S&P Global Ratings

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## Research Update:

# Uruguay 'BBB/A-2' Ratings Affirmed; Outlook Remains Stable

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## Ratings

Foreign Currency: BBB/Stable/A-2
Local Currency: BBB/Stable/A-2
For further details, see Ratings List.

## Overview

- Uruguay's GDP is likely to continue to grow in 2019 at 0.9% despite a challenging international context.
- A growing level of mandatory spending and only limited room to adjust revenues will contribute to fiscal deficits that are likely to gradually increase net general government debt above 60% of GDP by 2021.
- We are affirming our sovereign credit ratings on Uruguay at 'BBB/A-2'.
- The outlook remains stable, reflecting our view of high fiscal deficits and a gradually increasing debt trajectory in a context of subdued economic growth and political stability.

## Rating Action

On May 7, 2019, S&P Global Ratings affirmed its 'BBB' long-term foreign and local currency sovereign credit ratings on Uruguay. In addition, we affirmed our 'A-2' short-term foreign and local currency ratings. The outlook on the long-term ratings remains stable.

The transfer and convertibility assessment is unchanged at 'A-'.

## Outlook

The stable outlook reflects our view of continuity in key economic policies after national elections later this year. We expect that, over the next two years, Uruguay will continue to show high general government (GG) fiscal deficits and an increase in its net GG debt burden. At the same time, we expect that Uruguay will continue to sustain GDP growth, with per capita GDP likely expanding by 1.8% per year during 2019-2021.

A sustained decline in inflation, along with further deepening of local capital markets, could facilitate the government's ongoing efforts to increase the share of local currency in its debt stock. A falling exposure to foreign-currency-denominated debt could reduce the hit of exchange-rate fluctuations on the sovereign's balance sheet and improve the conduct of monetary policy, potentially leading to a higher rating over the next two years. We could also raise the ratings if a combination of good GDP growth and greater-than-expected fiscal consolidation measures contain fiscal slippage and decrease the debt burden.

We could lower the ratings on Uruguay over the next two years if failure to advance on important investment projects and on policies to reverse the current decline in investments undermine the government's revenue generation base. In this scenario, the already high GG deficit and the net GG debt burden could continue to rise beyond our expectations.

## Rationale

Our ratings on Uruguay are supported by its track record of prudent and predictable economic policies and its well-established institutions, which have underpinned consistent economic growth over the past 16 years. The ratings also benefit from Uruguay's strong external position. Uruguay's persistently high--and increasing--fiscal deficits and debt burden are constraints on the sovereign ratings, as are its relatively high inflation and still high level of dollarization in the financial system. The ratings also reflect the sovereign's per capita GDP of US$16,500 in 2019, one of the highest in Latin America.

### Institutional and economic profile: Well-established institutions and policies to promote investment will continue to support economic growth

- We expect Uruguay's GDP growth to average 2.1% in 2019-2022, propelled by strong exports and new investments.
- We expect that the government will be able to reverse a recent decline in real investment and to improve the country's physical infrastructure.
- Uruguay's strong checks and balances and low perception of corruption, which sustains investor confidence in the country, continue to support economic policies.

Uruguay has been growing consistently over the past 16 years, and we expect growth to average 2.1% in 2019-2022. We expect the economy to decelerate in 2019, with a modest 0.9% GDP growth. High unemployment, around 8.6% of the workforce, and an average inflation rate of around 7.6% should continue to limit private consumption, while investment has yet to fully recover following four years of consecutive drop. At the same time, while Uruguay has made considerable progress in reducing its economic exposure to its two neighboring countries, the current recession in Argentina has hurt tourism. There was a 30% decrease in visitors from Argentina to Uruguay in 2018. Because we expect the Argentine economy to remain in a recession in 2019, our base case is that tourist inflows from this country to Uruguay will remain weak in 2019 and are likely to dampen the part of the services sector that has greatly benefited in the past from increased tourism.

At the same time, exports of goods and services should remain strong, thanks to a recovery in Uruguay's traditional exported commodities and stable performance of exports of nontraditional services. Gradual increases in investment will buttress economic growth. We expect that by the second half of 2019, large infrastructure projects through public-private partnerships that the government has been pursuing will start to slowly materialize. From 2020 on, investment should gain traction and reverse the four-year decline. Furthermore, the second round of wage negotiations that the government initiated in March 2018 should contribute to containing unemployment from increasing, reduce inflation inertia, and consequently steer inflation toward the central bank target range by 2021.

In 2018, GDP grew 1.6%, following 2.6% growth in 2017, and we estimate GDP per capita around US$17,800 between 2019-2022. The real GDP per capita growth rate should average 1.5% over the next three years. We expect that the government's planned investments in a variety of sectors, including an US$800 million public-private partnership railroad, and the potential investment by Finland-based forest and paper company UPM-Kymmene Corp. (UPM) in the country, will have positive effects for the economy as a whole and thus continue to buttress GDP per capita above Latin American standards.

We believe that Uruguay's broad political consensus and its stable and well-established institutions have anchored--and will continue to anchor--economic stability. We expect that in the last year of President Tabaré Vazquez's Administration, from the Frente Amplio, a coalition of parties from the moderate to the extreme left, policymaking will continue to target growth through the accomplishment of large infrastructure projects and foreign investment.

Meanwhile, we believe that the pace of fiscal consolidation will be very slow and extend beyond the timeframe announced by the government in its yearly budget revision in 2018. Given the current electoral context and already high tax burden, in addition to the announcement in 2018 that the government wouldn't make any further tax increases, as well as the high level of nondiscretionary spending (that continues to increase), we expect that fiscal consolidation and consequent decline in GG deficits will extend beyond 2022. At the same time, we do not expect abrupt changes in policymaking in Uruguay given the current electoral context and change in administration.

Uruguay continues to have a strong democracy and ranks highly in global institutional quality rankings. Institutional strength sustains investor confidence in the country despite adverse economic and political events in neighboring Argentina and Brazil. Uruguay is a largely middle-class society with a relatively strong social contract that emphasizes consensus and social cohesion. The country ranks highly in international scores for governance and has the best ranking, indicating the least corruption, in Latin America and across global emerging markets in Transparency International's 2018 Corruption Perceptions Index. The Economist Intelligence Unit ranked Uruguay first in

Latin American in its Democracy Index.

### Flexibility and performance profile: Lower GDP growth, persistent fiscal deficits, and likely moderate peso depreciation will lead to increasing debt levels

- We expect that modest GDP growth and persistent fiscal deficits will lead to an increasing debt burden, with net GG debt likely to exceed 60% of GDP in 2021.
- We expect the current account deficit (CAD) to remain below 2% of GDP in the next two years, sustaining Uruguay's favorable external position.
- Inflation is likely to be 7.6% in 2019 and average 7.1% in the next couple of years.

In late 2017, Congress approved changes to the social security system wherein groups of future retirees in private pensions are able to return to the public-sector pension system. This boosted government revenues in 2018 by 1.3% of GDP, which contributed to a lower GG deficit. The estimated GG deficit stood at 2.7% of GDP in 2018, including the one-off revenues from the pension system (the deficit would be 4% of GDP excluding such revenues). Our definition of the GG includes the central bank and excludes public-sector enterprises. In its yearly budget revision in 2018, the government announced it would not make any further tax changes. We do not expect any changes to occur in this year's budget revision, either.

At the same time, while the one-off revenues will continue to flow to the general government in 2019 and 2020, we expect the GG deficit to average 2.6% of GDP in these years. We expect the GG deficit to widen to an average of 3.5% of GDP in 2021-2022 as the government will no longer be receiving these one-off revenues. Moreover, we do not expect material fiscal consolidation measures to be taken until 2021, when there is a new five-year budget.

While the headline deficit and estimated GG deficit in 2018 have shown an improvement, the change in net GG debt for the prior year was 6.2% of GDP. Net GG debt increased to 58.3% of GDP. Part of the increase stems from the sharp peso depreciation in 2018, as around 50% of the GG debt is denominated in foreign currency. Part of the increase reflects government deficits (without considering the one-offs from the pension system). Since our base case assumes ongoing peso depreciation in 2019-2022, high GG deficits (without taking into account the extraordinary revenues), and possible continuation of the central bank policy of issuing debt to intervene in the foreign currency market to contain depreciation, we see the net GG debt increasing in the next three years. We estimate changes in net GG debt at around 5.8% of GDP in the next three years. Our expectation is that Uruguay's net GG debt will reach 60% of GDP by 2021 and will continue to increase in the following years. We also expect GG interest payments to average 7.5% of GG revenues between 2019 and 2022.

Effective debt management has significantly reduced the risks of Uruguay's debt profile. This is reflected in the central government debt management milestones, which show that average maturities have continued to increase and are now about 14 years, from eight years in 2005. About 95% of the central government debt is at a fixed rate, compared with 78% 14 years ago, and bonds compose 91% of central government debt, while 9% are loans. External market debt accounts for 78% of debt, while local market debt is about 22%.

We expect the government to continue to meet its financing needs primarily through bond issuances and increasingly through multilateral financing sources. International bond issuances--most recently a US$1.25 billion bond issued in January--have helped to boost liquidity and extend maturities. The government has also continued with its prefinancing policy to cover debt service payments for the subsequent 12 months. The strategy of prefunding amortization payments by holding substantial levels of liquid assets provides insulation against Uruguay's external vulnerabilities but also has a fiscal cost. As of March 2019, the government's liquid assets and contingent credit lines represented 8% of our estimated GDP for the year.

The accumulated inflation rate reached 8.2% in April, and inflation expectations over the next 12 months remain above the central bank target range of 3%-7%. By the end of 2019, we expect that inflation will remain above the central bank target, as continued depreciation of the Uruguayan peso and pass-through effects to the tradable sector will continue to put pressure on prices. At the same time, ongoing efforts to reduce the indexation of wages to inflation will counterbalance the potential volatility of the currency.

High inflation and still high dollarization continue to limit Uruguay's monetary-policy flexibility. They also pose risks to the financial sector, should sudden spikes in the exchange rate occur. Over 50% of resident loans are denominated in dollars, while more than 70% of resident deposits are denominated in dollars.

At the same time, despite still high levels of dollarization, the Uruguayan banking system remains relatively healthy and resilient. We classify it in group '6' of our Banking Industry Country Risk Assessment (or BICRA, see " Banking Industry Country Risk Assessment: Uruguay," published Aug. 6, 2018. BICRAs are grouped on a scale from '1' to '10', ranging from what we view as the lowest-risk banking systems, or group '1', to the highest risk, or group '10'). The level of deposits increased around 13% in 2017, essentially mimicking the depreciation of the Uruguayan peso and not reflecting an actual increase. Nonresident deposits accounted for 9% in 2018, flat compared with 2017.

The financial system's (consisting of private and public banks) asset-quality metrics remained stable, with nonperforming loans (NPLs) accounting for 3.2% of total loans in 2018, from 3.4% in 2017. We expect NPLs to remain around 3% in 2019.

Uruguay's external sector has remained resilient despite unfavorable regional and global conditions. While the current account posted a deficit of 0.6% of GDP in 2018, Uruguay's trade and services balance posted a surplus of 3.9% and

1.9% of GDP, respectively, despite the recession in Argentina and resulting decline in tourism and the drought that affected the country in the first months of 2018. Uruguay's main exports continued to be beef, cellulose, dairy products, and soybeans, which declined in volumes because of the drought that hurt the 2017-2018 harvest.

Our base case assumes that the CAD will be 1.3% of GDP in 2019, growing to around 2% of GDP by 2022. We expect a pickup in foreign direct investment between 2019 and 2022, matching the projected CAD, because of large infrastructure investments, including construction of the second pulp mill by UPM. Gross external financial needs should remain around 91% of current account receipts (CAR) plus usable reserves in 2019 and average 92% over the next three years. Given Uruguay's still narrow and shallow domestic capital markets, the sovereign depends on external debt. We expect Uruguay to continue financing half of its central government deficit abroad, and thus narrow net external debt should be around 32% of CAR in 2019.

## Key Statistics

**Table 1**

**Uruguay--Selected Indicators**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Economic indicators (%)** | | | | | | | | | | | |
| Nominal GDP (bil. LC) | 1,041.21 | 1,178.33 | 1,330.51 | 1,455.85 | 1,589.20 | 1,707.11 | 1,831.13 | 1,987.92 | 2,171.03 | 2,387.72 | 2,625.67 |
| Nominal GDP (bil. $) | 51.26 | 57.53 | 57.24 | 53.27 | 52.69 | 59.53 | 59.60 | 57.62 | 59.08 | 63.67 | 69.10 |
| GDP per capita (000s $) | 15.2 | 17.0 | 16.8 | 15.5 | 15.3 | 17.2 | 17.2 | 16.5 | 16.9 | 18.2 | 19.7 |
| Real GDP growth | 3.5 | 4.6 | 3.2 | 0.4 | 1.7 | 2.6 | 1.6 | 0.9 | 1.9 | 2.8 | 3.0 |
| Real GDP per capita growth | 3.2 | 4.3 | 2.9 | (0.4) | 1.3 | 2.2 | 1.3 | 0.5 | 1.5 | 2.5 | 2.6 |
| Real investment growth | 18.2 | 3.8 | 2.4 | (9.2) | (1.6) | (15.7) | (2.7) | 0.9 | 1.8 | 2.5 | 3.0 |
| Investment/GDP | 22.9 | 22.5 | 21.2 | 19.7 | 17.8 | 15.2 | 16.5 | 16.5 | 16.6 | 16.6 | 16.7 |
| Savings/GDP | 18.9 | 18.9 | 18.0 | 18.8 | 18.4 | 16.0 | 15.9 | 15.3 | 15.0 | 14.7 | 14.5 |
| Exports/GDP | 25.9 | 23.4 | 23.5 | 22.5 | 21.4 | 21.4 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 |
| Real exports growth | 3.6 | (0.1) | 3.5 | (0.6) | (0.2) | 6.9 | (4.8) | 1.0 | 3.0 | 4.0 | 4.0 |
| Unemployment rate | 6.5 | 6.5 | 6.6 | 7.5 | 7.8 | 7.9 | 8.3 | 8.6 | 8.6 | 8.5 | 8.5 |
| **External indicators (%)** | | | | | | | | | | | |
| Current account balance/GDP | (4.0) | (3.6) | (3.2) | (0.9) | 0.6 | 0.8 | (0.6) | (1.3) | (1.6) | (1.9) | (2.2) |
| Current account balance/CARs | (10.6) | (10.6) | (9.3) | (2.9) | 2.1 | 2.6 | (2.0) | (4.0) | (4.9) | (6.1) | (7.3) |
| CARs/GDP | 38.2 | 34.3 | 34.0 | 31.2 | 29.7 | 29.5 | 30.8 | 32.3 | 32.4 | 31.3 | 30.0 |
| Trade balance/GDP | 0.6 | 1.9 | 3.5 | 2.5 | 3.6 | 3.6 | 4.0 | 3.9 | 3.9 | 3.5 | 3.1 |
| Net FDI/GDP | (4.2) | (4.8) | (4.4) | (1.6) | 2.1 | 3.7 | 1.5 | 1.6 | 4.3 | 5.4 | 6.5 |

**Table 1**

| Uruguay--Selected Indicators (cont.) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net portfolio equity inflow/GDP | (0.5) | (3.1) | (0.6) | 1.9 | 3.9 | (3.2) | (0.2) | (0.1) | (0.1) | (0.1) | (0.1) |
| Gross external financing needs/CARs plus usable reserves | 97.6 | 99.4 | 97.5 | 95.2 | 100.7 | 98.7 | 89.8 | 91.3 | 92.2 | 92.2 | 91.3 |
| Narrow net external debt/CARs | 33.1 | 34.7 | 37.0 | 40.8 | 37.4 | 26.8 | 31.1 | 31.7 | 24.9 | 19.8 | 18.2 |
| Narrow net external debt/CAPs | 29.9 | 31.4 | 33.9 | 39.6 | 38.2 | 27.5 | 30.5 | 30.4 | 23.8 | 18.7 | 16.9 |
| Net external liabilities/CARs | 90.3 | 89.5 | 98.5 | 110.1 | 115.7 | 96.9 | 94.9 | 96.7 | 95.6 | 98.4 | 130.3 |
| Net external liabilities/CAPs | 81.6 | 80.9 | 90.0 | 107.0 | 118.2 | 99.5 | 93.0 | 92.9 | 91.1 | 92.8 | 121.5 |
| Short-term external debt by remaining maturity/CARs | 24.2 | 34.5 | 39.2 | 48.1 | 51.0 | 39.8 | 37.5 | 33.8 | 33.2 | 34.4 | 35.7 |
| Usable reserves/CAPs (months) | 4.1 | 5.0 | 5.7 | 6.9 | 5.9 | 4.8 | 6.5 | 5.9 | 5.7 | 5.9 | 6.3 |
| Usable reserves (mil. $) | 9,057 | 10,170 | 9,754 | 7,508 | 6,844 | 10,183 | 9,474 | 9,540 | 10,457 | 11,754 | 14,672 |
| **Fiscal indicators (general government; %)** | | | | | | | | | | | |
| Balance/GDP | (2.5) | (2.3) | (2.9) | (3.5) | (2.4) | (3.5) | (2.7) | (2.7) | (2.6) | (3.4) | (3.6) |
| Change in net debt/GDP | 6.5 | 9.7 | 5.1 | 6.1 | 3.2 | 8.5 | 6.2 | 5.9 | 5.3 | 6.0 | 6.0 |
| Primary balance/GDP | (0.0) | 0.3 | (0.2) | (0.1) | 0.7 | (0.4) | 0.6 | 0.7 | 0.5 | (0.2) | (1.0) |
| Revenue/GDP | 33.7 | 35.0 | 35.3 | 35.9 | 36.1 | 38.1 | 40.2 | 40.6 | 40.9 | 40.9 | 40.9 |
| Expenditures/GDP | 36.2 | 37.3 | 38.2 | 39.4 | 38.5 | 41.6 | 42.9 | 43.3 | 43.5 | 44.3 | 44.5 |
| Interest/revenues | 7.3 | 7.4 | 7.6 | 9.4 | 8.7 | 8.2 | 8.2 | 8.5 | 7.5 | 7.6 | 6.3 |
| Debt/GDP | 53.2 | 56.0 | 56.5 | 59.9 | 57.7 | 61.6 | 64.1 | 64.7 | 64.7 | 64.8 | 64.9 |
| Debt/revenues | 157.9 | 159.8 | 159.9 | 166.9 | 159.6 | 161.9 | 159.5 | 159.5 | 158.2 | 158.3 | 158.6 |
| Net debt/GDP | 46.8 | 51.1 | 50.3 | 52.0 | 50.9 | 55.9 | 58.3 | 59.6 | 59.9 | 60.5 | 61.0 |
| Liquid assets/GDP | 6.4 | 4.9 | 6.2 | 7.9 | 6.8 | 5.7 | 5.8 | 5.1 | 4.8 | 4.3 | 3.9 |
| **Monetary indicators (%)** | | | | | | | | | | | |
| CPI growth | 8.1 | 8.6 | 8.9 | 8.7 | 9.6 | 6.2 | 7.6 | 7.6 | 7.2 | 7.0 | 6.8 |
| GDP deflator growth | 8.6 | 8.2 | 9.4 | 9.0 | 7.3 | 4.7 | 5.6 | 7.6 | 7.2 | 7.0 | 6.8 |
| Exchange rate, year-end (LC/$) | 19.40 | 21.39 | 24.33 | 29.87 | 29.26 | 28.76 | 32.39 | 34.50 | 36.75 | 37.50 | 38.00 |
| Banks' claims on resident non-gov't sector growth | 15.0 | 24.9 | 18.0 | 22.3 | 1.2 | 0.5 | 3.1 | 8.0 | 8.0 | 8.0 | 8.0 |
| Banks' claims on resident non-gov't sector/GDP | 24.2 | 26.7 | 27.9 | 31.2 | 28.9 | 27.0 | 26.0 | 25.8 | 25.6 | 25.1 | 24.7 |

**Table 1**

| Uruguay--Selected Indicators (cont.) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Foreign currency share of residents' bank deposits | 73.9 | 75.3 | 77.7 | 80.9 | 77.3 | 73.3 | 73.6 | 73.6 | 73.6 | 73.6 | 73.6 |
| Real effective exchange rate growth | 3.2 | 6.6 | (2.8) | 2.4 | 1.3 | 5.7 | 2.1 | N/A | N/A | N/A | N/A |

Sources: National Central Bank, National Statistical Institute (Economic Indicators), International Monetary Fund, National Central Bank (External Indicators), National Central Bank, National Ministry of Finance (Fiscal Indicators), and International Monetary Fund, National Central Bank (Monetary Indicators).
Adjustments: General government revenues adjusted by including incomes from National Central Bank. General government expenditures adjusted by including expenditures from National Central Bank. General government debt adjusted by including debt of National Central Bank. General government liquid financial assets adjusted by including assets of National Central Bank.
Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid assets held by nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. e--Estimate. f--Forecast. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

## Ratings Score Snapshot

**Table 2**

**Uruguay--Ratings Score Snapshot**

| Key rating factors | Score | Explanation |
|---|---|---|
| Institutional assessment | 3 | Stable democracy, predictable policies, free press, and peaceful changes of government. No external threats. Largely middle-class society with consensus on key economic policies. Policymaking during the past 10 years has remained generally effective. Strong institutional checks and balances, low perception of corruption, and respect for the rule of law. |
| Economic assessment | 3 | Based on GDP per capita (US$) and growth trends as per Selected Indicators in Table 1. |
| External assessment | 2 | Based on narrow net external debt and gross external financing needs/(CAR + useable reserves) as per Selected Indicators in Table 1. |
| Fiscal assessment: flexibility and performance | 5 | Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1. |
| Fiscal assessment: debt burden | 4 | Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per Selected Indicators in Table 1. |
| | | Over 40% of gross government debt is denominated in foreign currency. |
| Monetary assessment | 5 | The Uruguayan peso is a free-floating currency with central bank intervention in foreign-exchange markets. |
| | | CPI as per Selected Indicators in Table 1. The central bank has a track record of independence and has the ability to act as lender of last resort for the financial system. |
| | | Resident deposits/loans in foreign currency account for more than 50% of the total. |
| Indicative rating | bbb | As per Table 1 of "Sovereign Rating Methodology." |
| Notches of supplemental adjustments and flexibility | 0 | |
| **Final rating** | | |
| Foreign currency | BBB | |
| Notches of uplift | 0 | |

**Table 2**

| Uruguay--Ratings Score Snapshot (cont.) | | |
|---|---|---|
| **Key rating factors** | **Score** | **Explanation** |
| Local currency | BBB | Default risks do not apply differently to foreign- and local-currency debt. |

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

## Related Criteria

- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

## Related Research

- Sovereign Ratings History, May 6, 2019
- Sovereign Risk Indicators, April 11, 2019. An interactive version is also available at http://www.spratings.com/sri7
- Banking Industry Country Risk Assessment Update: April 2019, April 11, 2019
- Global Sovereign Rating Trends 2019, Jan. 14, 2019
- Default, Transition, and Recovery: 2017 Annual Sovereign Default Study And Rating Transitions, May 8, 2018
- Sovereign Debt 2018: Global Borrowing To Remain Steady At US$7.4 Trillion, Feb. 22, 2018
- 2016 Sovereign Ratings Update: Outlook And CreditWatch Resolutions, April 18, 2017

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

## Ratings List

Ratings Affirmed

| | |
|---|---|
| Uruguay | |
| Sovereign Credit Rating | BBB/Stable/A-2 |
| Transfer & Convertibility Assessment | A- |
| Senior Unsecured | BBB |
| Short-Term Debt | A-2 |

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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