



República Oriental del Uruguay
Ministry of Economy and Finance
Debt Management Unit



Investor presentation

November 2013

<http://deuda.mef.gub.uy>

Uruguay at a Glance



- Population '12 **3.3 Million**
- Total surface area **176,215 km²**
- Human Development Index **51st over 186th**
- GDP 2013 1H **US\$ 53.6 Billion**
- GDP p/capita 1H 2013 **US\$ 16,300**

(Upper Income Economy / WB)



- Real Growth Rate '13 (e) **4.0%**
- Real Growth Rate '05 - 12 **5.9%**
- Unemployment Rate **6.1%**
- Ratings **Baa3 / BBB- / BBB-**





Disclaimer

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Credit Highlights

1 **Structural Stability**

Robust institutional framework and healthy social indicators continue to underpin political stability and promote a prolific business climate

4 **Proactive Debt Management Strategy**

Longest-dated sovereign maturity profile in the region thanks to proactive liability management transactions



2 **Consistent macroeconomic policies and healthy external indicators**

Sustainable growth supported by robust FDI expansion and increase in export revenue

3 **Resilient Fiscal profile**

Prudent fiscal policy has reduced fiscal vulnerabilities and allowed for a significant reduction in global sector debt

Structural Stability

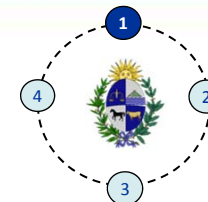
Economic Performance

External Sector

Fiscal & Monetary Sector

Debt Management

Political and Social Stability



Index	World ranking	Uruguay in South America
Worldwide Governance Indicators (World Bank 2012)	–	2
Democracy Index (The Economist Intelligence Unit 2012)	18	1
Corruption Perception Index (Transparency International 2012)	20	1
Economic Climate Index (SA) (Getulio Vargas Foundation & IFO 2012)	–	2
Prosperity Index (Legatum Institute 2013)	30	1
Economic Freedom Index (Heritage Foundation 2013)	36	2
Global Peace Index (Institute for Economics & Peace 2013)	24	1
Press Freedom Index (Reporters without Frontier 2013)	27	1

Structural Stability

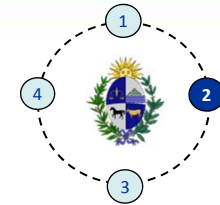
Economic Performance

External Sector

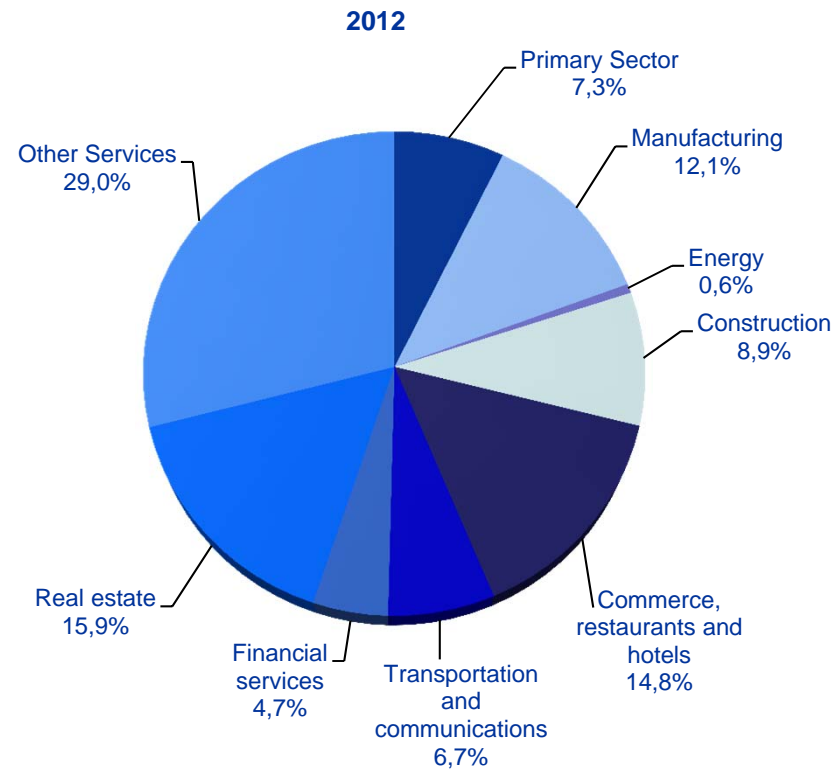
Fiscal & Monetary Sector

Debt Management

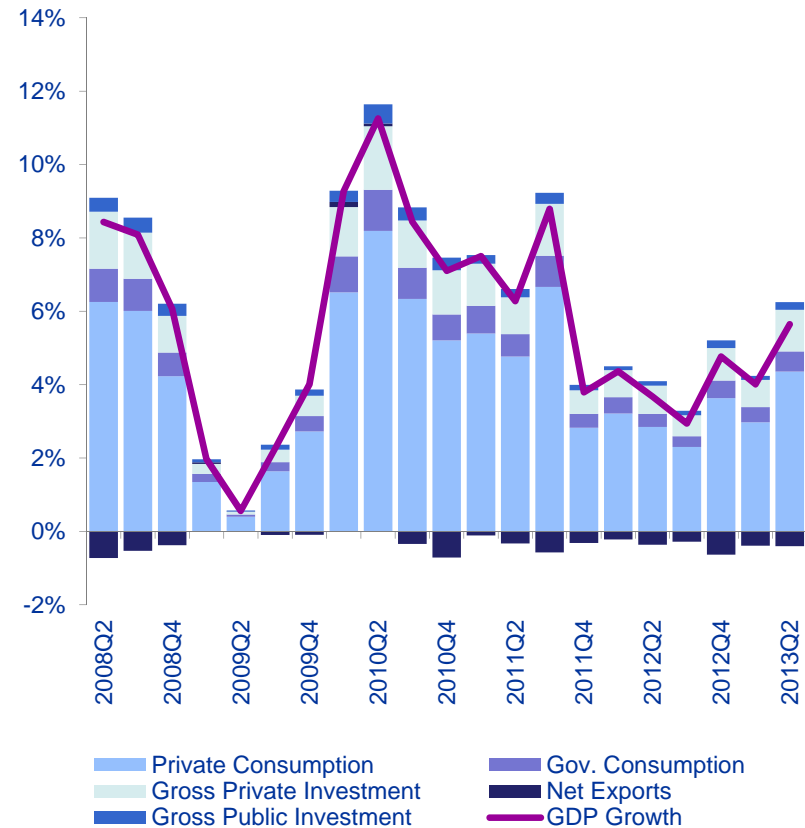
A very well-diversified economy



GDP breakdown by sector



Real GDP growth and contribution by sector (qoq)

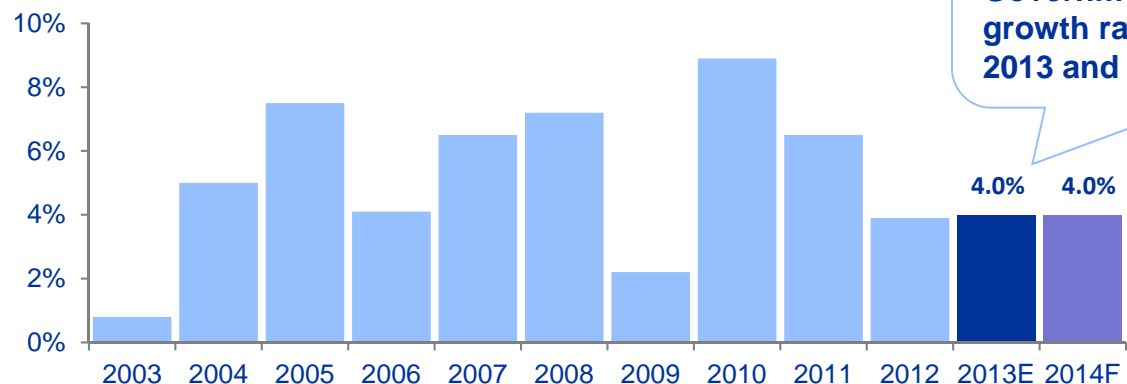


Source: Central Bank of Uruguay

The economy has achieved remarkable growth rates...



Real GDP (% change)



Estimated real GDP growth of 4% for 2013 and 2014 by the Government. IMF forecasts growth rates of 4% and 3.5% for 2013 and 2014, respectively.

... along with strong productivity gains

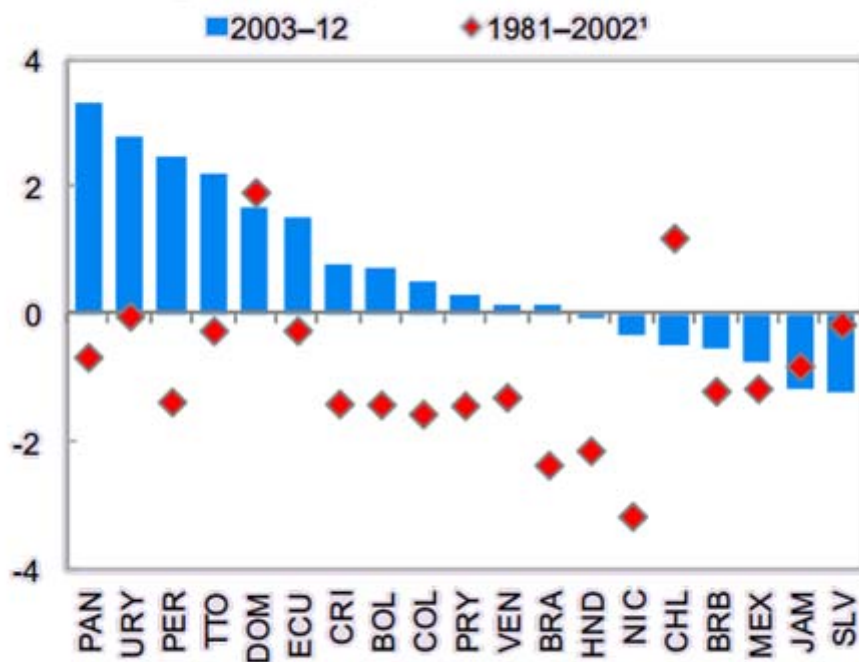
	Avg. GDP	Capital	Labor		Total Factor Productivity
			Quantity	Quality	
1990-1999	3.3%	0.7%	0.9%	0.3%	1.4%
2000-2004	-1.6%	0.2%	-0.1%	0.2%	-1.9%
2005-2012	5.9%	0.9%	1.8%	0.3%	2.8%

Source: Ministry of Economy and Finance. Estimates based on Central Bank of Uruguay & National Statistics Institute.

Uruguay has accounted higher productivity growth rates than its Latin American peers



Figure 3.3. Latin America and the Caribbean: TFP Growth¹
(Annual average, percent)



Sources: Barro-Lee (2010); IMF, *World Economic Outlook*; Penn World Table 7.1; and IMF staff calculations.

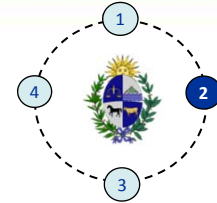
¹ For Central America: 1992-2002.

“After exhibiting declines in most of the region in previous decades, TFP growth mostly turned positive (particularly strong growth is recorded in Panama, Peru, and Uruguay)”

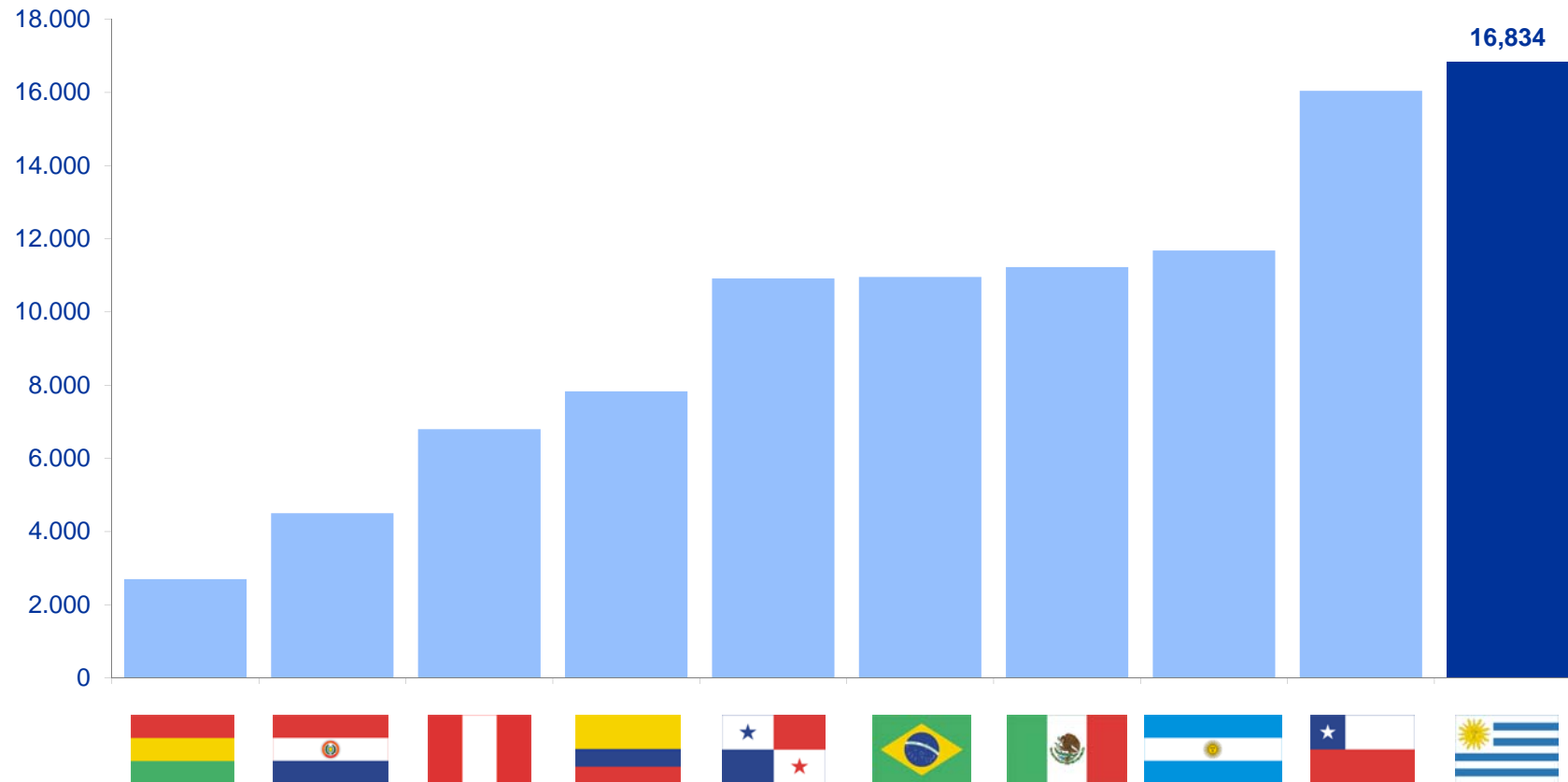
Source: Regional Economic Outlook, May 2013. IMF

¹ Total Factor Productivity (TFP)

Among Latin America's highest GDP per capita

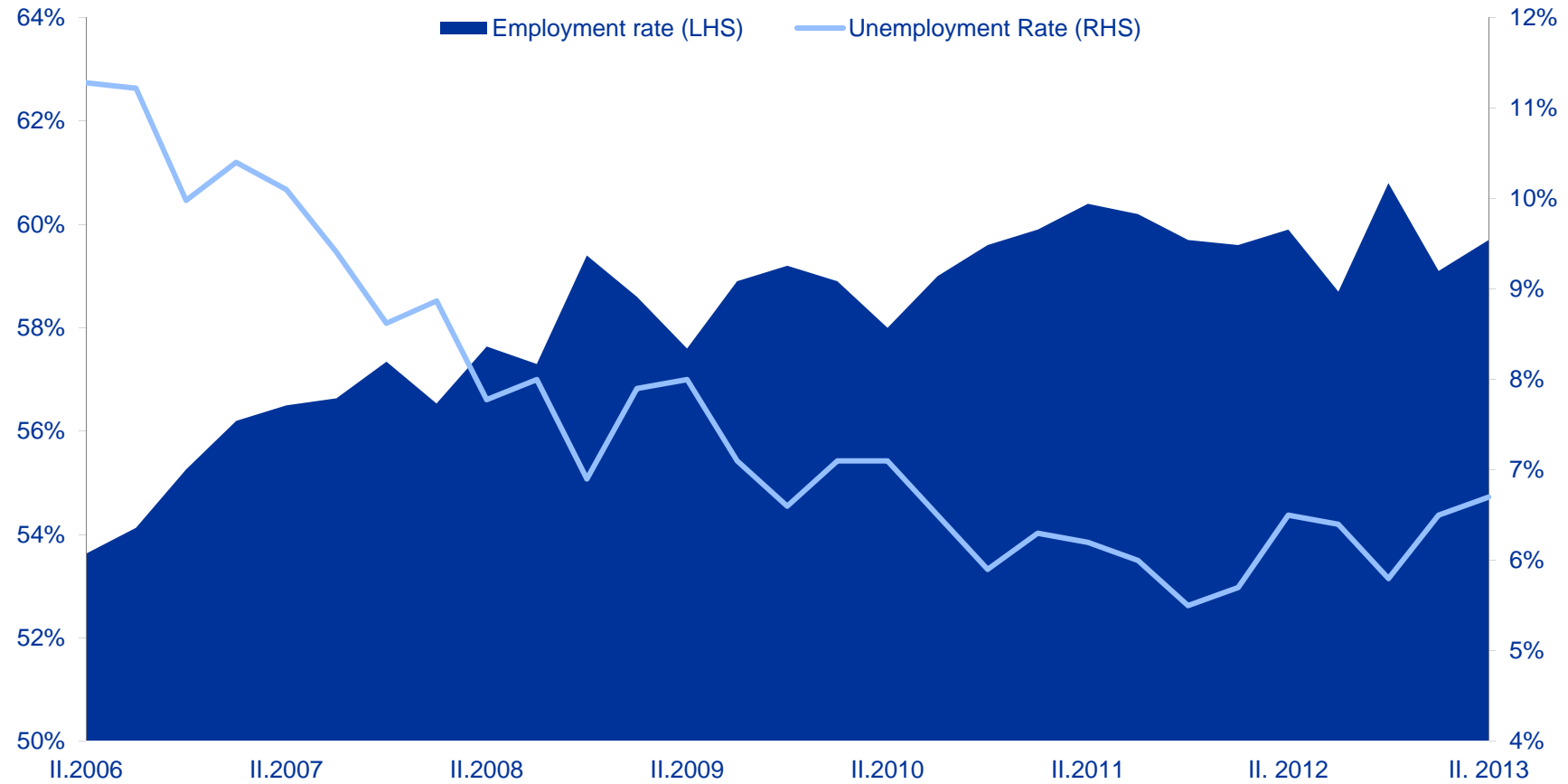
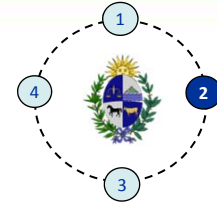


In Current US Dollars 2013 (F)



Source: International Monetary Fund, World Economic Outlook Database, October 2013

Unemployment rate remains at record lows



Source: National Bureau of Statistics

Structural Stability

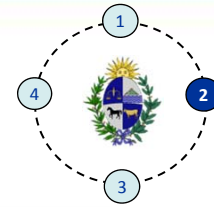
Economic Performance

External Sector

Fiscal & Monetary Sector

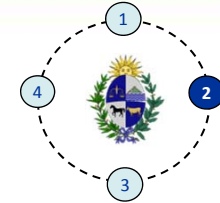
Debt Management

Significant FDI inflows on a wide range of sectors

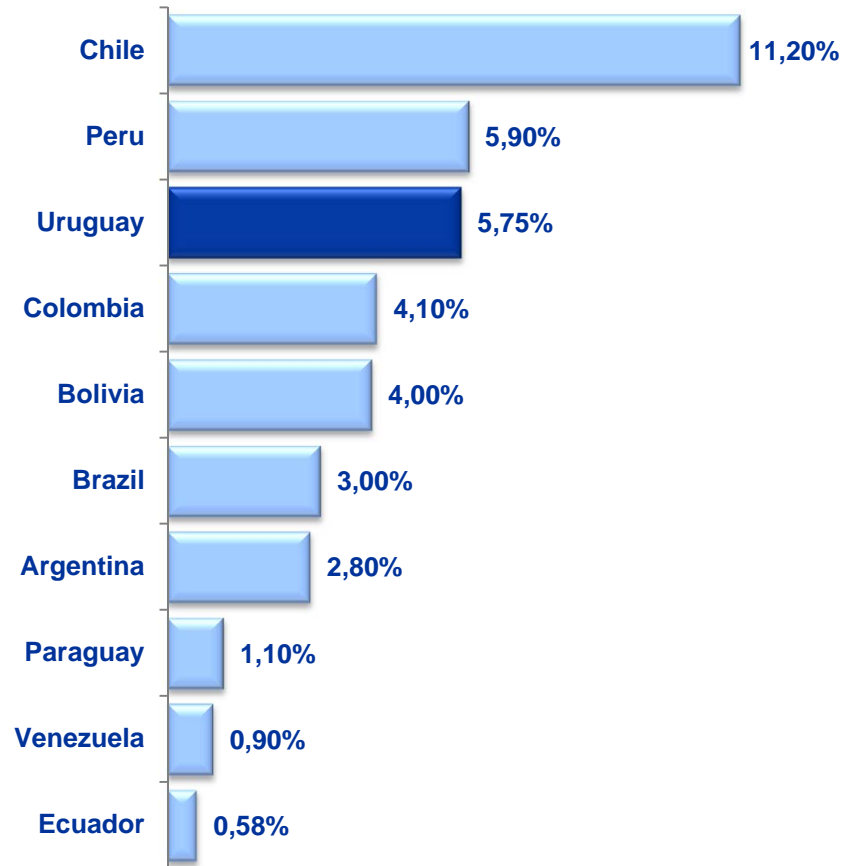


In 2011 Montes del Plata (Pulp Mill) started to build the largest ever private investment: US\$1.9bn, with an expected contribution to GDP of 1% once it becomes operative in Q12014 according to IMF

Significant FDI inflows on a wide range of sectors (cont'd)

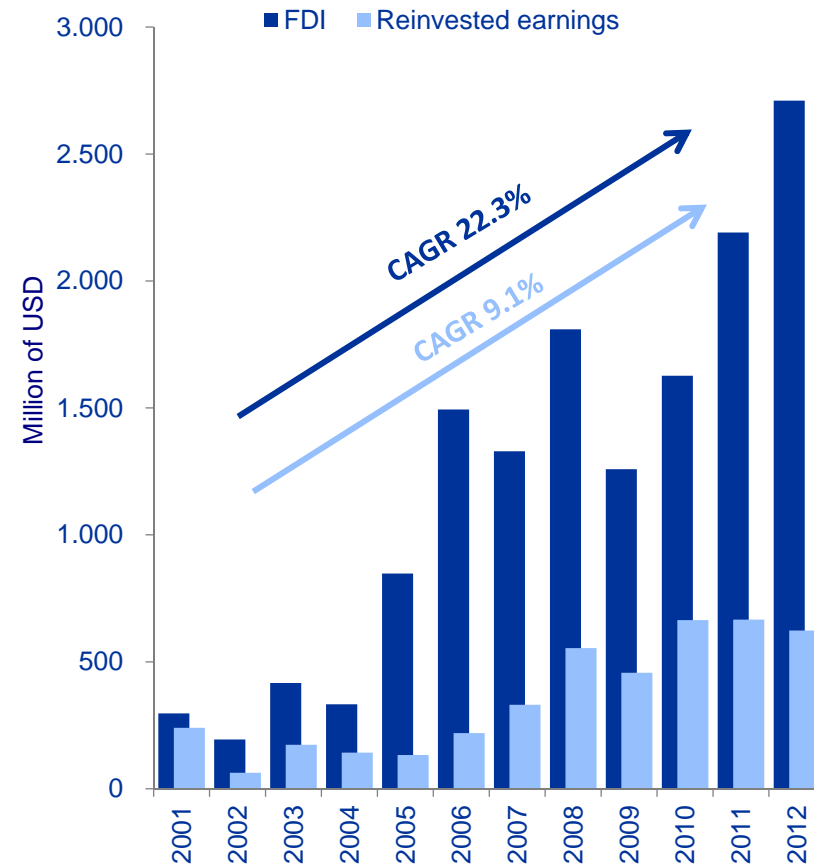


FDI in South America – 2012 (% of GDP)

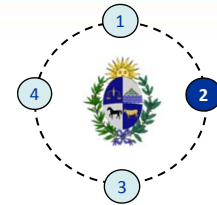


Source: ECLAC, FDI in LATAM and the Caribbean, 2012 Report

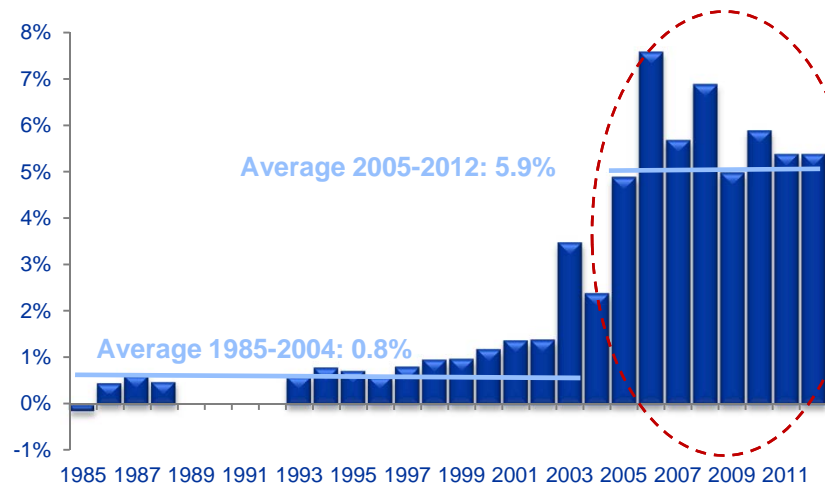
Evolution of FDI and Reinvested Earnings



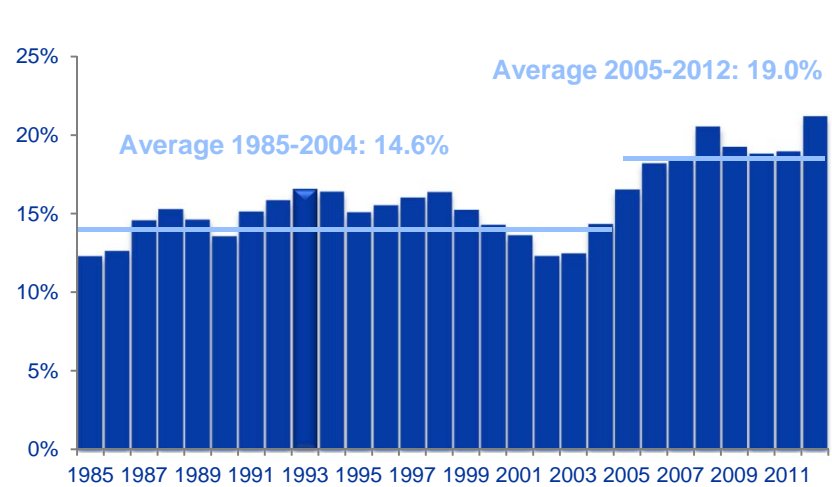
Record FDI levels that have historically exceeded current account deficit



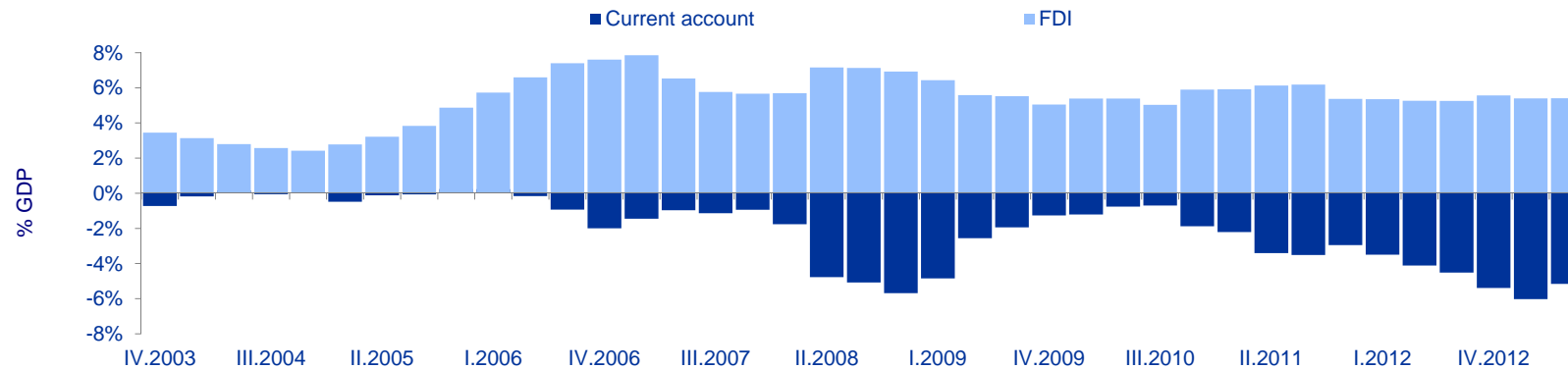
Foreign Direct Investment (% of GDP)



Total Investment (% of GDP)

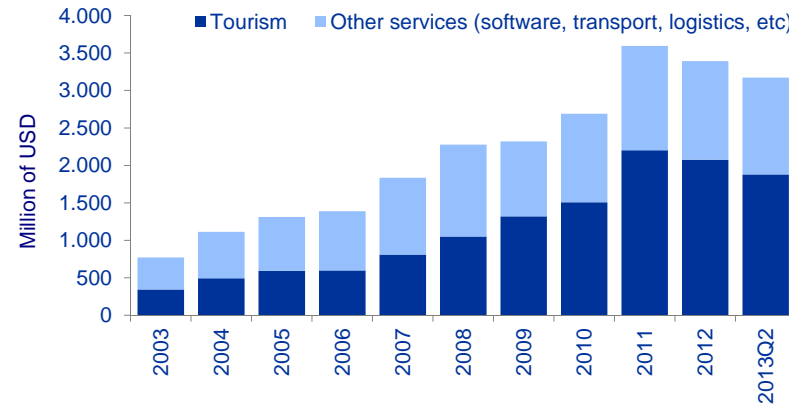
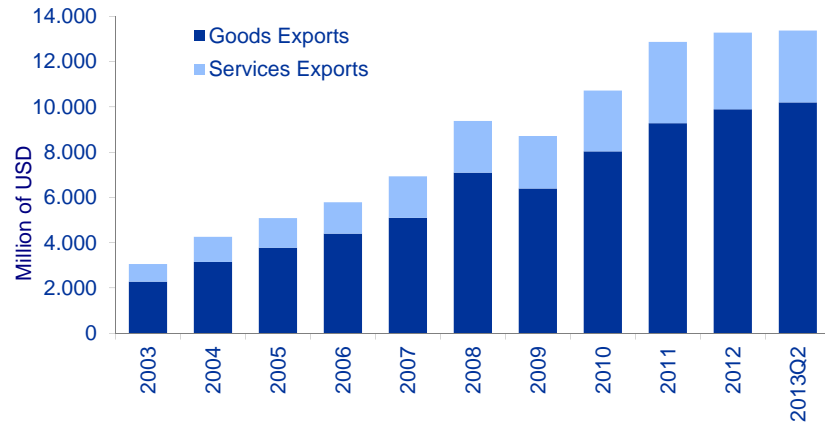
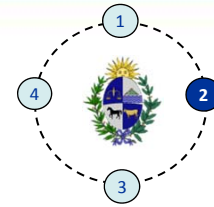


Foreign Direct Investment (% of GDP)

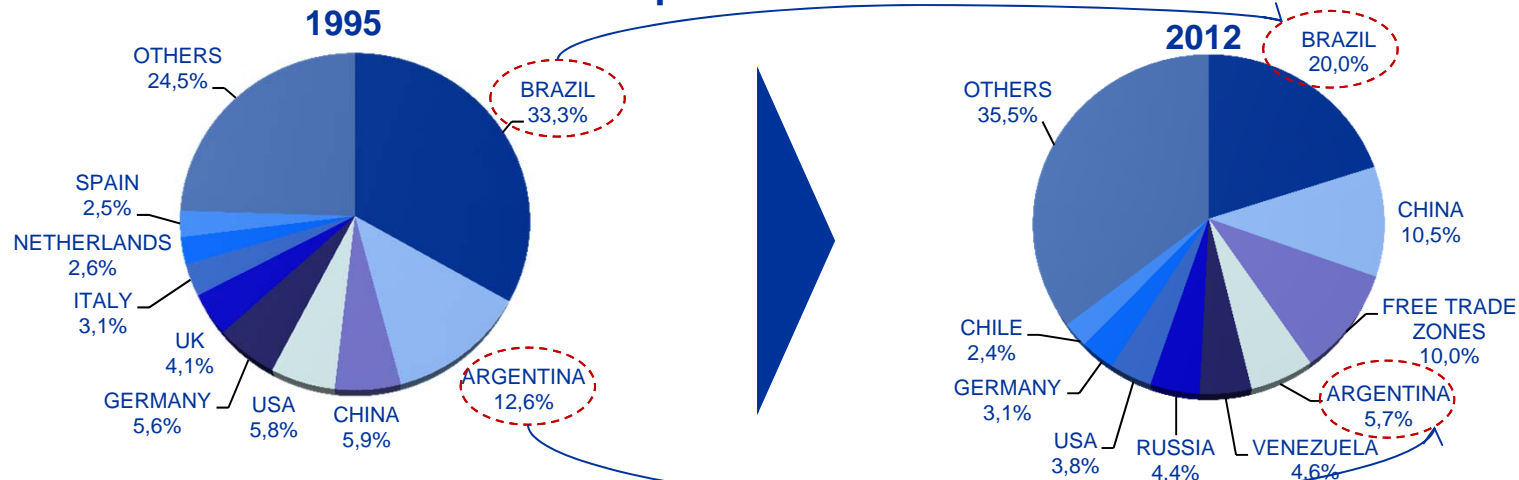


Source: Central Bank of Uruguay

Strong export growth and geographically diversified export base ...

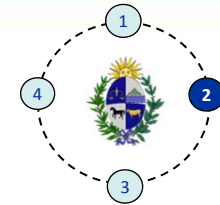


Exports breakdown



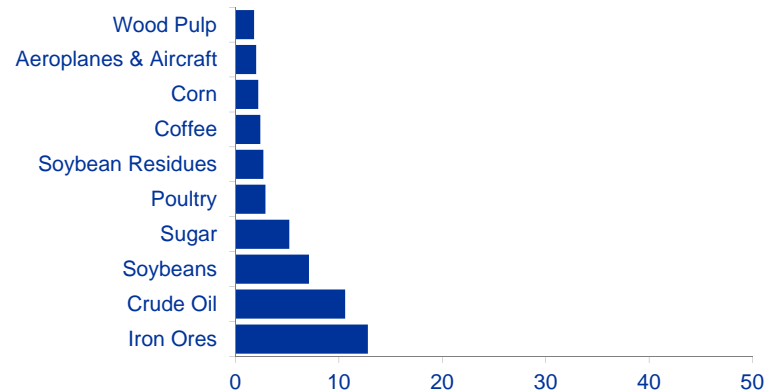
Source: Central Bank of Uruguay

... with low product concentration risk

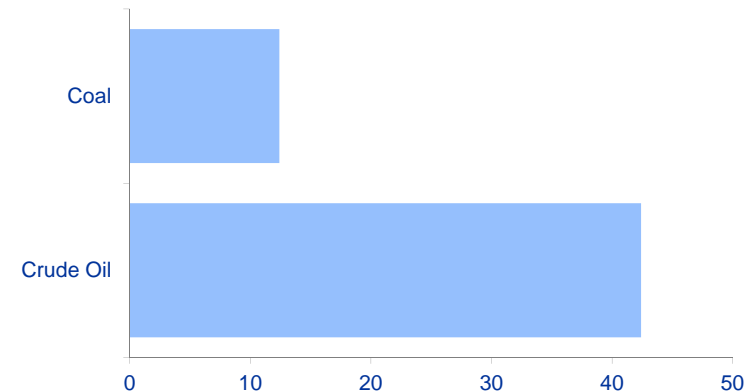


Concentration risk by country - Main products covering 50% of exports

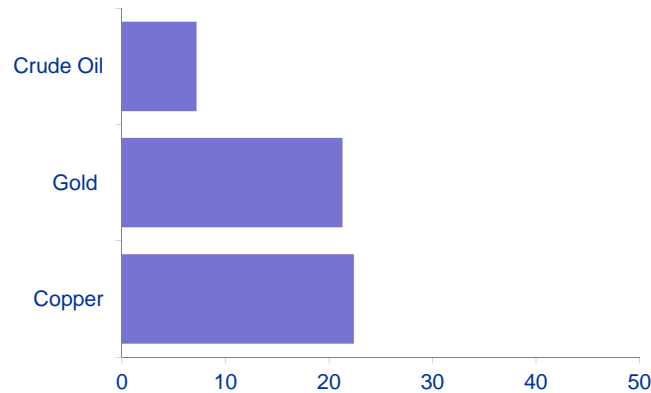
Brazil exports by products (% of total) - 2012



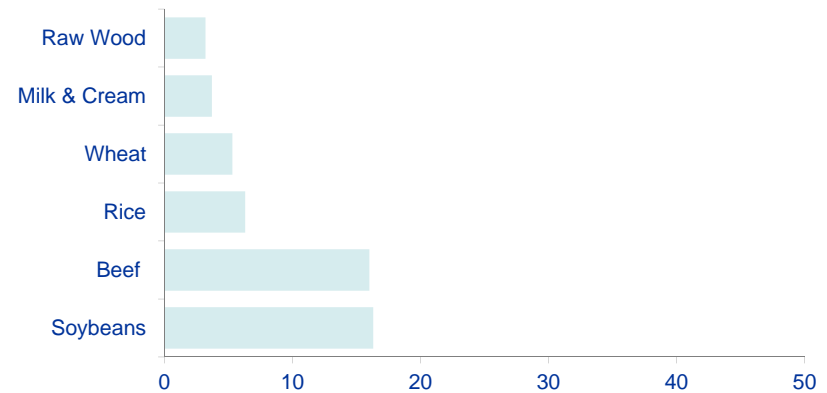
Colombia exports by products (% of total) - 2012



Peru exports by products (% of total) - 2012



Uruguay exports by products (% of total) - 2012



Structural Stability

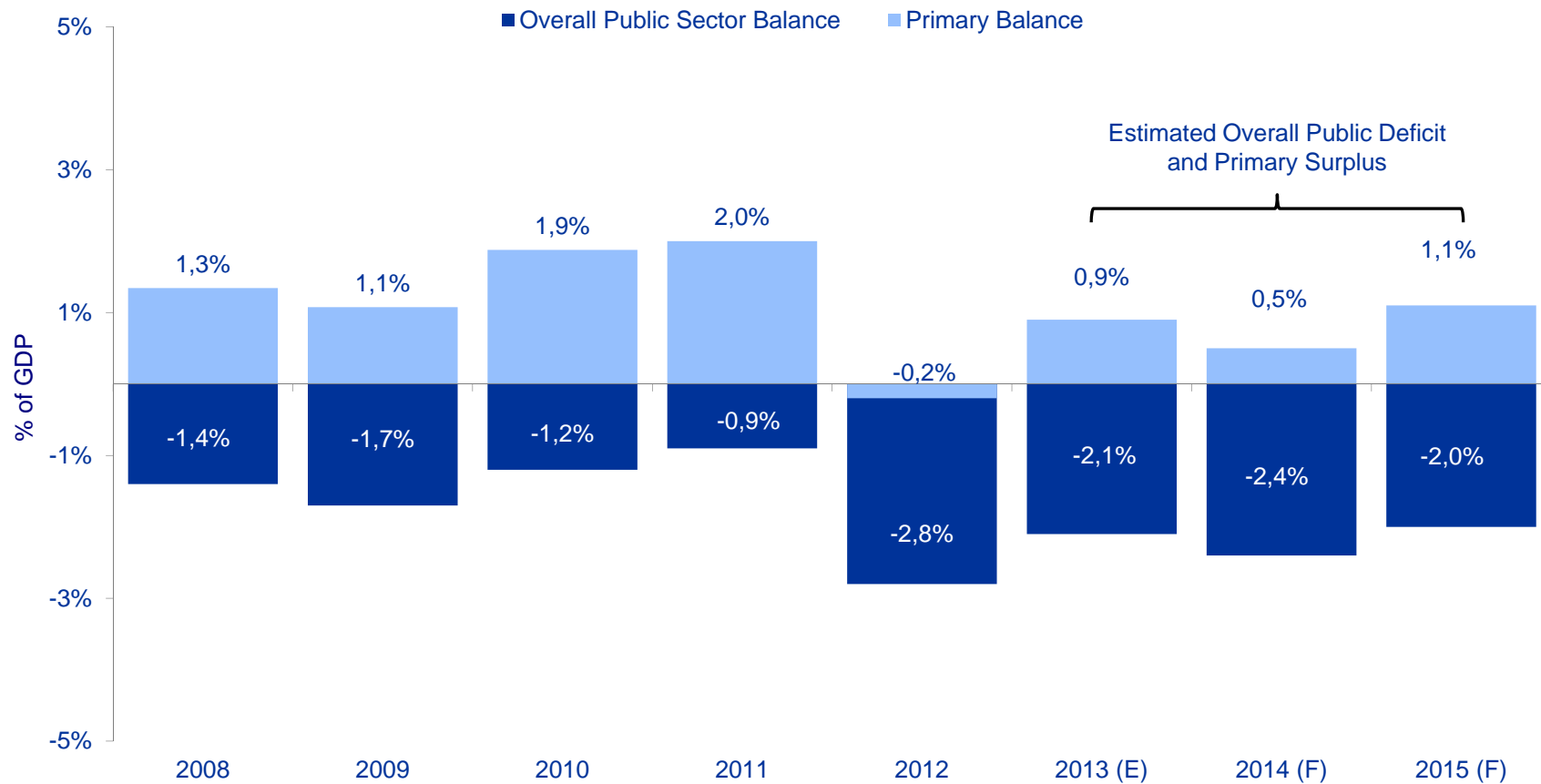
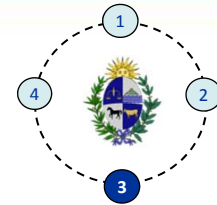
Economic Performance

External Sector

Fiscal & Monetary Sector

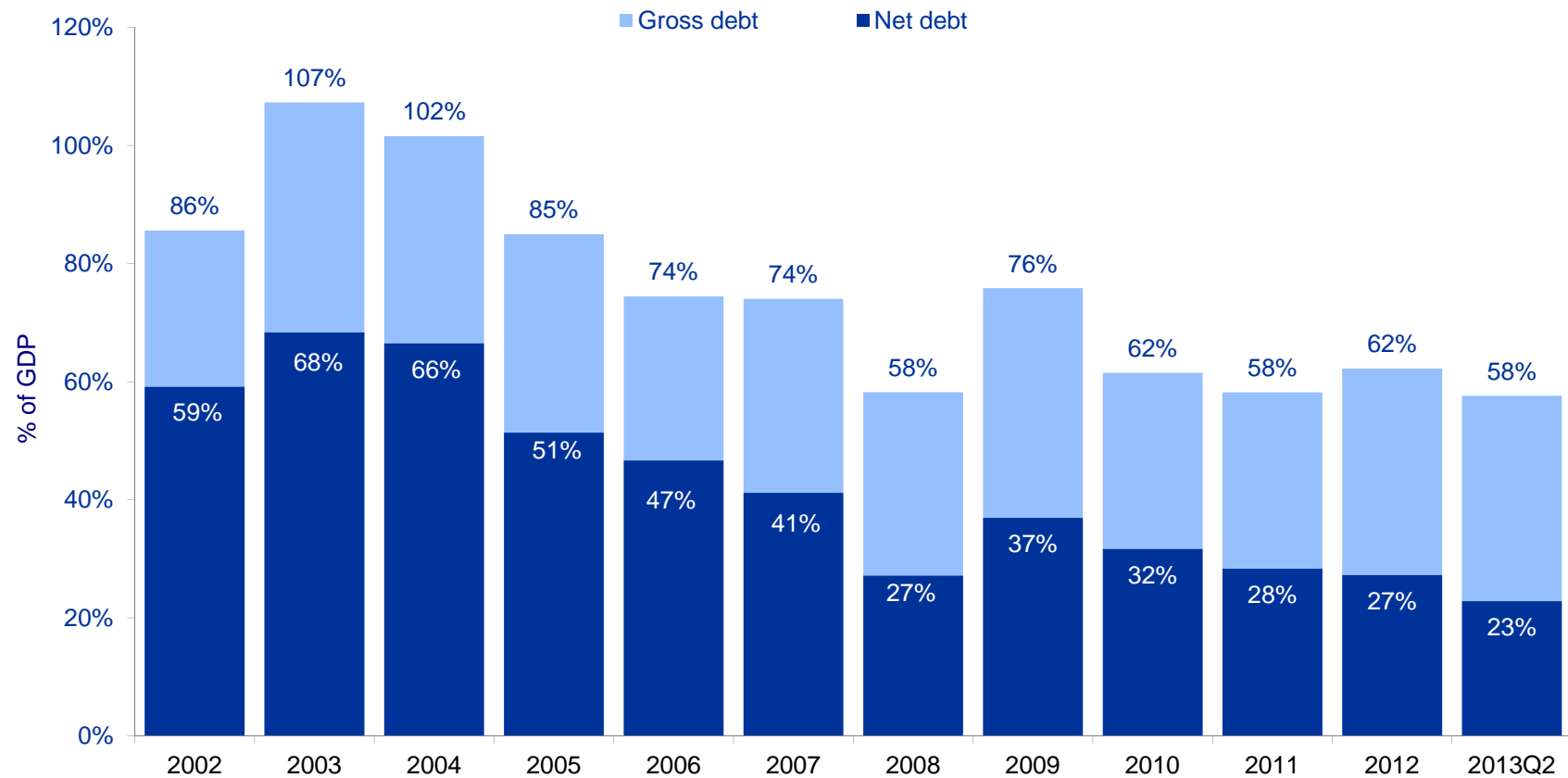
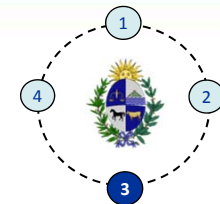
Debt Management

Prudent fiscal policy has helped to consolidate the macroeconomic stability...



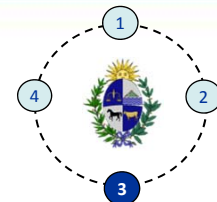
Source: Ministry of Economy and Finance

... and reduce global public sector debt

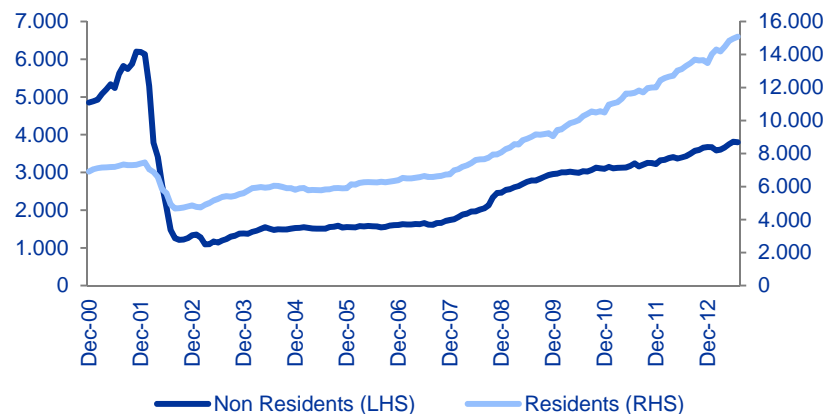


Source: Central Bank of Uruguay

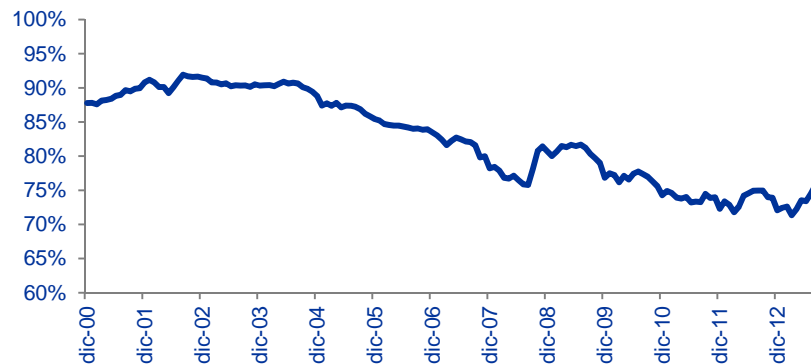
Sound Banking System



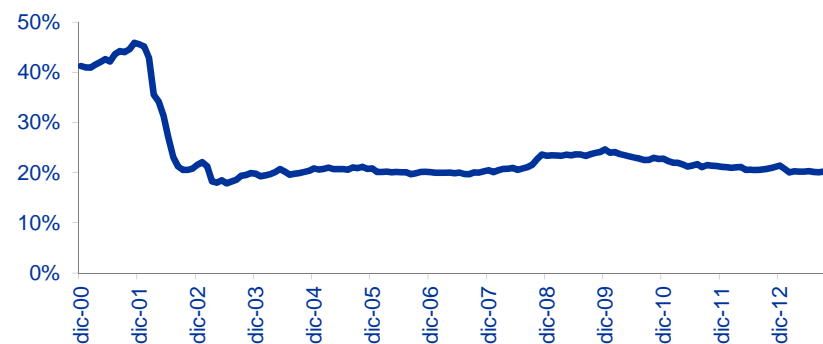
Deposits of residents and non residents in foreign currency (USD Million)



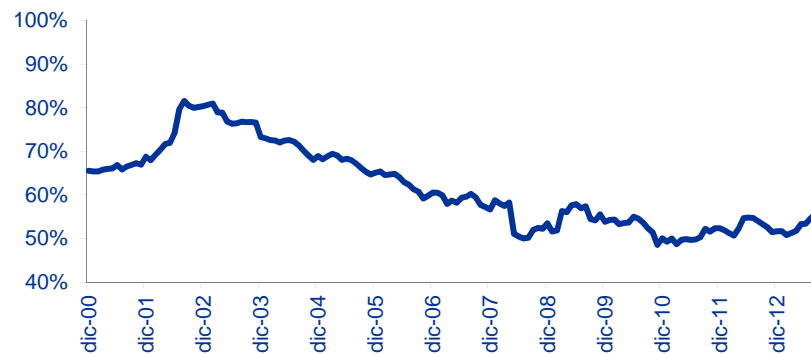
Deposits in foreign currency (% of total deposits)



Non residents deposits in foreign currency (% of total deposits in FC)

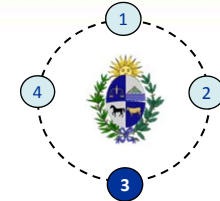


Non financial sector credits in foreign currency (% of total Credits)

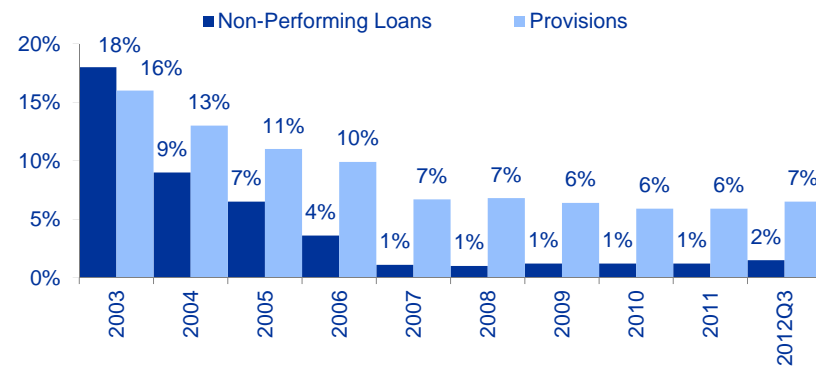


Source: Central Bank of Uruguay

Solid Credit Dynamics

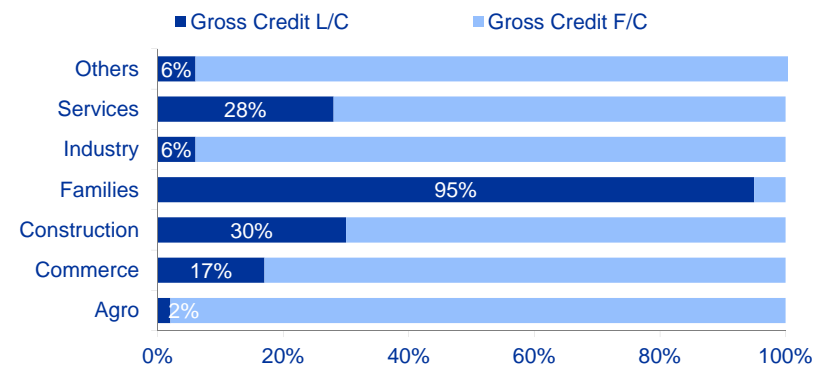


Credit delinquency and provisions

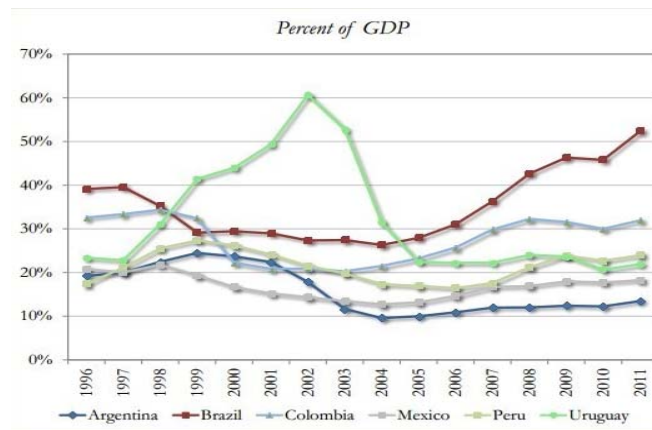


Source: Central Bank of Uruguay; "Financial Stability Report" (2012 Q3)

Currency structure of gross credit to non financial sector residents (%)



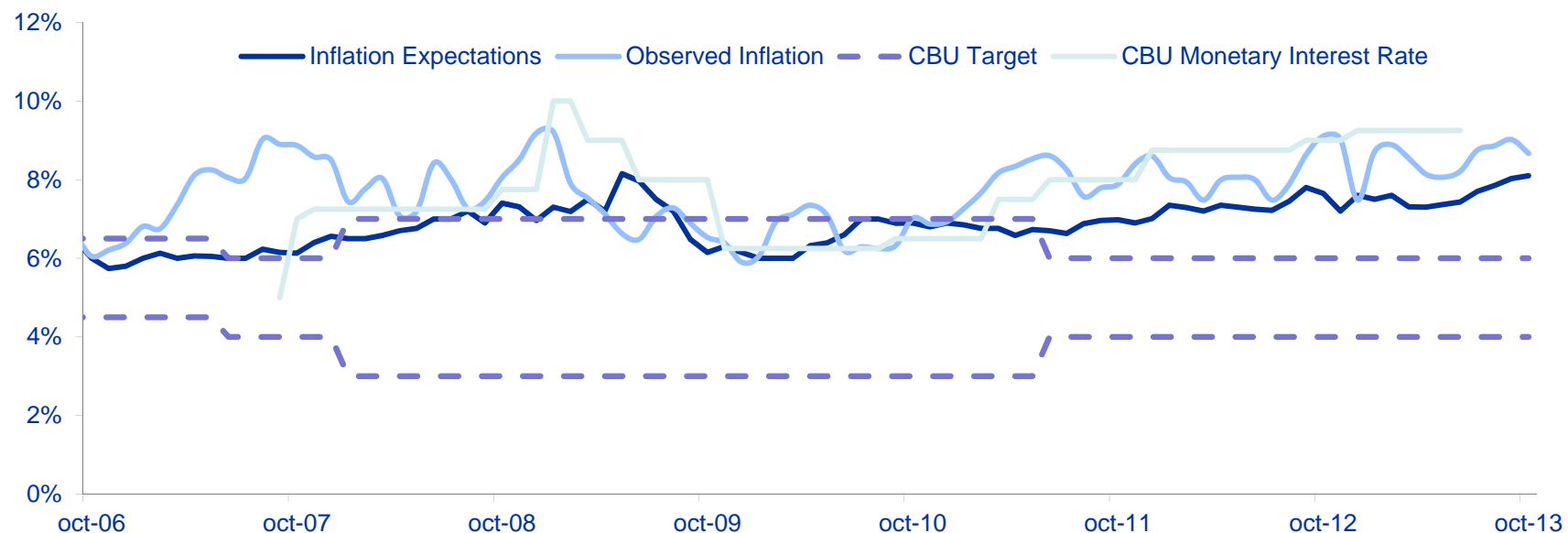
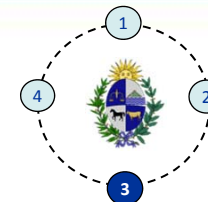
Evolution of Total Credit in Latin America



Source: World Bank; "LATAM Deceleration and the Exchange Rate Buffer", October 2013

Low Total Credit to GDP ratio indicates a low asset bubble risk

Inflation is the main challenge



Source: Central Bank of Uruguay and National Bureau of Statistics

- The latest Macroeconomic Coordination Committee held in June endorsed the need to maintain exchange rate flexibility and an inflation targeting regime through the following initiatives:
 - ✓ Widen the inflation target range from current 4.0%-6.0% to 3.0%-7.0% starting in July 2014
 - ✓ Use of benchmark interest rate as reference for monetary policy was replaced by the evolution of monetary aggregates
 - ✓ Extend the horizon of convergence from 18 months to 24 months

Structural Stability

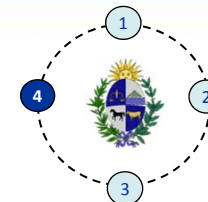
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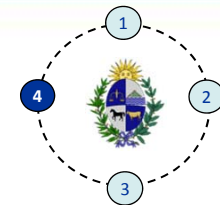
Debt Management

Guidelines for Debt Management



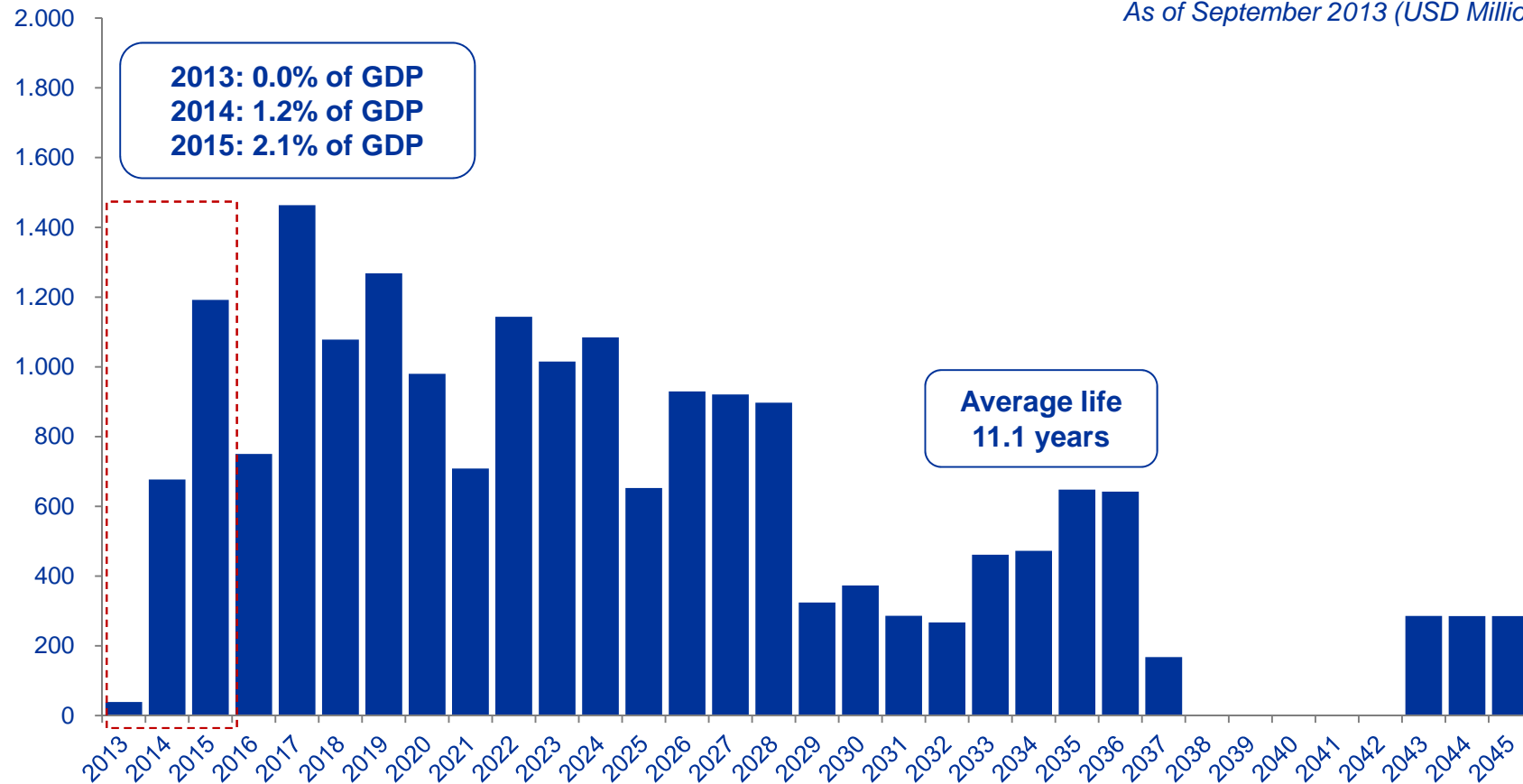
- Continue reducing the rollover risk
- Maintain a pre-funding policy to cover debt services payments for the following 12 months
- Continue reducing FX risk by achieving the goal of accounting a ratio of local currency to total debt of 45% by the end of 2014
- Continue reducing interest rate risk
- Achieve an optimal mix of multilaterals and private debt
- Achieve a more dynamic domestic market
- Diversify our sources of funding and broaden the investor base

Proactive Debt Management has led to a smooth maturity profile



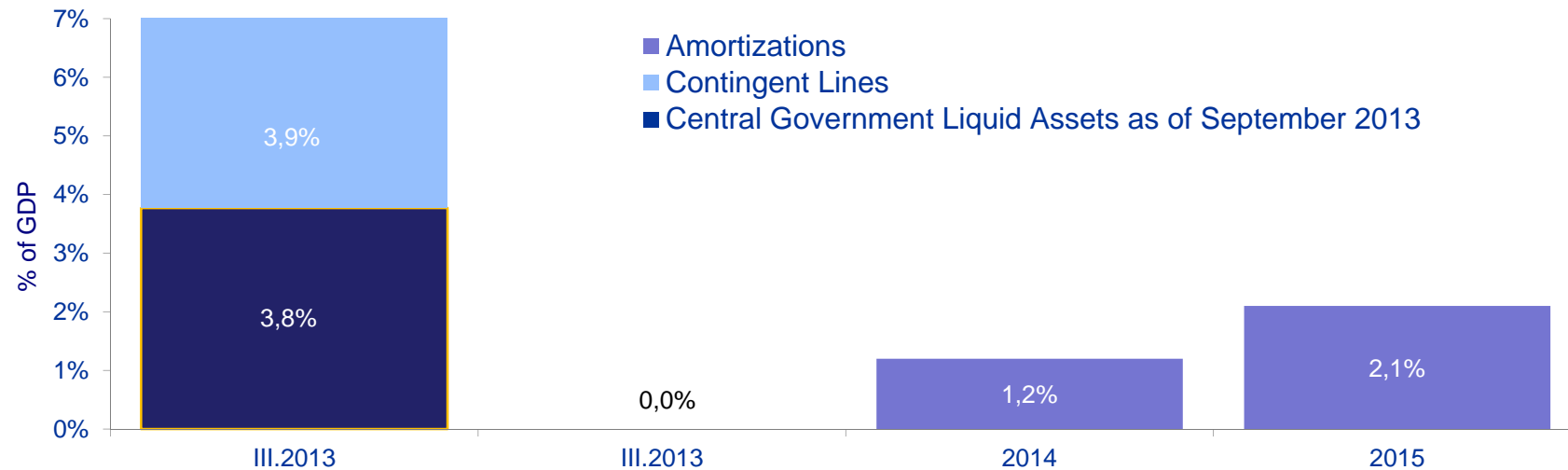
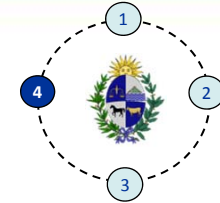
Central Government Debt Profile

As of September 2013 (USD Million)



Source: Debt Management Unit, Ministry of Economy and Finance (preliminary data)

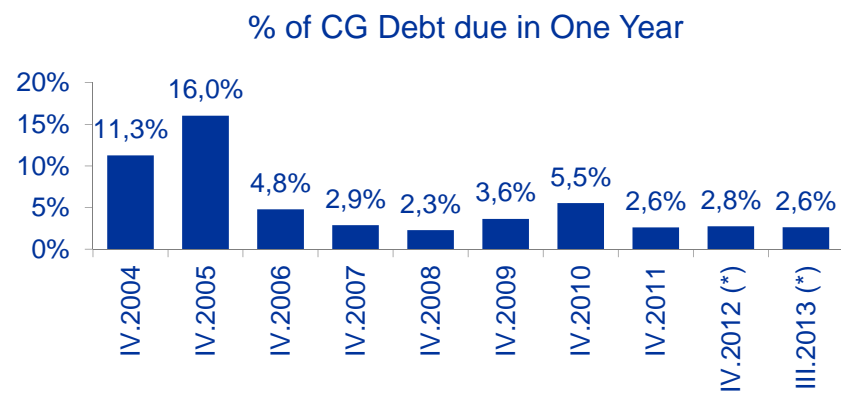
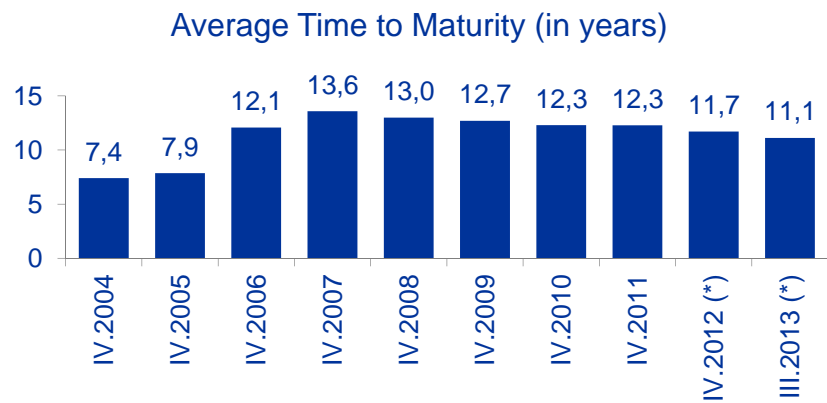
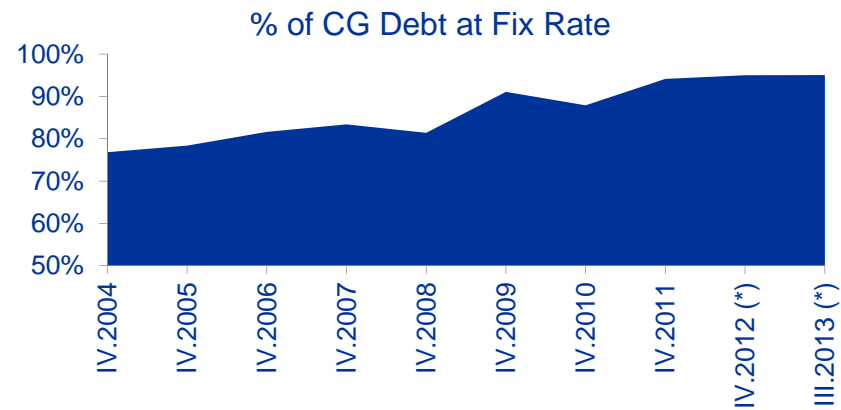
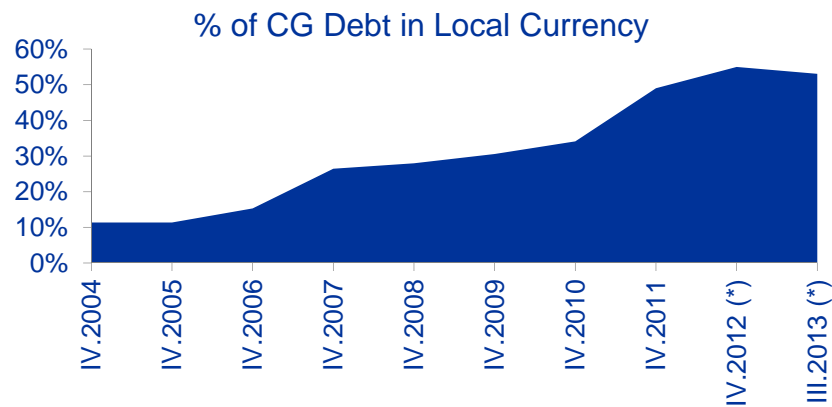
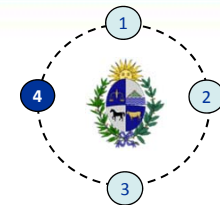
Low refinancing and liquidity risk



Source: Debt Management Unit, Ministry of Economy and Finance

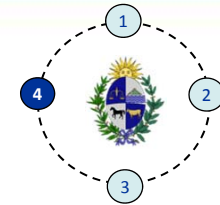
- Contingent credits lines amount to nearly USD 2bn, around 3.9% of GDP
 - ✓ World Bank - USD 520 million
 - ✓ IDB - USD 550 million
 - ✓ CAF - USD 400 million
 - ✓ FLAR USD 470 million

Central Government Risk Indicators

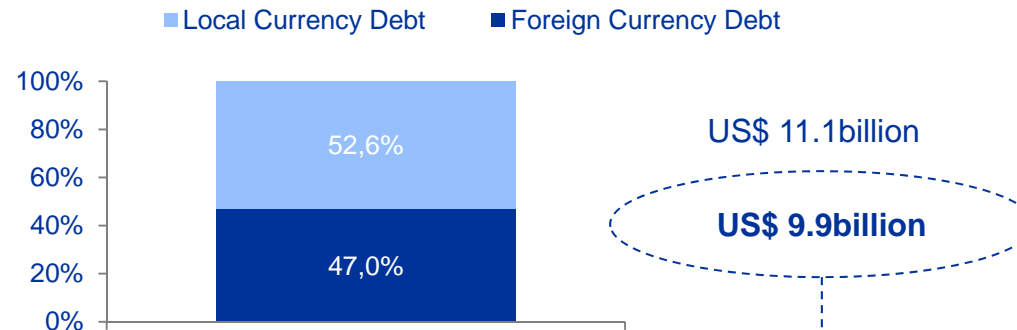


Source: Debt Management Unit, Ministry of Economy and Finance
 (*) Refers to preliminary data

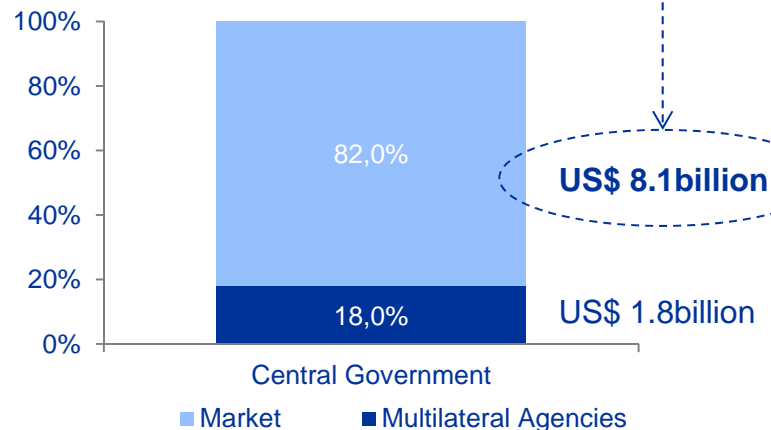
A significant portion of our debt is hedged against FX risk



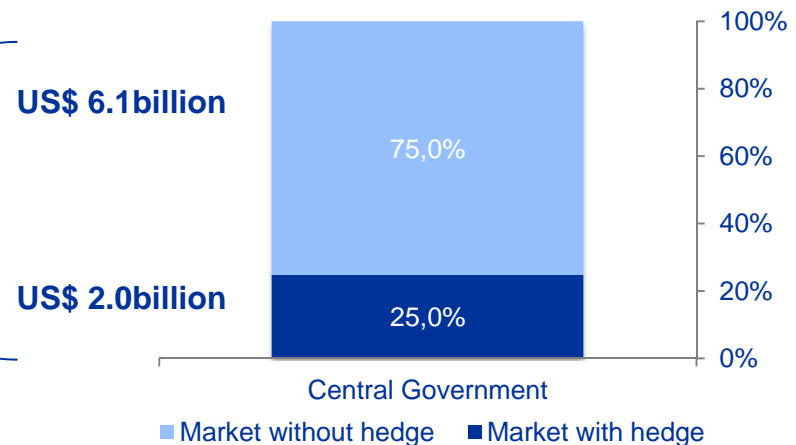
Central government debt Q3 2013



Central government debt in foreign currency (Q3 2013)



Central government market debt in foreign currency (Q3 2013) with hedge



Uruguay accounts solid fundamentals to confront an eventual drop in capital flows



	Current account balance plus net FDI (% of GDP)	Gross financing requirement (% of official reserves)	Liquidity ratio (%)	NXD (% of GDP)	Import cover	General government balance (% of GDP)	Public debt (% of total debt)
Brazil	-1.1	31.8	201.3	3.8	11.7	-3.4	4.1
Chile	-1.6	44.9	162.7	6.6	4.3	-1.3	18.9
Colombia	-0.6	56.4	195.5	0.2	5.6	-1.5	29.7
Mexico	0.5	19.8	110.1	0.6	4.9	-2.5	13.8
Peru	0.5	20.6	340.6	-7.6	12.7	1.4	46.1
Uruguay	0.8	24.0	250.4	-16.4	9.9	-2.5	42.5

Source: FitchRatings, "US Tapering Effects in LATAM Sovereigns", November 2013

Note: Liquidity Ratio defined as the stock of the banking system's liquid Foreign assets (including the Central Bank's International Reserves) minus Short Term Foreign Liabilities (including non-residents holdings of LC debt (irrespective of maturity) and external debt with a residual maturity of less one year.

NXD: Net External Debt defined as (Gross external debt less Residents debt claims on Non-Residents).

Credit Highlights

1 Structural Stability

Robust institutional framework and healthy social indicators continue to underpin political stability and promote a prolific business climate

4 Proactive Debt Management Strategy

Longest-dated sovereign maturity profile in the region thanks to proactive liability management transactions

2 Consistent macroeconomic policies and healthy external indicators

Sustainable growth supported by robust FDI expansion and increase in export revenue

3 Resilient Fiscal profile

Prudent fiscal policy has reduced fiscal vulnerabilities and allowed for a significant reduction in global sector debt

