

República Oriental del Uruguay

Investor Presentation

December 2021



Cardenal Copete Rojo (*Paroaria Coronata*)
Photo credit: Leonardo Colistro.



Ministerio
**de Economía
y Finanzas**

Key Credit Highlights

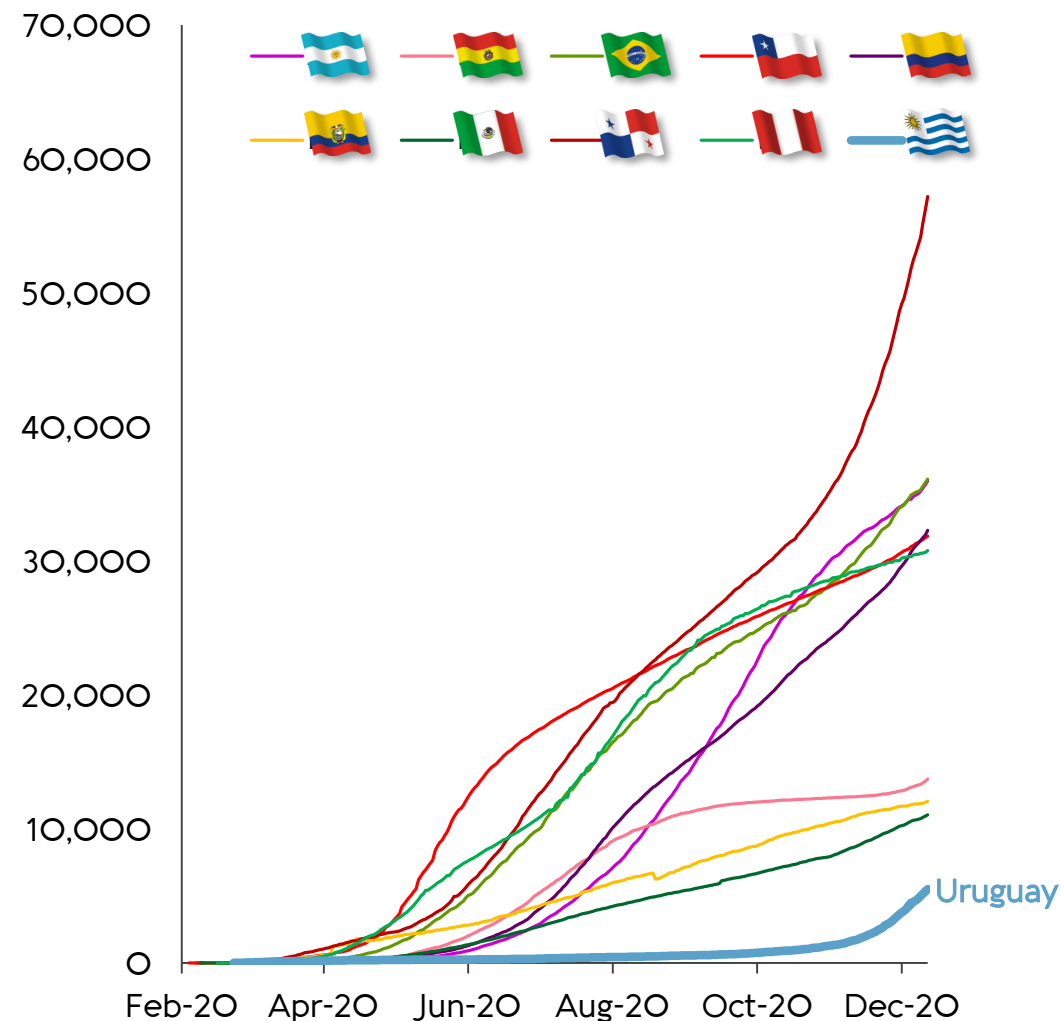


- 1 Swift vaccination plan in 2021 has effectively contained the virus spread so far, after virus surge in the first half of this year.
- 2 Strong economic recovery underway, driven by foreign direct investment, stronger industrial production and higher commodity exports.
- 3 Fiscal targets met in 2020 under new fiscal rule; continued targeted support for vulnerable companies and households during 2021, while aiming for improved structural fiscal balance.
- 4 Monetary policy focused on reducing inflation and anchoring inflation expectations, based on enhanced monetary policy framework.
- 5 Resilient current account and large international reserve buffers.
- 6 Government forges ahead with structural reforms, including social security, public enterprises and international trade integration.
- 7 Uruguay is among the top global performer on ESG fundamentals; the government is committed to climate action policies towards a low-carbon economy.
- 8 Sovereign funding strategies focused on de-risking debt portfolio in a cost-efficient way, as well as linking debt financing to environmental goals.

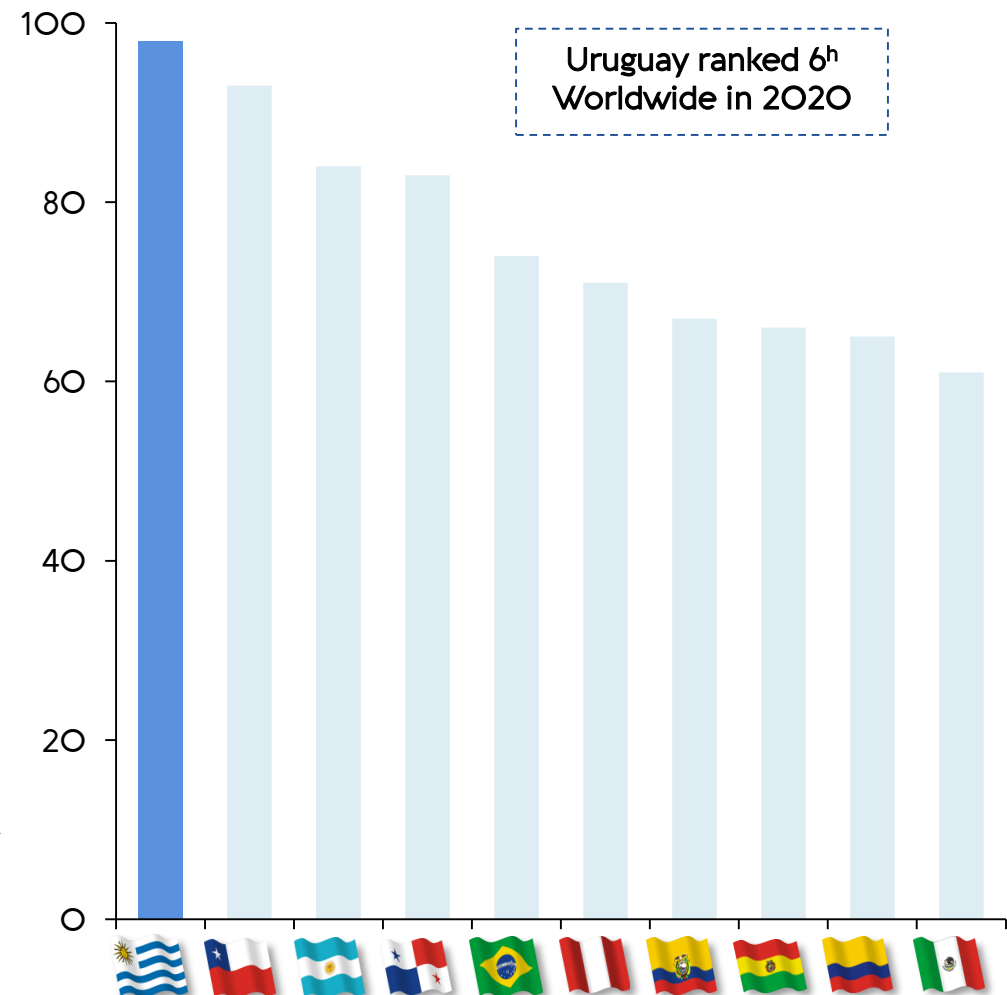
Effective response to the COVID-19 pandemic in 2020. Government did not impose mandatory lockdown, but rather appealed to citizens' "responsible freedom"...



Total confirmed cases in 2020 ⁽¹⁾
(Per million people, as of December 31st, 2020)



Global Freedom Index ⁽²⁾
(Index, numerical score from 0 to 100, year 2020)

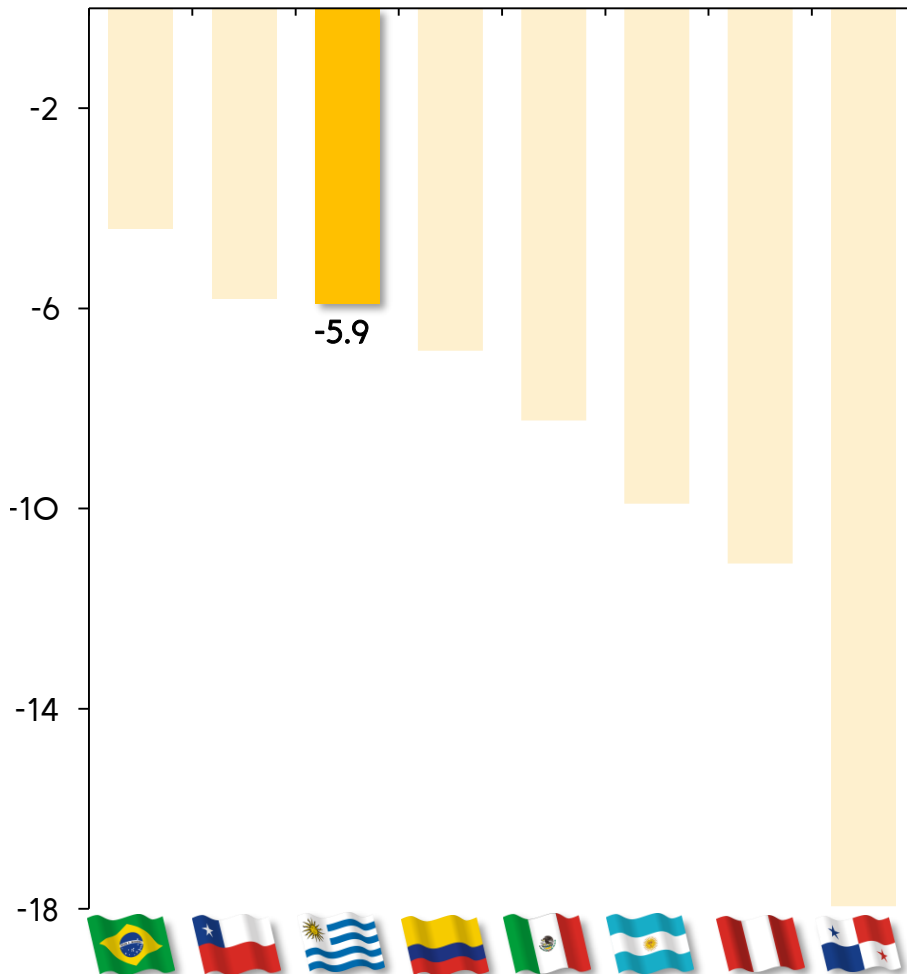


(1) Source: Our World in Data.
(2) Source: Freedom House - Freedom in the World Report 2021 (A country is awarded 0 to 4 points for each of 10 political rights indicators and 15 civil liberties indicators; a score of 0 represents the smallest degree of freedom and 4 the greatest degree of freedom.)

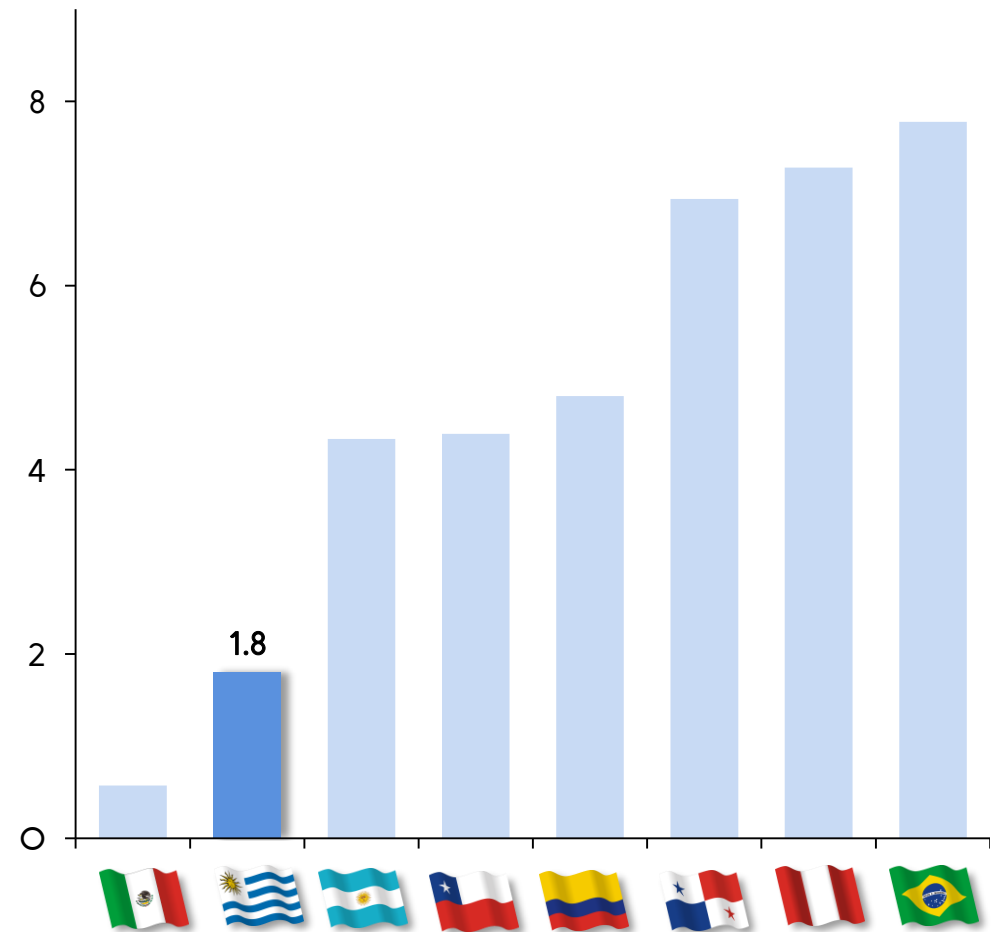
...which allowed for a comparatively smaller deterioration of macroeconomic fundamentals in 2020.



Real GDP Contraction in LatAm in 2020 ⁽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.

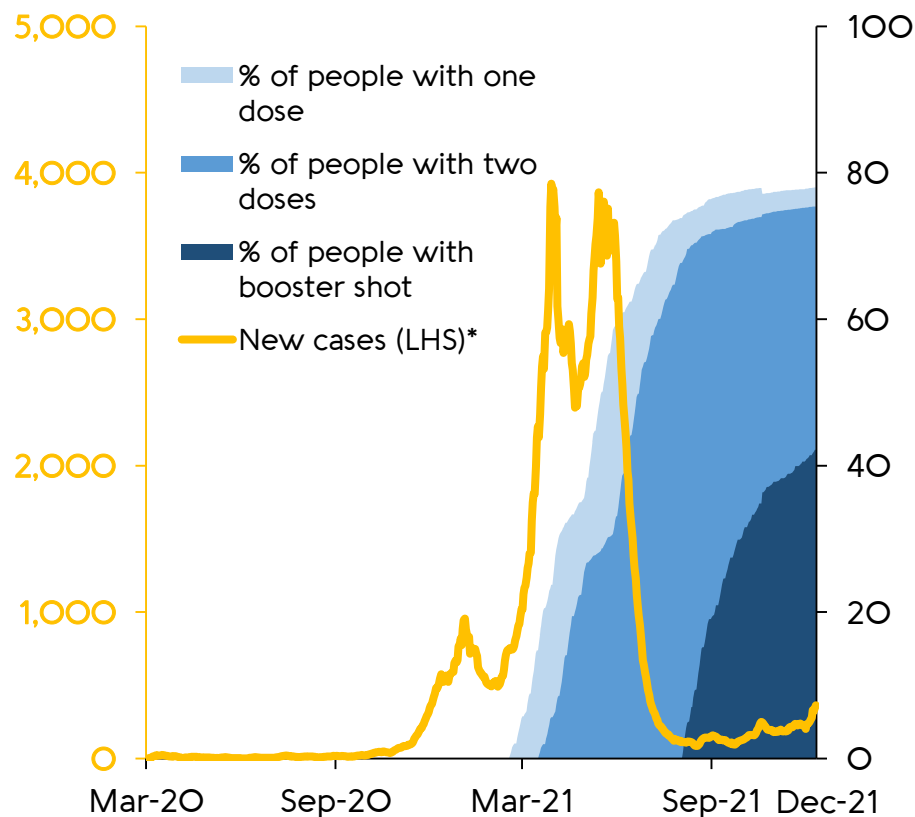
(1) Source : Official National Statistics.

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

After surging in March-June 2021, virus spread has decreased significantly through a steadfast vaccination campaign

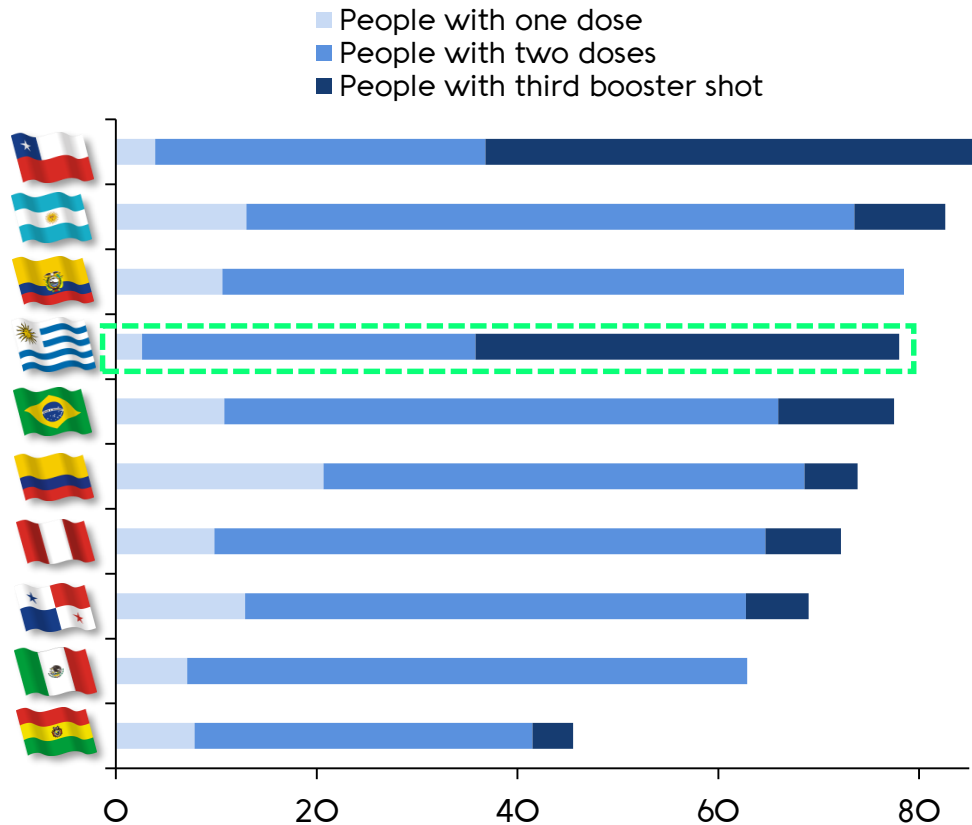


Uruguay: Covid-19 cases and vaccinations ⁽¹⁾
(As of December 23rd, 2021)



(*) 7-day rolling average of new cases

People vaccinated in LATAM, by number of dose ⁽¹⁾
(Share of total population, as of December 23rd, 2021)



- Total purchase of 7,85 million vaccine doses (Sinovac, Pfizer and AstraZeneca), plus a donation of 500,000 Pfizer from the United States. In October 2021, the Government agreed with Pfizer-BioNTech to purchase 3.7 million additional doses for 2022.
- Starting in August, 2021, Uruguay began applying a third booster dose of the Pfizer vaccine.
- During January and February 2022 there will be arriving 400 thousand doses of Pfizer to inoculate children from 5 to 11 years old,

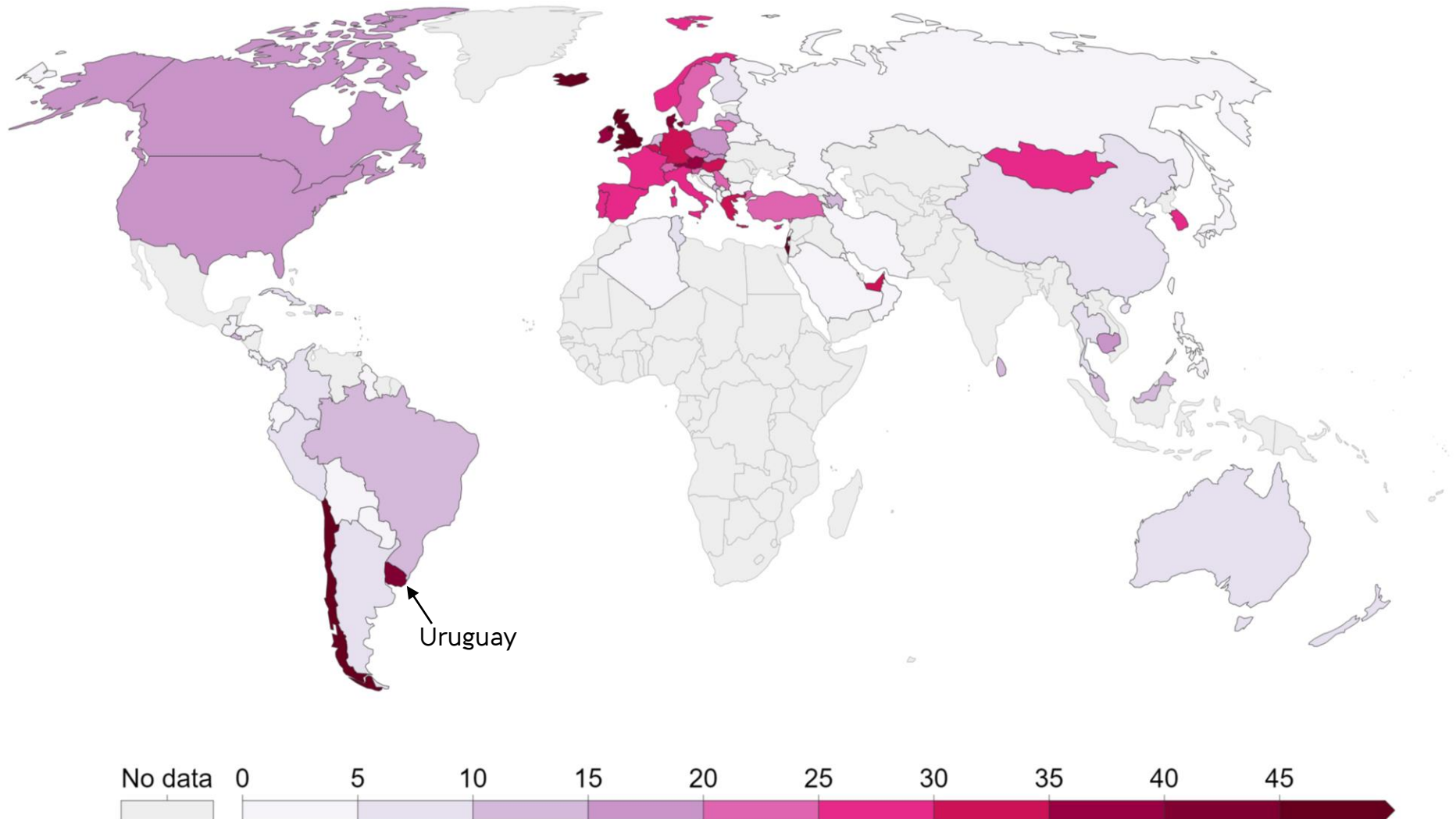
(1) Source: Our World in Data. In the case of Uruguay, it uses total population as estimated by the National Statistics Institute. Latest data available for each country.

Uruguay stands out globally as one of the countries with the highest rate of people inoculated with a third booster shot, providing more protection against new variants



Covid-19 vaccine booster doses administered ⁽¹⁾

(Share of total population, as of December 23rd, 2021)



(1) Source: Our World in Data. Total number of vaccine doses administered, divided by the total population of the country. Booster doses are doses administered beyond those prescribed by the original vaccination protocol.

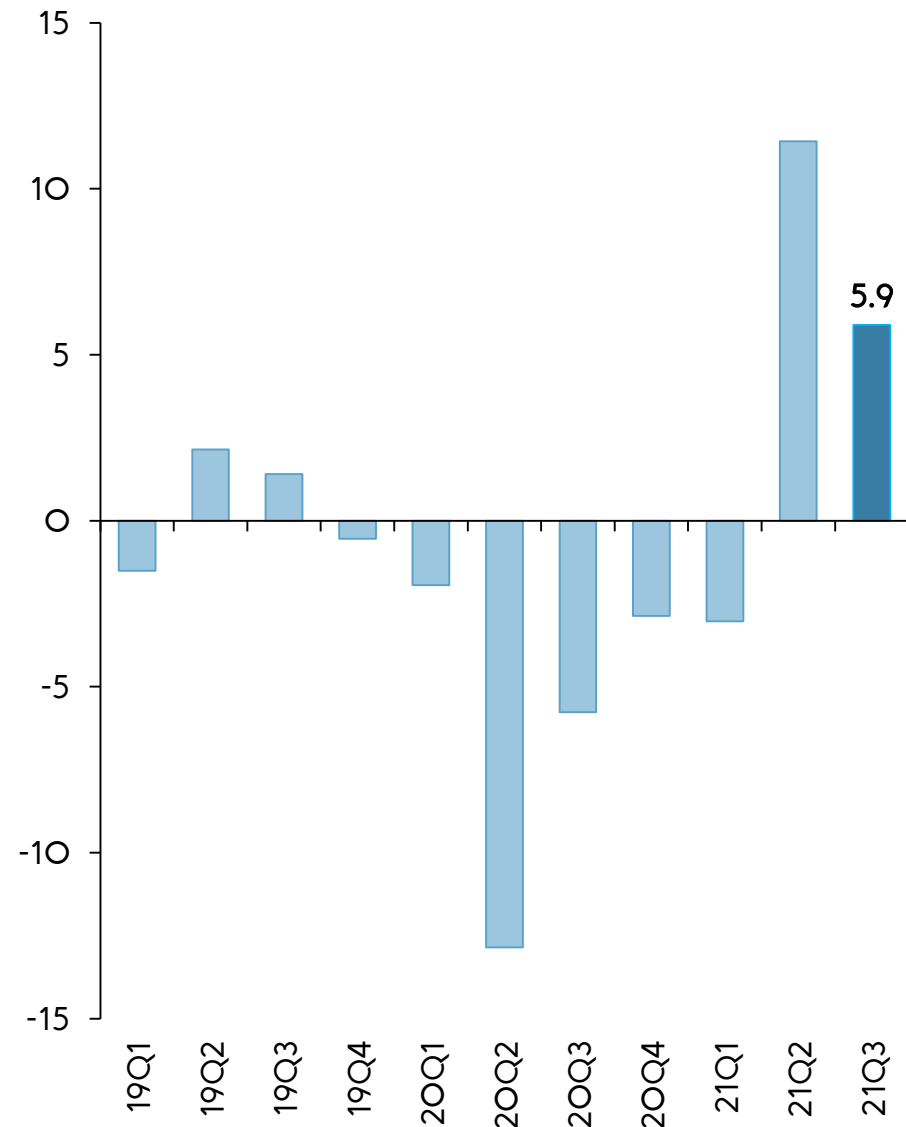
The economy is gaining momentum



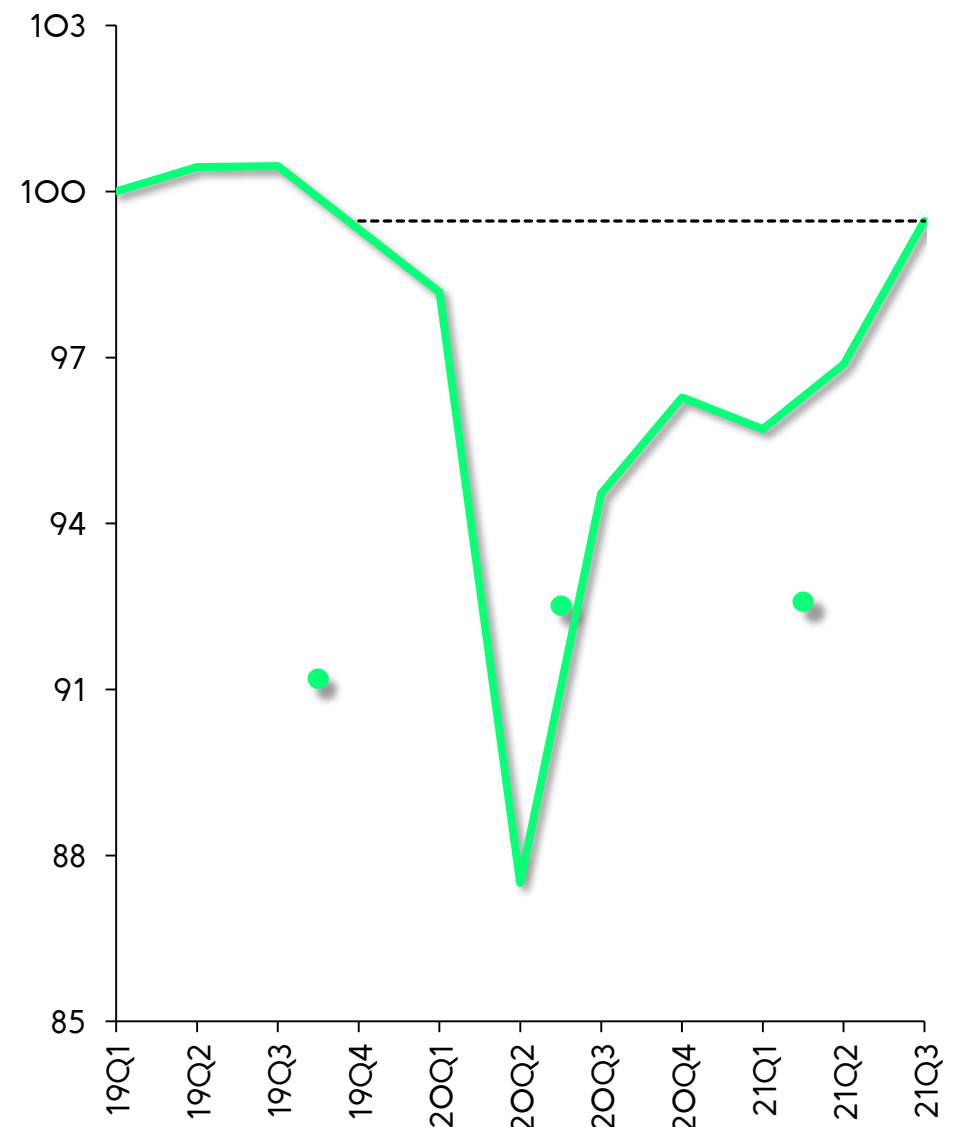
The economy accelerated its growth in the third quarter of 2021, reaching pre-pandemic levels



Quarterly real GDP YoY change
(In %)



Seasonally Adjusted real GDP
(Index)

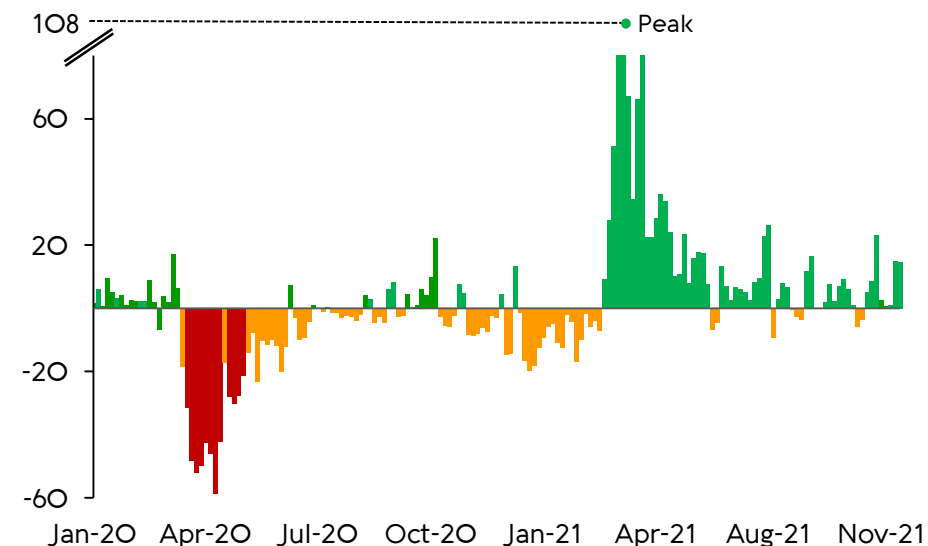


Leading economic indicators suggest that the economic recovery continued into the fourth quarter of 2021, with a positive impact on fiscal revenues



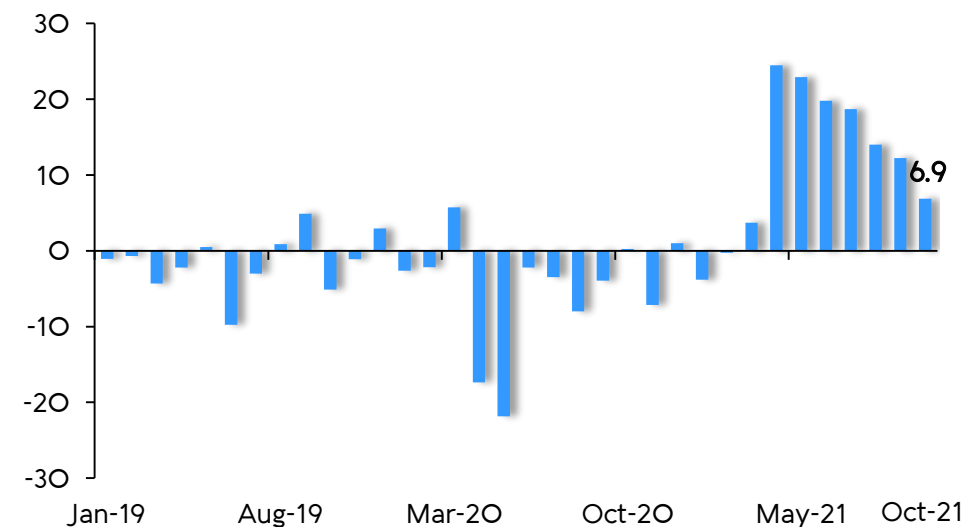
Gasoline Demand (1)

(Rolling 4-week average, YoY change, in %)



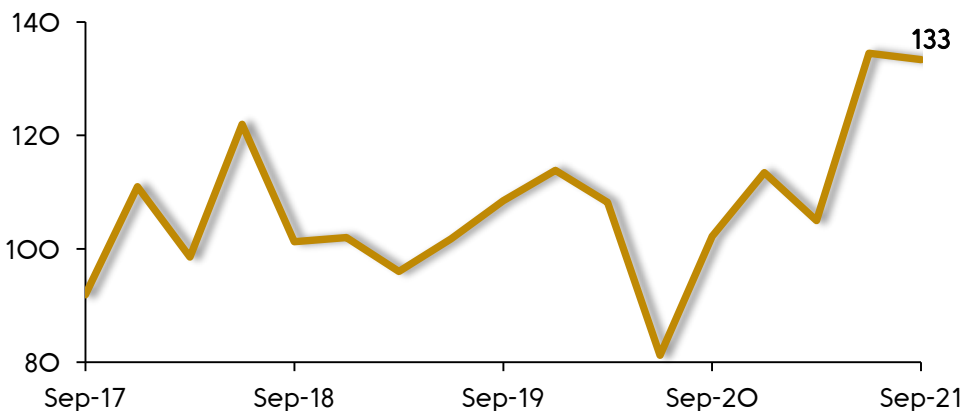
Manufacturing Production (2)

(YoY real change, in %)



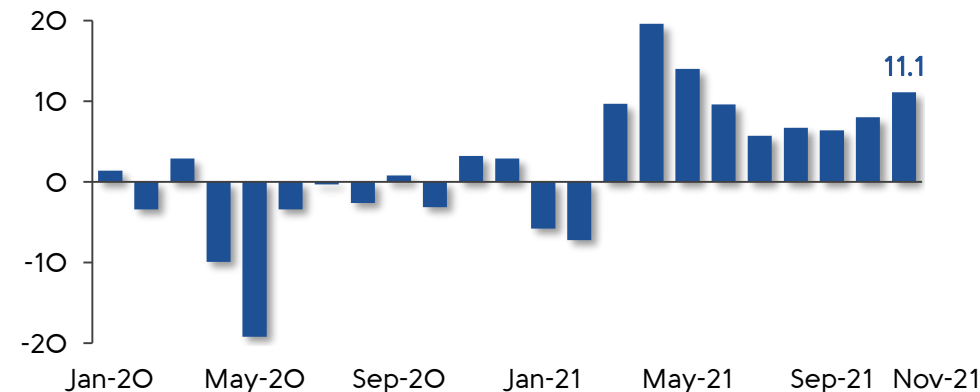
Investment in Machinery and Equipment (3)

(Index, in physical volume, base 100 = Jun-17)



Tax Revenue Collection (4)

(YoY real change, in %)



(1) Source: Ministry of Economy and Finance.

(2) Source: National Statistics Institute

(3) Source: Chamber of Industries of Uruguay

(4) Source: Tax General Directorate, Ministry of Economy and Finance

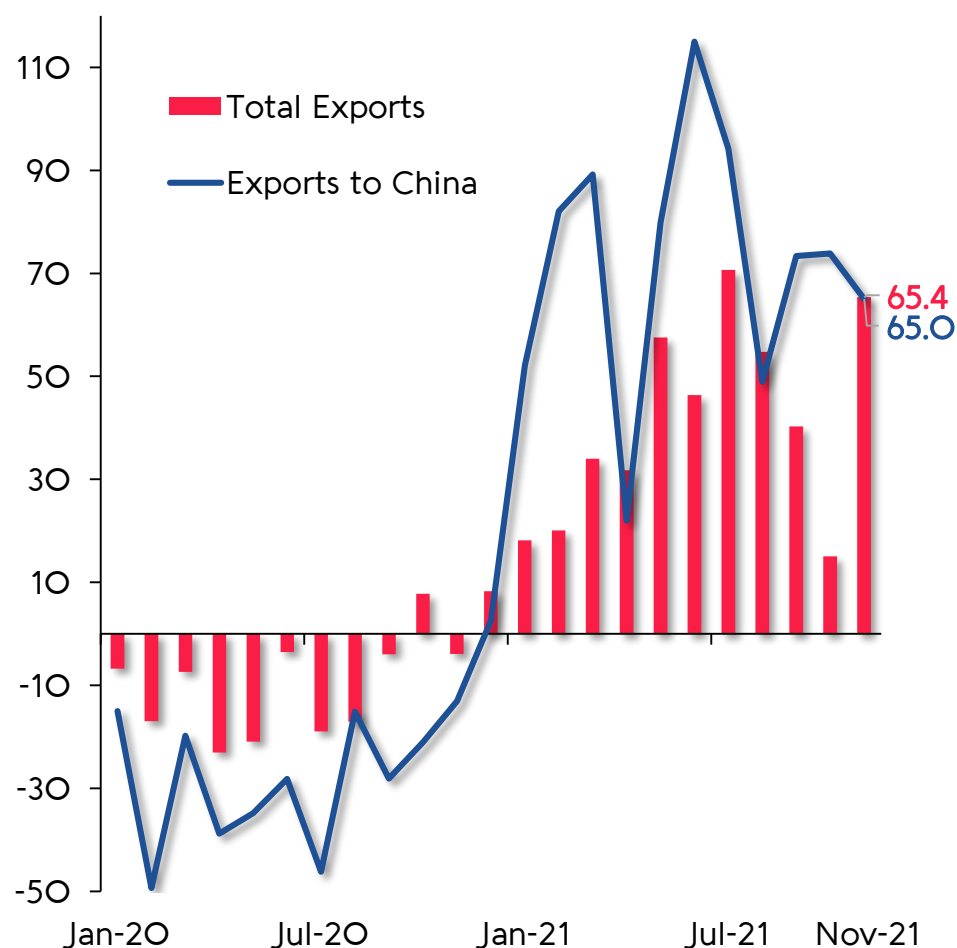
Higher commodity prices and goods exports are lifting the agricultural sector; the government seeks to expand trade flows and trade agreements



Uruguay remains firmly committed to international trade openness, integration and free flow of goods and services with the world

Export of Goods ⁽¹⁾

(YoY change in dollar value, in %)



Commodities Exports Prices ⁽²⁾

(Index base 100 = January 2017)



(1) Source: Uruguay XXI, based on data from the Uruguayan Customs Office (exports from Free Trade Zones to the rest of the world are not included).

(2) Source: CPA Ferrere, based on Bloomberg and National Institute of Meat of Uruguay (INAC). Weighted-average of soybeans, meat, rice, dairy products, and pulp exports

Ramp up in foreign direct investment and new tax incentives for fixed capital formation underpin the construction sector



UPM's Pulp Mill ⁽¹⁾

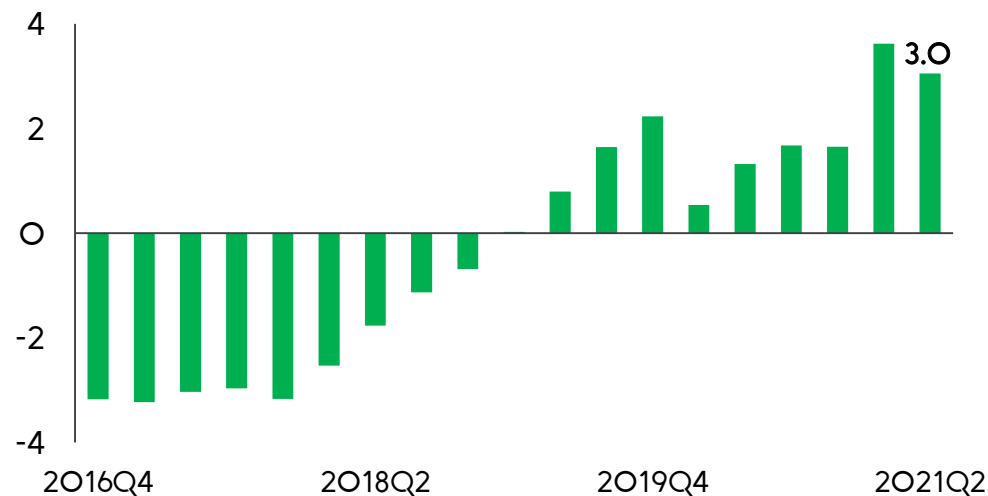
- UPM will invest a total of **US\$ 3 billion (5.5% of GDP)** to build a 2.1 million-tonne greenfield eucalyptus pulp mill in central Uruguay.
- **Proceeding according to schedule.** More than 3,000 people are currently working at the construction site.

Central Railway Project ⁽¹⁾

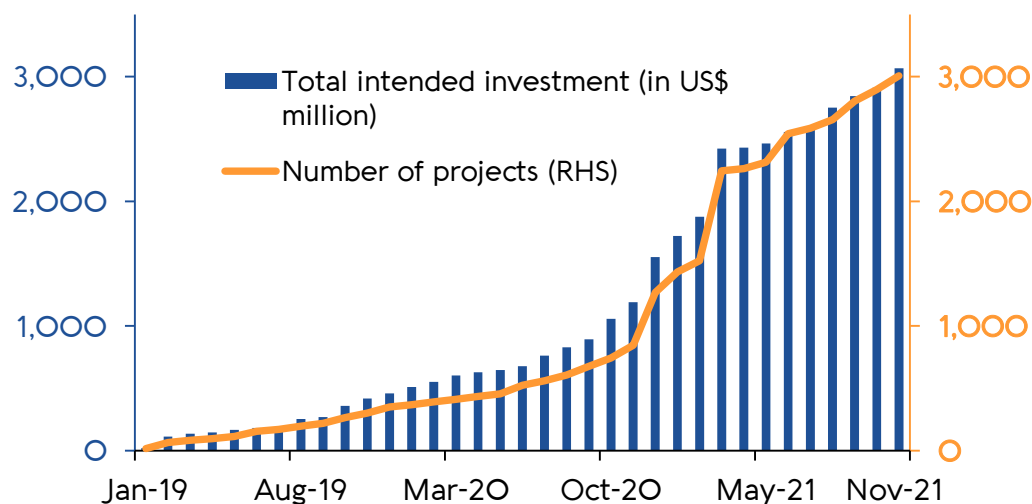
- **US\$ 1 billion investment** in a Central Railway that will run from the city of Paso de los Toros to the port of Montevideo (273 km long).
- **Public-Private-Partnership (PPP)** modality.



FDI Net Capital Inflows ⁽²⁾ (Rolling 4-quarters, in % of GDP)



Investment projects presented under COMAP regime ⁽¹⁾ (Cumulative)



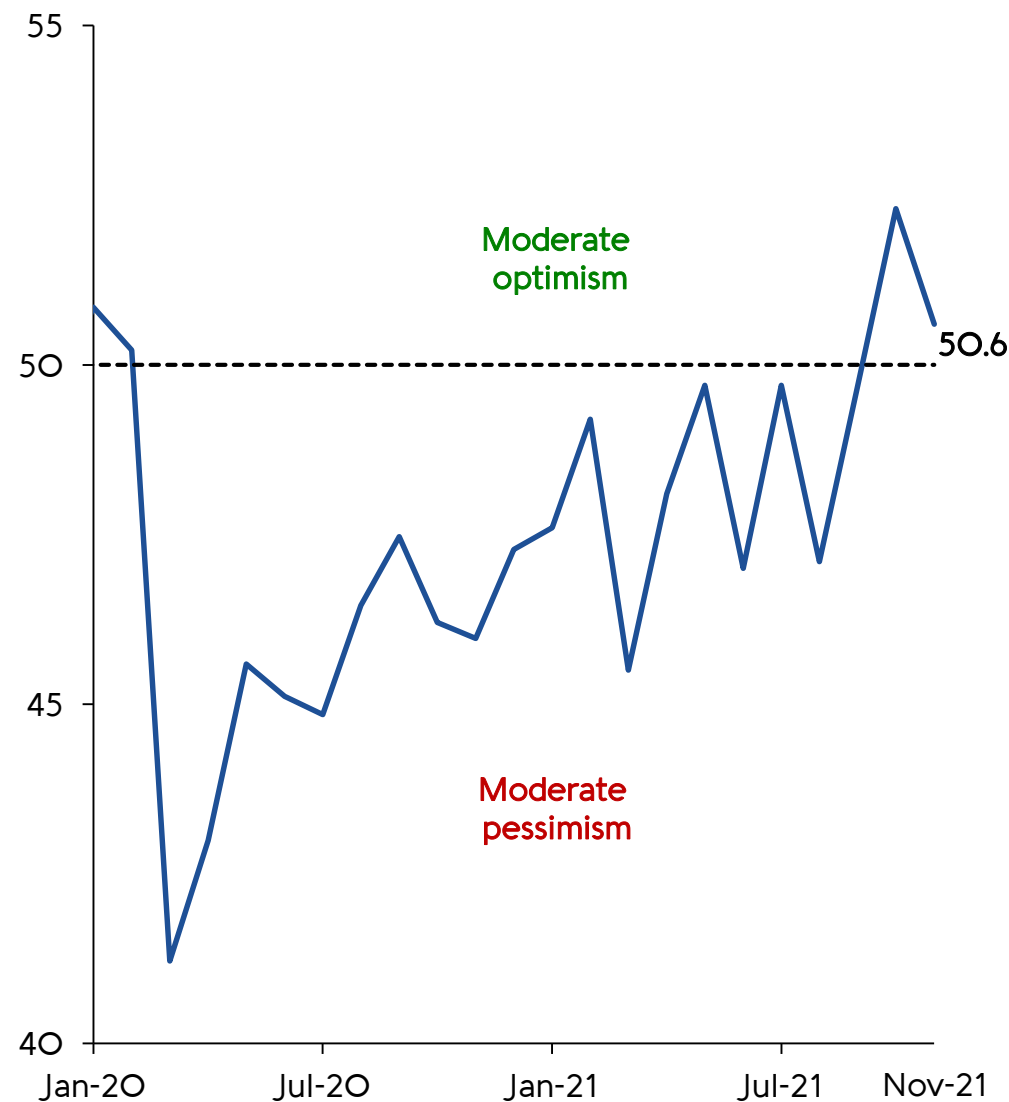
⁽¹⁾ Source: Ministry of Economy and Finance of Uruguay.

⁽²⁾ Source: Central Bank of Uruguay. Figures of the Financial Account of the Balance of Payments were revised.

2 Consumer confidence broke through into the optimism area for the first time since the pandemic outbreak, reflecting a gradual recovery of the labor market



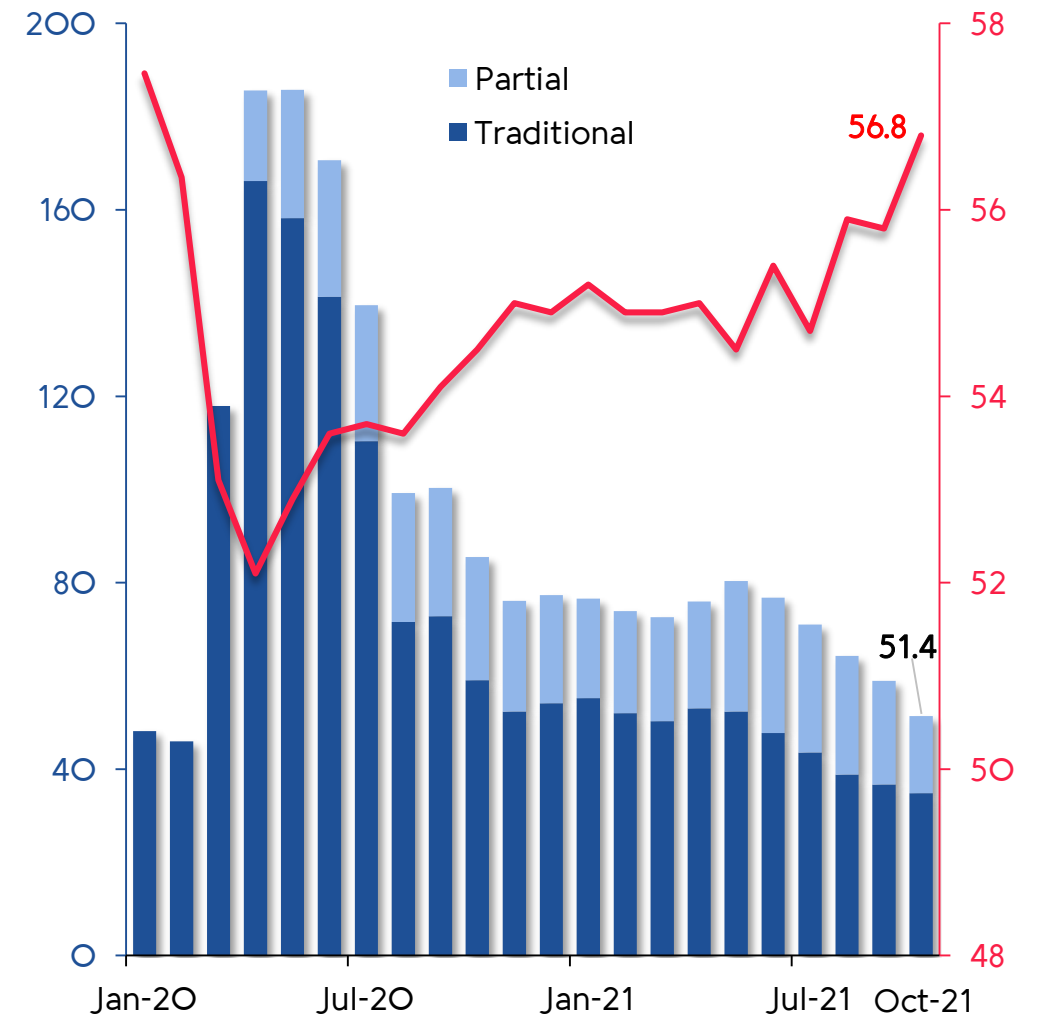
Consumer Confidence Index ⁽¹⁾



Unemployment Insurance by type of regime and Employment Rate ⁽²⁾

Number of beneficiaries of unemployment insurance, in thousands

Employment rate, in % of working age population



(1) Source: SURA Chair of Economic Confidence - Catholic University of Uruguay and Equipos Consultores Consulting firm.

(2) Source: Social Security Bank of Uruguay, Ministry of Labor and Social Security and National Institute of Statistics.

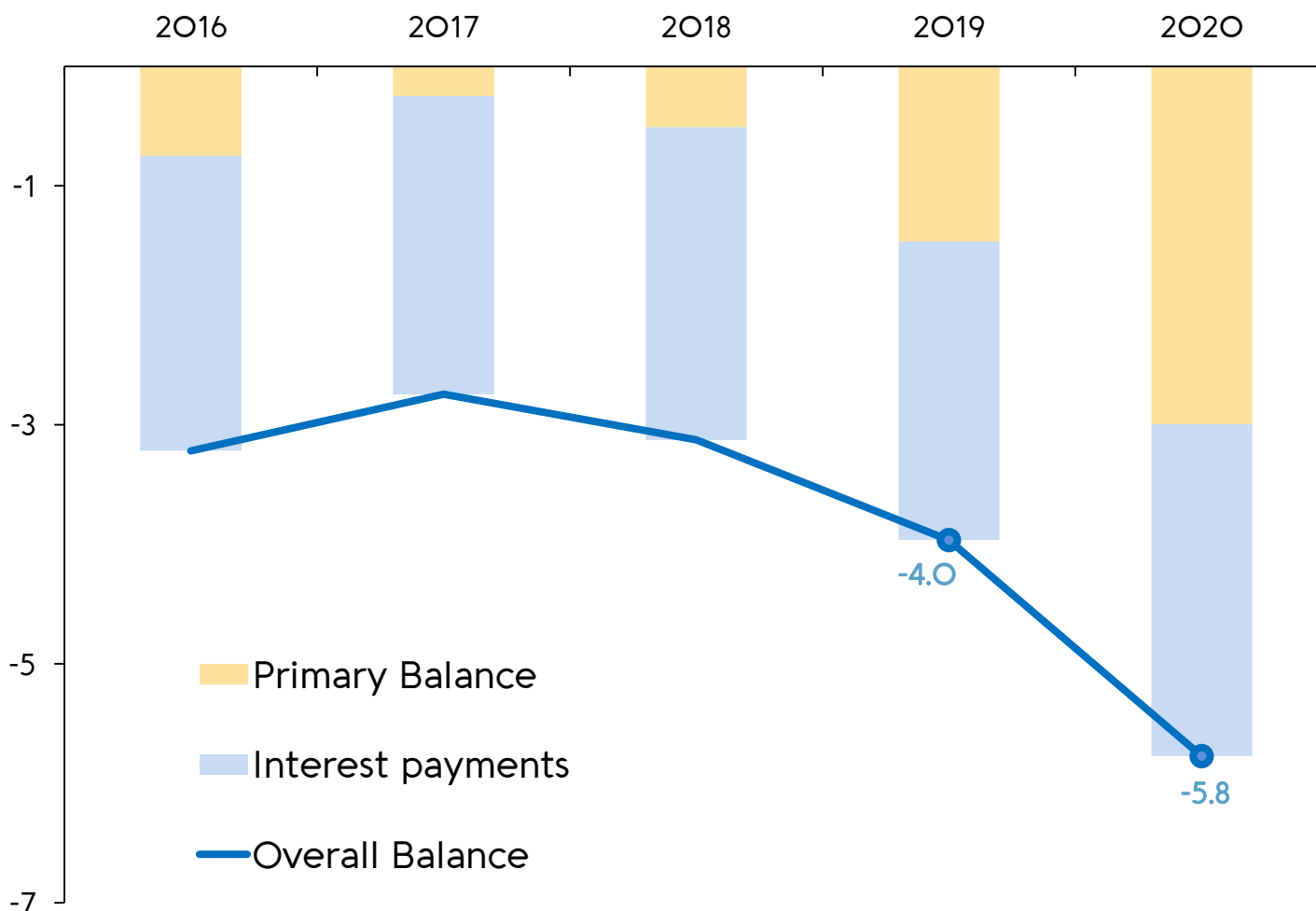
Pillars of the new fiscal rule are aligned



Strong commitment to fiscal discipline based on prudent macroeconomic management...



Central Government Fiscal Balance ⁽¹⁾
(In % of GDP)



The Government met the 2020 target set in the Budget Law, even accounting for the 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%).

(1) Does not include extraordinary inflows to the Social Security Trust Fund.
Source: Central Bank of Uruguay; Ministry of Economy and Finance of Uruguay

...meeting all three pillars of the new fiscal in 2020, strengthening fiscal credibility.



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

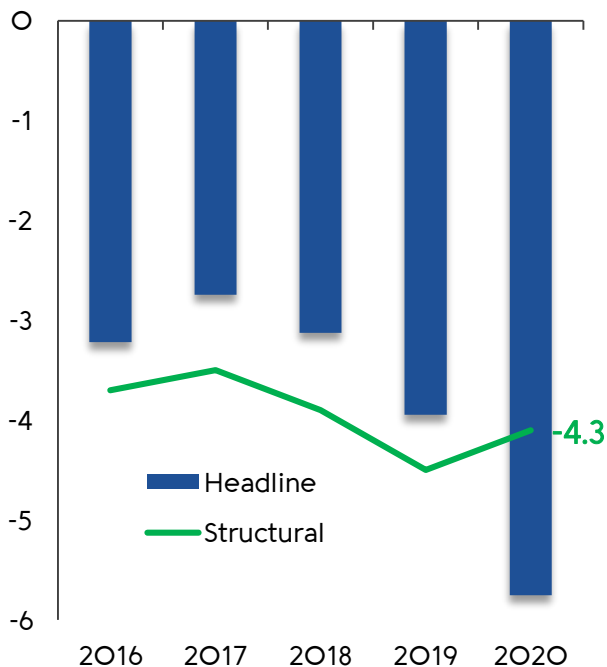


Cap on real growth in primary expenditure in line with potential real economic growth



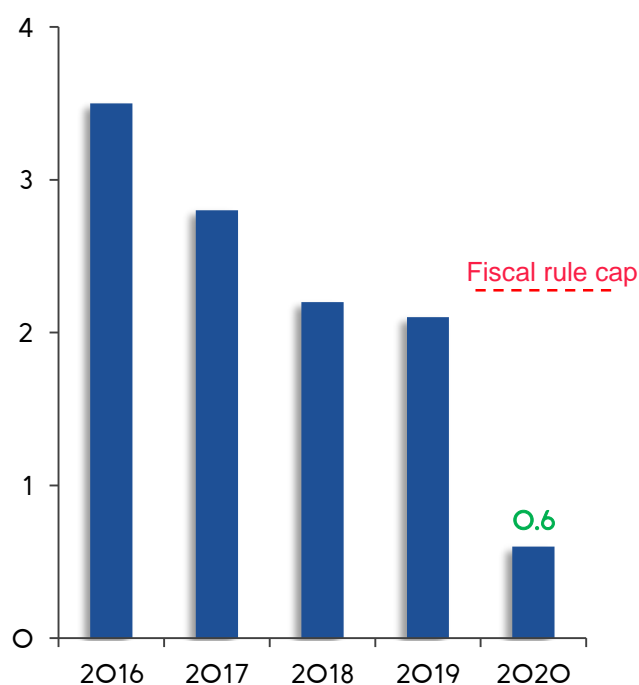
Binding maximum level of annual net indebtedness in absolute dollar amounts

Headline (1) and Structural Balance (2)
(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)	5,891
(2) Amortizations (Bonds + Loans)	2,205
(3) Accumulated Financial Assets	574
Net Indebtedness = (1) - (2) - (3)	3,113

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

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

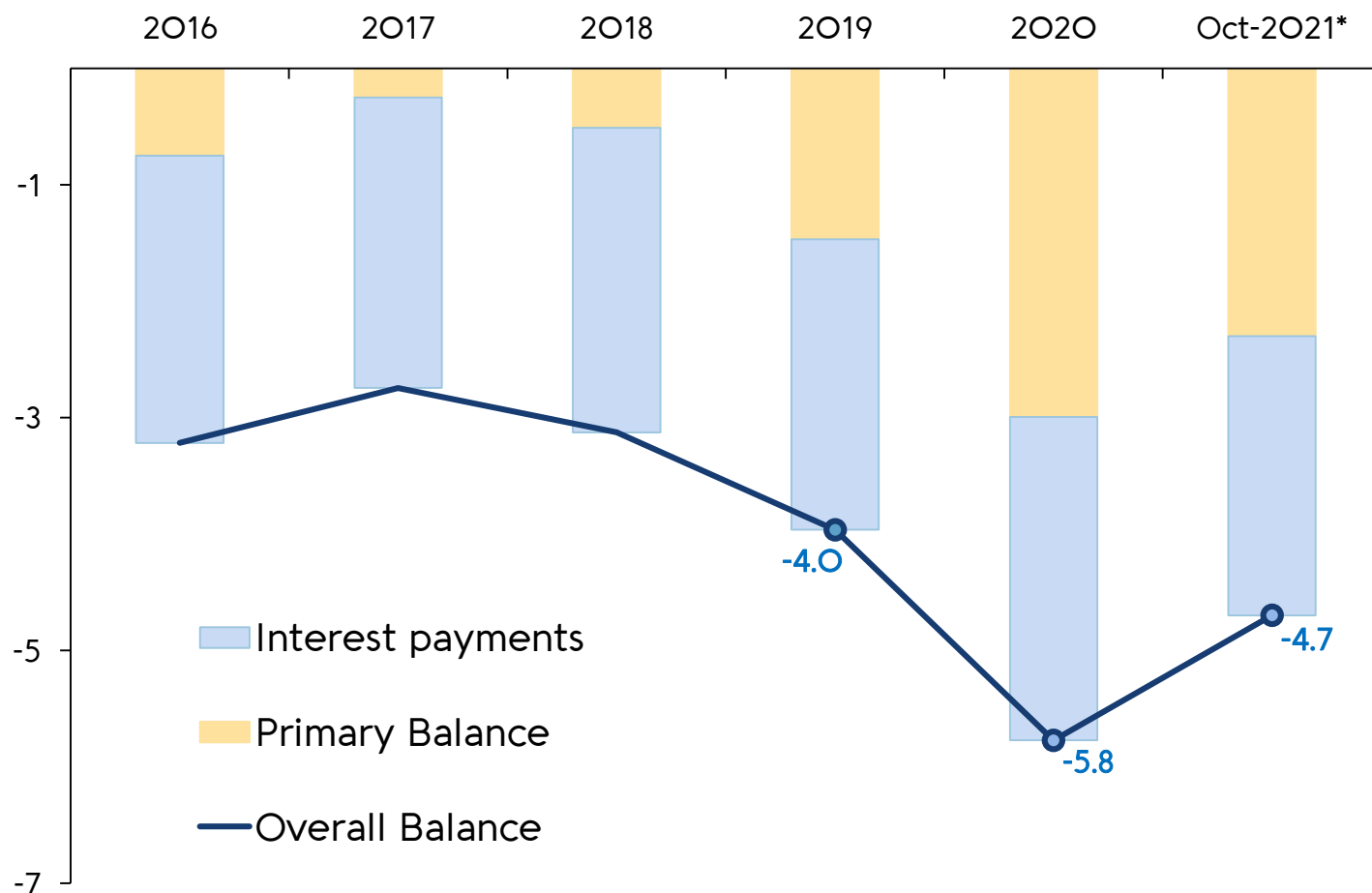
(2) The Structural Balance is the fiscal balance that accounts for business cycle fluctuations and one-off/temporary spending and revenue items.

For 2021, the government is targeting an improvement in the fiscal balance within the rules-based framework



Central Government Fiscal Balance ⁽¹⁾

(In % of GDP)



Central Government deficit for 2021 is projected at **4.9%** of GDP, given an assumed real GDP growth of **3.5%**.

(*) Last 12 months.

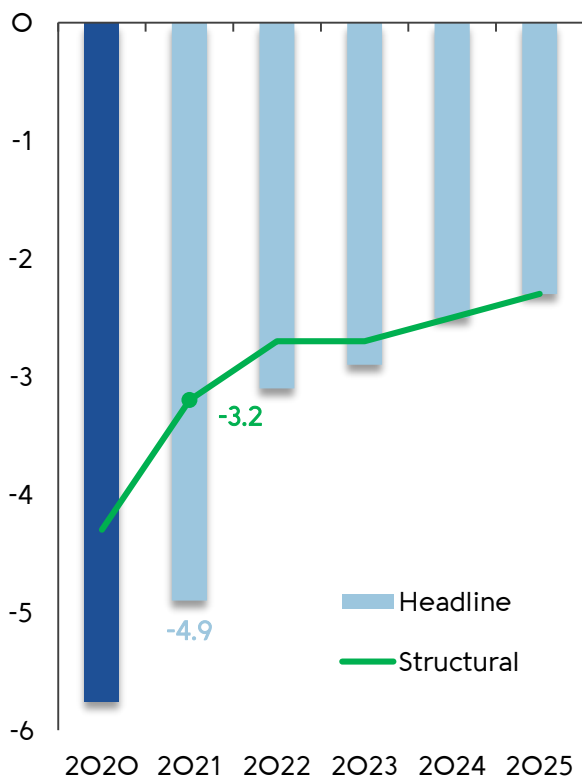
(1) Does not include extraordinary inflows to the Social Security Trust Fund.
Source: Central Bank of Uruguay; Ministry of Economy and Finance of Uruguay

Fiscal rule in 2021 has aimed to continue consolidating structural public finances



Headline and Structural Balance ⁽¹⁾

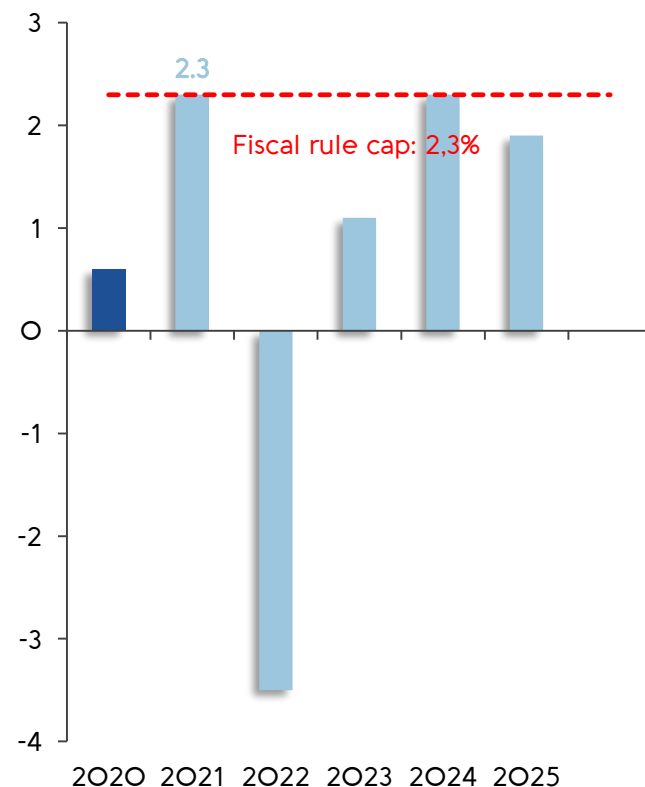
(In % of GDP)



The target for the structural fiscal balance in 2021 was set at -3.2%

Primary Spending

(Annual real variation, in %)



The cap for real expenditure growth was set at 2.3% for 2021

Net Indebtedness in 2021

(US\$ mm, projections)

(1) Gross Borrowing (Bonds + Loans)	4,779
(2) Amortizations (Bonds + Loans)	2,033
(3) Accumulated Financial Assets	13
Net Indebtedness = (1) - (2) - (3)	2,732

Legal limit on net indebtedness in 2021:
US\$ 2,990 (US\$ 2,300 million + 30%
safeguard clause invoked)

Source: Ministry of Economy and Finance of Uruguay.

(1) The Structural Balance is the fiscal balance that accounts for business cycle fluctuations and one-off/temporary spending and revenue items. The potential real economic growth means the growth rate calculated the output of the economy that implies the entire use of productive factors, both labor and capital.

Enhancing the monetary policy framework



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



Commitment to Lower Inflation

- Key focus is to lower inflation and anchor inflation expectations within the target band in a sustainable way.

Short-term Interest Rate as new Policy Instrument

- New monetary policy instrument under inflation targeting regime.
- Designed to improve market signals and allows for fine-tuning of monetary policy at higher frequency.

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.

Counter-cyclical Monetary Policy Stance

- To respond to the Covid-19 health emergency, monetary policy had been in an expansionary mode.
- As the pandemic has eased, the Central Bank announced a gradual shift towards a more contractionary monetary policy stance, three times increasing the reference rate by an cumulative 125 bps, to 5.75% by November 11th, 2021.

Financial De-Dollarization

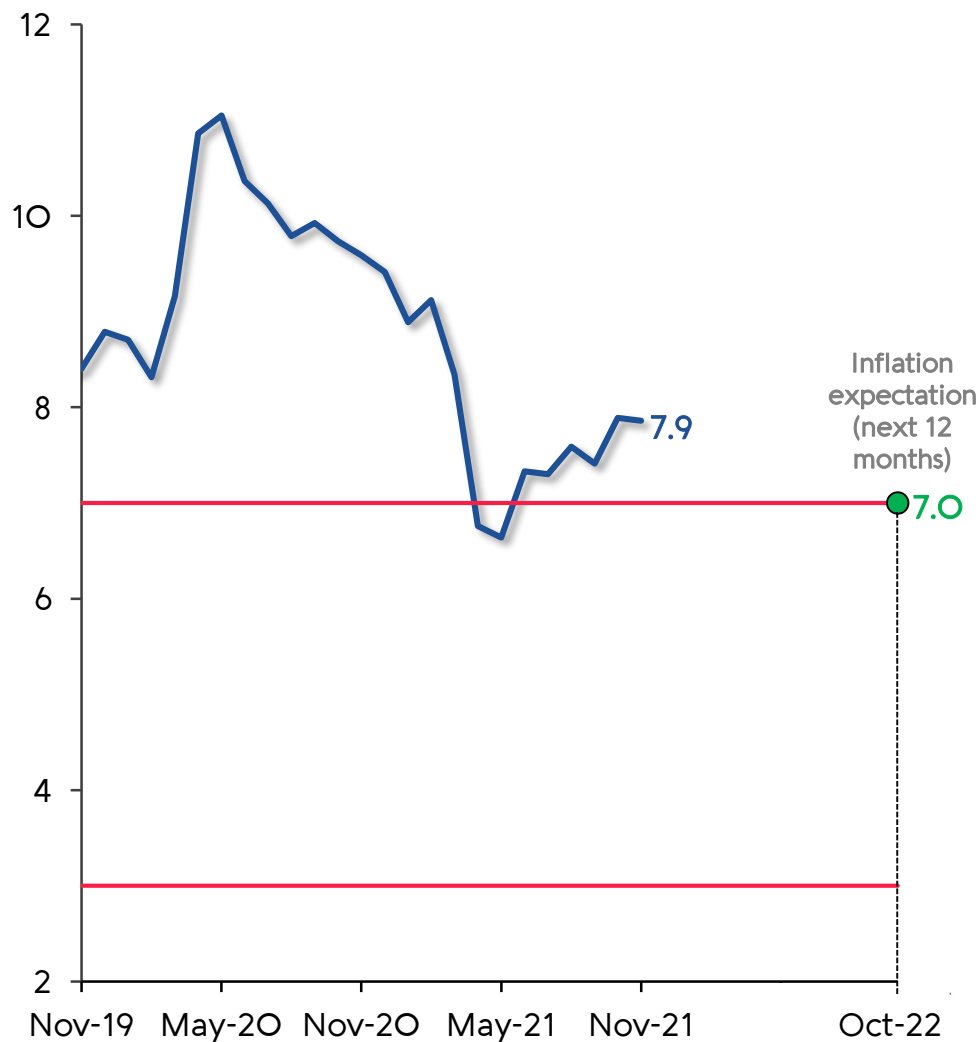
- Rebuilding markets in local currency to mitigate financial dollarization and developing FX derivatives markets.

Inflation has been showing an uneven behaviour, still remaining slightly above inflation target



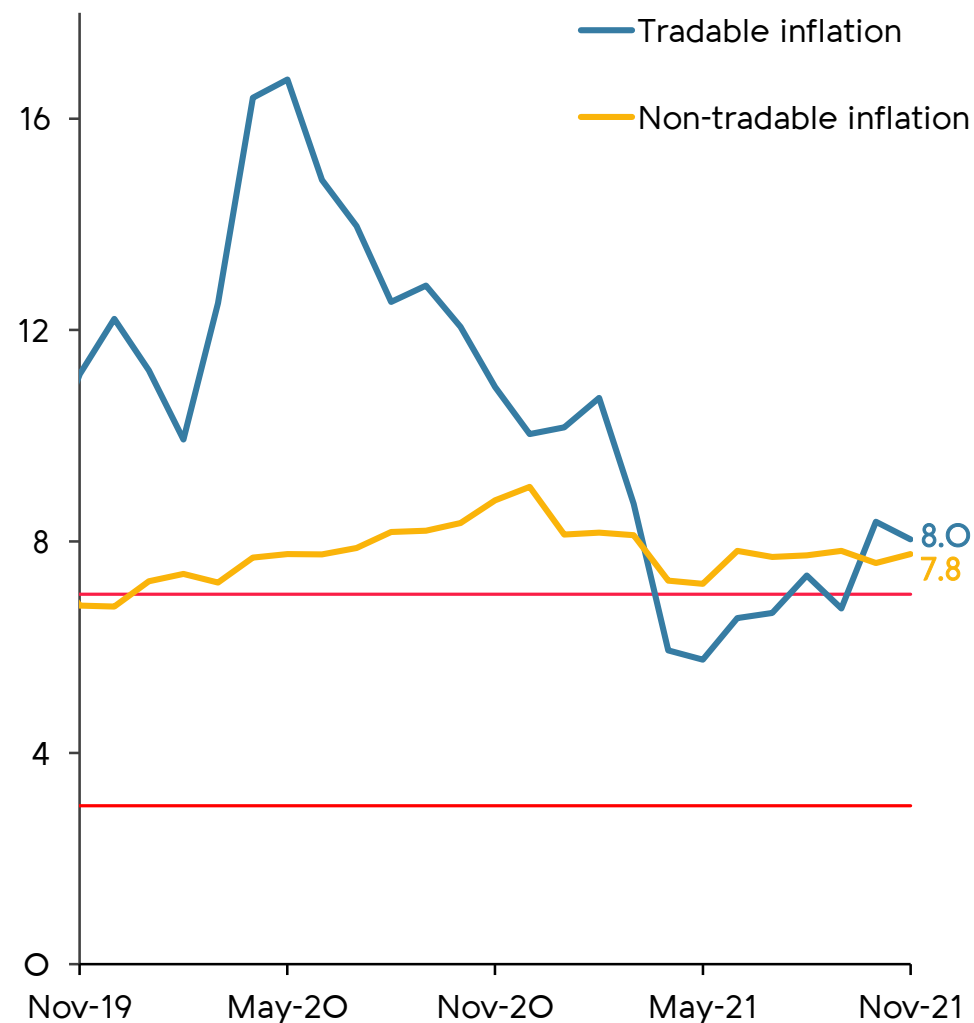
Headline Inflation ⁽¹⁾

(YoY, in %)



Tradable and Non-Tradable Inflation ⁽²⁾

(YoY, in %)



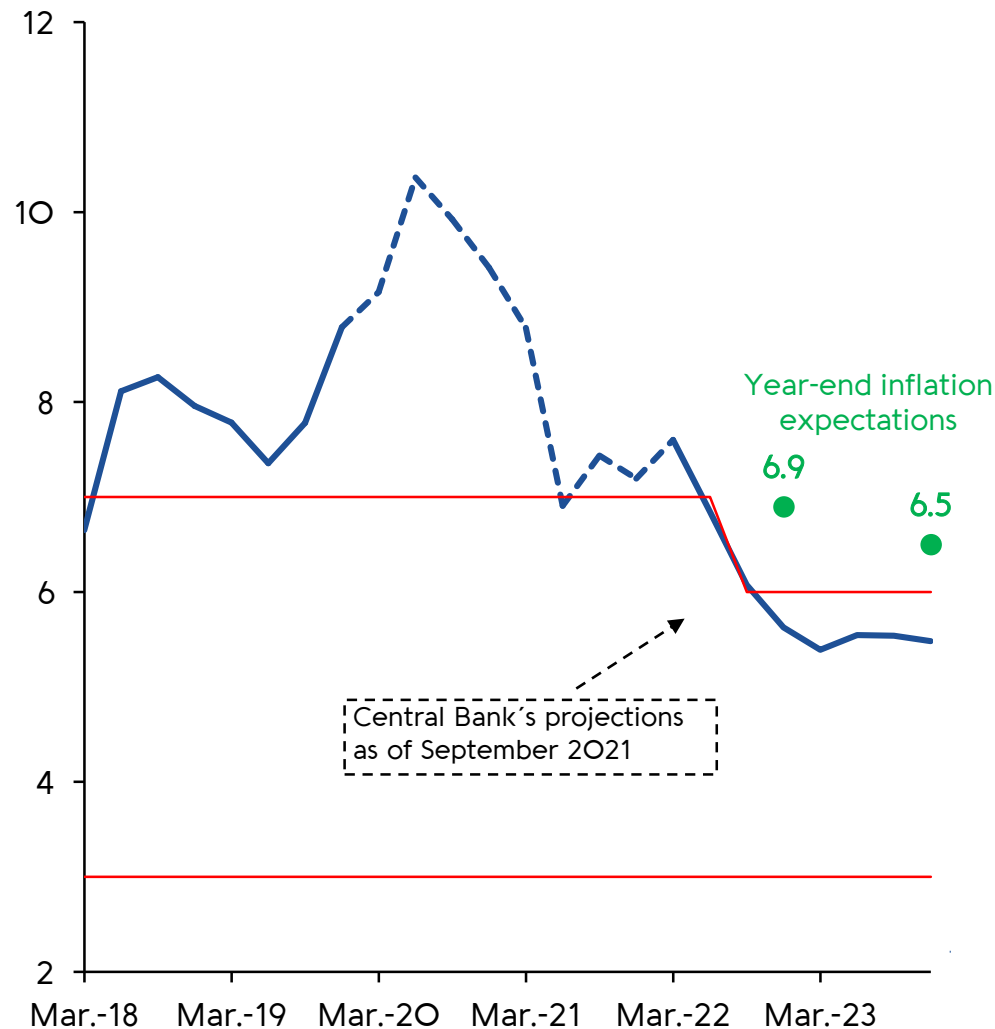
(1) Source: National Institute of Statistics and Central Bank of Uruguay. Median inflation expectations based on Central Bank's market survey as of November 2021.

(2) Source: Central Bank of Uruguay.

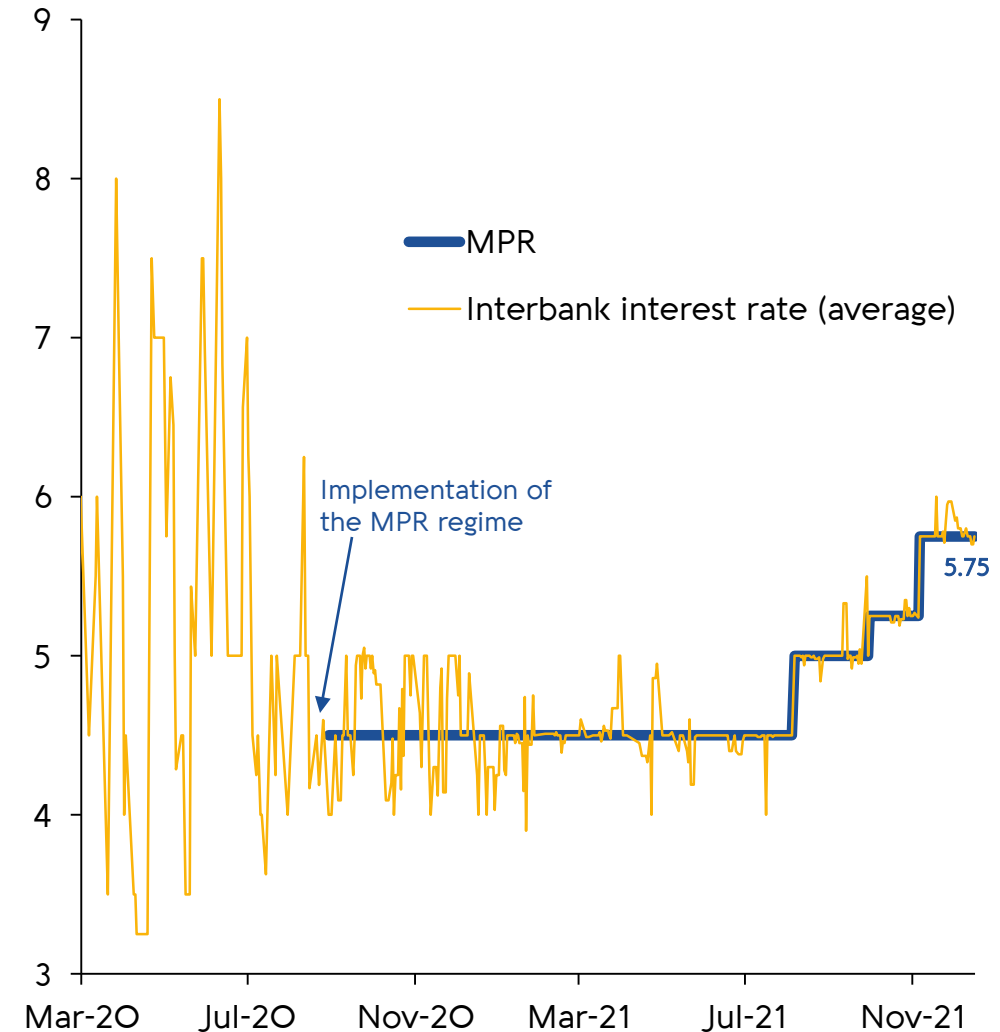
Change to short term interest rate as the monetary policy instrument has resulted in less volatility in the interbank interest rate



Central Bank's Projected Inflation Path ⁽¹⁾
(YoY, in %)



Interbank interest rate and Monetary Policy Rate (MPR) ⁽²⁾
(In %)



(1) Source: Central Bank of Uruguay; Quarterly forecasts of the baseline scenario of the Central Bank as of December 2021. Break evens as of December 22, 2021.

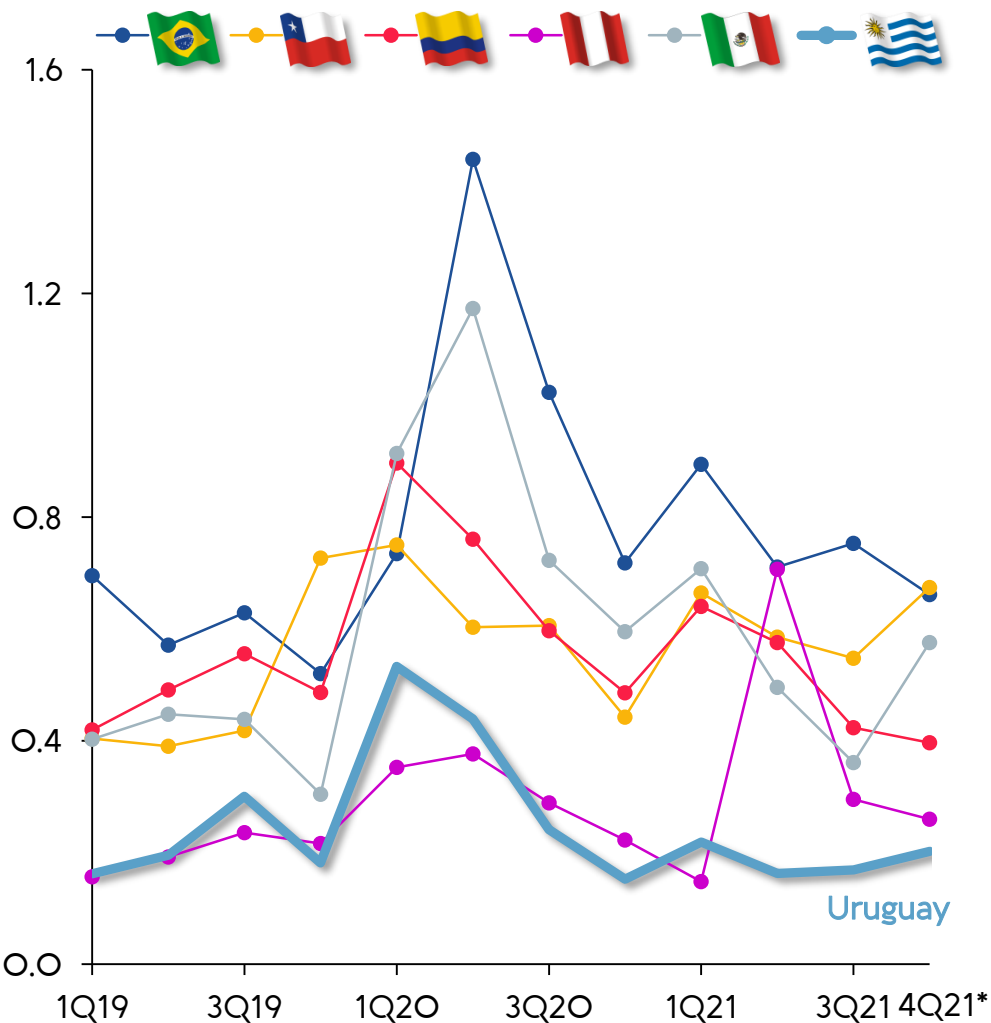
(2) Source: Central Bank of Uruguay. Before September 2020, the monetary policy instrument was the M1 monetary aggregate growth target.

The nominal exchange rate has shown relative stability over the last year, including during risk-off episodes; large international reserve buffers



Nominal Exchange Volatility in LatAm ⁽¹⁾

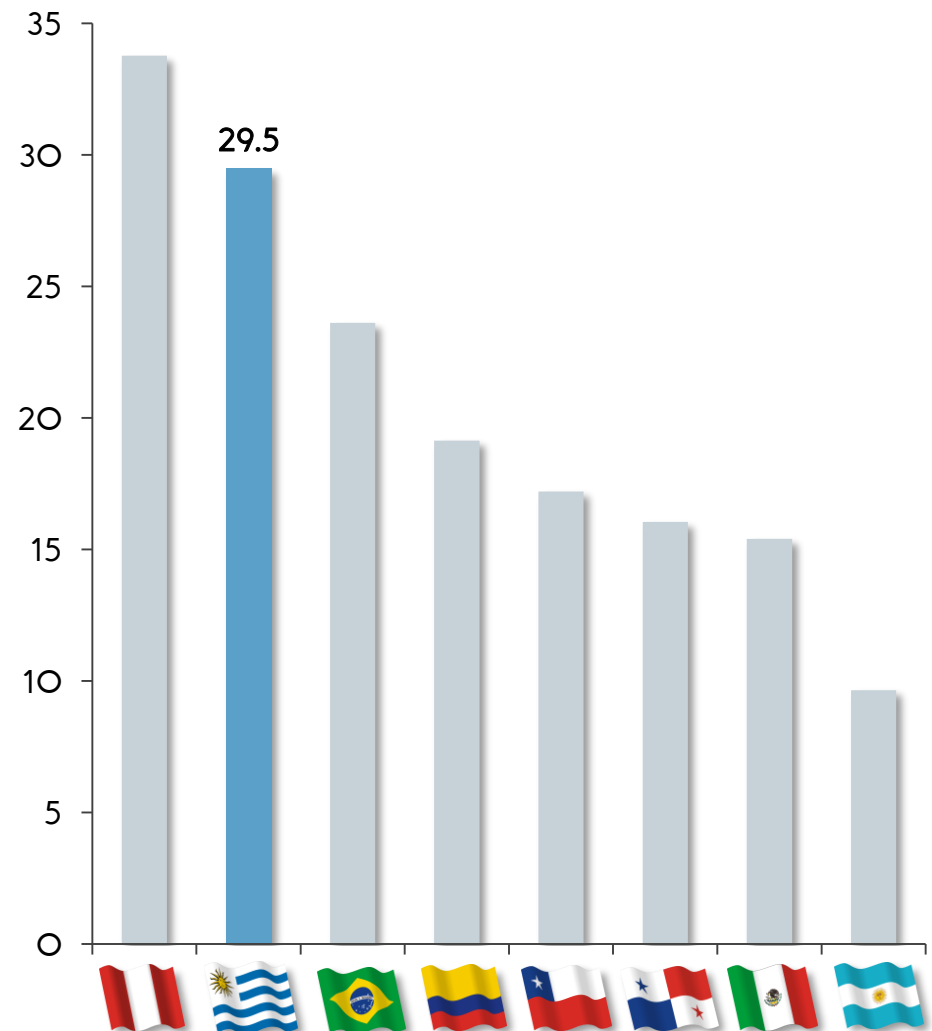
(Quarterly average of absolute value of daily percent changes)



(*) As of December 23

International Reserves in Latam ⁽²⁾

(In % of GDP, as of end-September 2021*)



(*) Except Panama which is as of June 2021

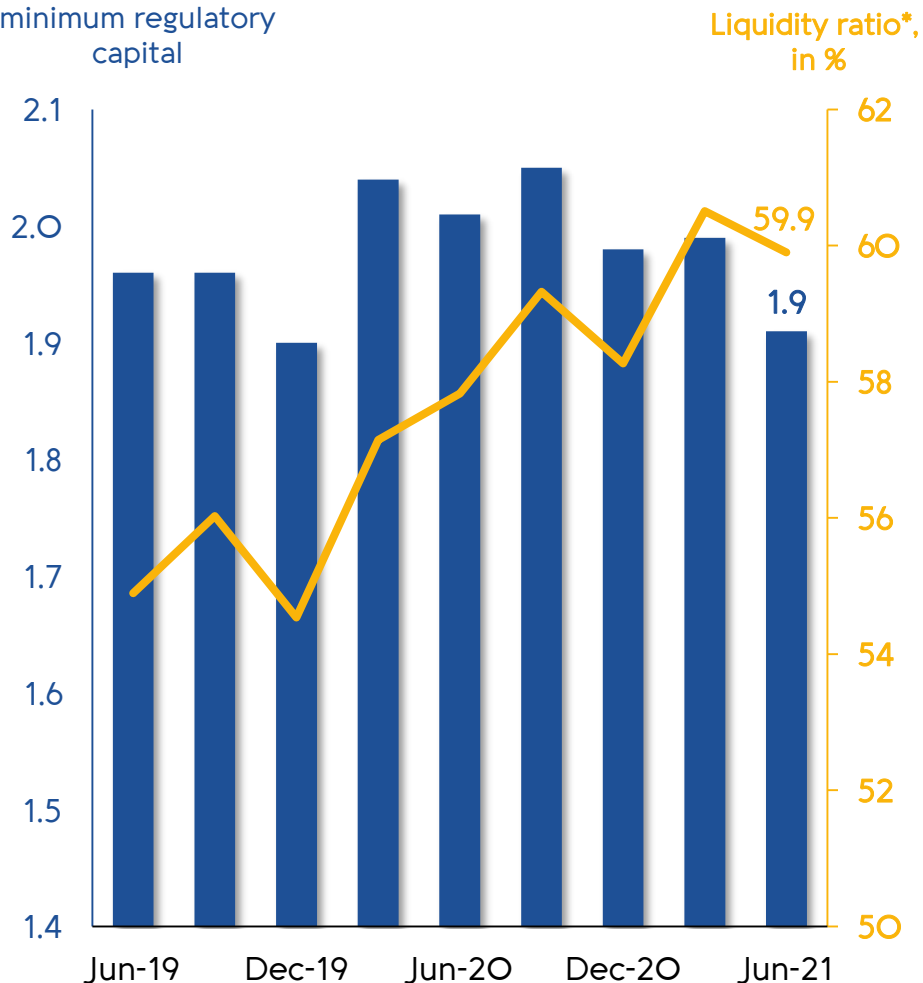
(1) Source: ECLAC, based on Bloomberg.
(2) Source: Official National Statistics of each country.

Banking sector remains profitable and well-capitalized with high liquidity levels



Solvency and liquidity of the banking system

Number of times de
minimum regulatory
capital



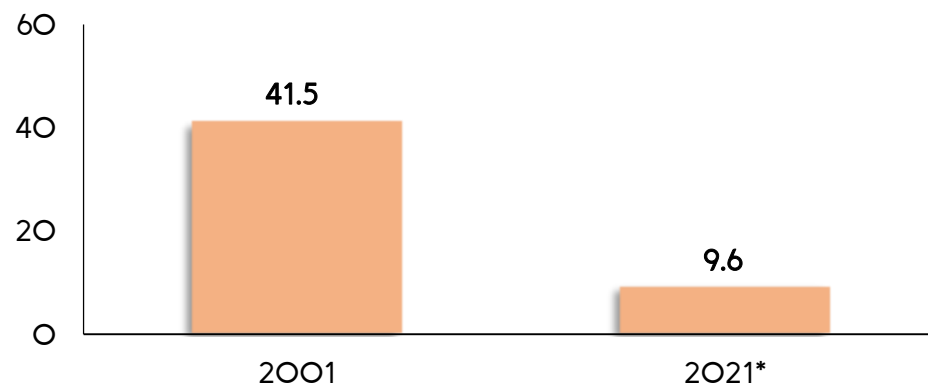
(*) Share of liquid assets (maturity up to 30 days) over total assets.

Source: Central Bank of Uruguay.

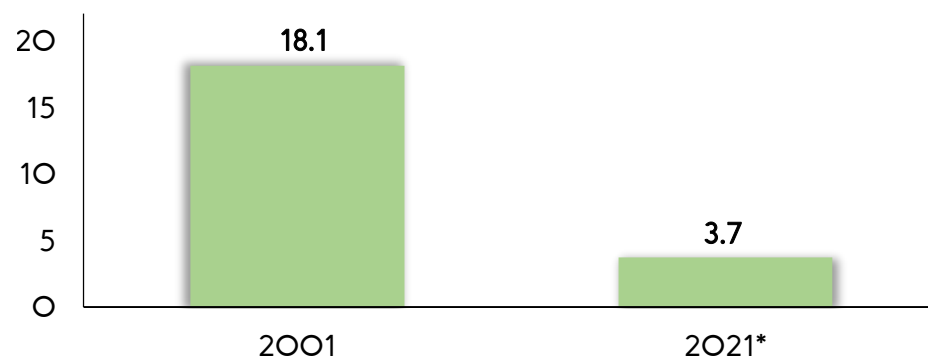
Banking system's exposure to non-residents

(To the non-financial sector, % of total)^{1/}

Deposits



Loans



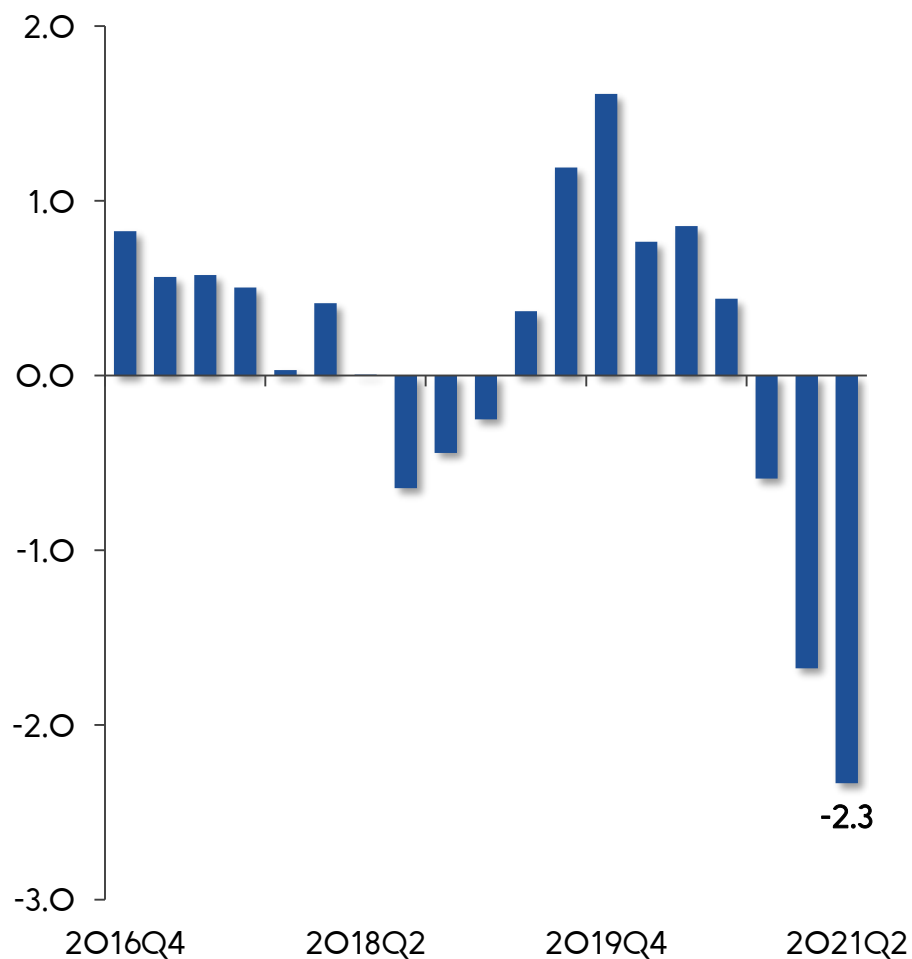
^{1/} End-period; data for deposits includes only private non-financial sector

(*) As of October 2021.

Moderate current account deficit on the back of a resilient balance of goods and services during the pandemic



Current Account Balance of Uruguay
(Rolling 4-quarters, in % of GDP)



Goods and Services Balances of Uruguay
(Rolling 4-quarters, in % of GDP)



Government forges ahead with structural and market-friendly reforms



Covid-19 Solidarity Fund ✓

Urgent Consideration Law ✓

2020-2024 Budget Law ✓

2020 Accountability Law ✓

Approved on April 8th, 2020

- Voted unanimously by all parties, to be managed by the Executive branch.
- Fund earmarks the budgetary resources to address the emergency, keeping tabs of the Covid-related expenditures and where and how the money is spent.

Approved on July 9th, 2020

- Changes in the tax code for small businesses.
- Changes in the regulatory framework for energy markets.
- Commission of experts of the Pension Reform submitted the diagnosis on March 23rd 2021 and has 90 days onwards to present a comprehensive reform to Congress.
- Draft of new fiscal framework.

Approved on December 18th, 2020

- New governance for public enterprises: performance targets and accountability.
- Environmental and ESG-focused policies (Helsinki Principles).
- Implementation of new fiscal institutionality.

Approved on October 26th, 2021

- Achievement of 2020 fiscal targets.
- Updated macro and fiscal projections for the 2021-2025 period.
- Focus on the efficiency of primary expenditures and the implementation of social programs addressing child poverty and housing for lower-income families

On September 29, 2021, the **Fiscal Advisory Council** was established (a technical, honorary and independent body) tasked with assessing the overall implementation of the fiscal rule). ✓

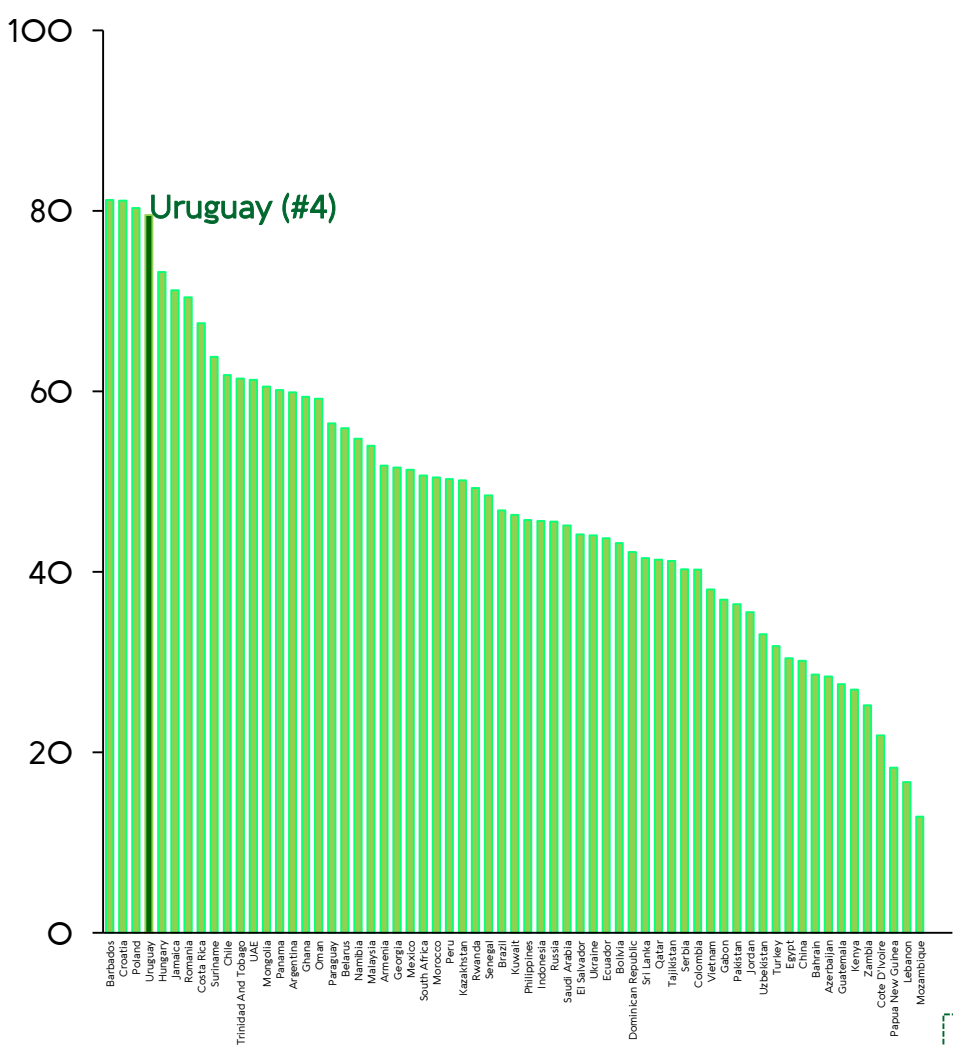
Strong ESG foundations



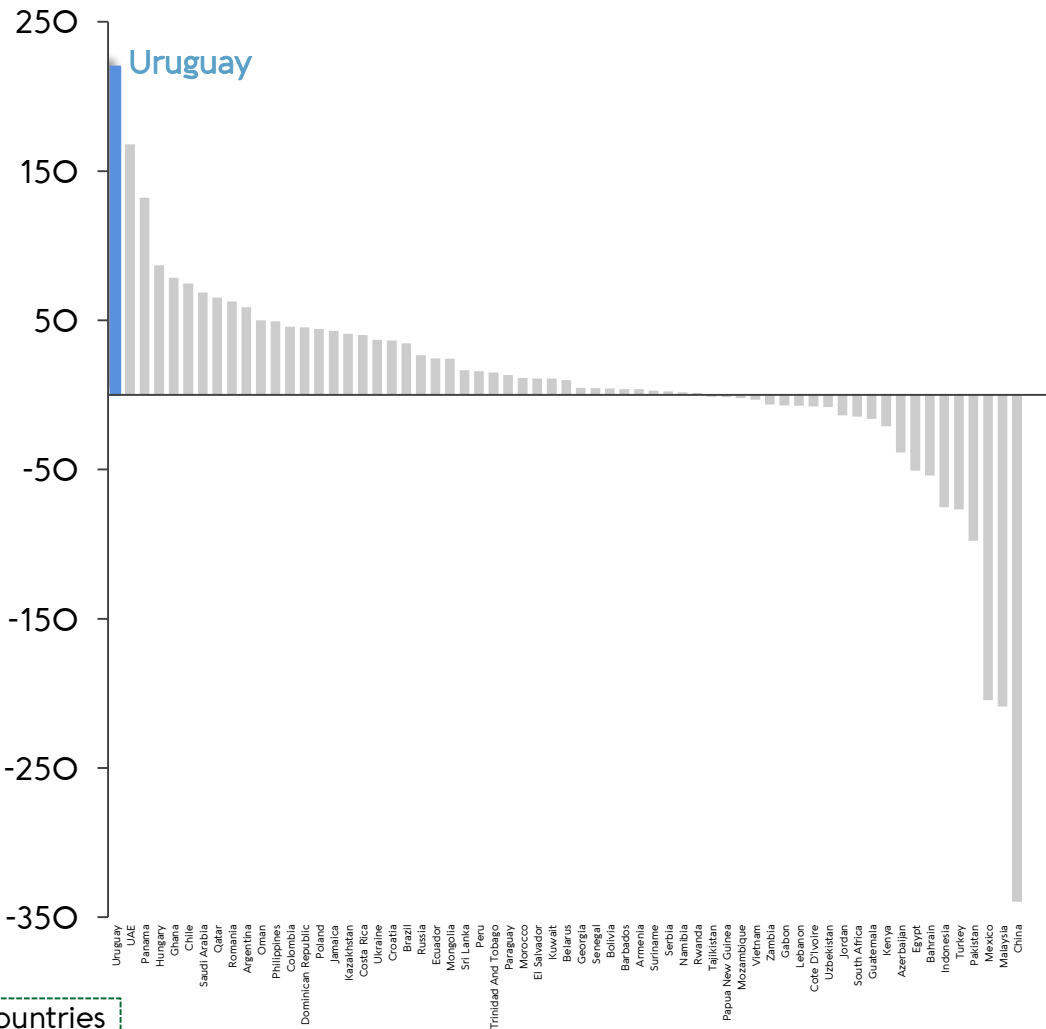
Uruguay is among the top global performers on ESG fundamentals



Emerging Markets' ESG Score
(Index, 100 = best performance; as of end-November, 2021)



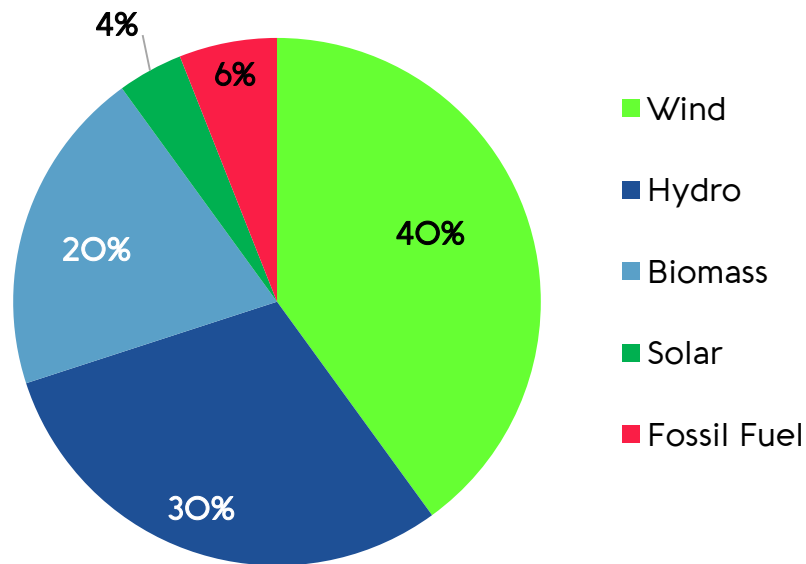
Weight change when moving from Conventional EMBI to ESG-Adjusted EMBI
(In basis points; as of end-November, 2021)



7 ESG : Uruguay's electricity matrix is mostly based on renewable resources, partly as a result of a steady growth in wind energy in the last decade...

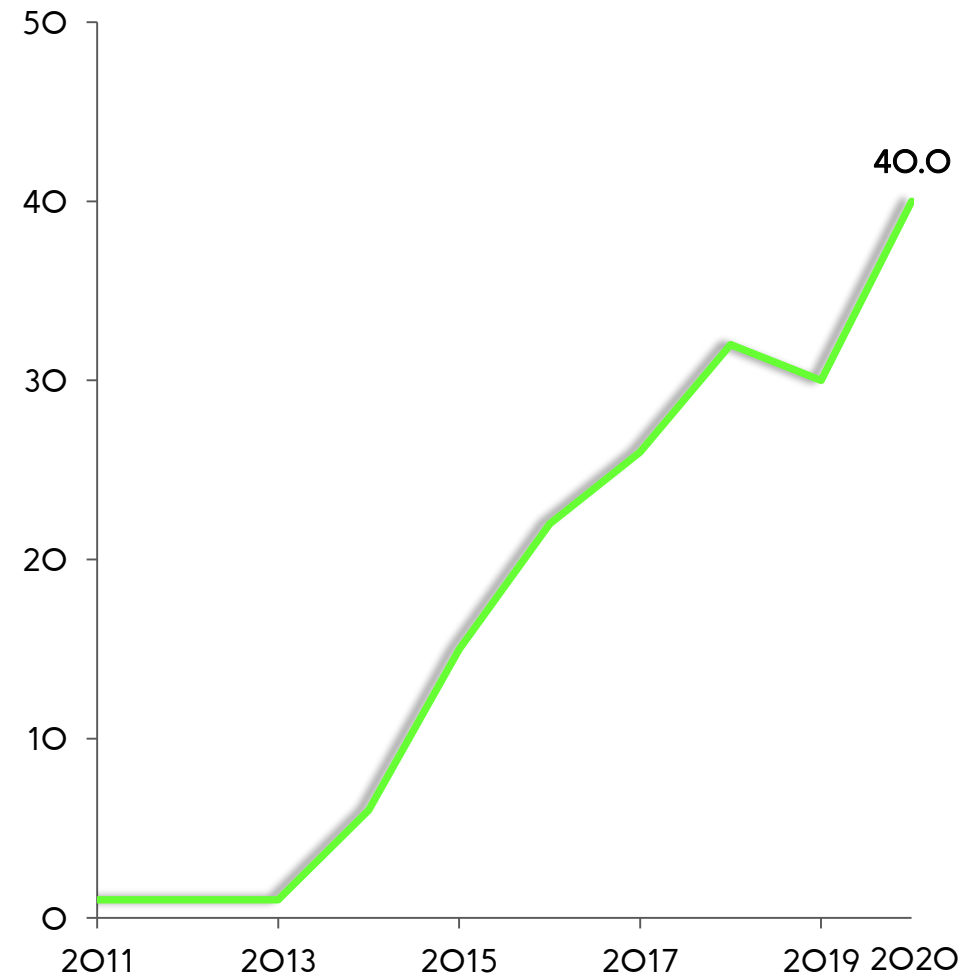


Electricity Generation by Source ⁽¹⁾
(% of total, 2020)



Uruguay ranks #2 in the world in share of electricity production from wind and solar sources in 2020⁽²⁾

Electricity Generation from Wind Energy ⁽¹⁾
(% of total)



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

(2) Source: Ember's Global Electricity Review 2021

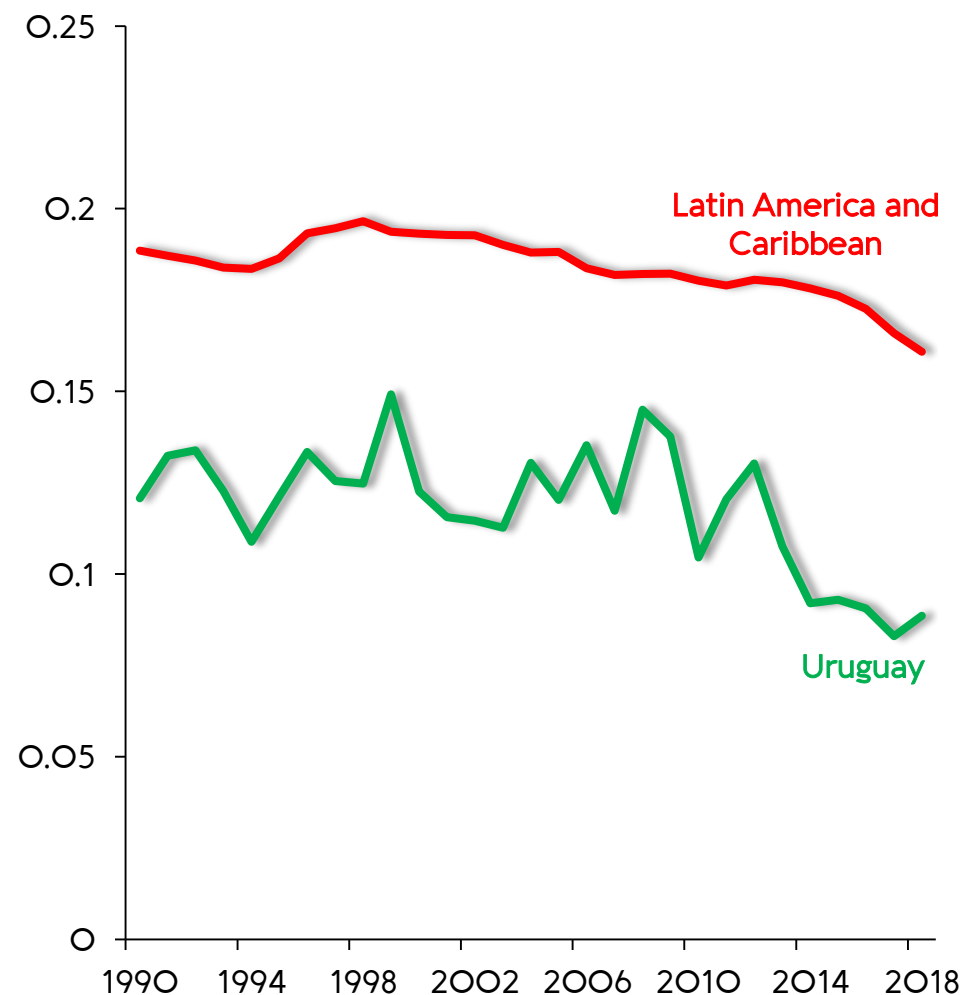
ESG : Uruguay is at the forefront of environmentally-friendly policies, reflected in low carbon intensity



Ranked #1 in the:

- WEF Energy Transition Index among Emerging and Developing Countries
- MSCI Environmental Pillar Index among all countries in the world
- Green Future Index, MIT Technology Review

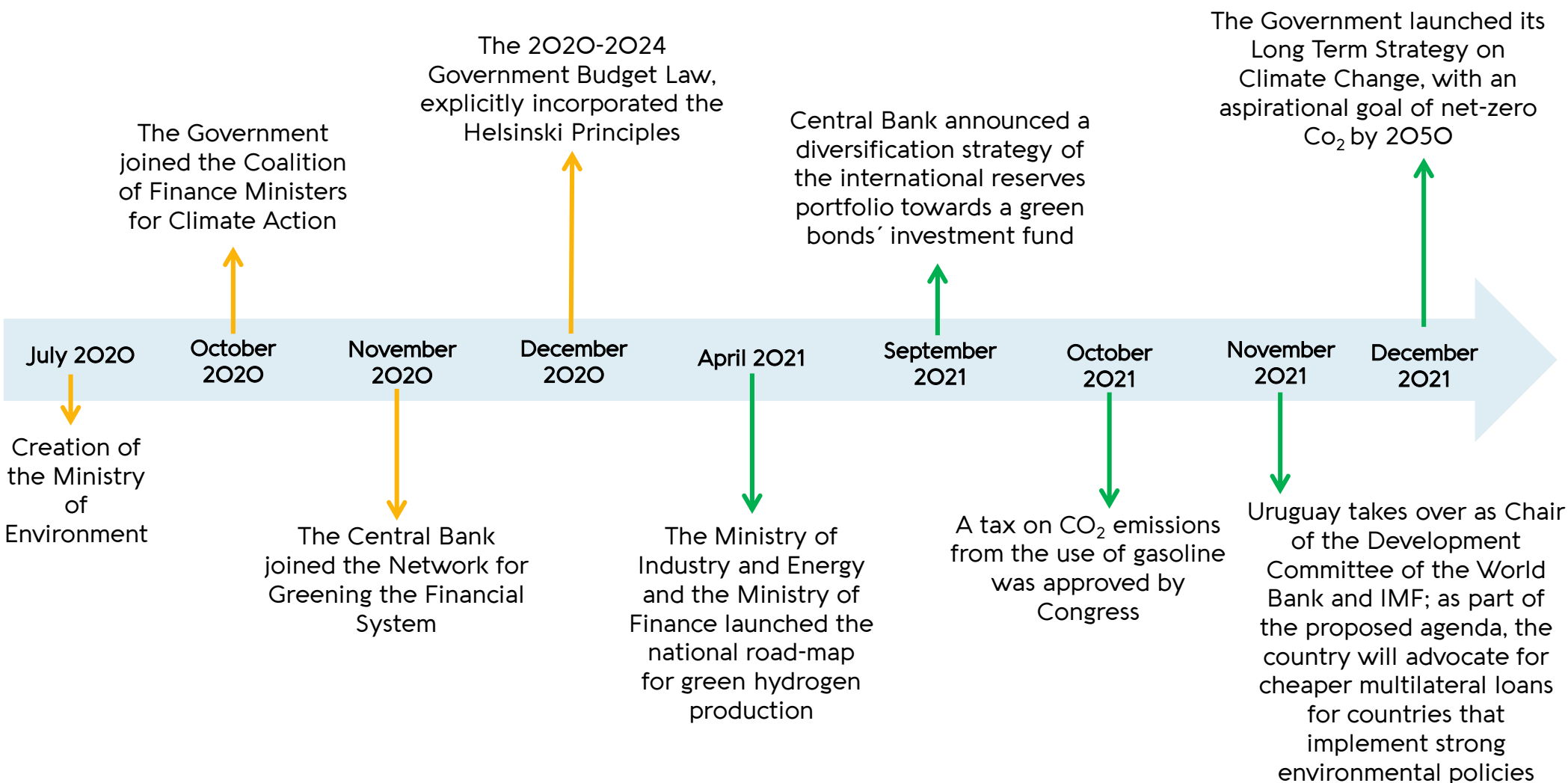
CO₂ Emissions Intensity ⁽¹⁾
(kg per 2011 PPP GDP)



The Government is committed to climate action policies



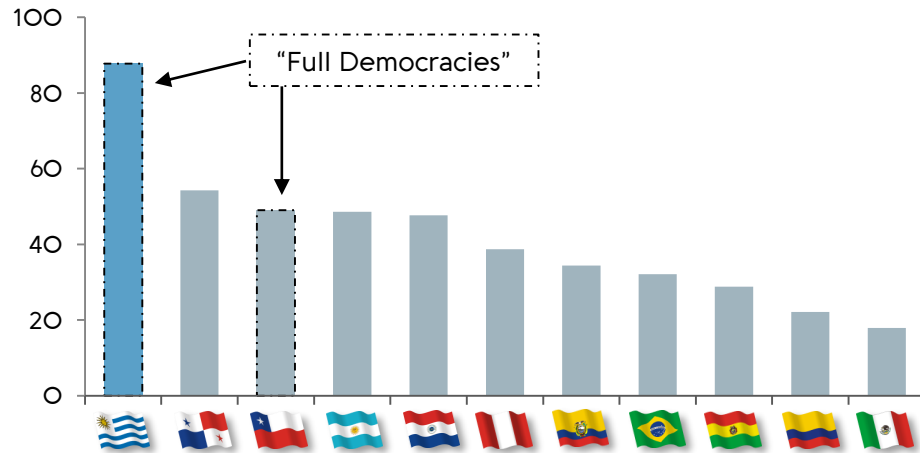
The goal is to make economic growth consistent with a pathway towards low greenhouse gas emissions and a climate-resilient economy, through macroeconomic, fiscal and financing policies.



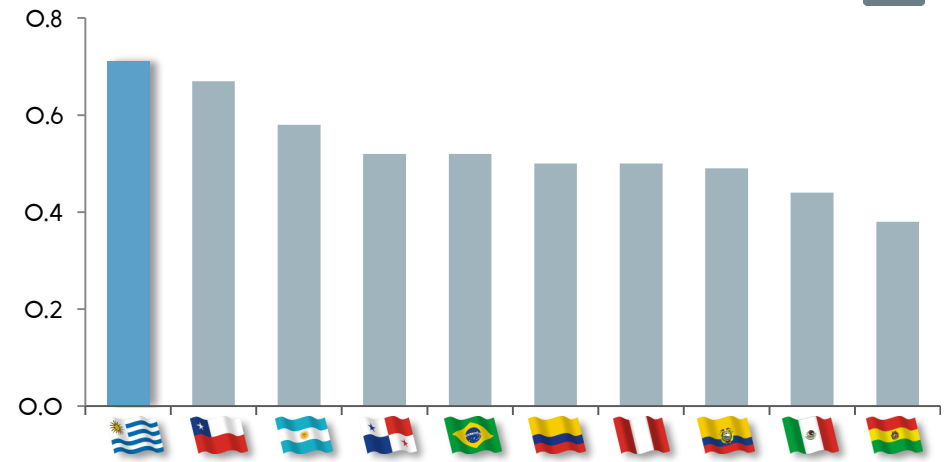
ESG : Uruguay is a bastion of institutional, political and social stability in LatAm, ranking alongside most developed nations



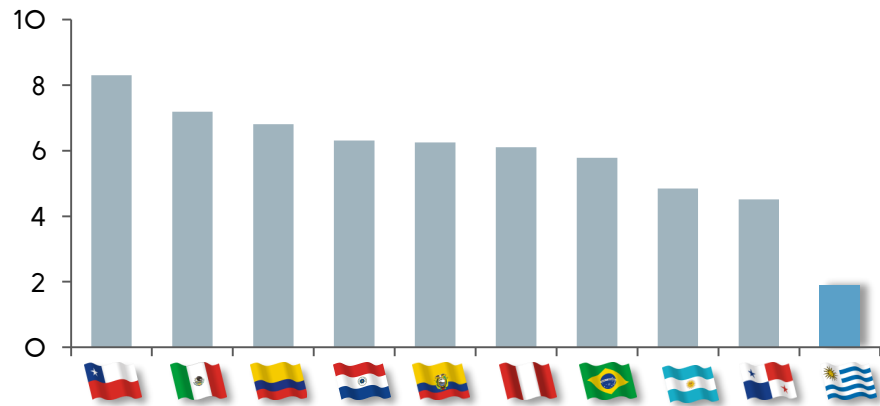
Political Stability and Democracy ⁽¹⁾
(Percentile rank, year 2020)



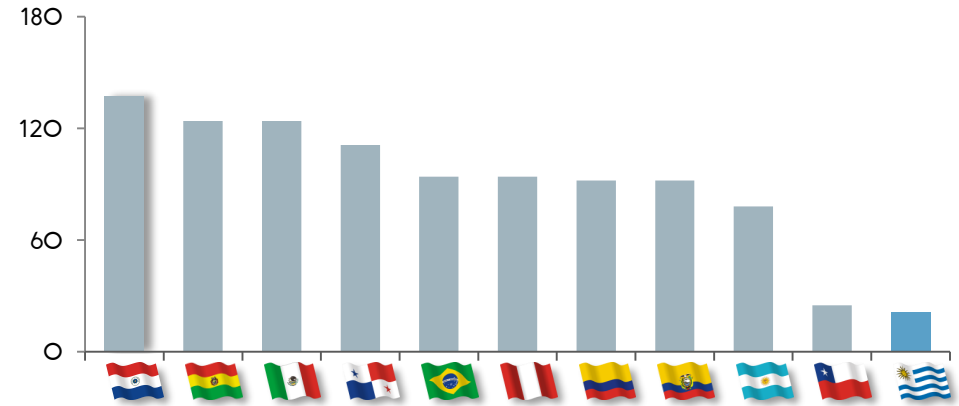
Adherence to the Rule of Law ⁽²⁾
(Numerical score out of 1, year 2021)



Civil Unrest ⁽³⁾
(Index out of 10, first quarter of 2020)



Corruption Perception ⁽⁴⁾
(Rank, year 2020)



(1) Source: Worldwide Governance Indicators, World Bank (2021) and The Economist Intelligence Unit (2021).

(2) Source: World Justice Project (2021).

(3) Source: Verisk Maplecroft ((2020).

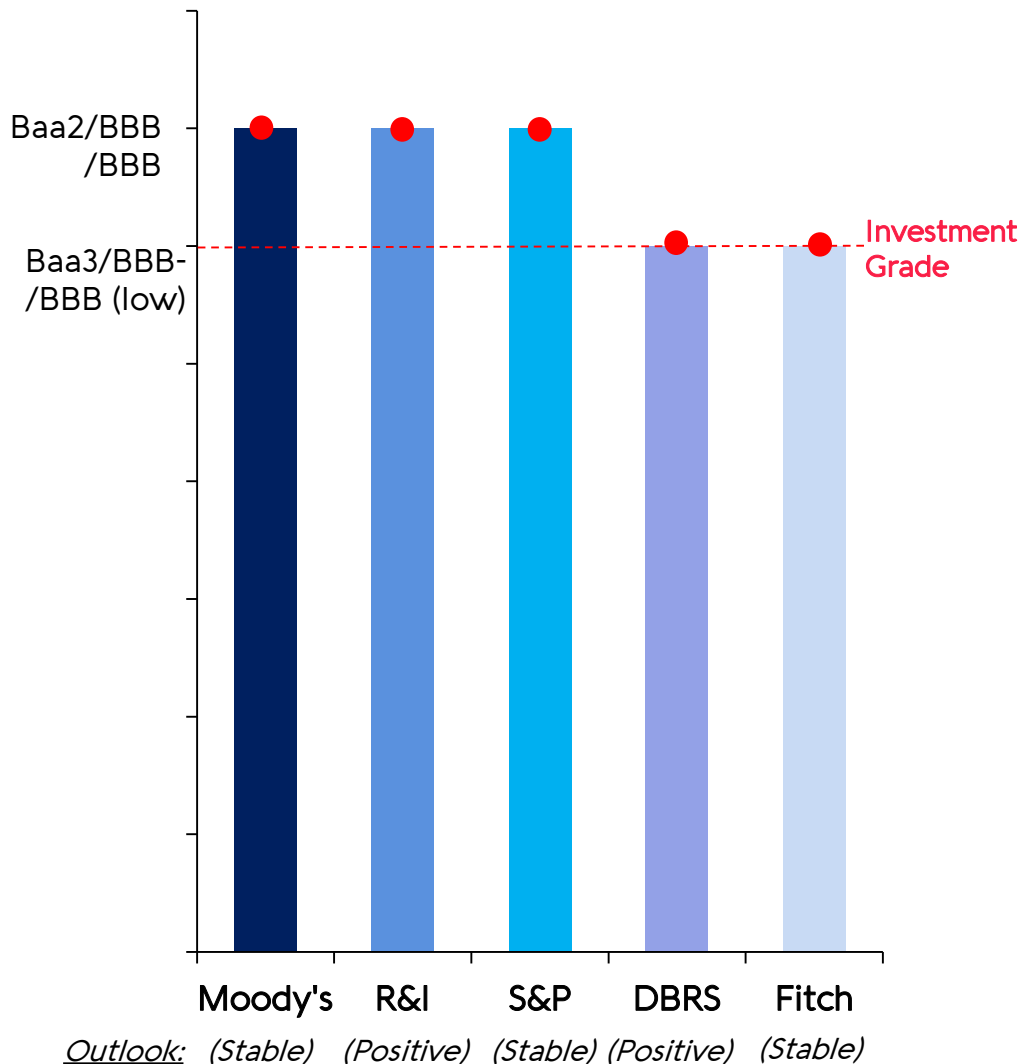
(4) Source: Transparency International (2021).



Uruguay's is an investment grade, low-beta country

Uruguay's sovereign credit ratings ⁽¹⁾

(As of December 2021)



Latest credit rating action ⁽²⁾



December 2021. Confirmed Uruguay's rating at BBB-, and **improved outlook to stable from negative.**



November 2021. Uruguay's rating affirmed at BBB (low), and **improved the outlook to positive from stable.**



August 2021. Affirmed Uruguay's rating at Baa2, outlook remained stable.



June 2021. Confirmed Uruguay's rating at BBB with positive trend.



April 2021. Affirmed Uruguay's rating at BBB with stable trend.

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

Resilient debt structure and sustainable financing strategies

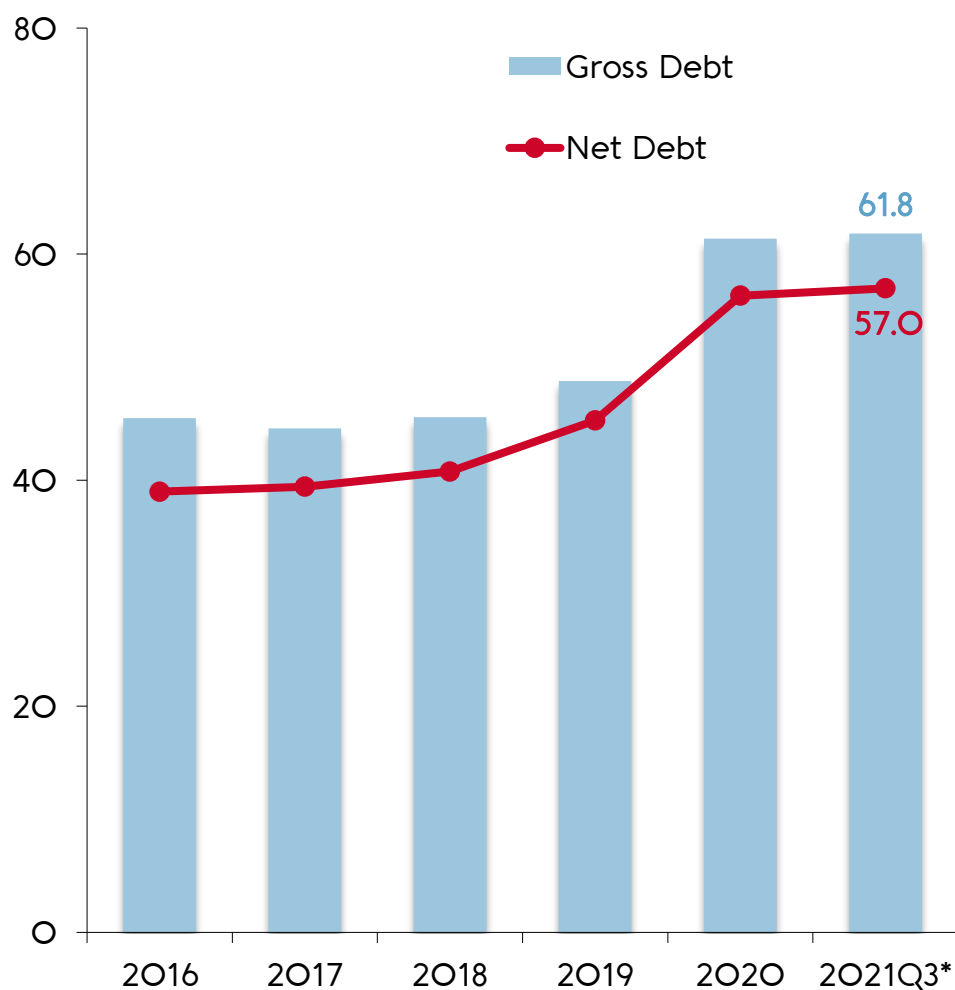


Hornero (*Vanellus chilensis*), in the door of his nest. Photo credit: Emi Abe

Proactive debt management strategies to de-risk debt portfolio...

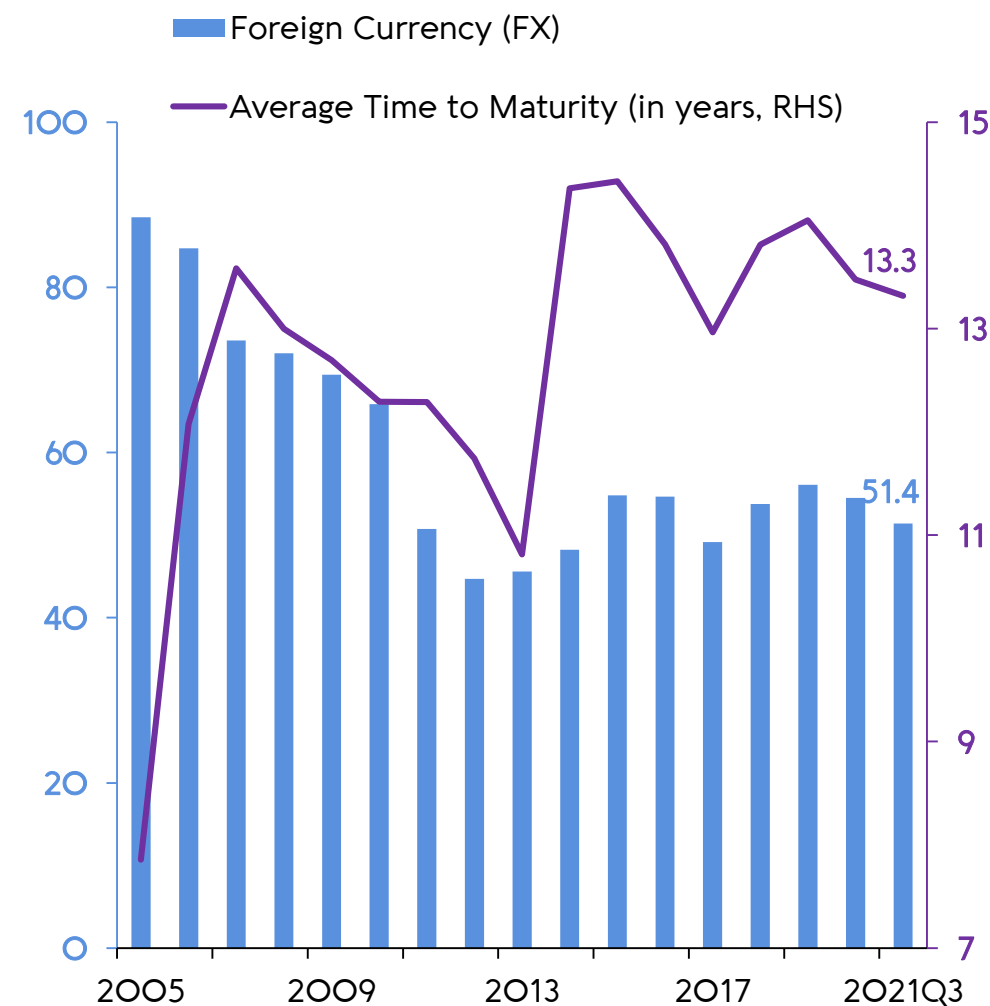


Gross and Net Debt Stock of the Central Government
(As of end-period, in % of GDP)



(*) Preliminar

Currency and Maturity Composition of Debt
(As of end-period)

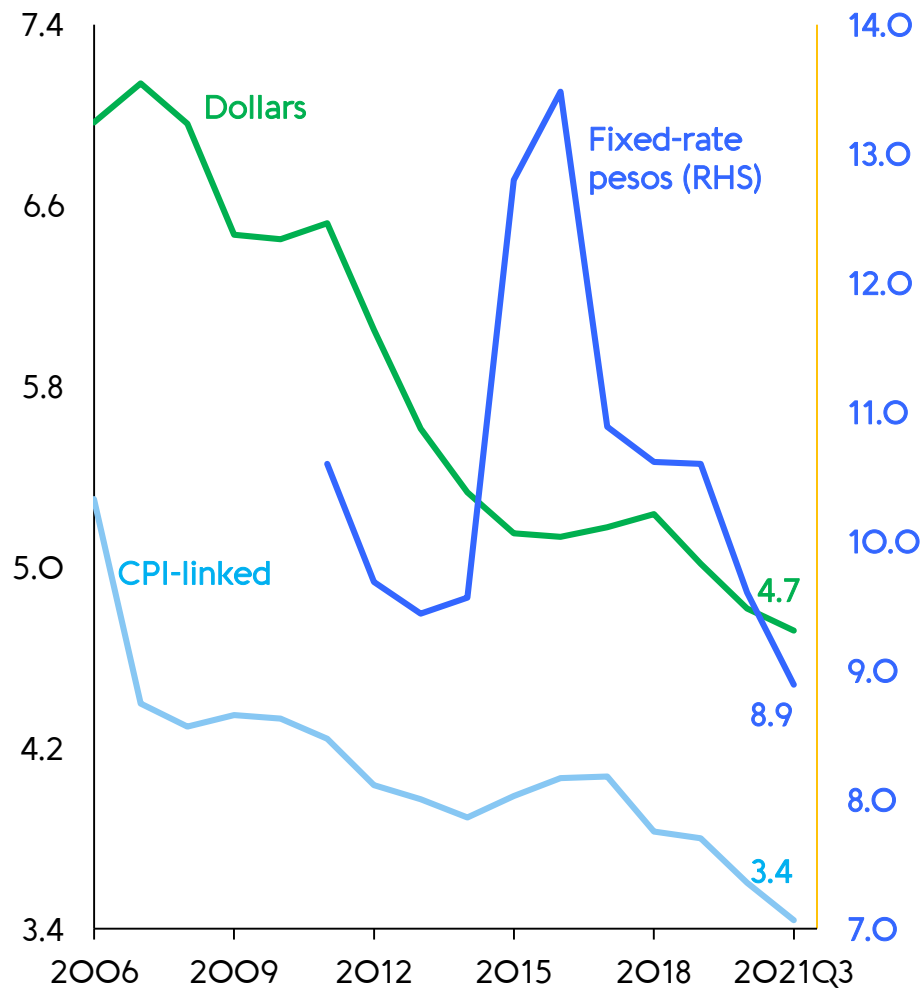


... while keeping borrowing costs contained; Uruguay has the lowest sovereign risk spread in LATAM



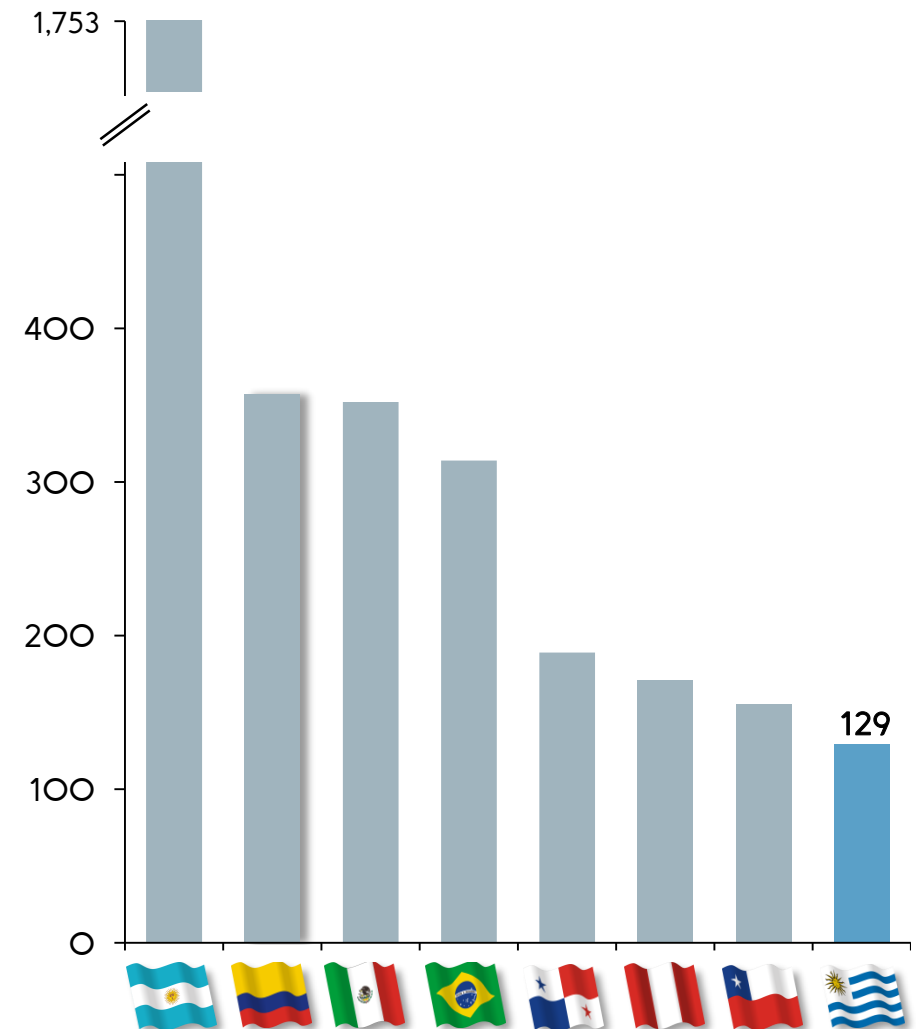
Central Government cost of debt ⁽¹⁾

(Average interest rate on outstanding debt, in %, end-period)



Sovereign Risk Premia ⁽²⁾

(EMBI spread in bps, as of December 23rd, 2021)



(1) Source: Debt Management Unit, Ministry of Economy and Finance of Uruguay.

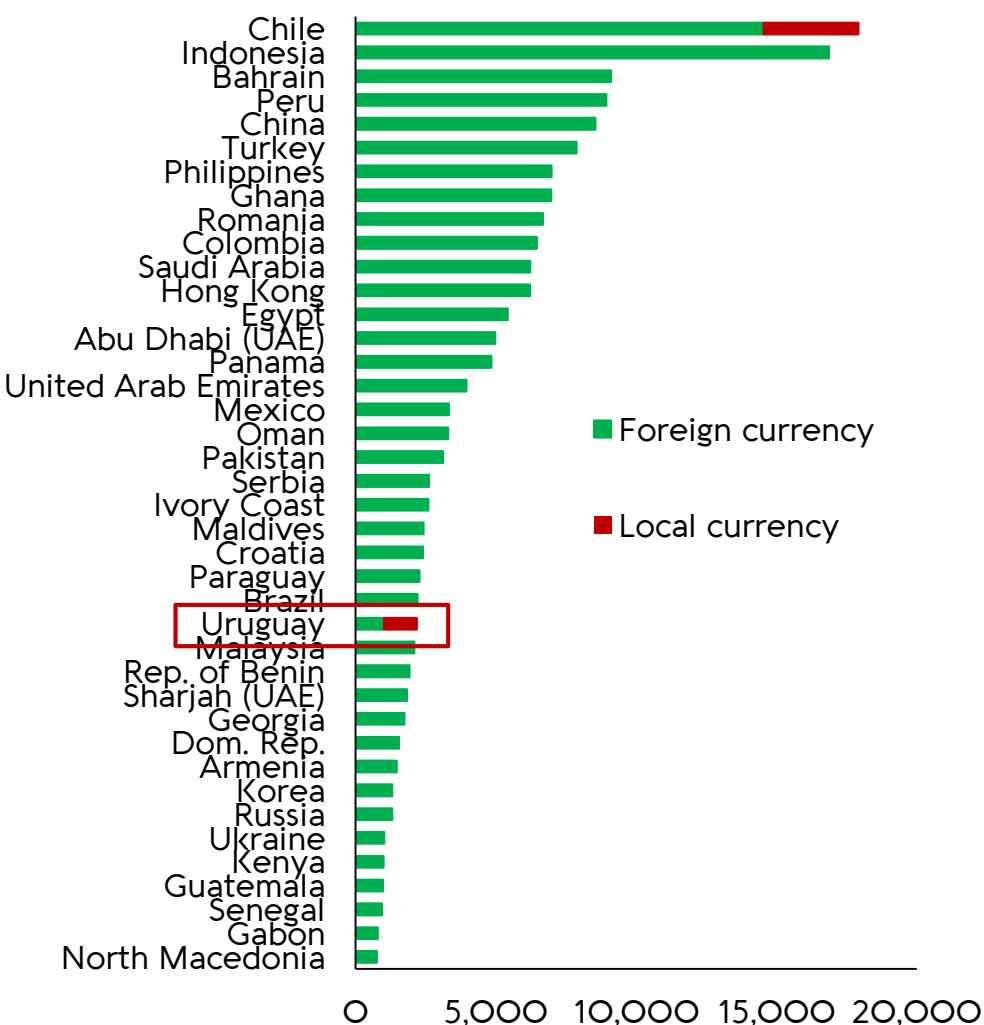
(2) Source: Bloomberg

In 2021, Uruguay's bond issuance has been mostly in local currency, with a growing relevance of the domestic market



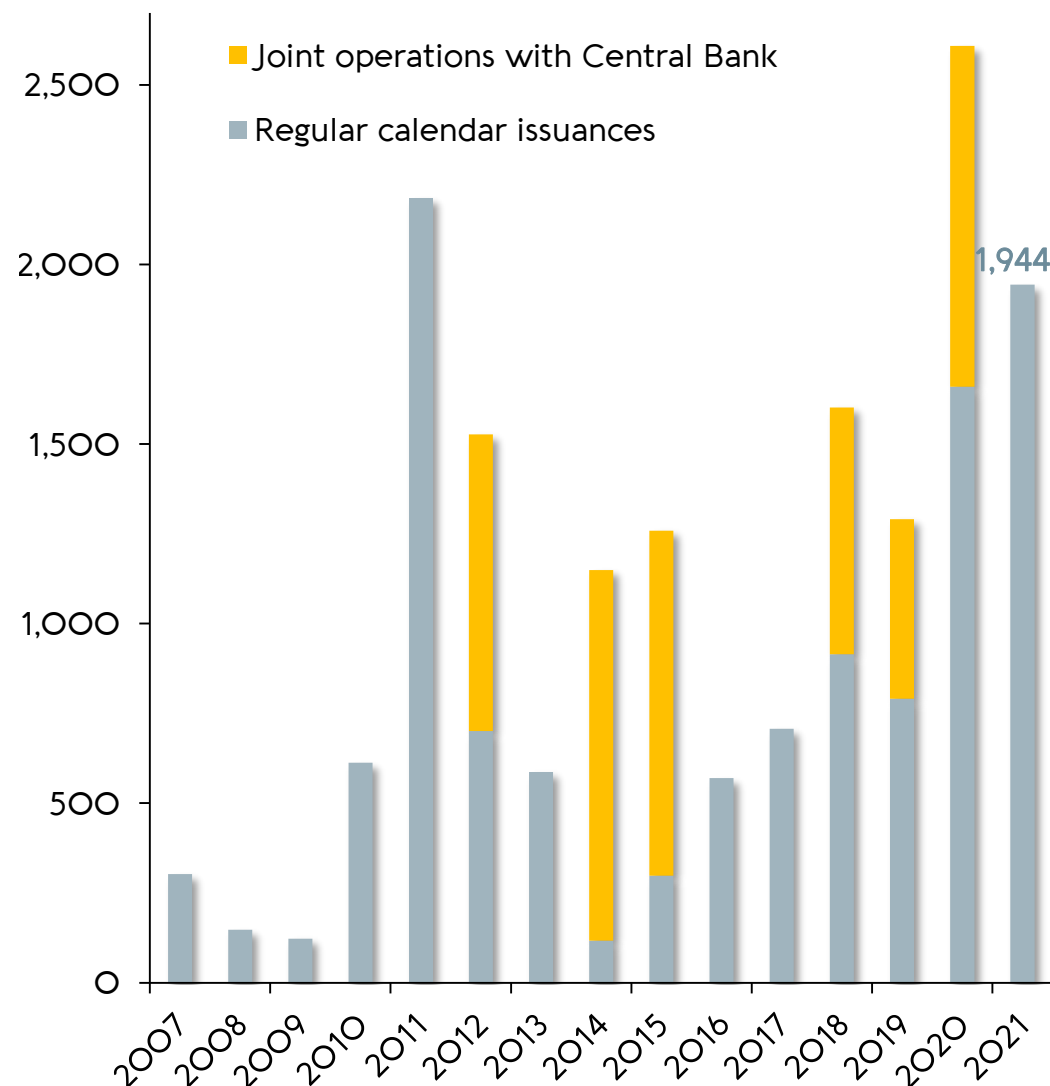
Emerging Markets: Sovereign International Bond Issuances during 2021 (*) (1)

(In US\$ million, as of December 9th, 2021)



Uruguay: Treasury Notes Issuances in Domestic Market (2)

(In US\$ million equivalent)



(*) For countries with several transactions in multiple currencies during the year, it shows the sum of total amount issued.

Excludes European EM countries that have issued in Euros.

(1) Source: Bloomberg / (2) Source: Debt Management Unit, Ministry of Economy and Finance of Uruguay.

Funding needs and financing sources for 2021 and 2022



Flow of Funds

(US\$ mm, projections as of December 30th, 2021)

	2021	2022
FINANCING NEEDS	4,861	3,691
Primary Deficit ⁽¹⁾	1,325	247
Interests Payments ⁽²⁾	1,489	1,573
Amortizations of Bonds and Loans ⁽³⁾	2,033	1,851
Change in Financial Assets ⁽⁴⁾	13	21
FUNDING SOURCES	4,861	3,691
Disbursements from Multilaterals and Fin. Instit.	659	350
Total Issuance of Market Debt ⁽⁵⁾	4,120	3,230
Others (net) ⁽⁶⁾	82	111
Memo Item: Government Net Indebtedness (GNI)	2,732	1,708

(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 end-November 2021.

(4) Change in liquid assets of the Treasury and other financial assets (assets of the SiGa trusts and assets with other public sector entities, product of loans contracted by the Republic in representation of the same); a negative value (-) implies a de-accumulation of assets.

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

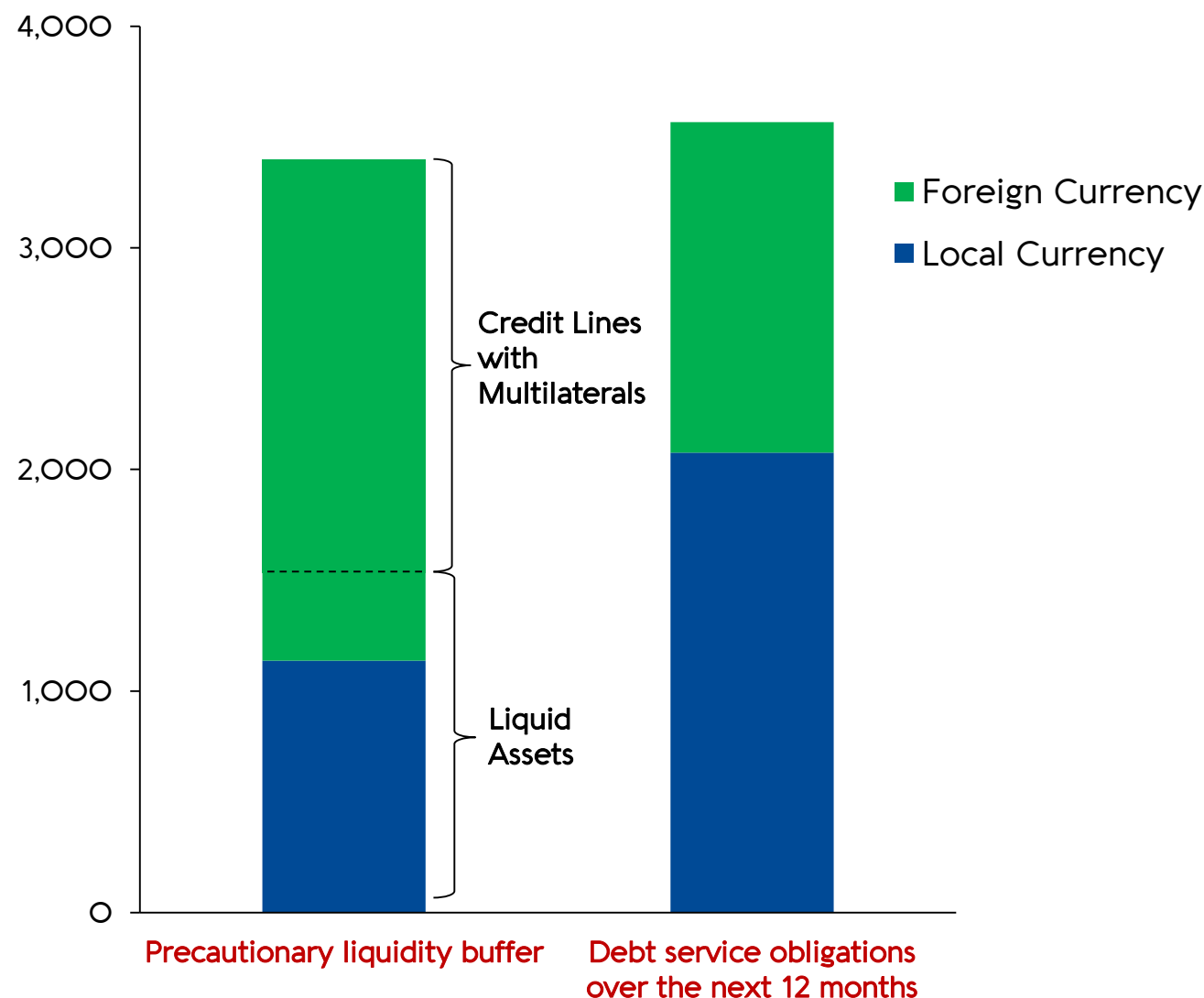
(6) Includes exchange rate and market price valuation effects.

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



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

(In US\$ million, as of end-November 2021) *



Available precautionary credit lines with multilaterals totalize USD 1.9 billion:

- Corporación Andina de Fomento (*US\$ 750 million*);
- Fondo Latinoamericano de Reservas (*US\$ 665 million*)
- Inter-American Development Bank (*US\$ 450 million*)

(*) Does not include the proceeds from Samurai bond issuance nor the special auction carried out in the domestic market in December 2021..

8 Cornerstones of debt management strategy and sustainable financing



- Seek a balanced currency composition of debt in terms of local and foreign currency.
- Maintain a healthy average maturity of debt, to keep roll-over risks low.
- Diversify sources of funding across markets and continue building a large and diverse investor base.
- Align sovereign funding strategies with achieving ambitious environmental targets to address climate change.

Developing a Sustainability-Linked Sovereign Bond for Uruguay



- The Ministry of Finance of Uruguay, together with the Ministries of Environment, Industry and Energy and Agriculture and Livestock, is working on a novel Sovereign SLB tied to Uruguay's climate action outcomes.
 - We plan to follow a “performance-based” approach: embedding environmental targets based on Greenhouse Gas (GHG) emissions, as set out in the NDCs submitted by Uruguay under the Paris Agreement.
- ➡ Connecting the objectives of sovereign debt funding with the imperative of tackling climate further strengthens the commitment of the country to its sustainability agenda, enhancing accountability and credibility.



**República Oriental
del Uruguay**

THANK YOU