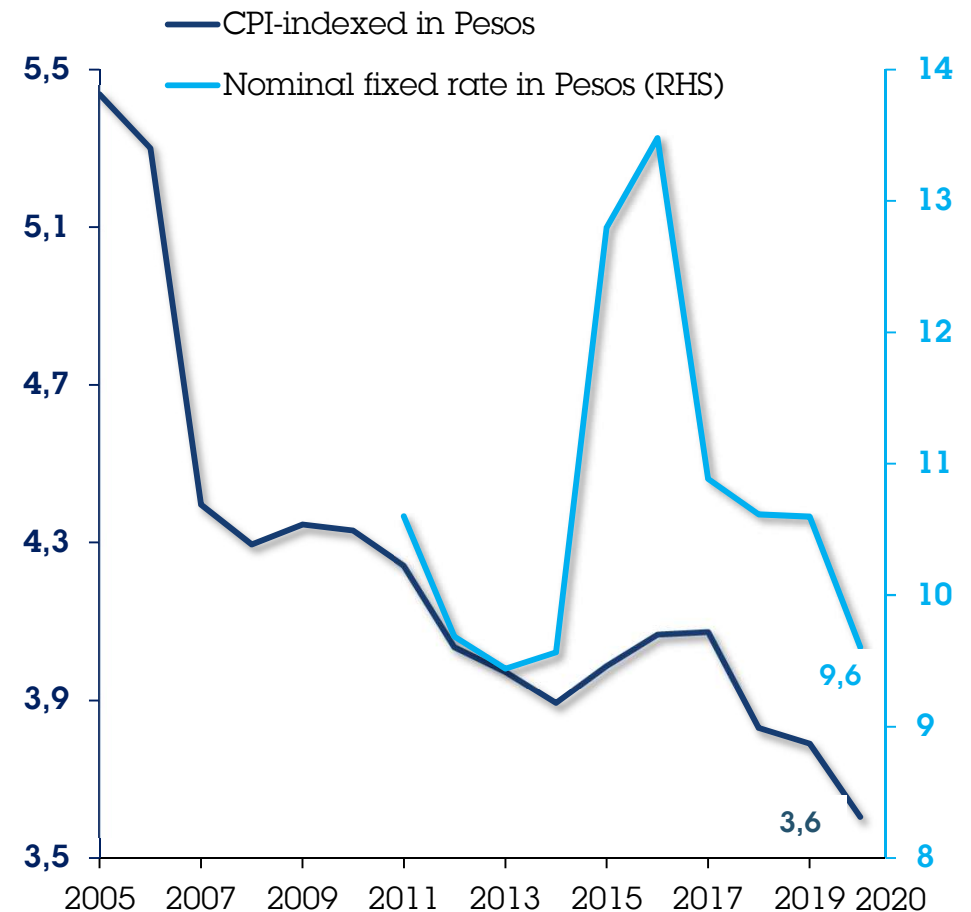
Currency and Maturity Composition of Debt

(As of end-period)



Cost of Outstanding Debt in Local Currency

(Weighted average interest rate on stock of debt, by type of currency, in %)



7 Central Government's Funding Plan for 2021.



Cornerstones of debt management strategy: deepening local currency funding and cost-efficient liability management operations.

Financing Needs and Funding Sources in 2021

(US\$ mm, projections)

| FINANCING NEEDS | 4,335 |
|---|-------|
| Primary Deficit ⁽¹⁾ | 831 |
| Interests Payments ⁽²⁾ | 1,546 |
| Amortizations of Bonds and Loans ⁽³⁾ | 1,534 |
| Accumulation of Financial Assets | 423 |
| Liquid Assets | 398 |
| Other Financial Assets | 25 |
| FUNDING SOURCES | 4,335 |
| Loan Disbursement from Multilaterals | 550 |
| Total Issuance of Market Debt ⁽⁴⁾ | 3,650 |
| Others (net) ⁽⁵⁾ | 135 |

Continue to increase local currency funding in both domestic and international markets, while developing secondary markets (liquidity, depth and points in the curve).

Figures are under revision, in light of recent Covid-19 developments.

Source: Ministry of Economy and Finance of Uruguay.

(1) Excludes extraordinary transfers to the public Social Security Trust Fund (SSTF).

(2) Includes interests payments to the SSTF on its holdings of Central Government debt.

(3) For 2021, includes the obligations coming due on a contractual basis and bonds repurchased and early redeemed through January 31st, 2021.

(4) Includes bonds issued domestically and in international markets.

(5) Includes exchange rate and market price valuation effects.

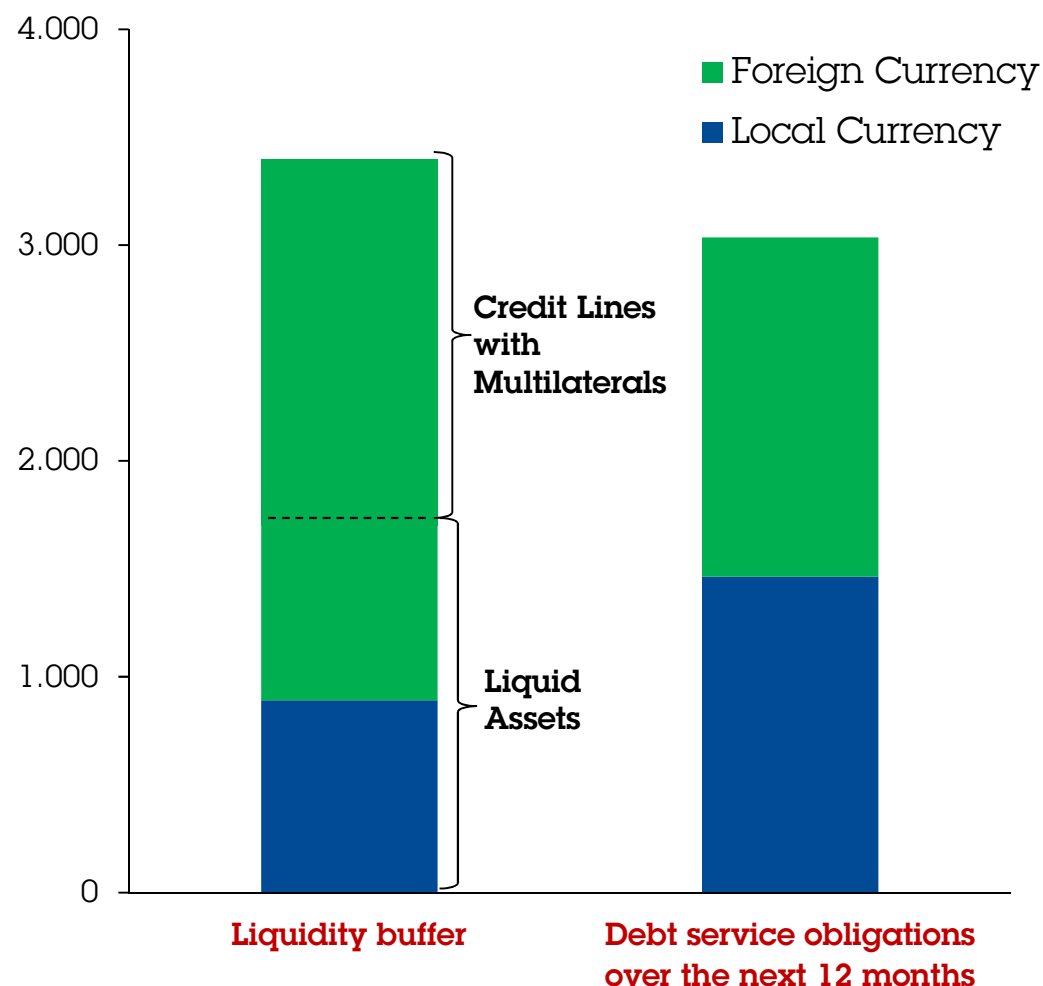
7 Large liquidity buffers and precautionary credit lines of the Central Government provide financial backstops.



Conservative pre-financing policy afford financial flexibility.

Liquidity Buffers of the Government and Short-Term Debt Service Obligations ⁽¹⁾

(In US\$ millions, as of end-February 2021)



Available precautionary credit lines with multilaterals totalize **USD 1.7 billion**:

- Corporación Andina de Fomento (US\$ 750 million);
- World Bank (US\$ 280 million)
- Fondo Latinoamericano de Reservas (US\$ 665 million)

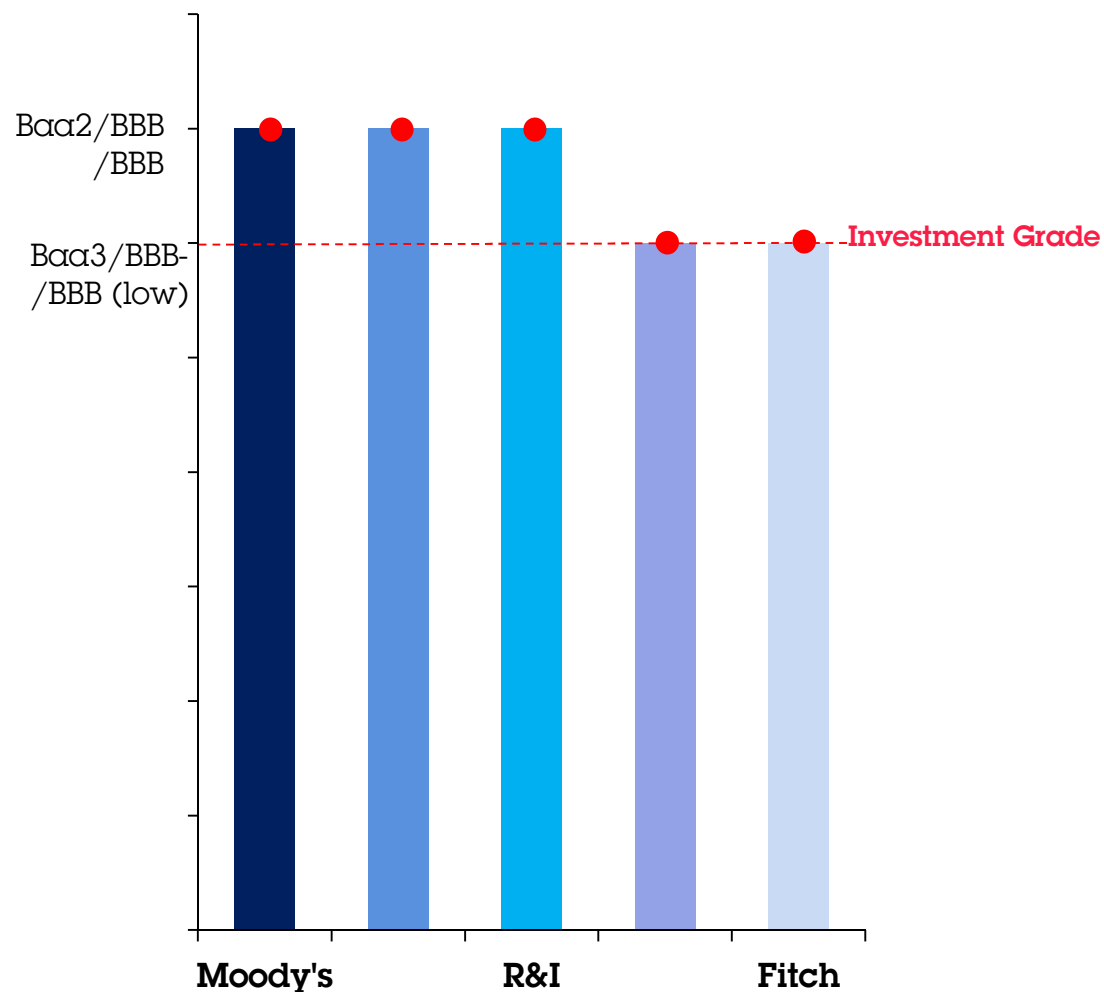
(1) Debt service includes amortization plus interest payments.
Source: Debt Management Unit, Ministry of Economy and Finance of Uruguay.

7 Sovereign credit spread remains subdued and clustered among higher-rated investment grade peers.



Uruguay's sovereign credit ratings ⁽¹⁾

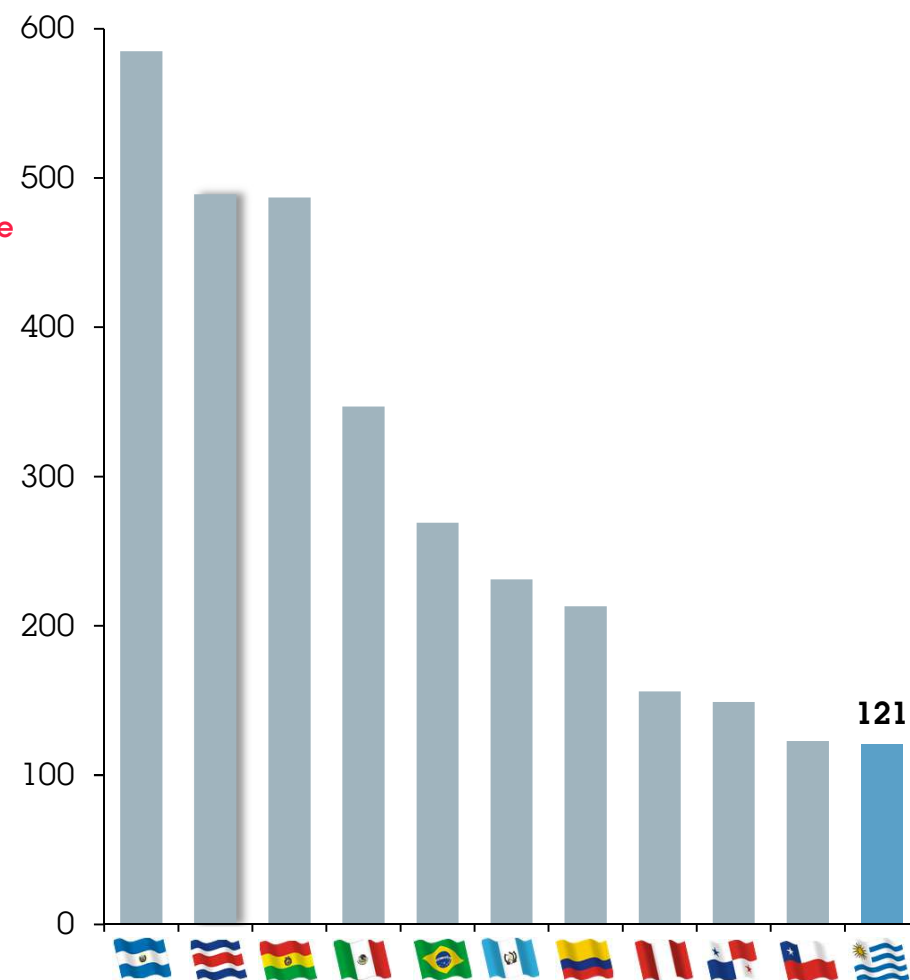
(As of April 8th, 2021)



Outlook: (Stable) (Stable) (Positive) (Stable) (Negative)

Sovereign Risk Premia ⁽²⁾

(EMBI spread in bps, as of April 8th, 2021)



(1) Source: Moody's, S&P, R&I, DBRS-Morningstar and Fitch.

(2) Source: Bloomberg.



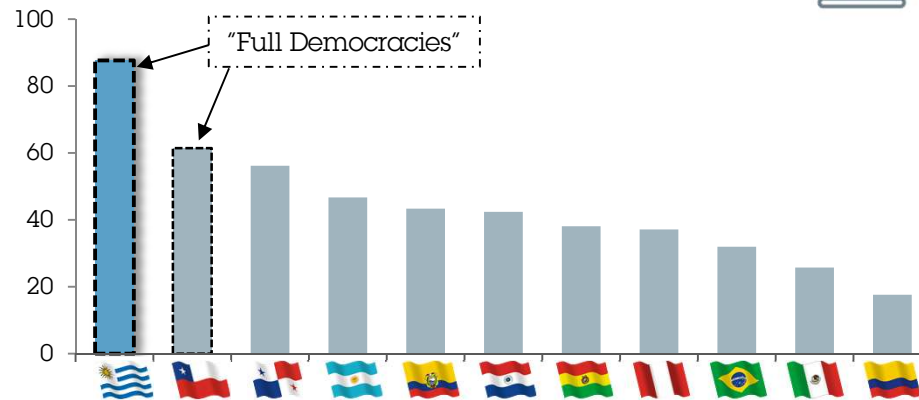
23

8 Uruguay is a bastion of institutional and political stability in LatAm...

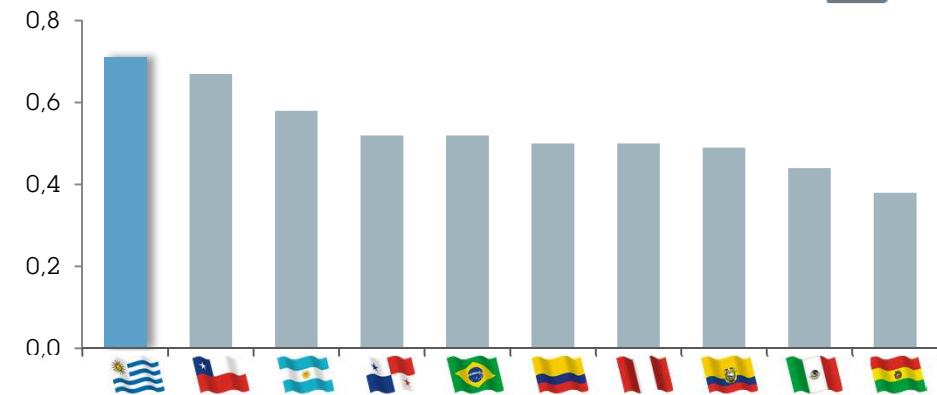


Unlike regional peers, Uruguay's presidential elections are not until 2024, creating favorable conditions to implement policies.

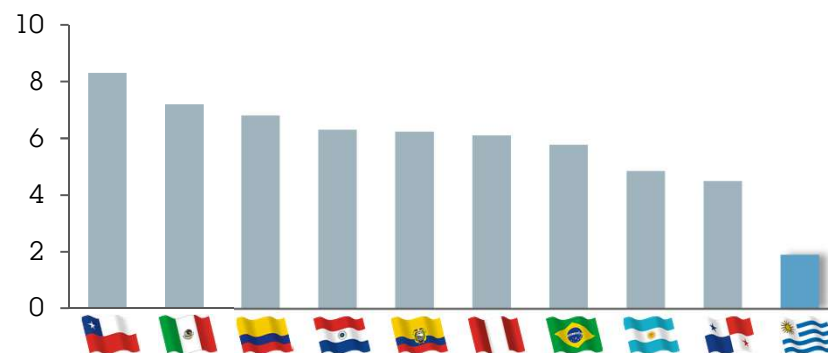
Political Stability and Democracy (1)
(Percentile rank)



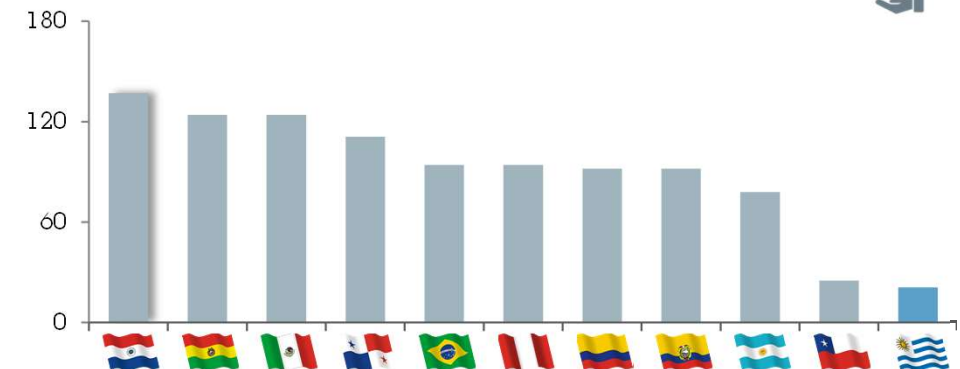
Adherence to the Rule of Law (2)
(Numerical score out of 1)



Civil Unrest (3)
(Index out of 10)



Corruption Perception (4)
(Rank)



Note: Regional and country specific information is as aggregated or reported, as applicable. Each such country information may be calculated differently and aggregated by each respective source using various methodologies. Accordingly, this comparison is for illustrative purposes only and we do not purport assert that the above information is actually comparable.

(1) Source: Worldwide Governance Indicators, World Bank (2019) and The Economist Intelligence Unit (2020).

(2) Source: World Justice Project (2020).

(3) Source: Verisk Maplecroft (first quarter of 2020).

(4) Source: Transparency International (2020).

8 ... and remains at the forefront of environmentally-friendly policies, with energy matrix based on renewable resources.

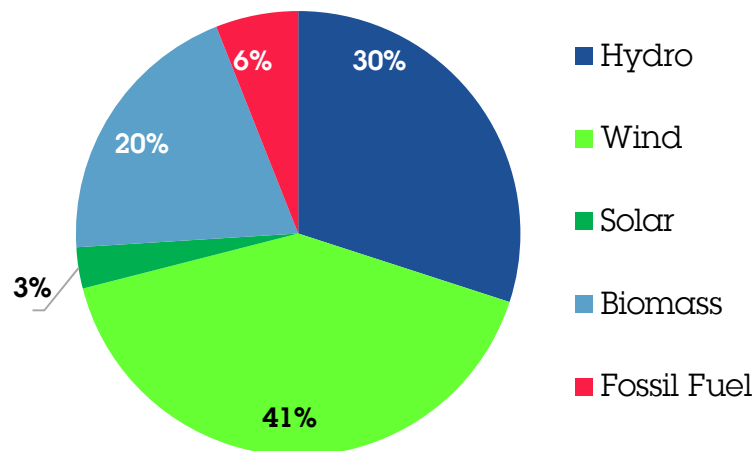


Rapid decarbonization of electricity system and plan for robust mitigation measures across all emission-intensive sectors.

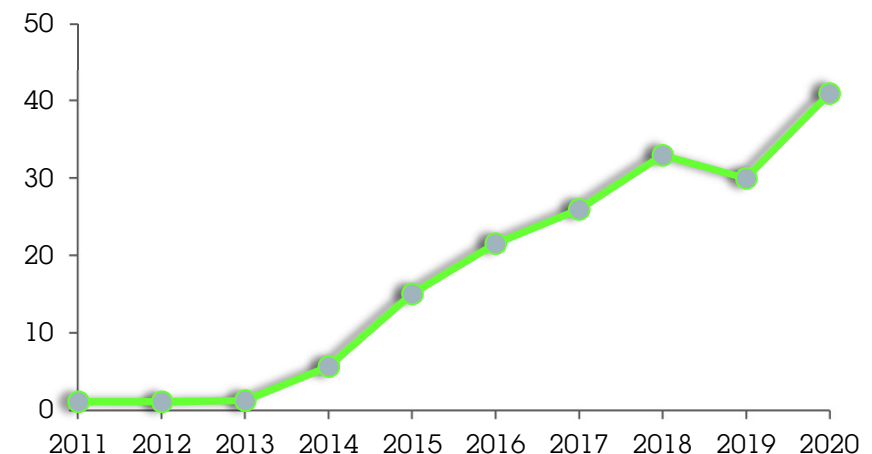
Ranked #1 in :

- **Energy Transition Index** among Emerging and Developing countries ⁽¹⁾
- **MSCI Environmental Pillar Index** among all countries in the world ⁽²⁾

Electricity Generation by Source ⁽³⁾
(% of total, 2020)



Electricity Generation from Wind Energy ⁽³⁾
(% of total)



(1) Source: World Economic Forum, 2020.

(2) Source: MSCI

(3) Source: National Energetic Preliminar Balance 2020, Ministry of Industry, Energy and Mining.

8 The new administration is committed to climate action.



The goal is to make economic growth consistent with a pathway towards low greenhouse gas emissions and climate-resilient economy, through macroeconomic, fiscal and financial policies.

- Creation of the Ministry of Environment (*July, 2020*).
- The Government joins:
 - The Coalition of Finance Ministers for Climate Action (*October, 2020*).
 - The Network of Central Banks for Greening the Financial System (*November, 2020*).
- The Helsinki Principles were explicitly incorporated in the 2020-2024 Budget Law, putting climate resilience at the center of the planning and design of economic policies and fiscal management (*December, 2020*).
- The Ministry of Industry and Energy and the Ministry of Finance launch the national road-map for green hydrogen production, with the support of the United Nations Joint Fund for Sustainable Development Goals (*April 2021*).



**República Oriental
del Uruguay**

Thank you