

DBRS Morningstar Releases Commentary: Uruguay's Budget Sets Course Correction for Public Finances

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DBRS Morningstar released a commentary titled "Uruguay's Budget Sets Course Correction for Public Finances."

The new Uruguayan president Luis Lacalle Pou has faced a challenging social, economic, and political environment since taking office on March 1st. Even before the Coronavirus Disease (COVID-19) global outbreak, Uruguay had experienced five years of anemic growth and deteriorating public finances. Then, just 12 days after the President was sworn into office, Uruguay recorded its first confirmed case of COVID-19. Social-distancing measures to contain the virus, combined with weakened global and regional demand, have led to a sharp decline in economic activity and employment.

Despite the difficult circumstances, DBRS Morningstar continues to view the risks to Uruguay's BBB (low) ratings as broadly balanced. While there continues to be uncertainty around the evolution of the virus, the incidence of new COVID-19 cases in Uruguay is low. Post-pandemic growth prospects, bolstered by several massive investment projects, look better than the economy's performance over the last five years. In addition, the Lacalle Pou administration is putting in place a fiscal strategy that aims to stabilize public finances over the medium term. The key challenge may be to hold the congressional coalition together.

"If implemented, the fiscal consolidation strategy would likely bode well for the evolution of the ratings," said Michael Heydt, Senior Vice President at DBRS Morningstar. "That said, the success of strategy could depend on the government's ability to maintain cohesion within the coalition and to sustain public support for reform."

Notes:

The commentary is available at www.dbrsmorningstar.com.

For more information on the Oriental Republic of Uruguay, visit www.dbrsmorningstar.com or contact us at info@dbrsmorningstar.com.

DBRS, Inc.
140 Broadway, 43rd Floor
New York, NY 10005 USA
Tel. +1 212 806-3277

Contacts

Michael Heydt

Senior Vice President – Global Sovereign Ratings

+1 212 806 3210

michael.heydt@dbrsmorningstar.com

Yolanda Ngo

Senior Financial Analyst, Global Sovereign Ratings

+1 (212) 806 3276

yolanda.ngo@dbrsmorningstar.com

Thomas R. Torgerson

Managing Director, Co-Head of Sovereign Ratings

+1 212 806 3218

thomas.torgerson@dbrsmorningstar.com

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