



# República Oriental del Uruguay

## Investor Presentation

*June 2023*



Ministerio  
**de Economía  
y Finanzas**

# Key Credit Highlights



- 1 Strong economic growth continued in 2022, driven by foreign direct investment, industrial production and higher commodity exports; leading indicators show a slowdown in 2023.
- 2 Steady annual improvement of public finances: fiscal targets met in 2022, for the third year in a row.
- 3 In a context of moderating core inflation, Central Bank cut the key policy rate in April 2023, although it still has a contractionary monetary policy stance.
- 4 Stable current account dynamics amid real exchange rate appreciation, and large external buffers; banking sector with strong capitalization, although still-high financial dollarization.
- 5 Government forges ahead with structural and market-friendly reforms, including social security and education.
- 6 Uruguay among the top global performers on ESG fundamentals.
- 7 Debt management strategies aimed at de-risking debt portfolio, while keeping borrowing costs contained; sustainable financing strategies aligned with environmental commitments under Paris Agreement.



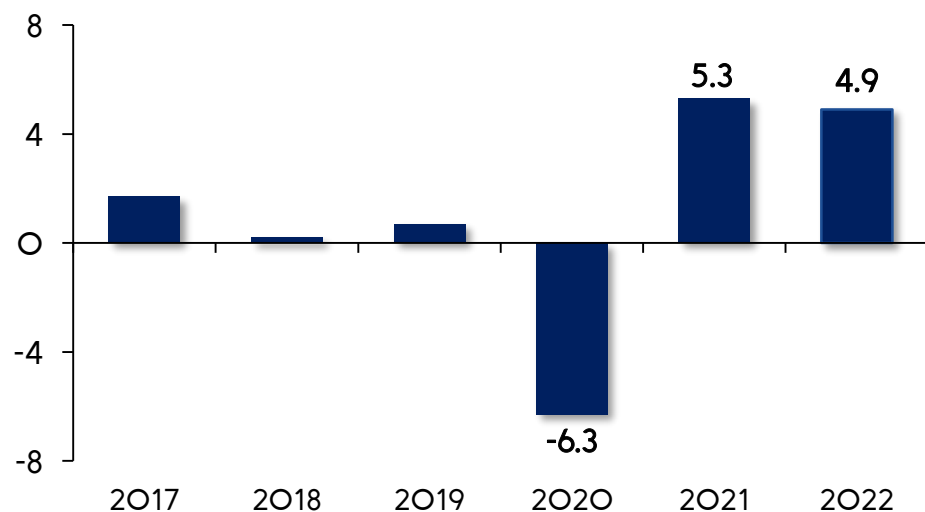
The economy continued to strengthen in 2022;  
however, leading indicators indicate a slowdown in 2023



# The economy continued to expand in 2022, overperforming pre-pandemic levels; Uruguay leads in GDP per capita in Latin America

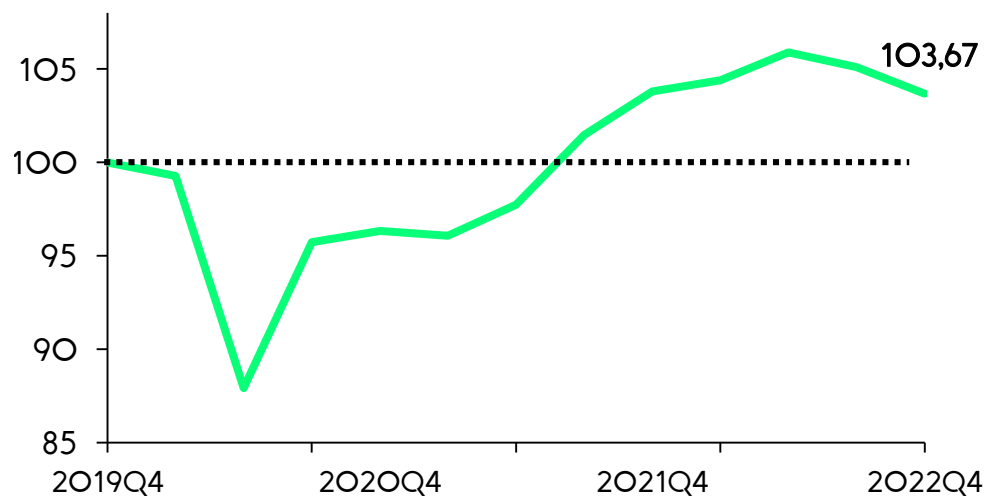


**Annual real GDP change (1)**  
(In %)



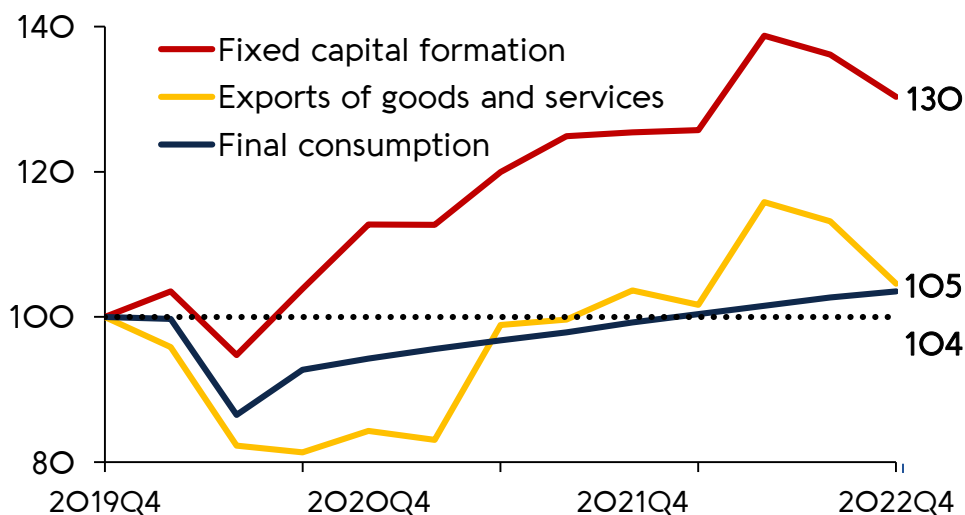
**Real GDP (2)**

(Seasonally adjusted physical volume index, 2019Q4=100)



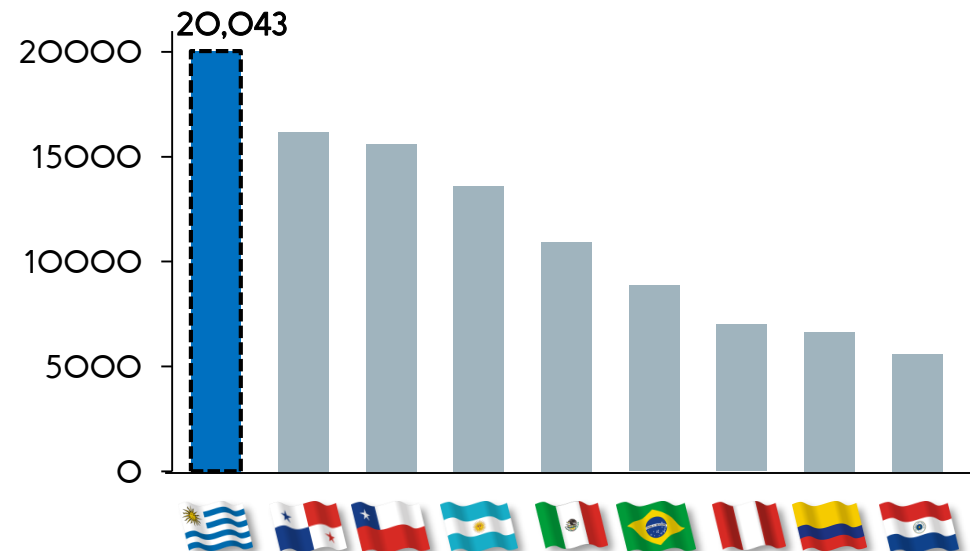
**Components of real GDP demand (2)**

(Seasonally adjusted physical volume index, 2019Q4=100)



**Nominal GDP per capita 2022 (3)**

(Current prices, US dollars)



(1) Source: Central Bank of Uruguay.

(2) Source: Ministry of Economy estimates based on data from BCU.

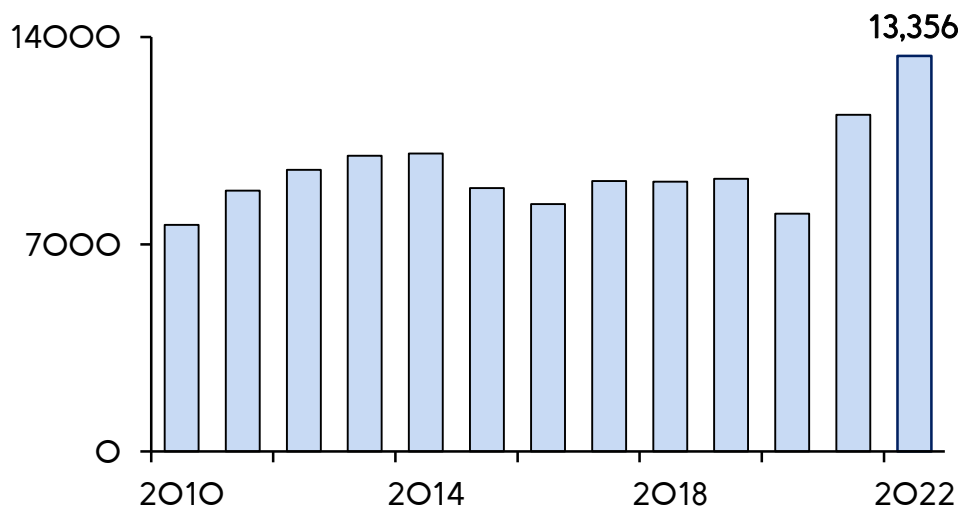
(3) Source: For Uruguay, annual nominal GDP in USD through 2022Q4 from Central Bank of Uruguay and population from National Institute of Statistics. For the rest of LATAM countries: WEO October 2022, International Monetary Fund estimates on nominal GDP in dollars and population for 2022.

# Goods exports hit a record high in 2022 on the back of higher commodity prices; inbound tourism was higher in 2023Q1 than in 2019Q1, before the onset of the global pandemic



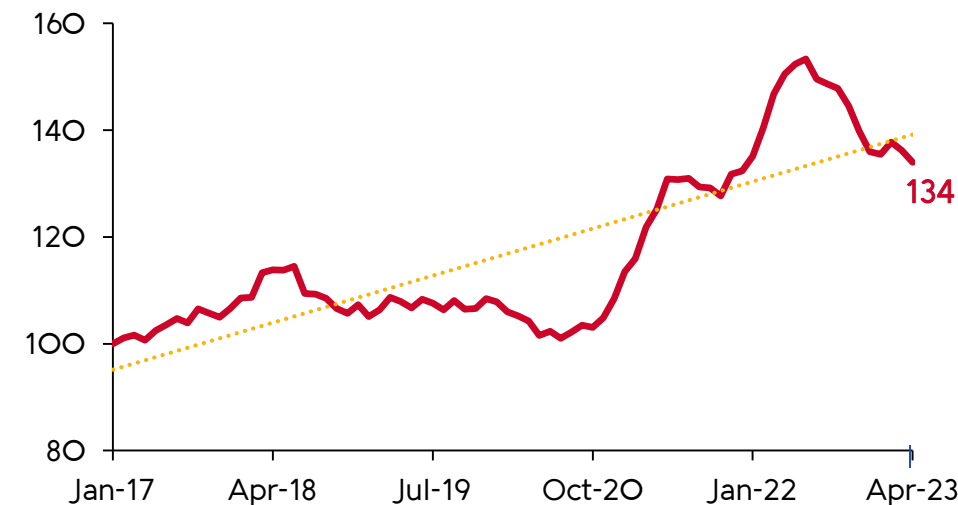
## Export of goods (1)

(Annual, in millions of FOB USD)



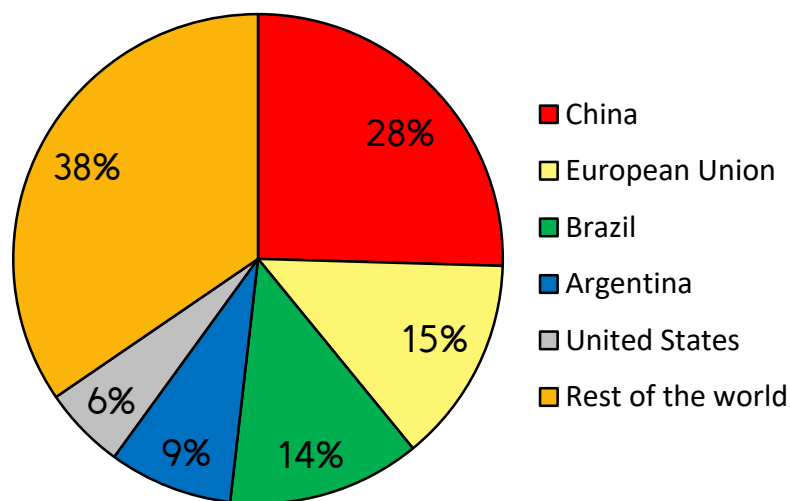
## Commodities exports prices (2)

(Index base 100=Jan 2017)



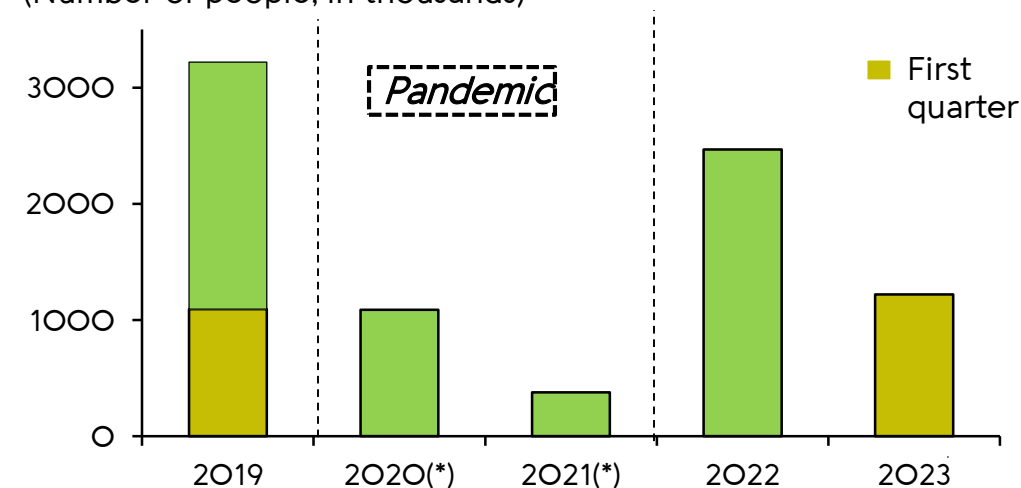
## Export of goods by destination (1)

(% in total, 2022)



## Tourists inbound (3)

(Number of people, in thousands)



(1) Source: Uruguay XXI (figures include exports from the Free Trade Zones to the rest of the world).

(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.

(3) Source: Ministry of Tourism. (\*) 2020 and 2021 are estimations based on migrations data, made by Ministry of Economy.

# Market-friendly business regulations and new tax incentives for fixed capital formation underpinned investment dynamics



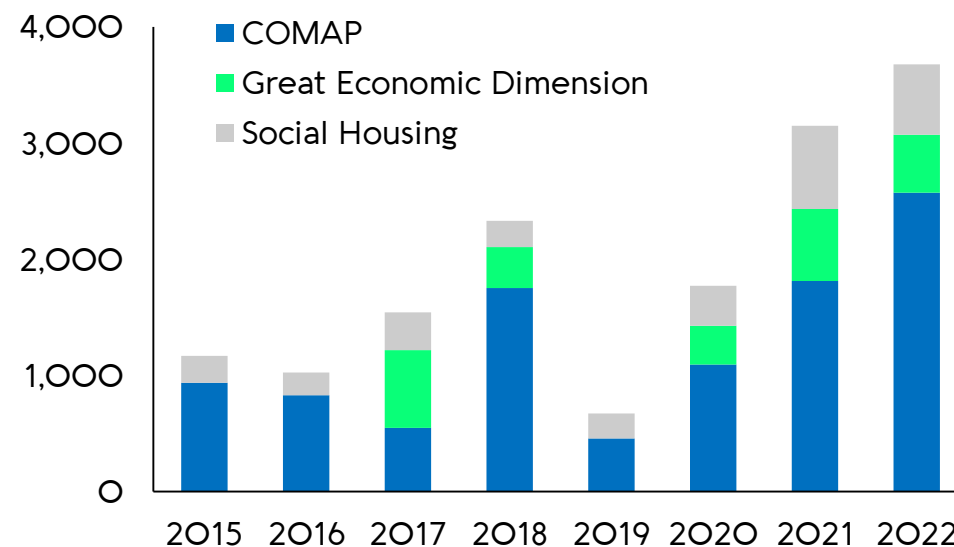
## Uruguay ranked #1 as “the safest country in Latin America to invest in” by Euromoney in 2022.

- Uruguay offers a favourable environment and financial freedom for doing business. Foreign investors are granted the same incentives as local investors: there is no tax discrimination or restrictions for transferring profits abroad.
- Investor-friendly policies and regulations, respect for rule of law and trade openness.
- Uruguay grants several incentives to different types of activities, from industrial to commercial and service activities performed in the country.

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

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

## Investment presented according to promotion regime <sup>(1)</sup> (USD millions)



(1) Source: Ministry of Economy and Finance of Uruguay. The COMAP (by its acronym in Spanish) is the agency for the investment promotion regime.



# Finnish company UPM completed the construction of the second pulp mill, the largest-ever private investment in the country

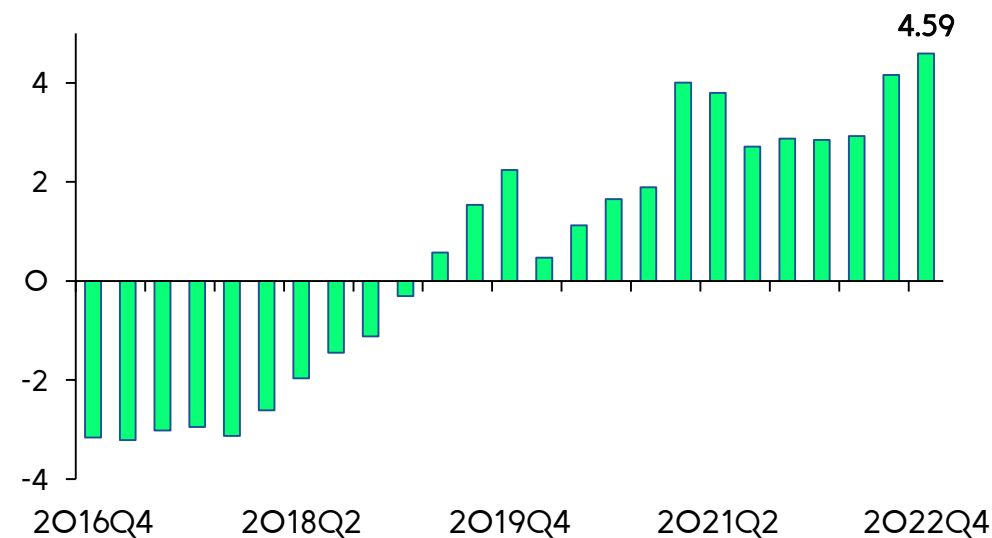


## UPM's pulp mill and Central Railway project <sup>(1)</sup>

- The works of the new UPM plant were completed in December 2022 and the plant began operating in April 2023.
- UPM invested a total of approximately **US\$ 3.5 billion (4.8% of GDP)** to build a 2.1 million-ton greenfield eucalyptus pulp mill in Durazno and a port terminal in Montevideo.
- An ongoing **US\$ 1 billion investment in a Central Railway** running from Paso de los Toros city to the port of Montevideo (273 km long). Public-Private-Partnership (PPP) modality.



## FDI net capital inflows <sup>(2)</sup> (Rolling 4-quarters, in % of GDP)



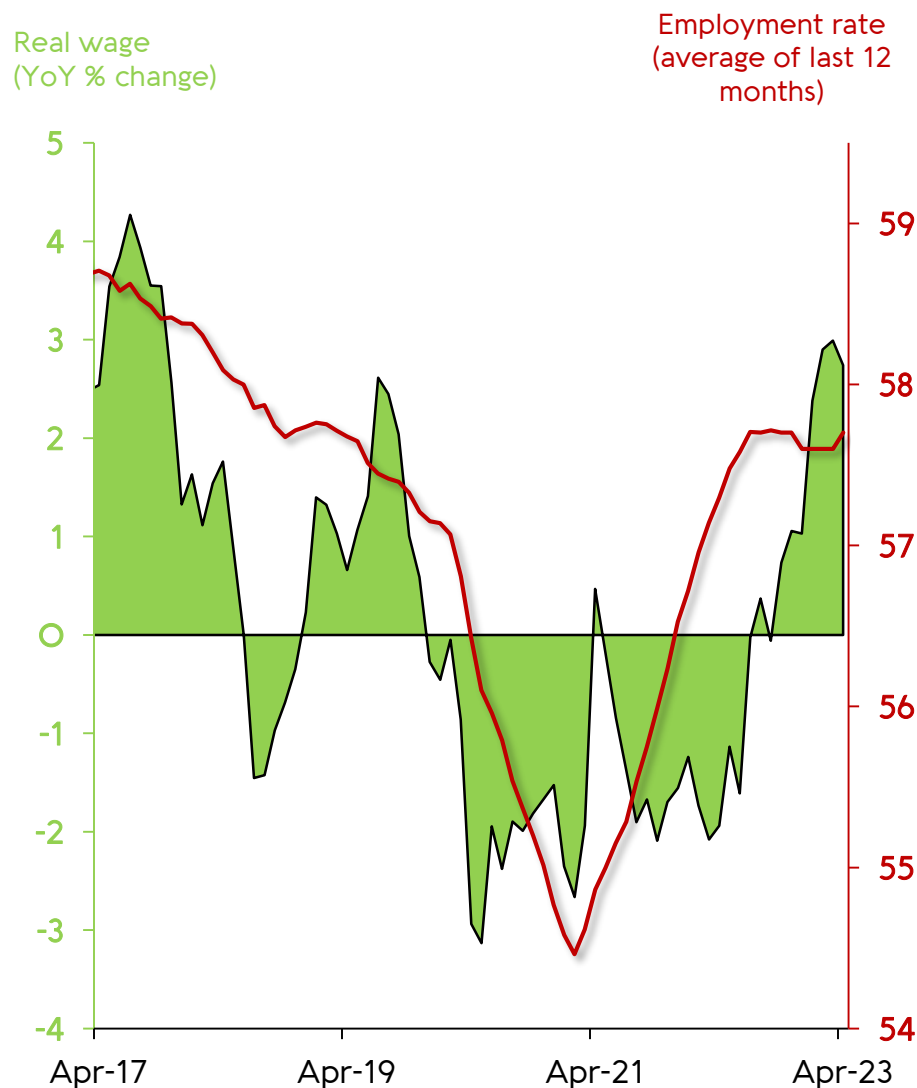
(1) Source: Ministry of Economy and Finance of Uruguay and UPM.

(2) Source: Central Bank of Uruguay

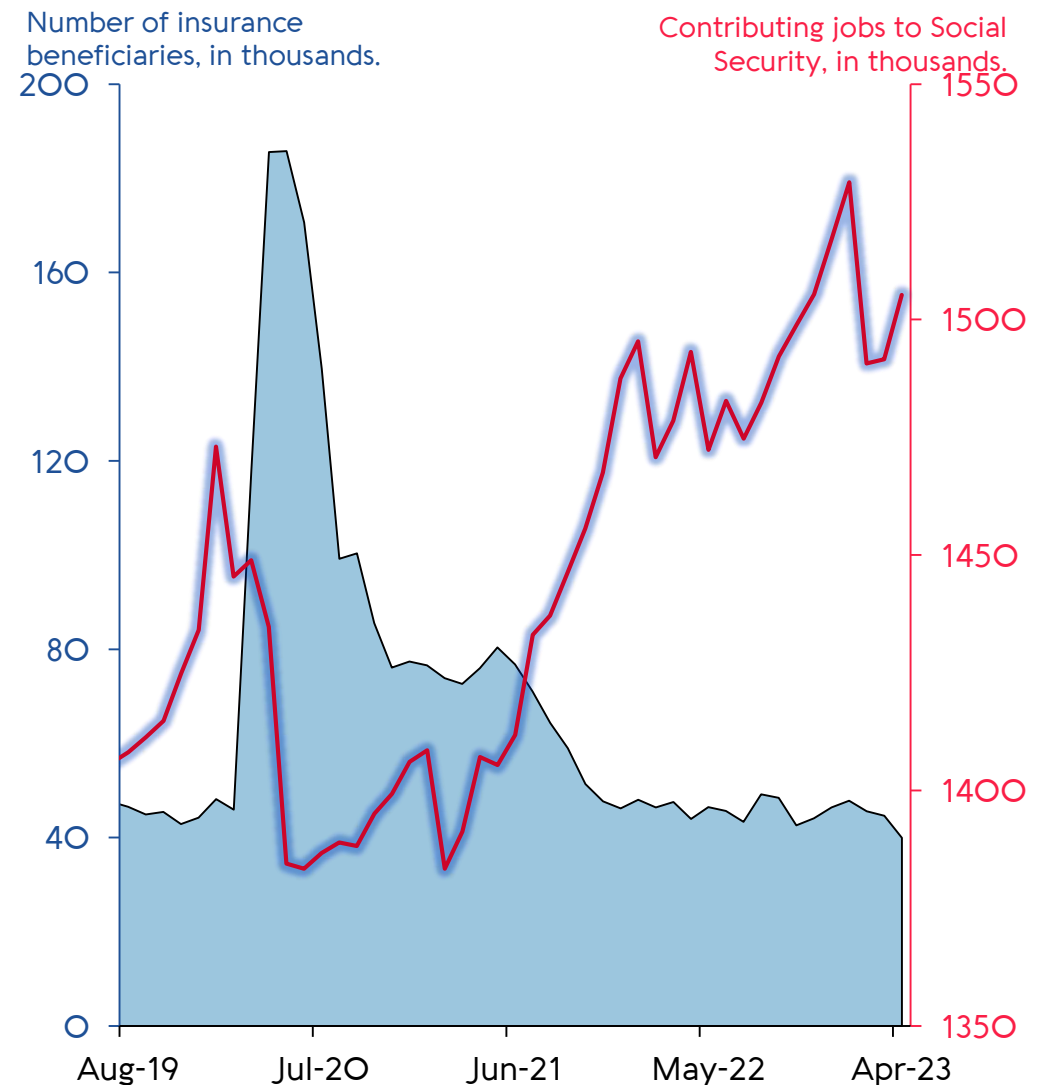
# Labor market indicators reflect the recovery process with a higher degree of formalization, with upturn in real wages



Employment and real wages <sup>(1)</sup>



Unemployment Insurance and formal job creation <sup>(2)</sup>



(1) Source: National Institute of Statistics.

(2) Source: BPS, Social Protection Bank

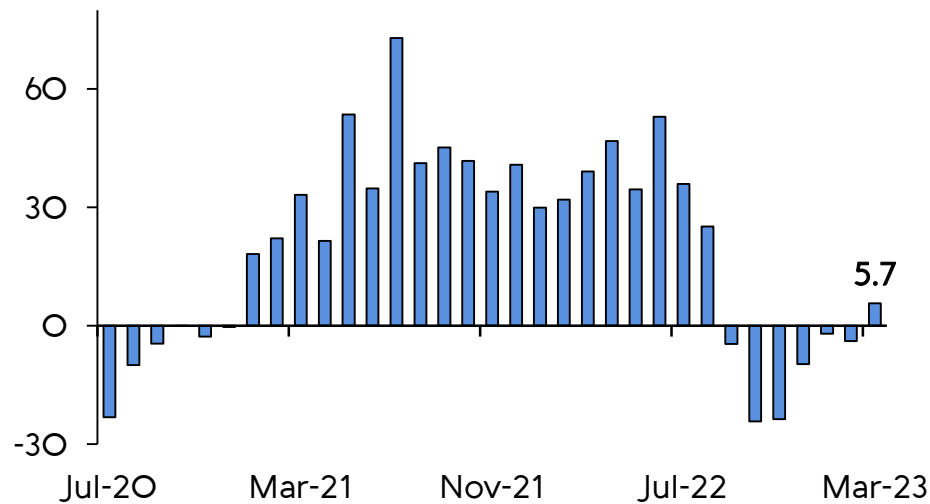


# Leading Indicators point to slower economic activity in 2023, weighed down by a severe drought



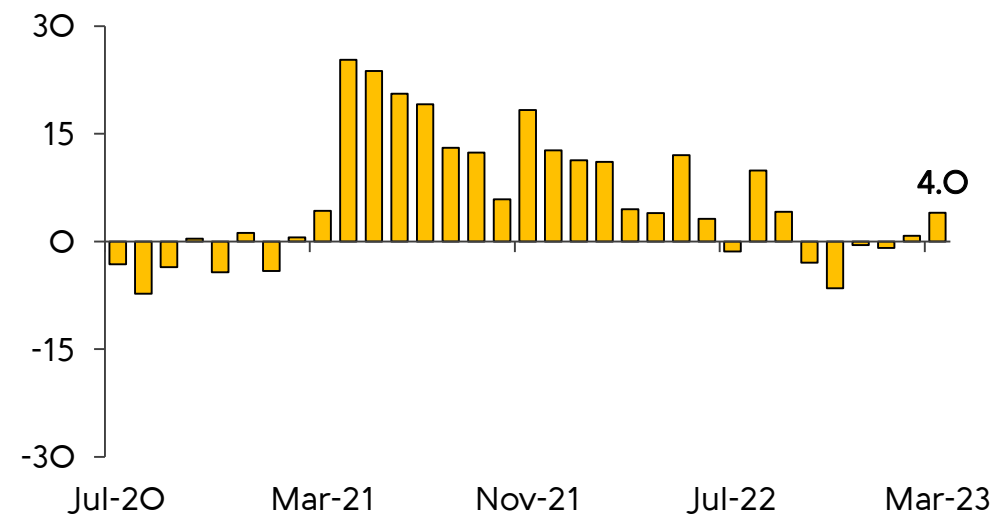
## Exports of goods <sup>(1)</sup>

(YoY change in dollar amount, in %)



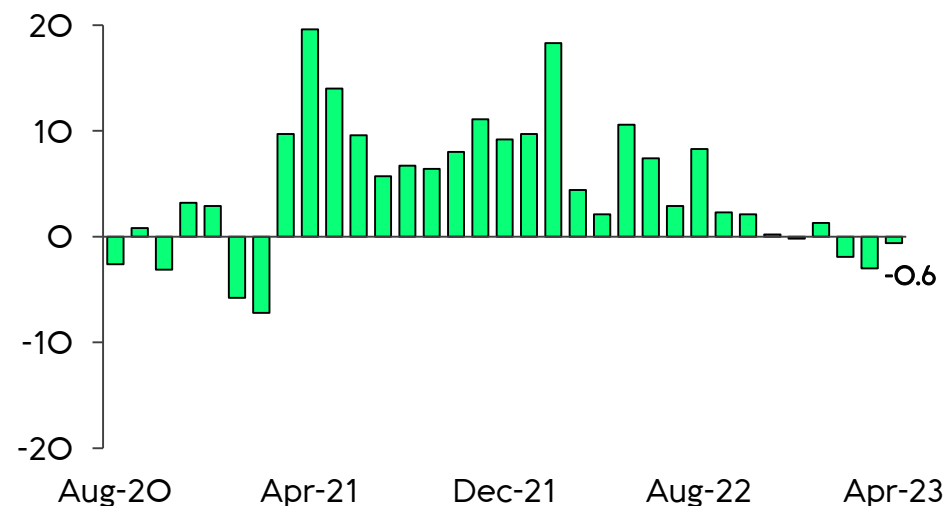
## Industrial Production (\*) <sup>(2)</sup>

(YoY real change, in %)



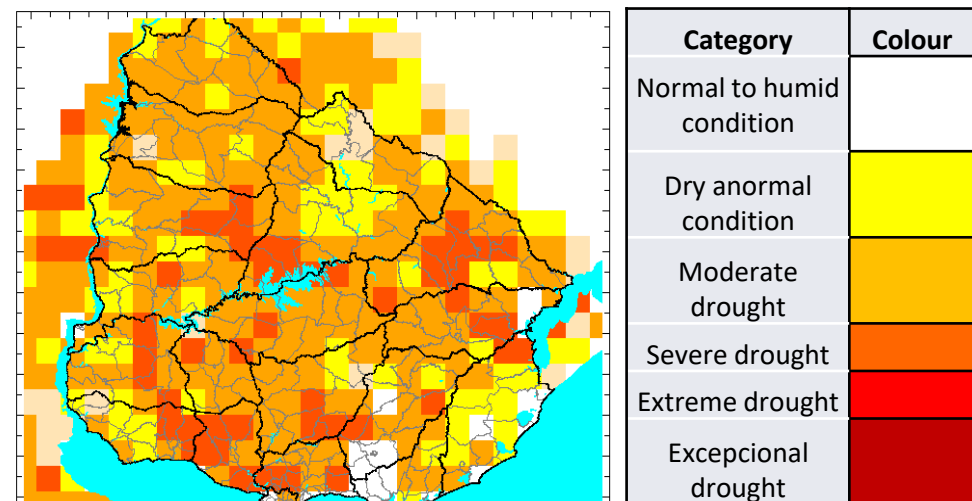
## Tax revenue collection <sup>(3)</sup>

(YoY real change, in %)



## Hydric Map and Drought Severity Index <sup>(4)</sup>

(As of January 16, 2023)



(1) Source: Ministry of Economy and Finance.

(2) Source: Ministry of Economy and Finance. (\*) Data does not include state owned refinery.

(3) Source: Tax Collection Office, Ministry of Economy and Finance

(4) Source: National Agricultural Information System. The Drought Severity Index combines rainfall estimates based on satellite data, surface temperatures and a vegetation index based on Rhee (2010)

# Fiscal discipline aligned with fiscal rule

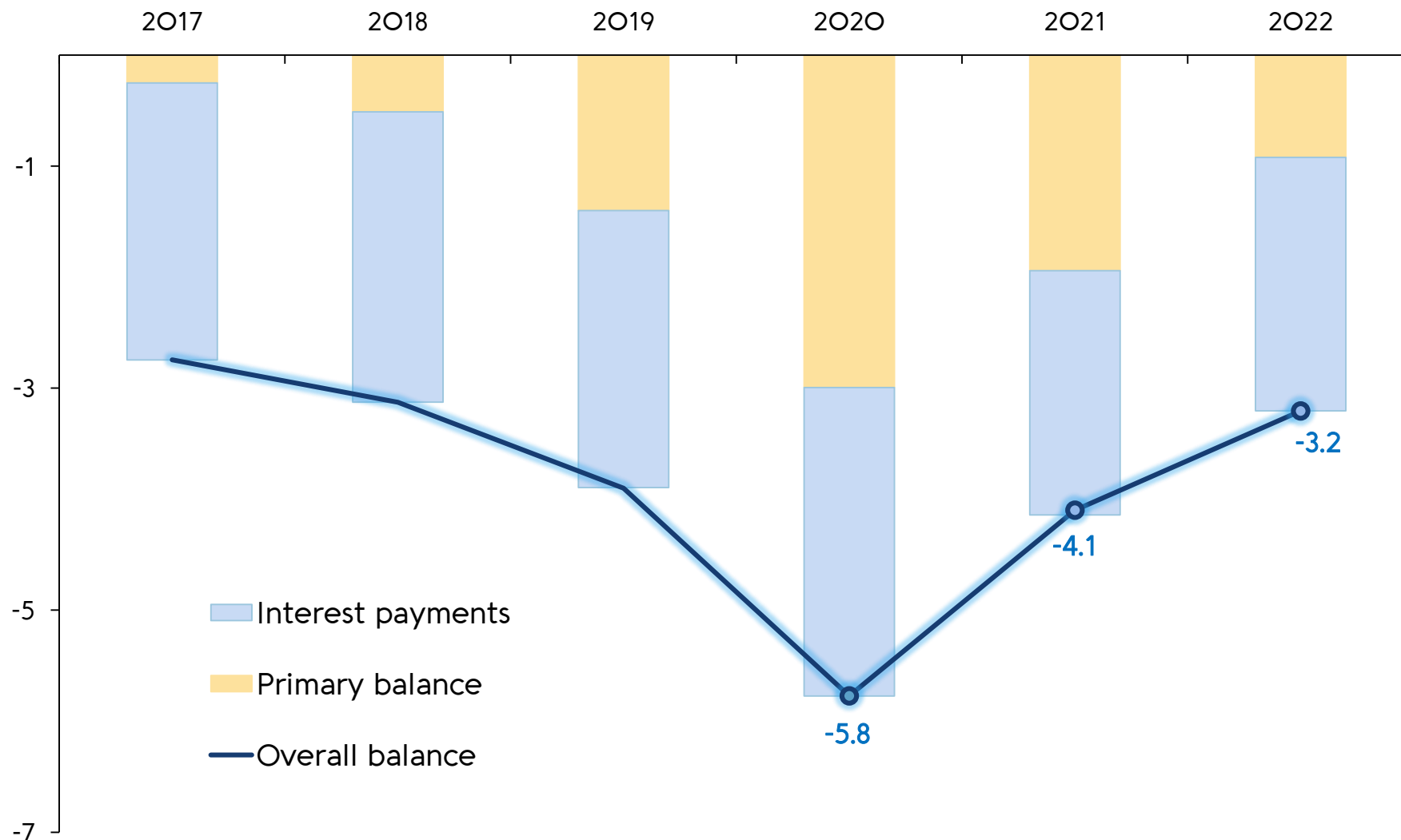


## Steady annual improvement in public finances based on strong commitment to fiscal discipline ...



### Central Government's fiscal balance

(In % of GDP)



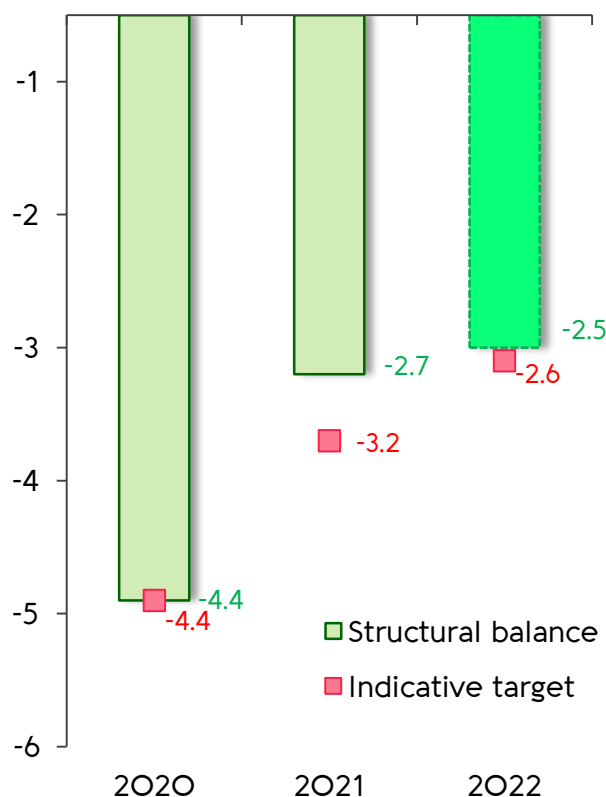


# ...meeting all three pillars of the Central Government's fiscal rule for the third year in a row, underpinning fiscal credibility



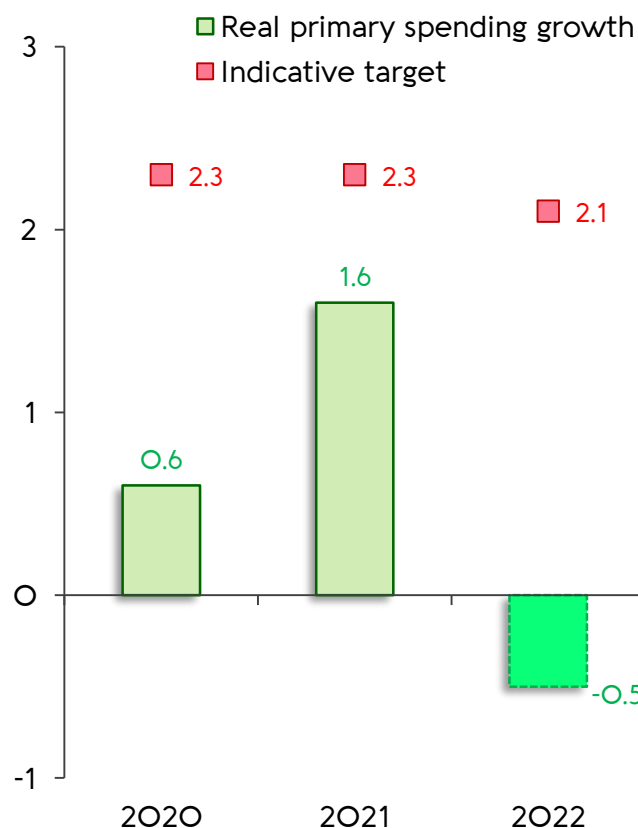
**Indicative target on structural fiscal balance**, to account for business cycle fluctuations and one-off/temporary spending and revenue items.

**Structural balance**  
(In % of GDP)



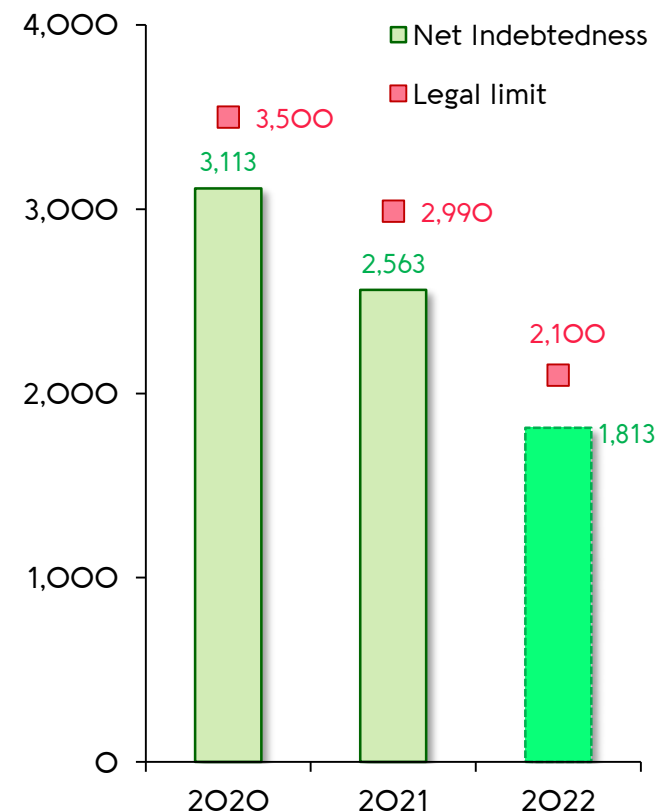
**Indicative target cap on real growth in primary expenditure** in line with estimated potential real GDP growth

**Primary spending (1)**  
(Annual real variation, in %)



**Legally binding maximum level of annual net indebtedness** in dollar amount.

**Net indebtedness**  
(USD mm)



# New Fiscal Framework



Establishment of the Fiscal Advisory Council.

On September 29, 2021, the **Fiscal Advisory Council (FAC)** was established. The FAC is a technical, honorary and independent body composed of three members. It is tasked with assessing the overall implementation of the fiscal rule.

Creation of the Expert Committee.

**The Expert Committee (EC) was created** on December 29, 2021. The EC has eleven members representing Universities, consulting firms and think tanks. Will provide technical parameters to the Ministry of Economy and Finance used for the calculations and projections of the structural fiscal balance.

Debt sensitivity analysis.

On June 2022, a **debt sensitivity analysis was conducted to quantify the uncertainty associated with the baseline debt projections**. Key variables that drive debt dynamics are exposed to random shocks. These shocks are based on the historical behavior of each variable. A range of debt-to-GDP trajectories are obtained, which allows for an evaluation of the risk distribution around specific projection in the baseline scenario.

Validation of Structural Balance.

On July 7, 2022, the FAC concluded that the **calculation of the structural fiscal balance presented in the 2021 Budget Review was in accordance with the official methodology**.

Fiscal Advisory Council

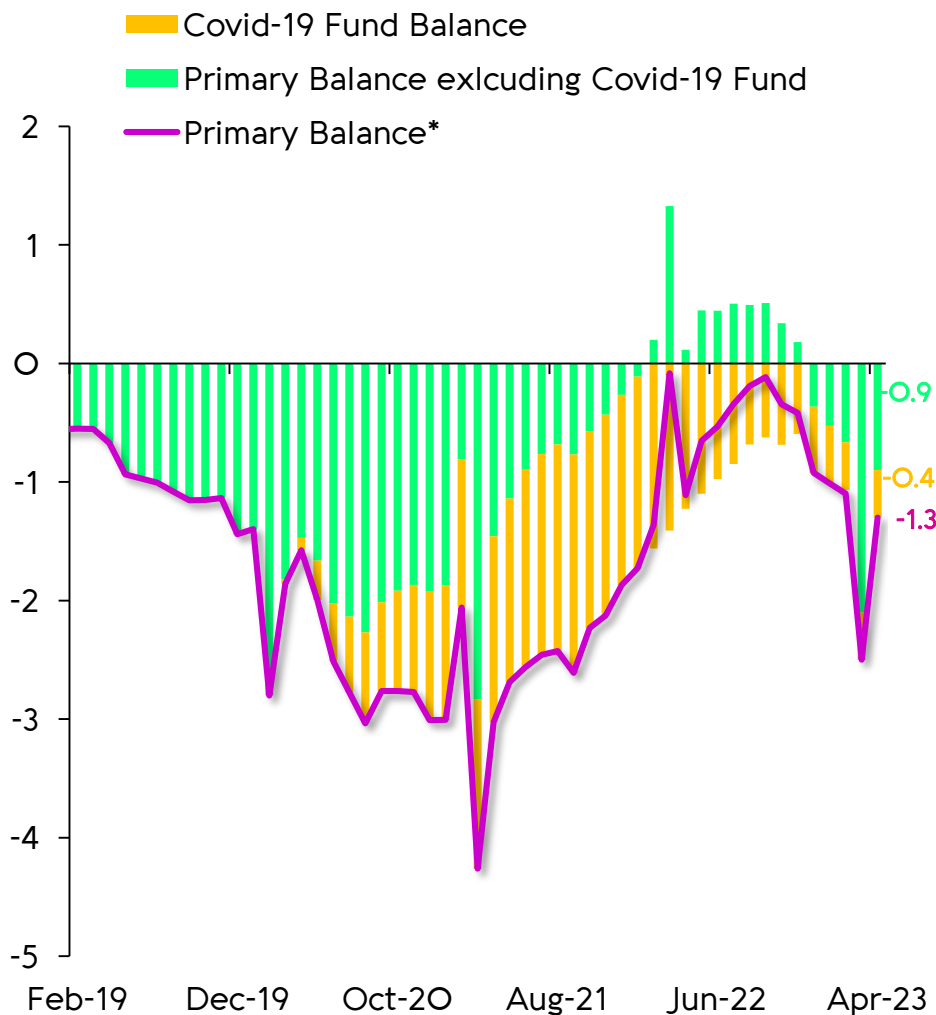
On February 22, 2023, the FAC publish the report with the review of the calculation of the Structural Fiscal Result. The deficit stood at 2.4% of GDP in 2022, 0.8 percentage points lower than effective, because the latter continued to be impacted by the cyclical position of the economy (negatively affected revenues and positively affected expenditures). Access the Executive Summary in English, in the following link: <https://www.gub.uy/ministerio-economia-finanzas/politicas-y-gestion/informes-del-consejo-fiscal-asesor>

Implementation of the new fiscal institutional framework marks the first time that the Ministry of Economy and Finance has clear, well-defined metrics and indicative targets to assess its fiscal policy and promote accountability. Furthermore, estimates for unobservable values (structural fiscal balance) have the methodological validation of the independent Fiscal Advisory Council.

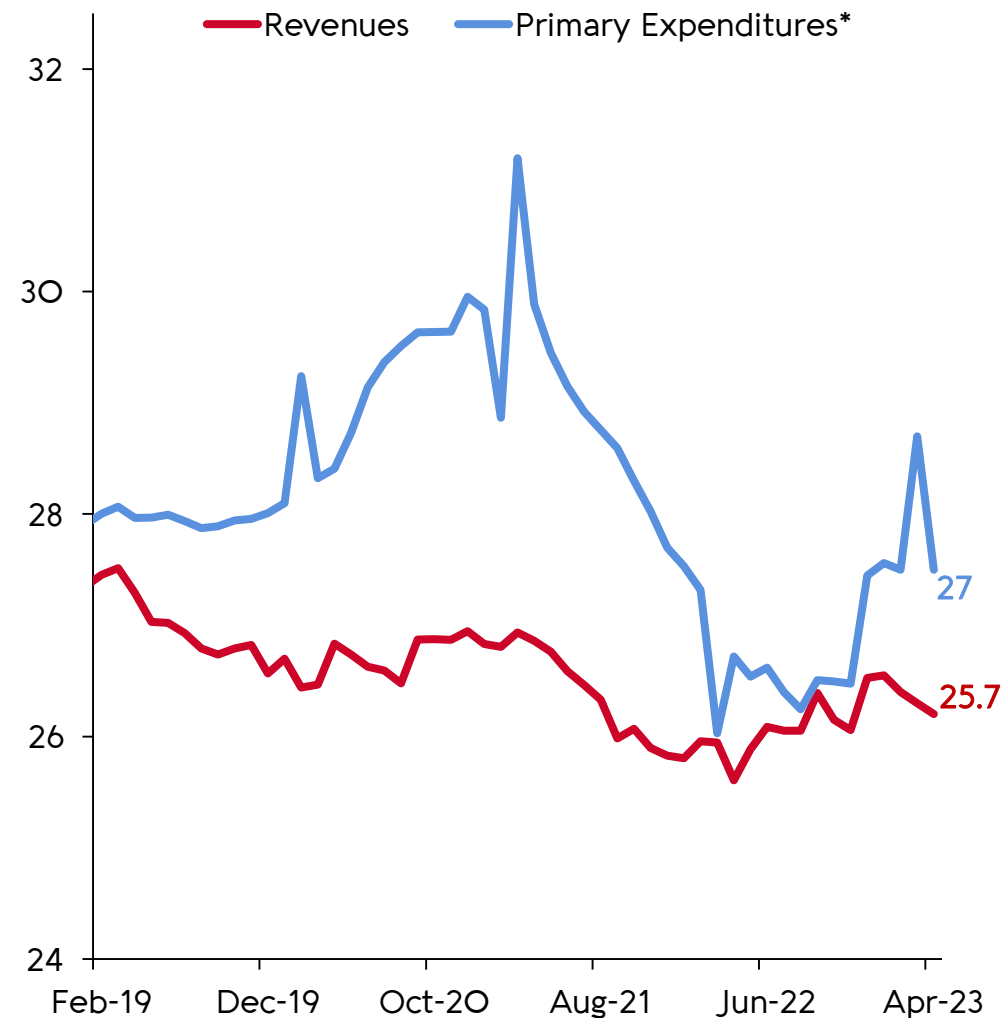
# The widening of the primary fiscal deficit since the last quarter of 2022 is mostly explained by an increase in public investment spending, and cyclically softer tax revenues widening



**Central Government's primary balance**  
(Last 12 months, in % of GDP)



**Central Government's revenues and primary expenditures**  
(Last 12 months, in % of GDP)



Source: Ministry of Economy and Finance of Uruguay. Does not include extraordinary inflows to the Social Security Trust Fund.

\* In March 2023 the payment of pensions and salaries was double due to the fact that Easter week was the first week of April. This situation will be reversed in the fiscal statistics for April.



# Enhancing the monetary policy framework and anchoring inflation expectations



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



1

## Commitment to Lower Inflation

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

2

## 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.

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

## Counter-cyclical Monetary Policy Stance

- As the pandemic eased and inflationary pressures build up, the Central Bank shifted towards a more contractionary monetary policy stance, increasing the reference rate by an cumulative 700 bps since September 2020, to the current **11.50%**. In the April 2023 meeting, the decision was to reduce the reference rate by 25bps, to the current **11.25%**

5

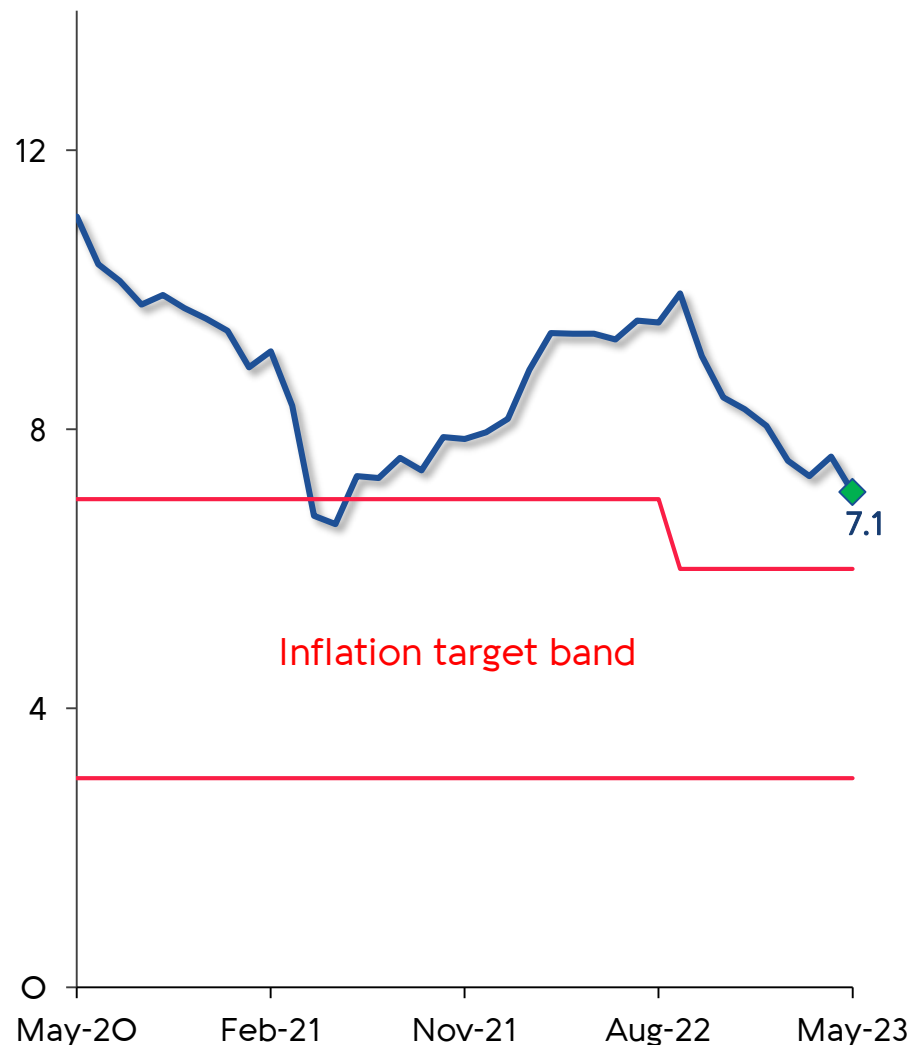
## Financial De-Dollarization

- Rebuilding markets in local currency to mitigate financial dollarization and developing FX derivatives markets
- Adjustments to the level and differentiation of tax rates on interest receipts on by bank deposits and market securities, by type of currency.
- Encouragement to the participation of public enterprises in the FX derivatives markets.

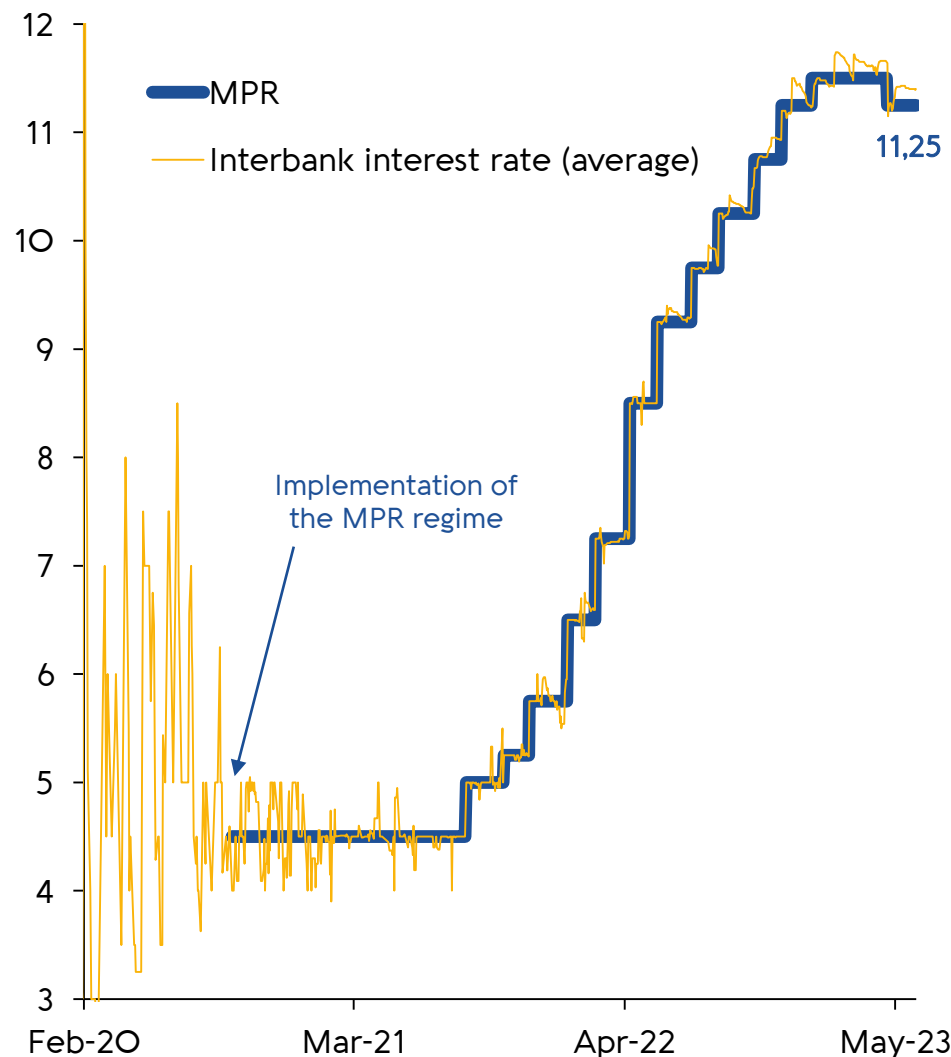
# Inflation still above the upper ceiling of inflation target band, with monetary policy on a contractionary stance



**Headline inflation <sup>(1)</sup>**  
(YoY, in %)



**Interbank interest rate and Monetary Policy Rate (MPR) <sup>(2)</sup>**  
(In %)



(1) Source: National Institute of Statistics and Central Bank of Uruguay.

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

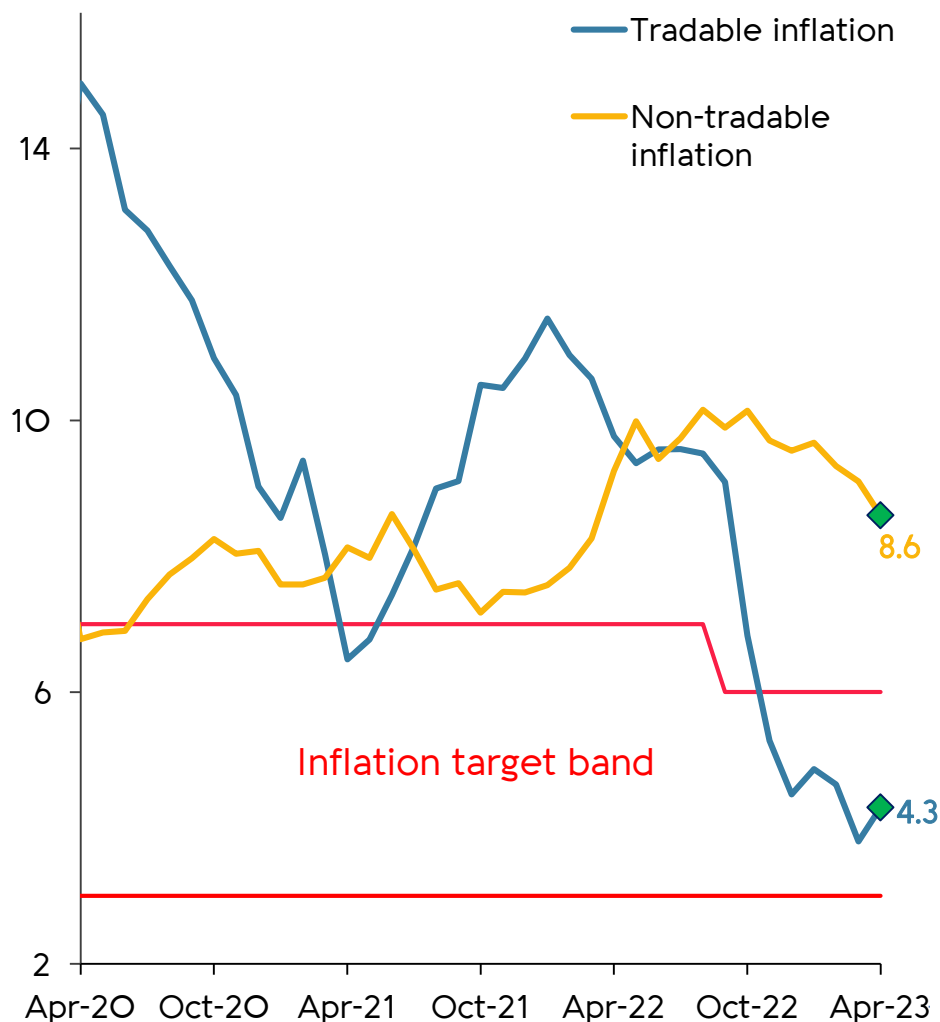




# Inflation is trending down, mostly driven by the tradable component; Central Bank expects headline inflation to revert within the target band by 2023Q3

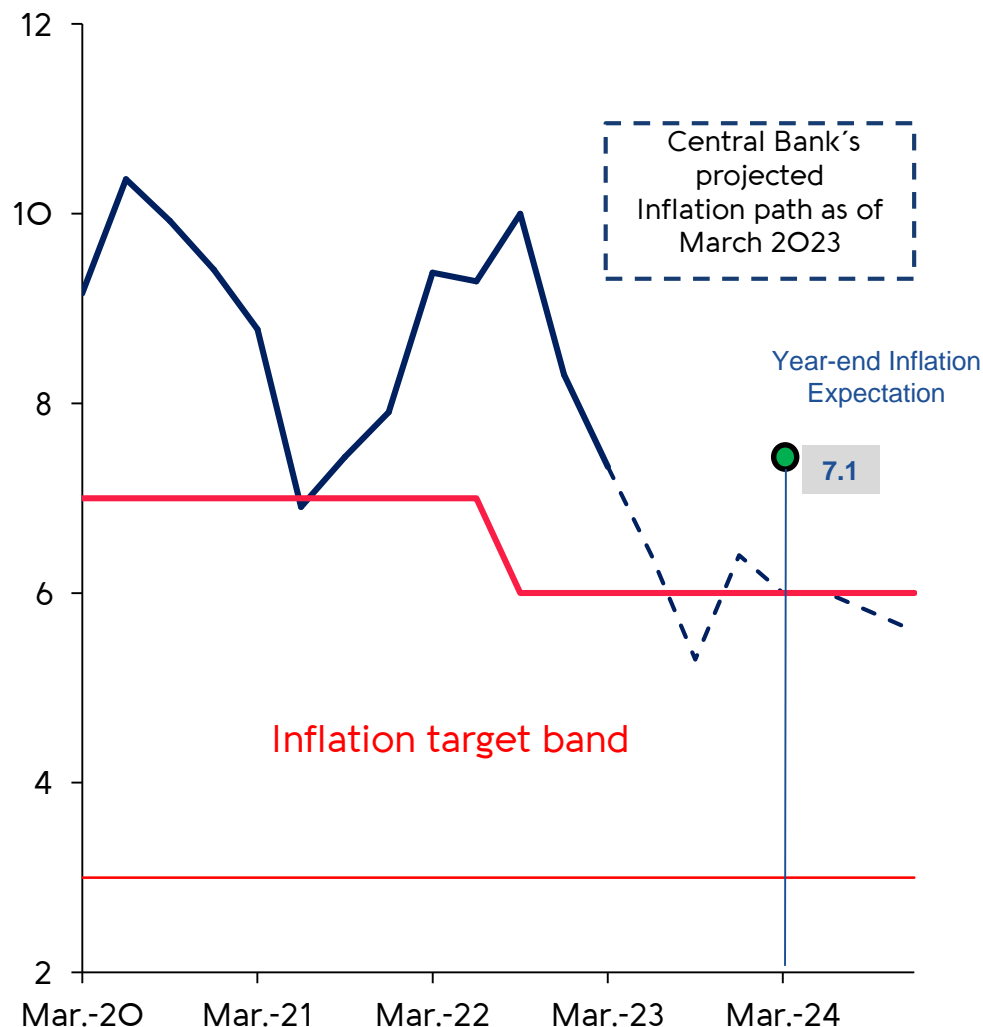
Tradable and non-tradable inflation <sup>(1)</sup>

(YoY, in %)



Central Bank's projected inflation path and inflation expectations <sup>(2)</sup>

(YoY, in %)



(1) Source: Central Bank of Uruguay. Tradable inflation excludes fruits and vegetables, while Non-Tradable inflation excludes administered prices (such as utility bills and cigarettes).

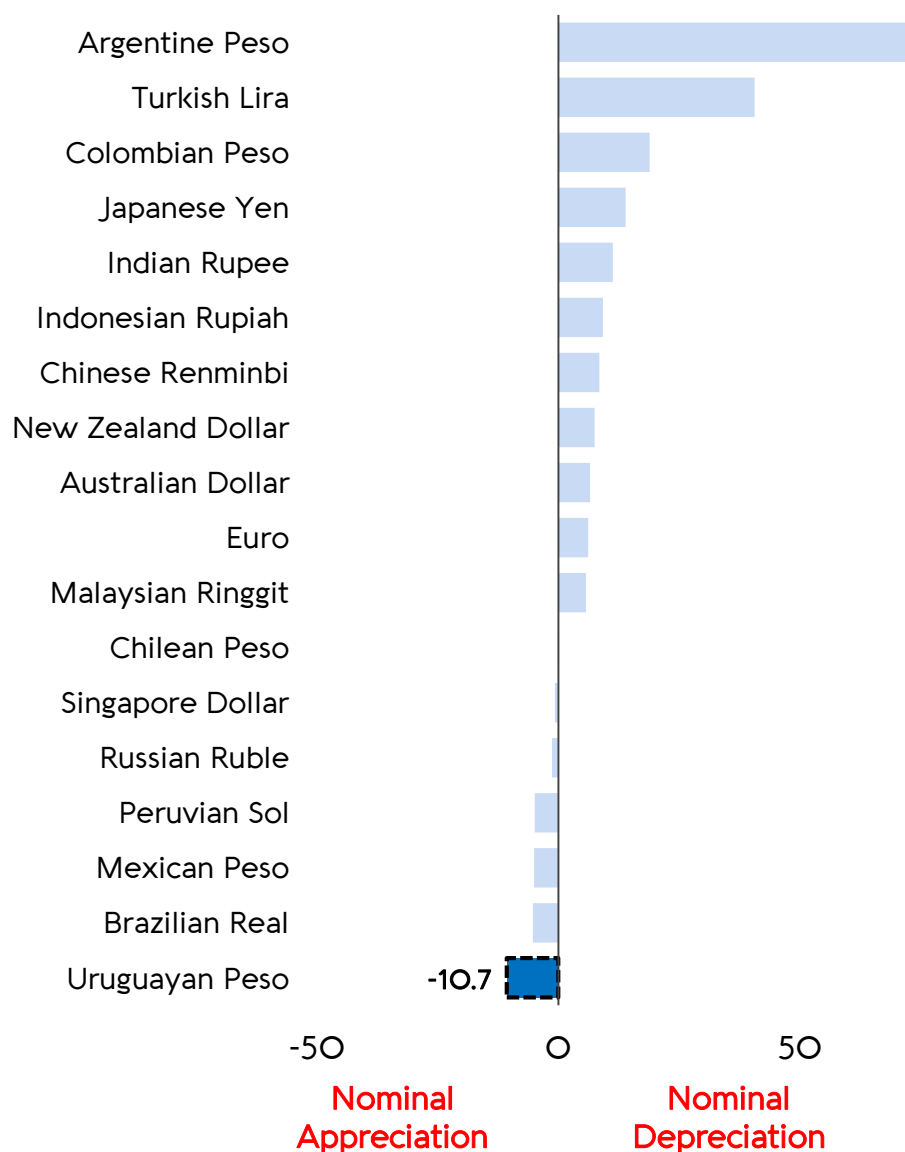
(2) Source: Central Bank of Uruguay, Quarterly forecasts of the baseline scenario as of December 2022. Median inflation expectations based on Central Bank's market survey as of March 2023.

# Exchange rate has appreciated and showed relative stability over the last three years, including during risk-off episodes



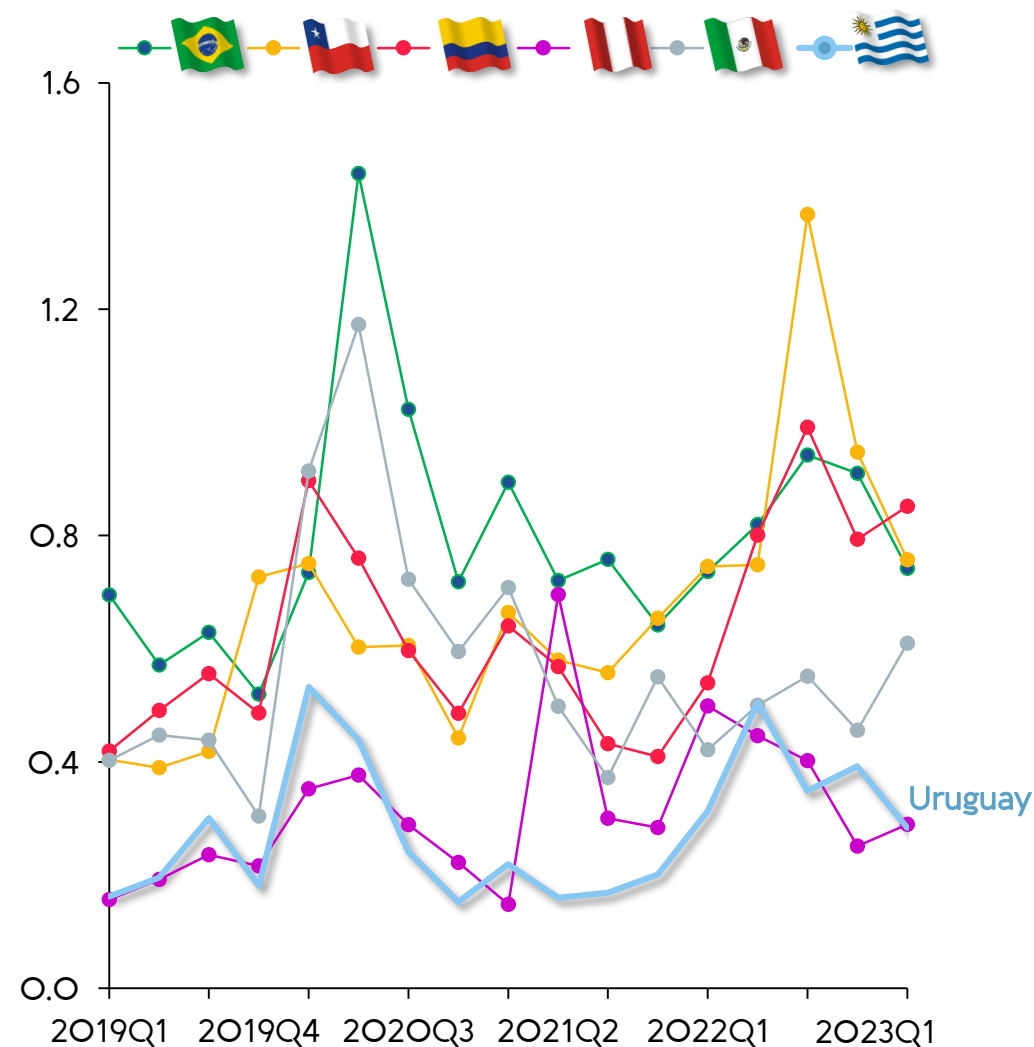
Currency performance vs USD, during 2022 <sup>(1)</sup>

(in %)



Nominal exchange volatility in LatAm <sup>(2)</sup>

(Quarterly average of absolute value of daily percent changes)



(1) Source: Bloomberg.

(2) Source: ECLAC, based on Bloomberg.

# Stable current account; banking sector with low exposure to the region



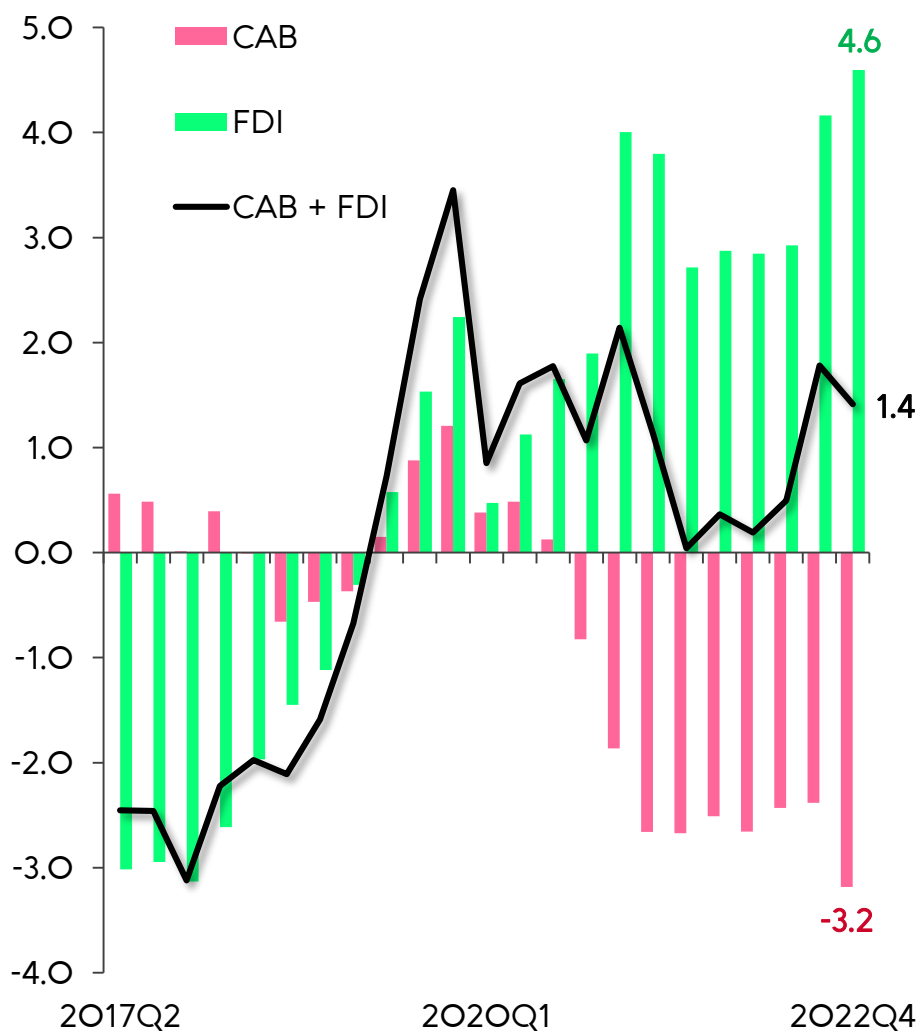


# Moderate current account deficit fully financed by FDI, on the back of a resilient balance of goods and services...



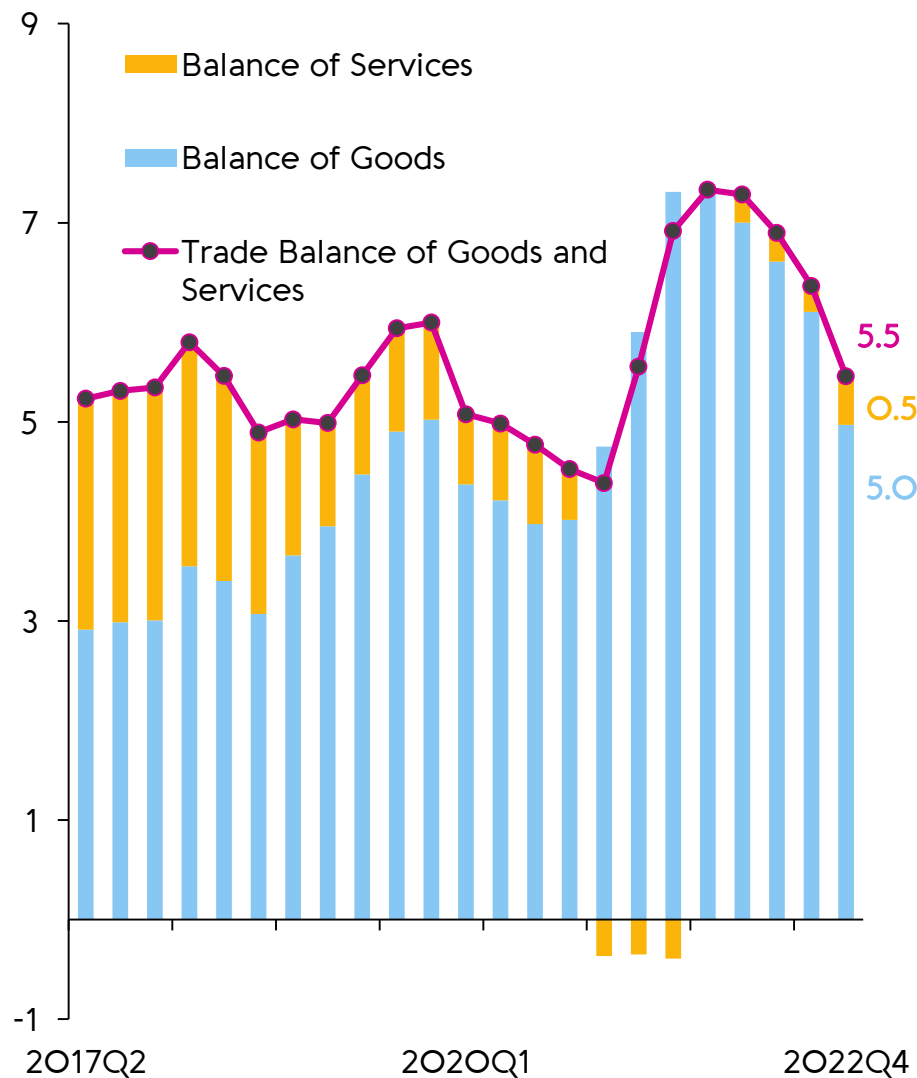
## Current account balance and FDI

(Rolling 4-quarters, in % of GDP)



## Goods and services balances

(Rolling 4-quarters, in % of GDP)

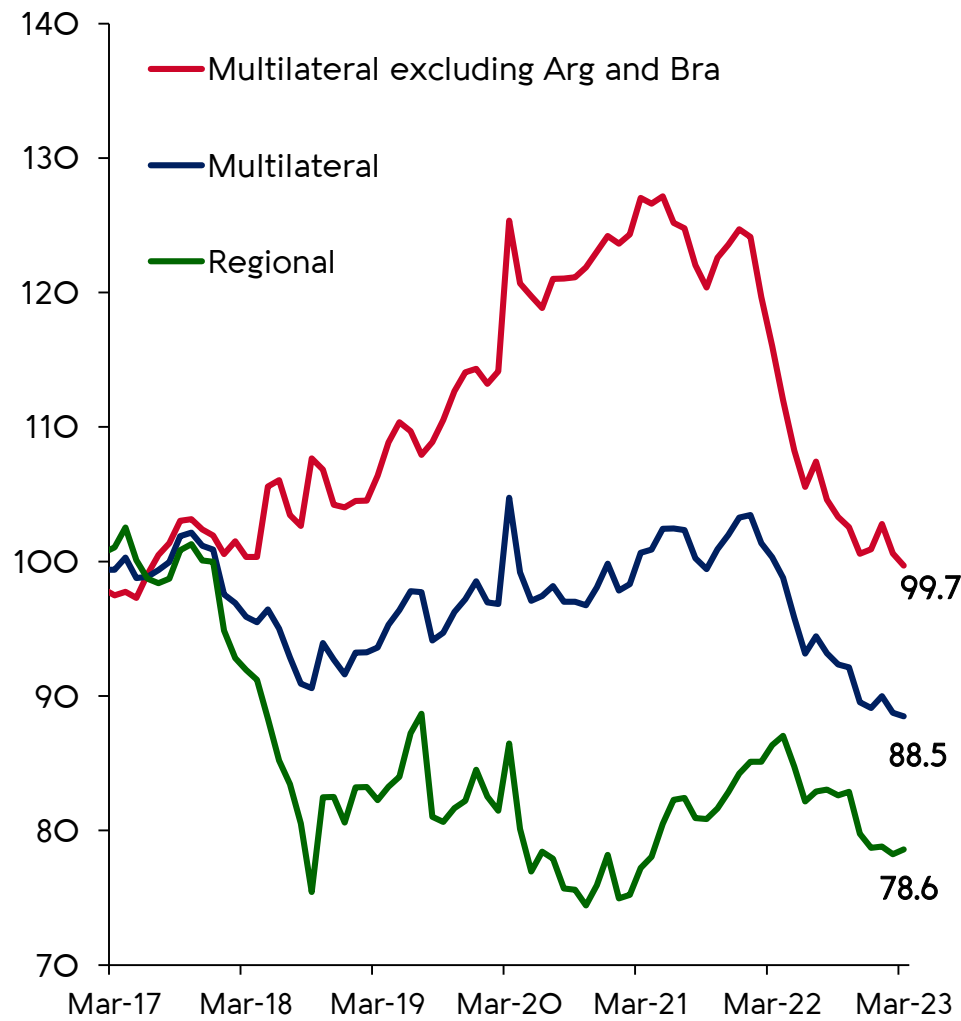


# ... despite real exchange rate appreciation; large international reserve buffers are a significant external backstop



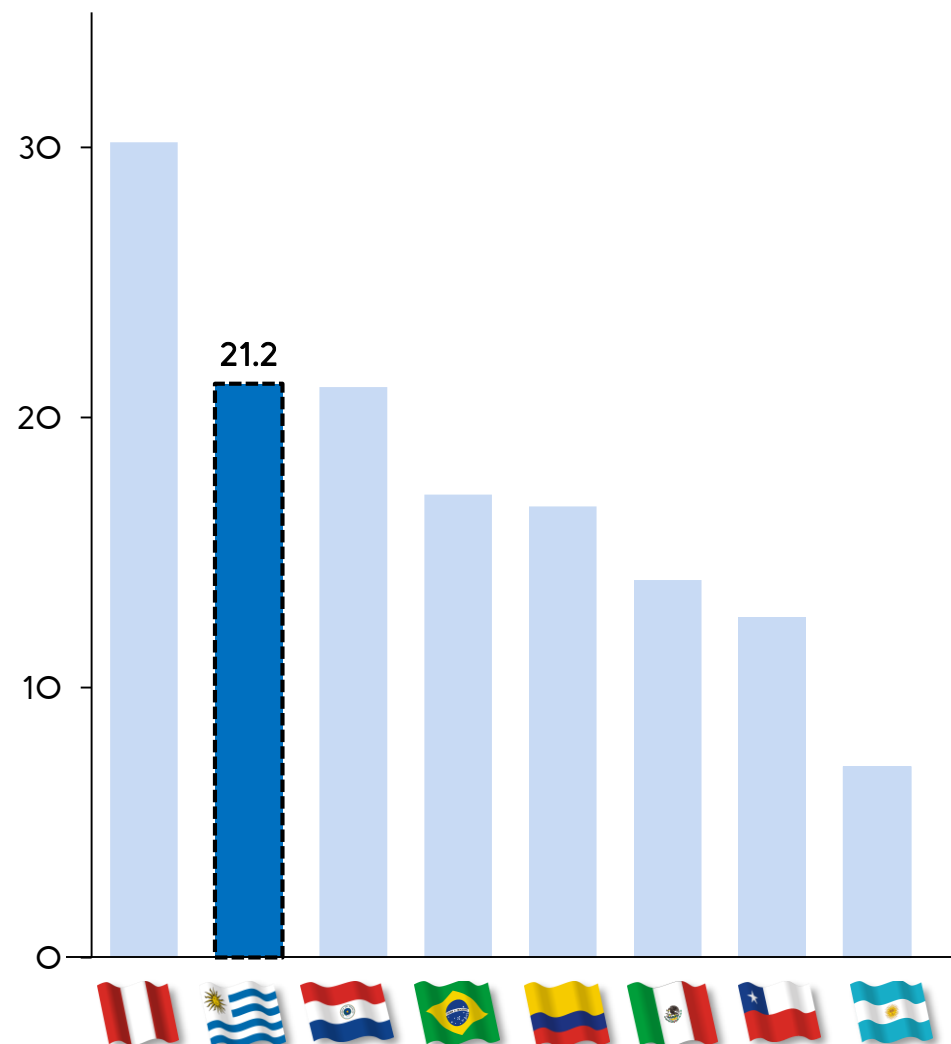
## Real Effective Exchange Rate of Uruguay <sup>(1)</sup>

(Index base 100 = average 2017)



## International reserves in Latam <sup>(2)</sup>

(As of end 2022, in % of GDP)\*



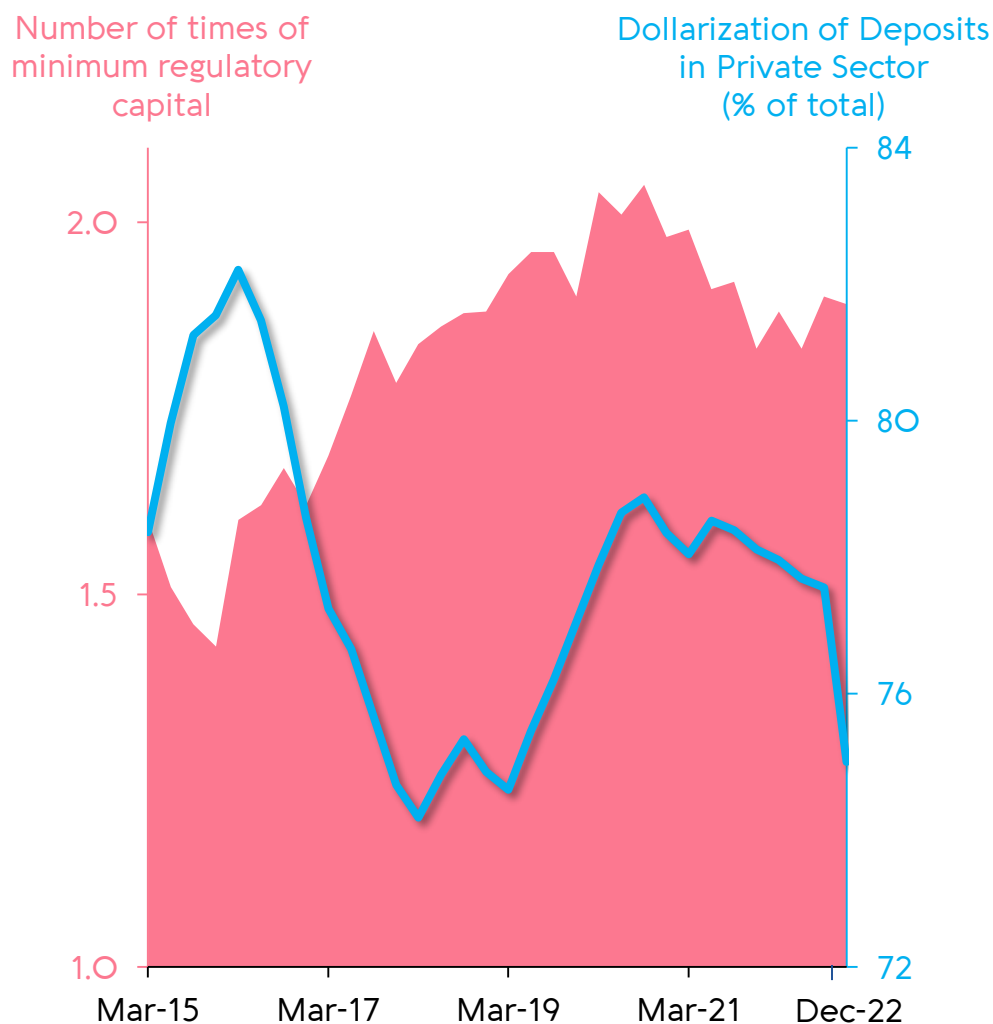
(1) Source: Central Bank of Uruguay.

(2) Source: International Monetary Fund. (\*) Projected GDP

# Banking sector remains well-capitalized, with high liquidity levels and low exposure to the region, yet with still-high financial dollarization



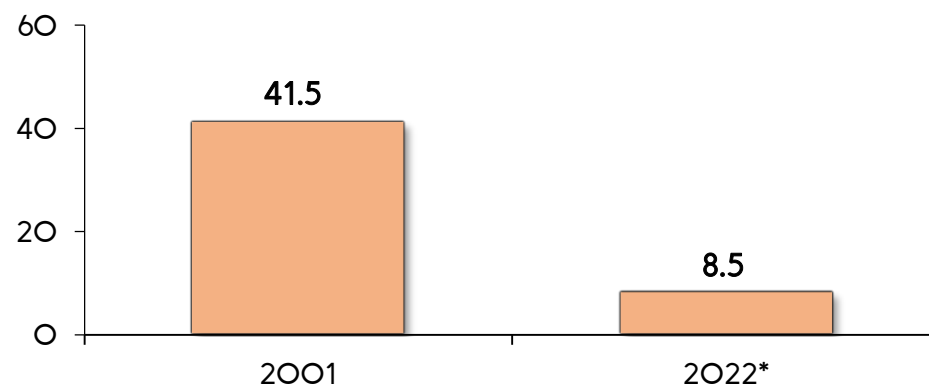
## Solvency and dollarization of the banking system



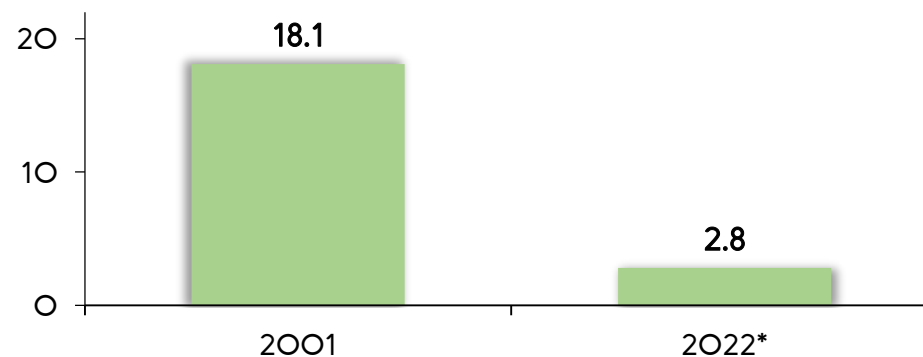
## Banking system's exposure to non-residents

(To the non-financial sector, % of total)<sup>(1)</sup>

### Deposits



### Loans



(1) End-period; data for deposits includes only private non-financial sector.

(\*) As of December 2022.



# Government-led structural reforms





# Government forges ahead with structural and market-friendly reforms: “keeping the high-beam headlights on”



**Urgent  
Consideration (UC) Law<sup>(1)</sup>**



**2020-2024  
Budget Law**



**2021  
Budget Review**



**Social Security  
Reform**



Approved on July 9<sup>th</sup>,  
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 23<sup>rd</sup> 2021 and has 90 days onwards to present a comprehensive reform to Congress.
- Draft of new fiscal framework.

Approved on  
December 18<sup>th</sup>, 2020

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

Approved on  
November 3<sup>rd</sup>, 2022

- Fullfillment of the three pillars of the Fiscal Rule in 2021
- Proposes additional expenses for three specific areas: education, I+D and citizen security.
- Provides for further public policies to foster the long-term growth of the

April 28<sup>th</sup>, 2023,  
Congress passed the  
social security reform

- Parametric changes to all schemes.
- Established a common system for all the schemes that exist in the country.
- Creation of an independent regulatory agency that oversees the entire regime.
- Mechanisms to encourage voluntary savings.



(1) On March 27<sup>th</sup>, 2022, a public referendum was held on whether to repeal, or uphold, 135 articles of the Urgent Consideration Law voted in 2020. The majority of the population (51,3%) voted in favour of upholding them.



## Social security reform



- ❑ The approved reform gradually increases the retirement age of 65 years.
- ❑ The minimum amount of worked years to retire stands at 30, although contributing for 35 or 38 years will result in early retirement at 64 or 63 respectively.
- ❑ The calculation for pensions included the best 20 years of income.
- ❑ The reform planned to consolidate all retirement regimes making them **converge in a single system**. Ten years after the approval (2033) the convergence will start, with the old pension system rules weighing 50% and the new ones 50%.
- ❑ The new system will gradually replace the old one, and the influence of the systems will be modified by 5% each year. So, **the new system will fully take effect by 2043**.
- ❑ **Compatibility between retirement and paid activity** will be promoted.

# Strong ESG foundations

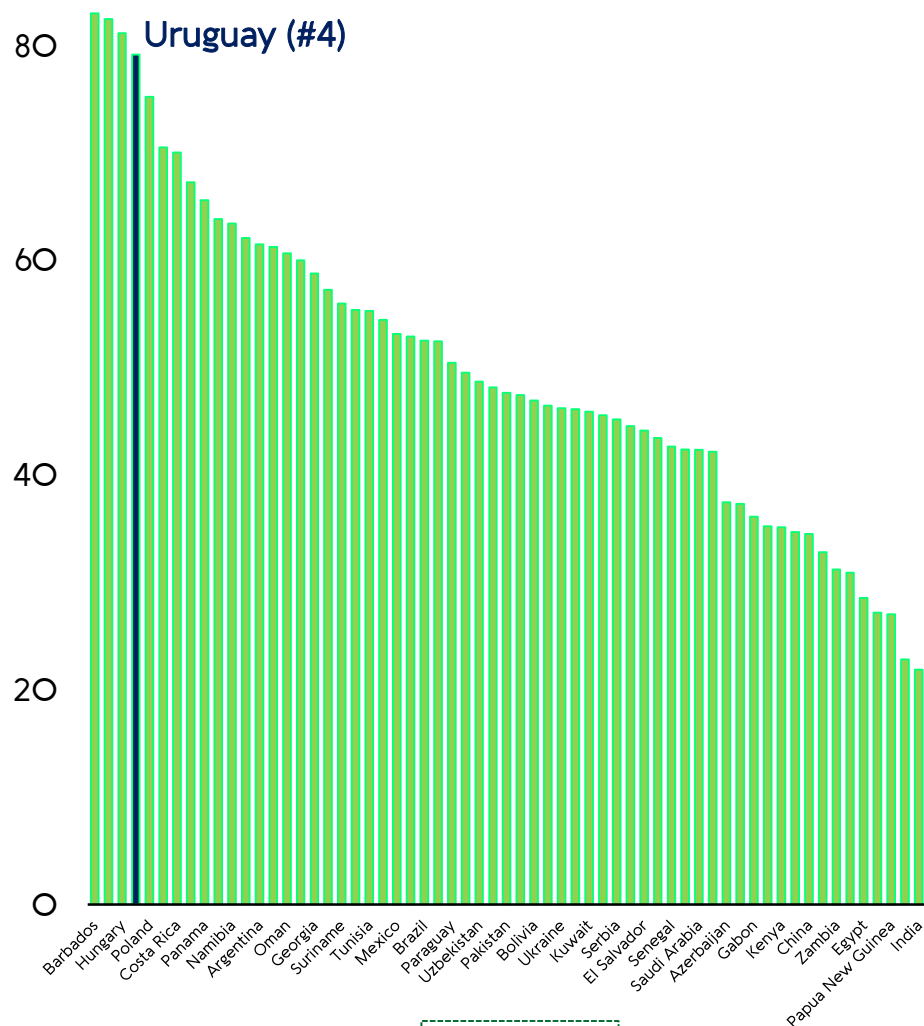


# Uruguay is among the top global performers on ESG fundamentals.



## Emerging markets' ESG Score

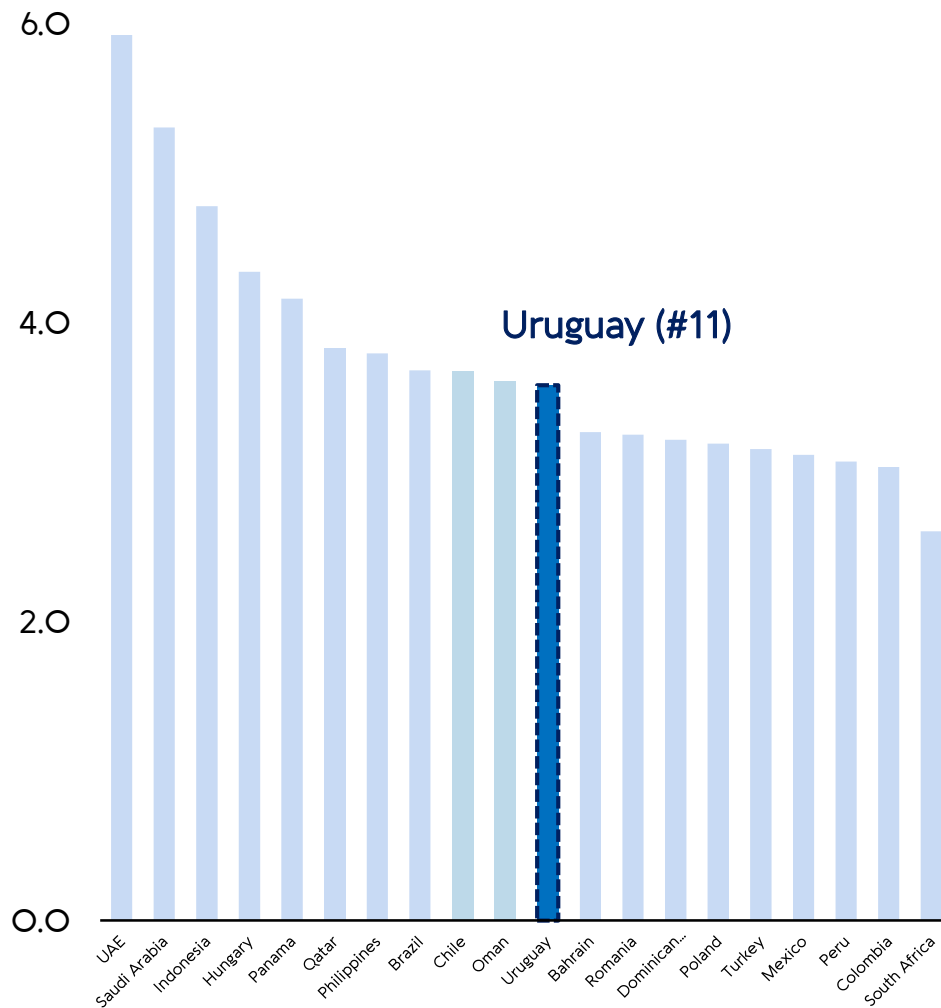
(Index, 100 = best performance; as of end-May, 2023)



61 countries

## Market cap in ESG-Adjusted EMBI (JESG EMBI)

(In %, as of end-May, 2023)



Top-20 countries of a total of 61 countries

Source: J.P. Morgan Chase & Co. using data from RepRisk, Sustainalytics and Climate Bonds Initiative.

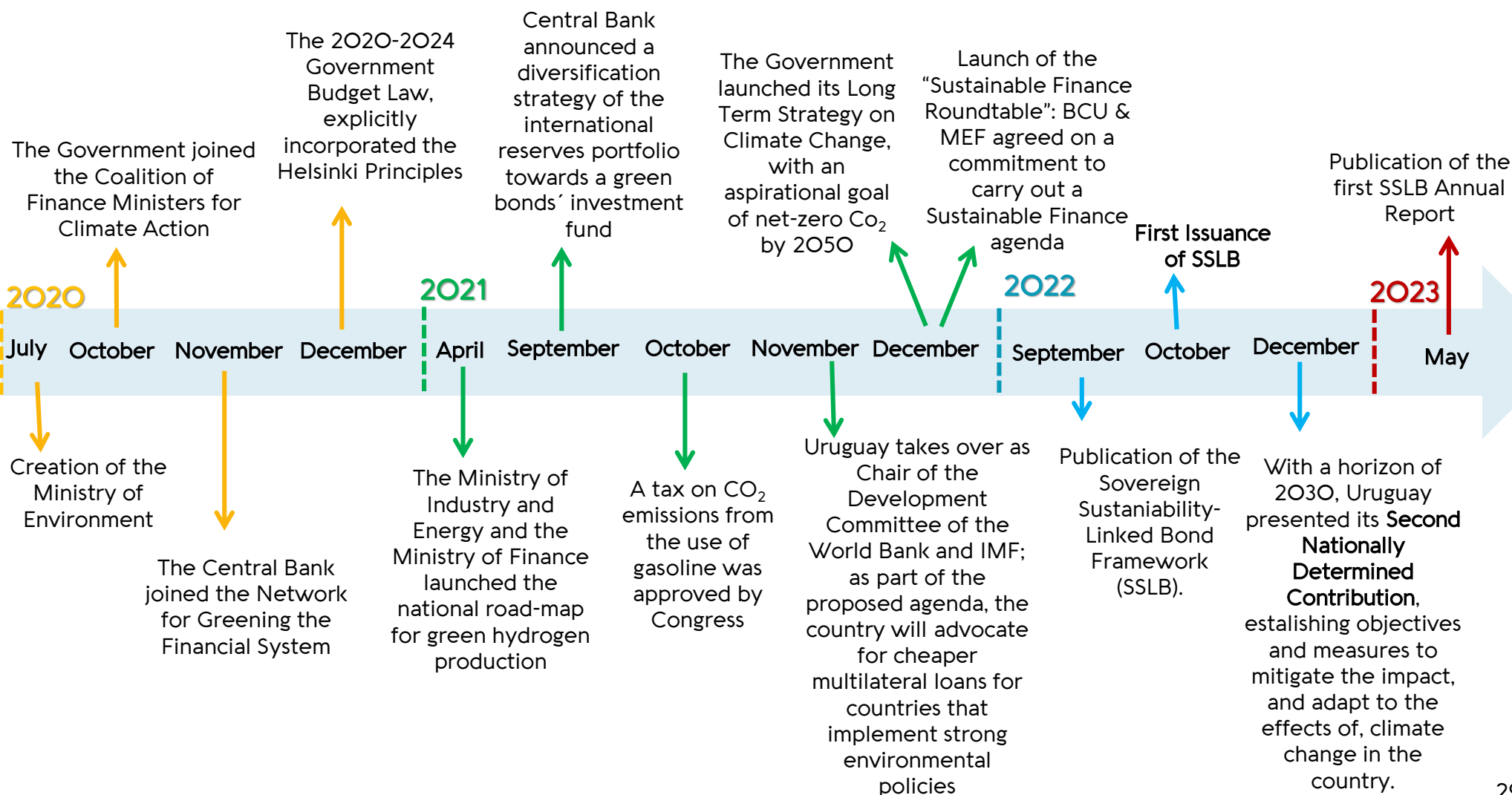
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# The Government is committed to climate action policies



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.

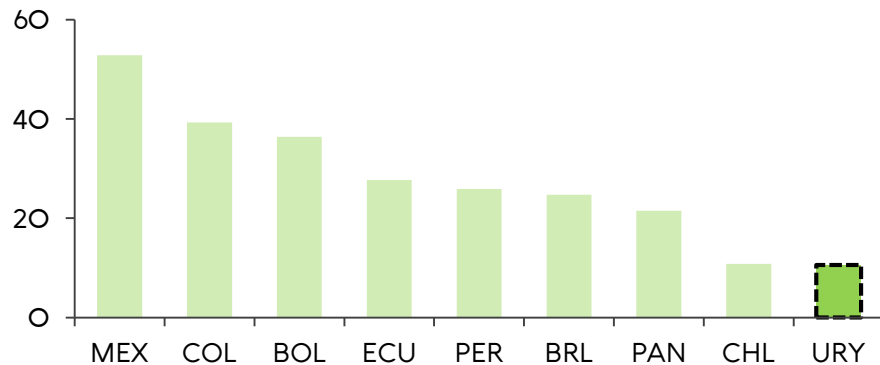


# Uruguay has a relatively low poverty rate and gender inequality, and the highest share of middle class people in LatAm


**ESG**

## Poverty compared to LatAm <sup>(1)</sup>

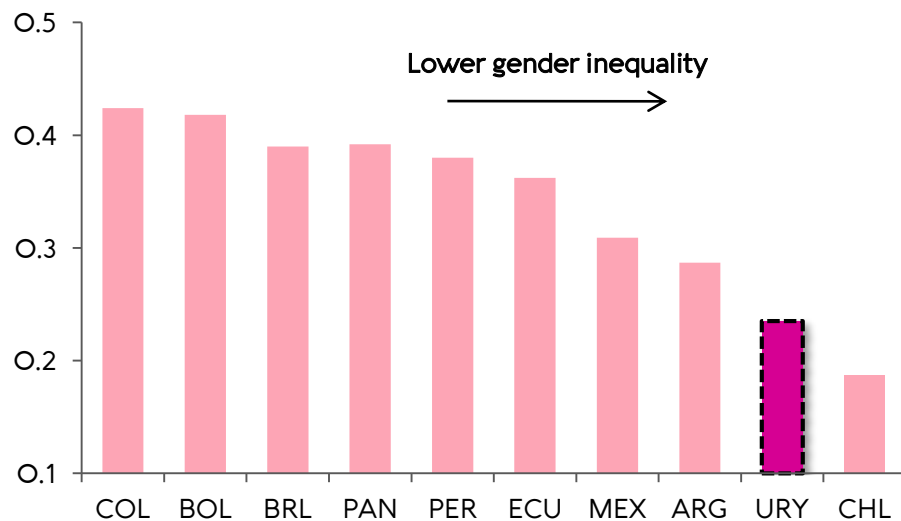
(In % of total population, year 2021)\*



(\*) Except for Brazil (2019), Panama (2019), Mexico (2020) and Chile (2020). Argentina is not included because the poverty rate is only calculated for urban areas.

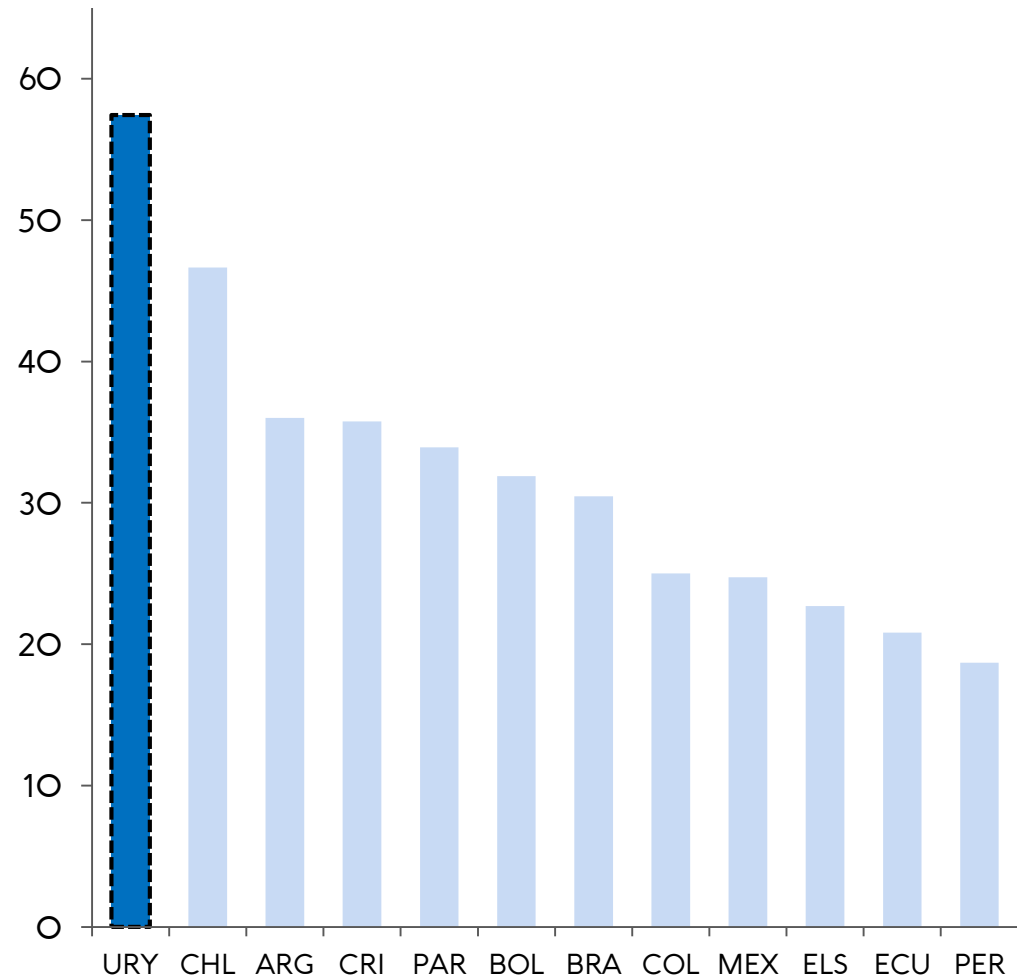
## Gender inequality compared to LatAm <sup>(2)</sup>

(Inequality Index, 2021)



## Share of middle class compared to LatAm <sup>(3)</sup>

(Year 2020, in % of total population)\*



1) Source: ECLAC

2) Source: United Nations Development Program (UNDP), Human Development Reports 2020; Gender Inequality Index is a composite measure reflecting inequality in achievement between women and men in three dimensions: reproductive health, empowerment and the labour market.

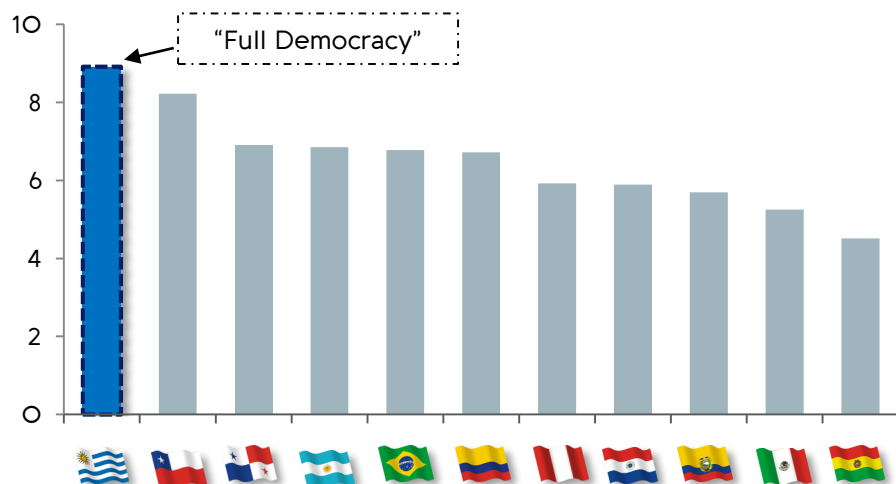
3) Source: Inter-American Development Bank; Middle class defined as percentage of population that lives in households with per capita income between USD 12,4 and USD 62 a day.

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



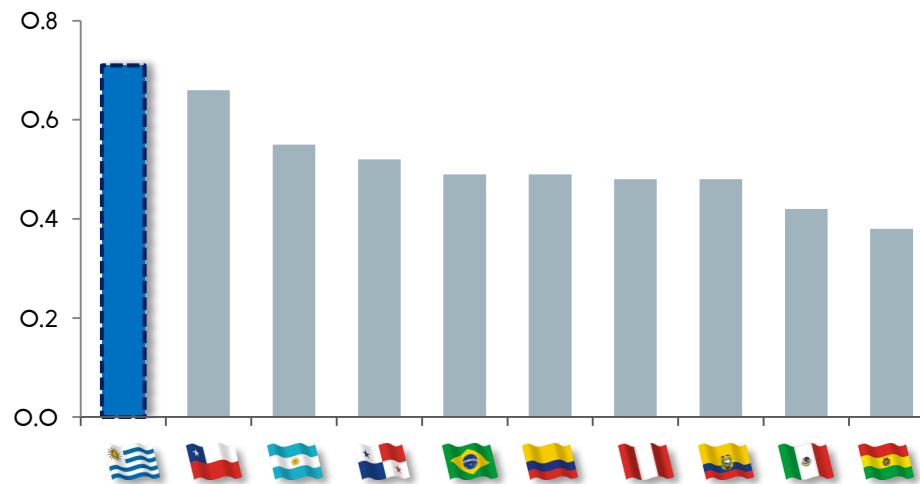
## Democracy index <sup>(1)</sup>

(Score from 1 to 10, year 2022)



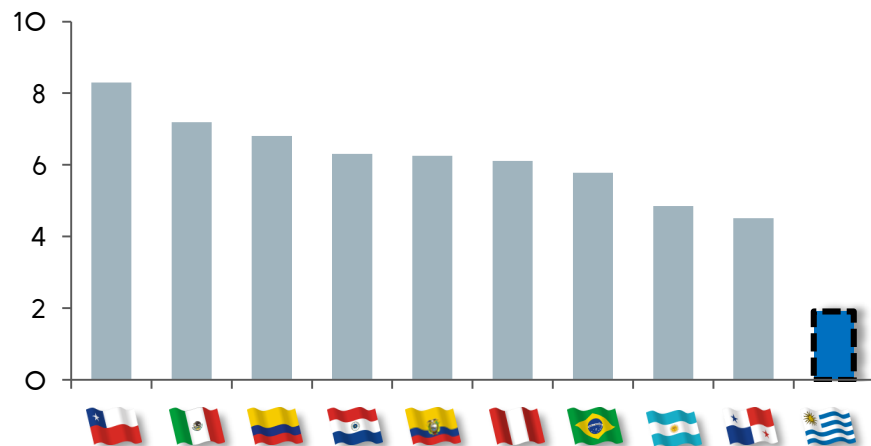
## Adherence to the Rule of Law <sup>(2)</sup>

(Numerical score out of 1, year 2022)



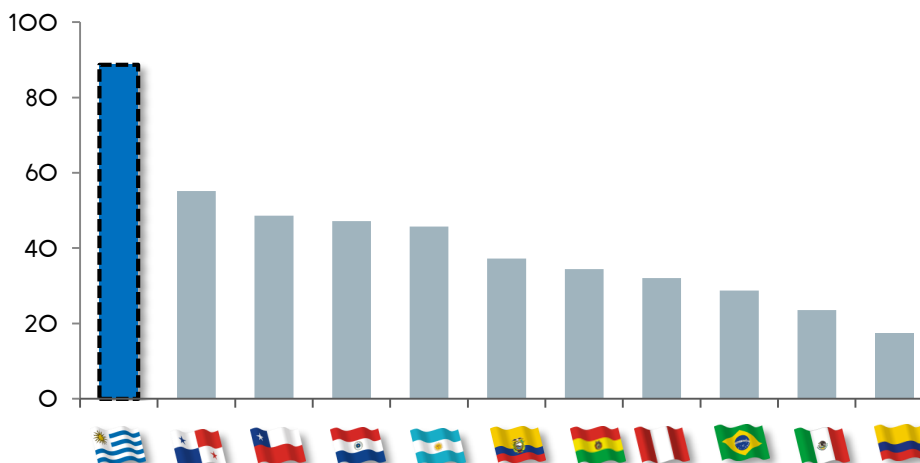
## Civil Unrest <sup>(3)</sup>

(Index out of 10, first quarter of 2020)



## Political Stability and Absence of Violence/Terrorism <sup>(4)</sup>

(Percentile rank, 2021)



(1) Source: The Economist Intelligence Unit (2023).

(2) Source: World Justice Project (2022).

(3) Source: Verisk Maplecroft (2020).

(4) Source: Worldwide Governance Indicators, World Bank.

Uruguay had the lowest Corruption Perception in 2022 along with Canada, well below the region's average.



# CORRUPTION PERCEPTIONS INDEX 2022

With a Score of **74**, Uruguay has significantly **lower** perceived corruption that average of the main regions of the world

WESTERN EUROPE  
& EUROPEAN UNION

**66**/100

AVERAGE SCORE

AMERICAS

**43**/100

AVERAGE SCORE

ASIA PACIFIC

**45**/100

AVERAGE SCORE

ARAB STATES

**33**/100

AVERAGE SCORE



SCORE	COUNTRY/TERRITORY	SCORE	COUNTRY/TERRITORY
74	Canada	40	Suriname
74	Uruguay	39	Colombia
69	United States of America	38	Argentina
67	Chile	38	Brazil
65	Barbados	36	Ecuador
64	Bahamas	36	Panama
60	Saint Vincent and the Grenadines	36	Peru
55	Dominica	33	El Salvador
55	Saint Lucia	32	Dominican Republic
54	Costa Rica	31	Bolivia
52	Grenada	31	Mexico
45	Cuba	28	Paraguay
44	Jamaica	24	Guatemala
42	Trinidad and Tobago	23	Honduras
40	Guyana	19	Nicaragua
		17	Haiti
		14	Venezuela

#cpi2022

[www.transparency.org/cpi](http://www.transparency.org/cpi)

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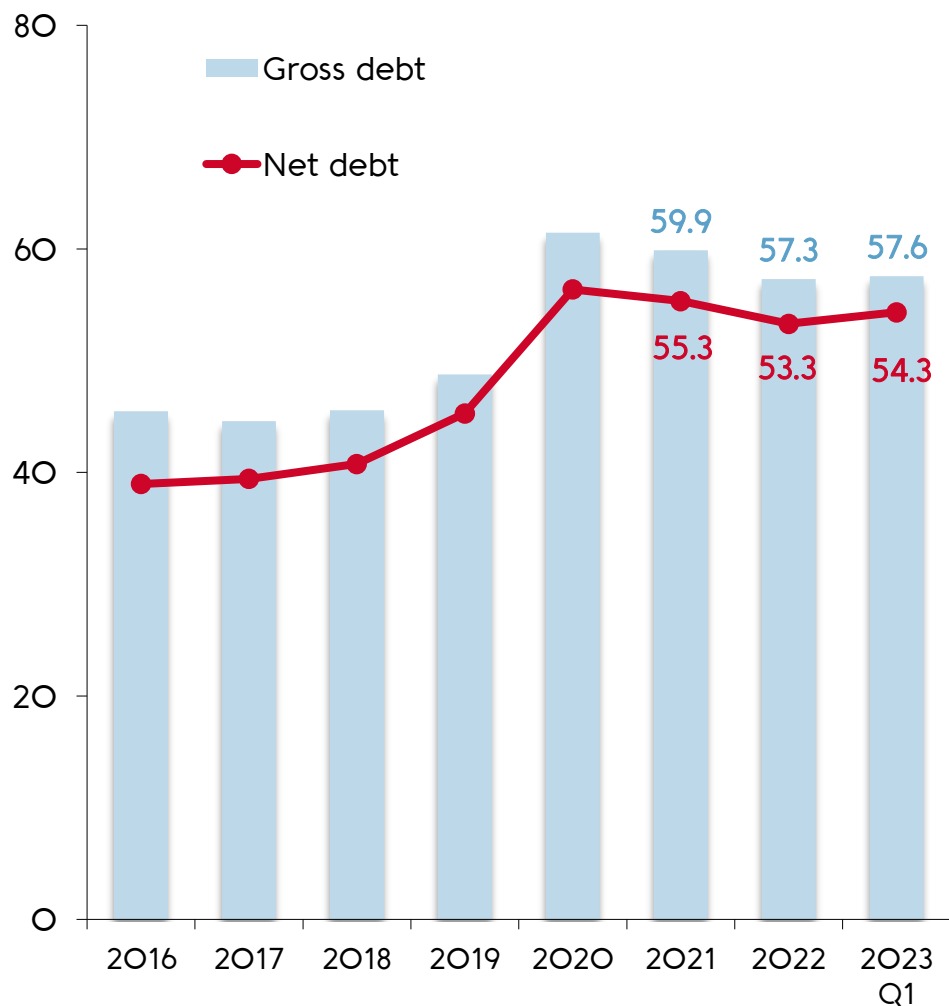
# Resilient debt structure and sustainable financing strategies



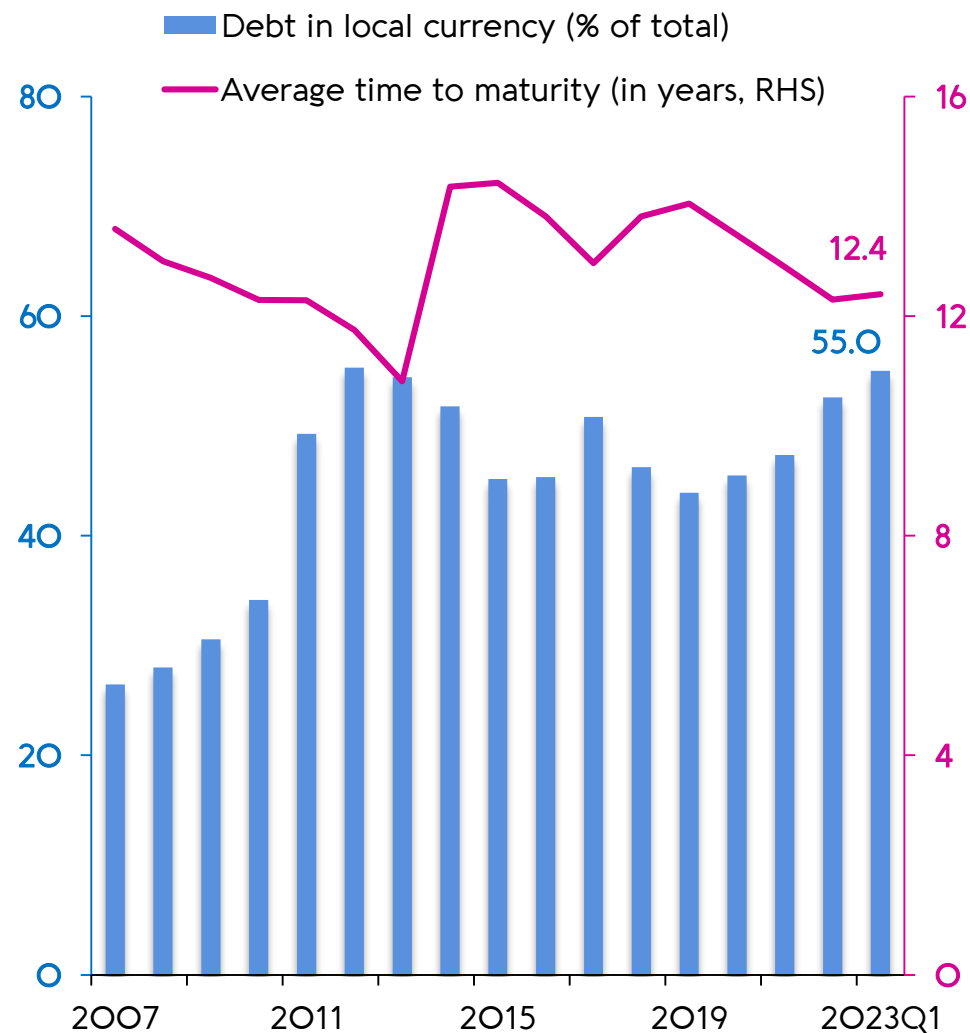
# Government debt burden set into a slightly downward path since pandemic shock, while proactive debt management strategies aim to de-risk debt portfolio while keeping borrowing costs contained



**Gross and net debt stock of the Central Government**  
(As of end-period, in % of GDP)





**Currency and maturity composition of debt**  
(As of end-period)

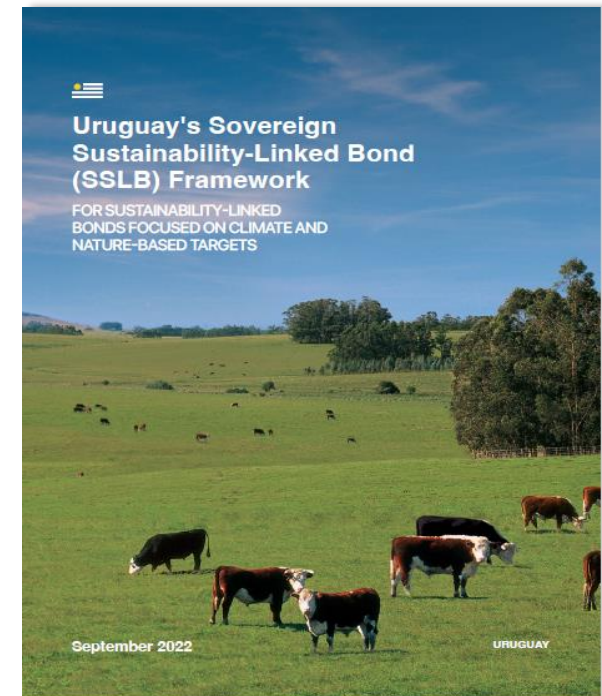




# In October 2022, Uruguay issued a Sustainability-Linked Sovereign Bond (SSLB) tied to climate and nature conservation indicators



- The issuance was underpinned by the SSLB Framework published on September 20<sup>th</sup>, 2022, and developed a specific webpage with all the information related to this project (<http://sslburuguay.mef.gub.uy/>).
- The Bond embeds two complementary Key Performance Indicators (KPIs) tied to climate change mitigation and nature conservation goals:
  -  reducing the intensity of Greenhouse Gas emissions
  -  preserving the area of native forests
- The Sustainability Performance Targets (SPTs) are based on quantitative goals set for 2025 and are in line with Uruguay's Nationally Determined Contribution (NDC) under the Paris Agreement.



*The project benefited from technical assistance from the Interamerican Development Bank (IADB) and the United Nations Development Program (UNDP).*

## The SSLB Bond pioneered an alternative approach for sustainability-linked debt financing



- Uruguay implemented an innovative financing mechanism that linked the country's cost of capital to its delivery of ambitious climate and nature goals.
- Introduced an interest rate structure for SSLBs that features a potential coupon adjustment (increase, constant or decrease), depending on whether the country fails to meet, delivers, or overperforms on its SPTs, respectively.
- Embedding better-aligned financial incentives in sovereign fixed-income instruments can achieve the integration of nature and climate considerations into sovereign debt markets, providing positive incentives for countries to contribute to global public goods.



# Summary of Key Innovations in Uruguay's SSLB Framework



## Whole Economy Sustainability-Linked Bonds

- ✓ By integrating “whole economy” Paris-aligned commitments into a national financial strategy, Uruguay will introduce a class of financial instruments that can enable Uruguay, and other State Actors, to achieve our shared climate change objectives

## Mainstream NDC Commitments

- ✓ Create benchmarks for Sovereign GHG emission intensity reduction and Native Forest Area maintenance goals
- ✓ Help strengthen the credibility in the NDC system
- ✓ Pave way for KPI standardization in order to scale up sustainable finance instruments for sovereigns

## Robust inter-ministerial coordination

- ✓ The responsibilities and accountability across participants of the task force were agreed upon and laid out in a Memorandum of Understanding
- ✓ The work of the task force is backed by an executive decree executed by all Five Ministries involved in the work related to SSLBs



## Financing mechanism that is incentive-compatible

- ✓ Uruguay seeks to explicitly link its cost of capital to the achievement of the country's forward-looking environmental targets under the Paris Agreement
- ✓ The proposed two-way pricing structure will penalize Uruguay if it does not deliver on its NDC goals (SPT 1.1 & SPT 2.1) and will reward the country if it over performs on its ambitious NDC targets (SPT 1.2 & SPT 2.2).

## Reporting

- ✓ Uruguay is the only non-Annex I country that reports GHG emissions on the **annual frequency** and with a shorter time lag, on par with industrialized countries
- ✓ Uruguay's efforts to shorten data “lags” and external verification period for GHG emissions to approximately 17 months

## External Verification

- ✓ United Nations Development Program (“UNDP”) provides accelerated independent external review of both KPIs throughout the life of the bond

# Central Government's funding needs and financing sources for 2023



## Flow of funds

(Annual, in USD million)

	2022 (*)	2023 (*)
<b>FINANCING NEEDS</b>	<b>5,140</b>	<b>4,263</b>
Primary Deficit <sup>(1)</sup>	722	210
Interest Payments <sup>(2)</sup>	1,667	1,771
Amortizations of Bonds and Loans <sup>(3)</sup>	2,604	2,256
Change in Financial Assets	147	26
<b>FUNDING SOURCES</b>	<b>5,140</b>	<b>4,263</b>
Disbursements from Multilaterals and Fin. Instit.	571	396
Total Issuance of Market Debt <sup>4/</sup>	3,992	3,825
Others (net) <sup>5/</sup>	576	42
<b>Memo Item : Government Net Indebtedness (GNI)</b>	<b>1,812</b>	<b>1,939</b>

(\*) Preliminary. The sum of the components may differ from the totals due to rounding.

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

(2) Includes interest payments to the SSTF on its holdings of Central Government debt, but does not net out market price valuation gains on above-par bond issuances.

(3) For 2023, includes the obligations coming due on a contractual basis and bonds repurchased and early redeemed.

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

(5) Captures other financial sources of cash inflows for the Treasury, as well as financing operations that do not impact gross debt statistics

Source: Ministry of Economy and Finance of Uruguay.

# Cornerstones of debt management strategy and sustainable financing



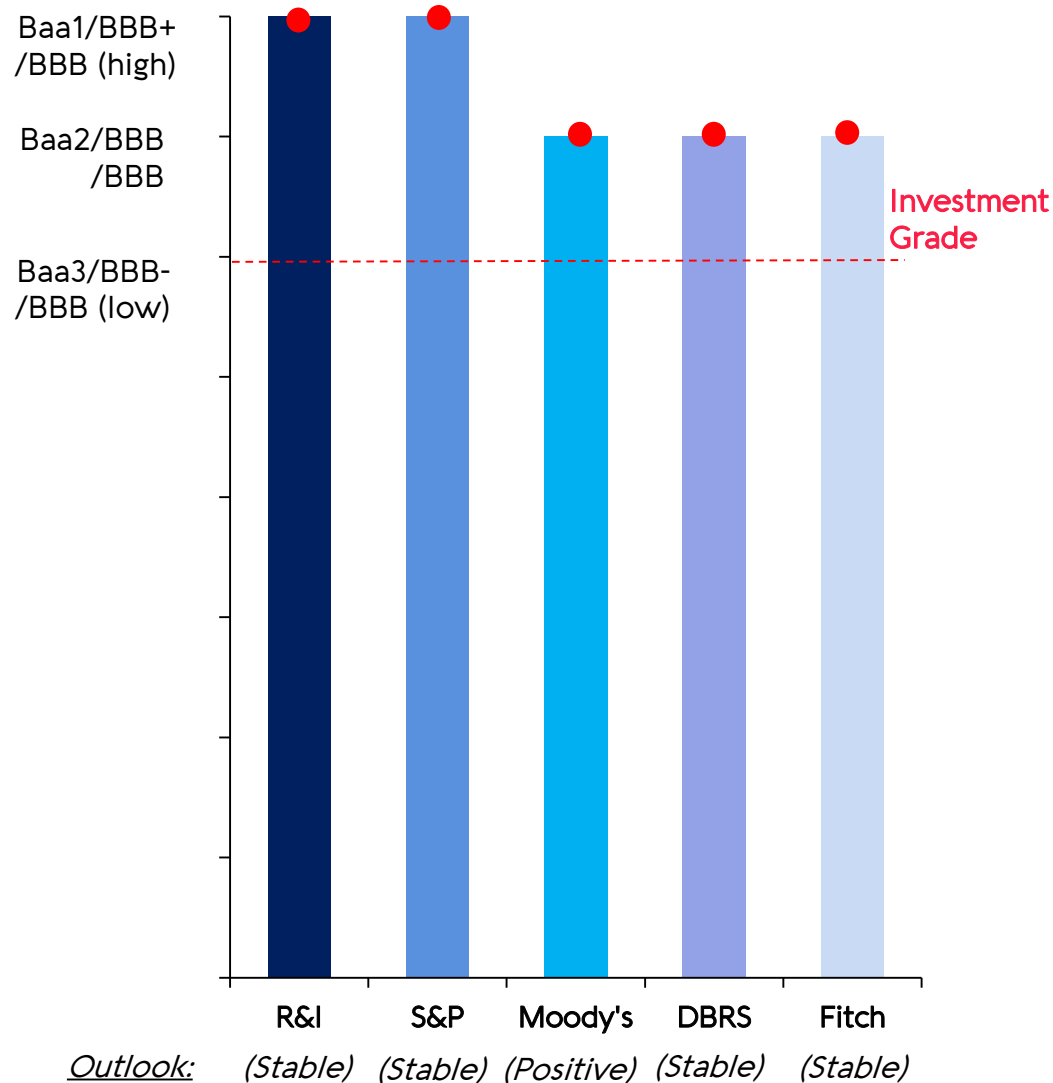
- Increase local currency funding in domestic and international markets while developing its secondary market (liquidity, depth, and points in the curve).
- Keep refinancing risk low through proactive LM operations, precautionary liquidity buffers and contingent credit lines.
- Diversify sources of funding and continue broadening the investor base, particularly ESG-focused accounts.
- Align sovereign funding strategies (in bond market issuance and multilateral loans) with achieving ambitious environmental targets to address climate change and nature conservation.

At the beginning of June, Fitch raised Uruguay's credit rating to BBB, resulting in the main five rating agencies positioning Uruguay one notch above investment grade for the first time in history



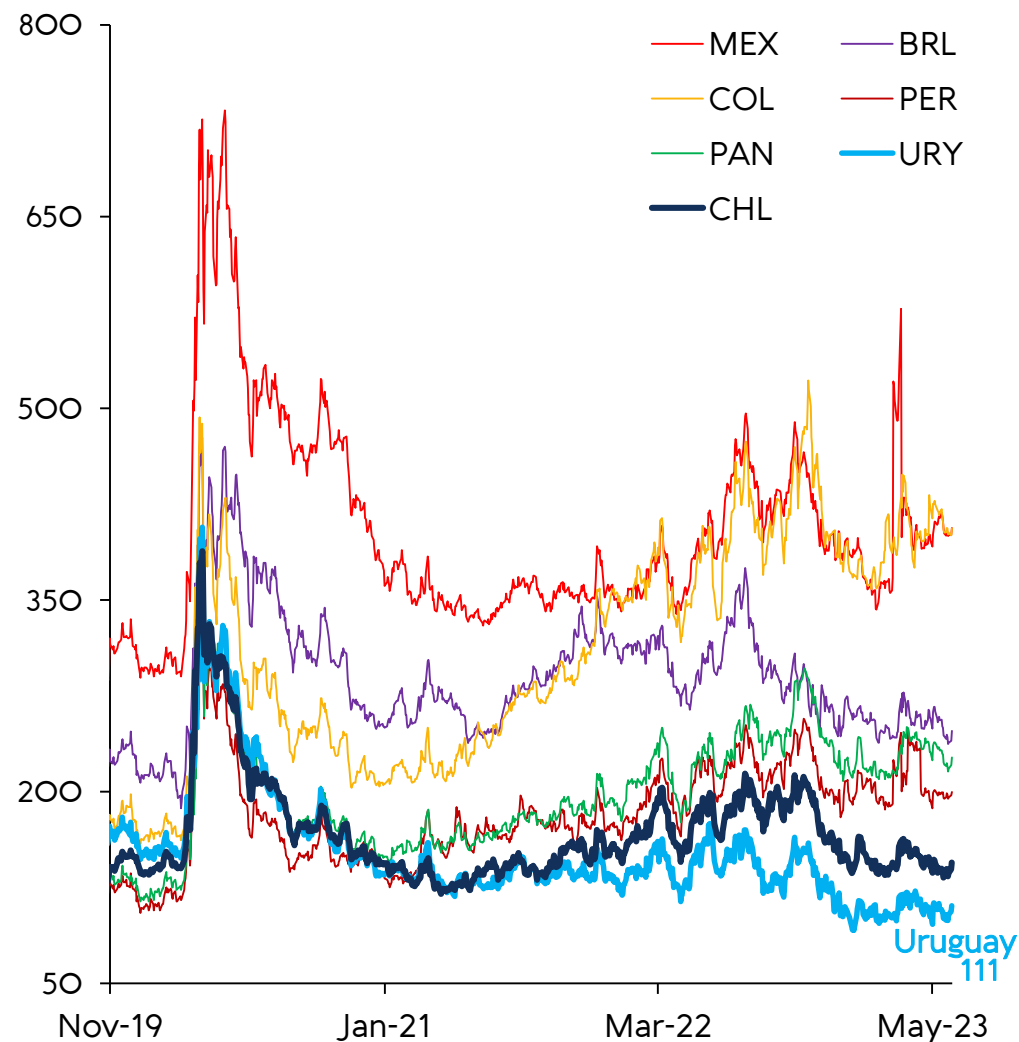
### Uruguay's sovereign credit ratings <sup>(1)</sup>

(As of June 7<sup>th</sup>, 2023)



### Sovereign risk premia <sup>(2)</sup>

(EMBI spread, in bps. As of 31<sup>st</sup> May, 2023)



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

(2) Source: Bloomberg





**República Oriental  
del Uruguay**