



República Oriental del Uruguay

Investor Presentation

April 2024



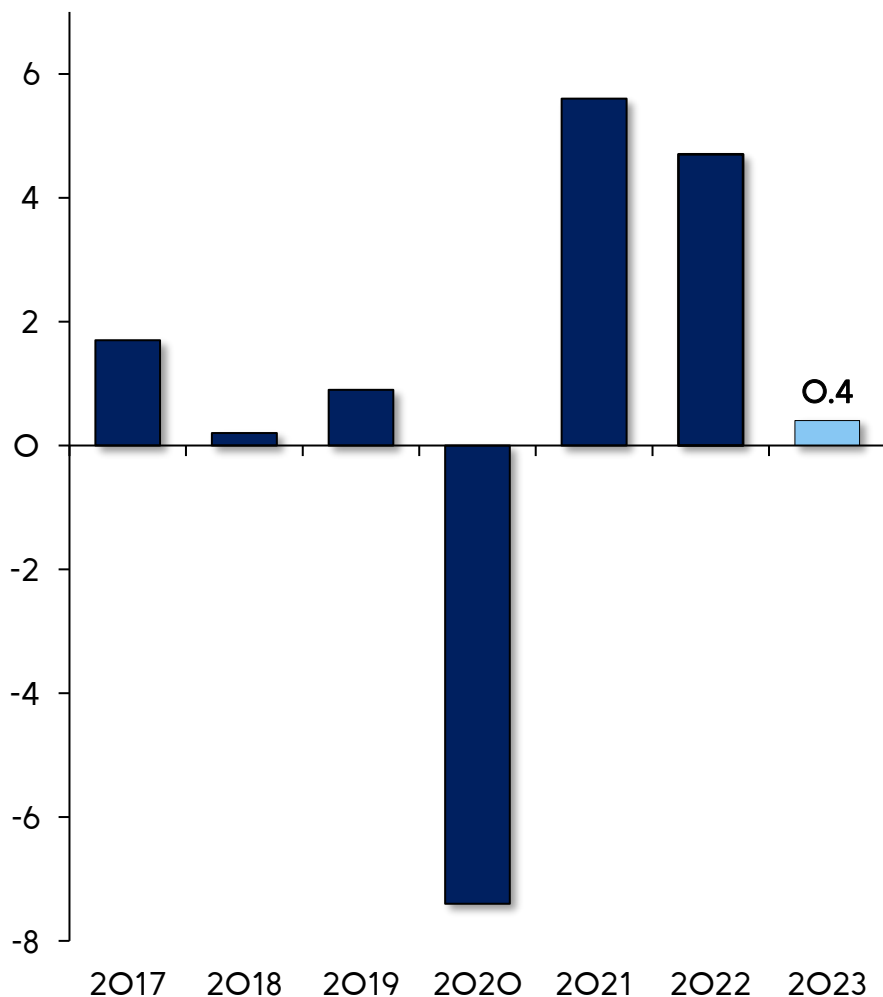
Ministerio de
Economía
Y Finanzas

Economic activity decelerated markedly during 2023, weighed down by a severe drought, lower external demand for agricultural goods and consumption drain to Argentina on relative price differences.



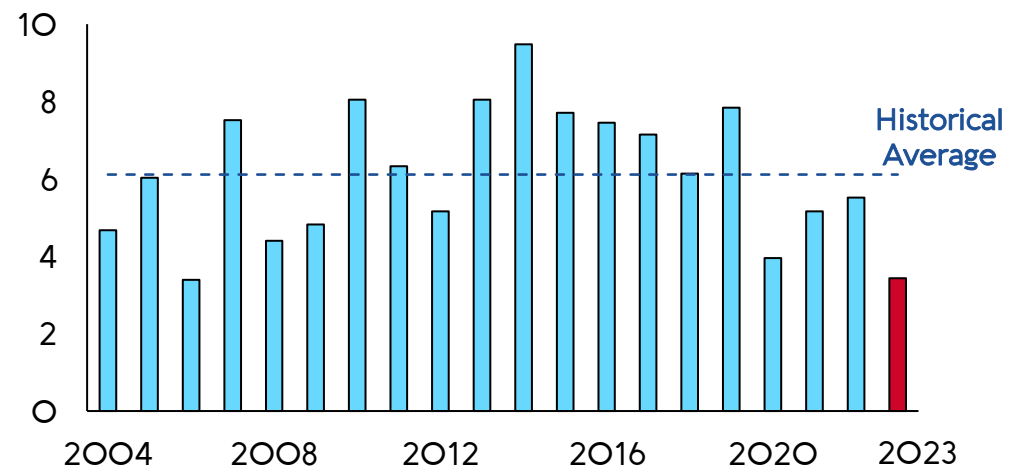
Annual real GDP change⁽¹⁾

(YoY, In %)



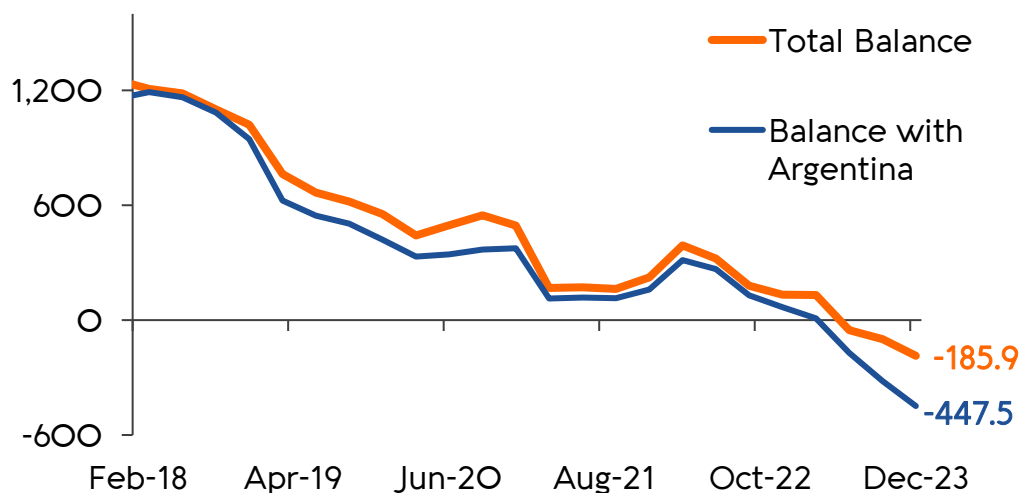
Uruguay's hydraulic electricity generation⁽²⁾

(in thousands of GWh. annual)



Net Tourism Balance⁽³⁾

(in millions of dollars, rolling 4-quarters)



(1) Source: Central Bank of Uruguay.

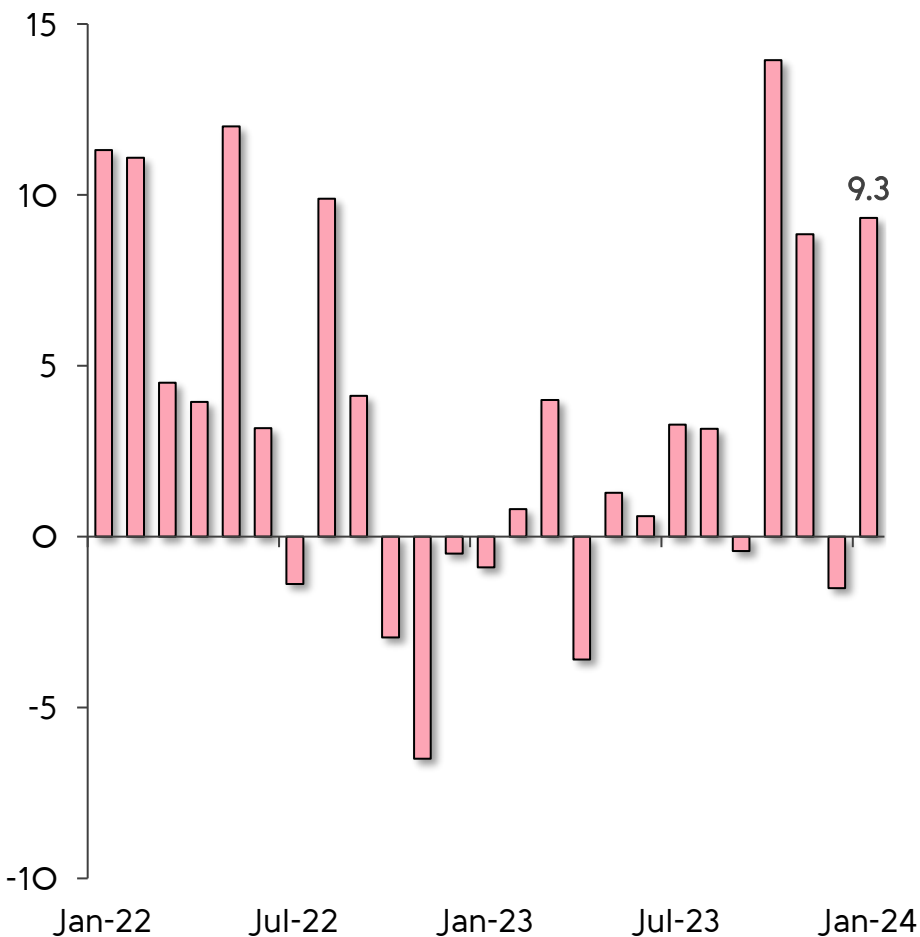
(2) Source: National Administration of Power Plants and Electrical Transmissions (UTE) and Uruguayan Electric Market Administration (ADME). The historical average was calculated for the period 2004-2023.

(3) Source: Ministry of Tourism.

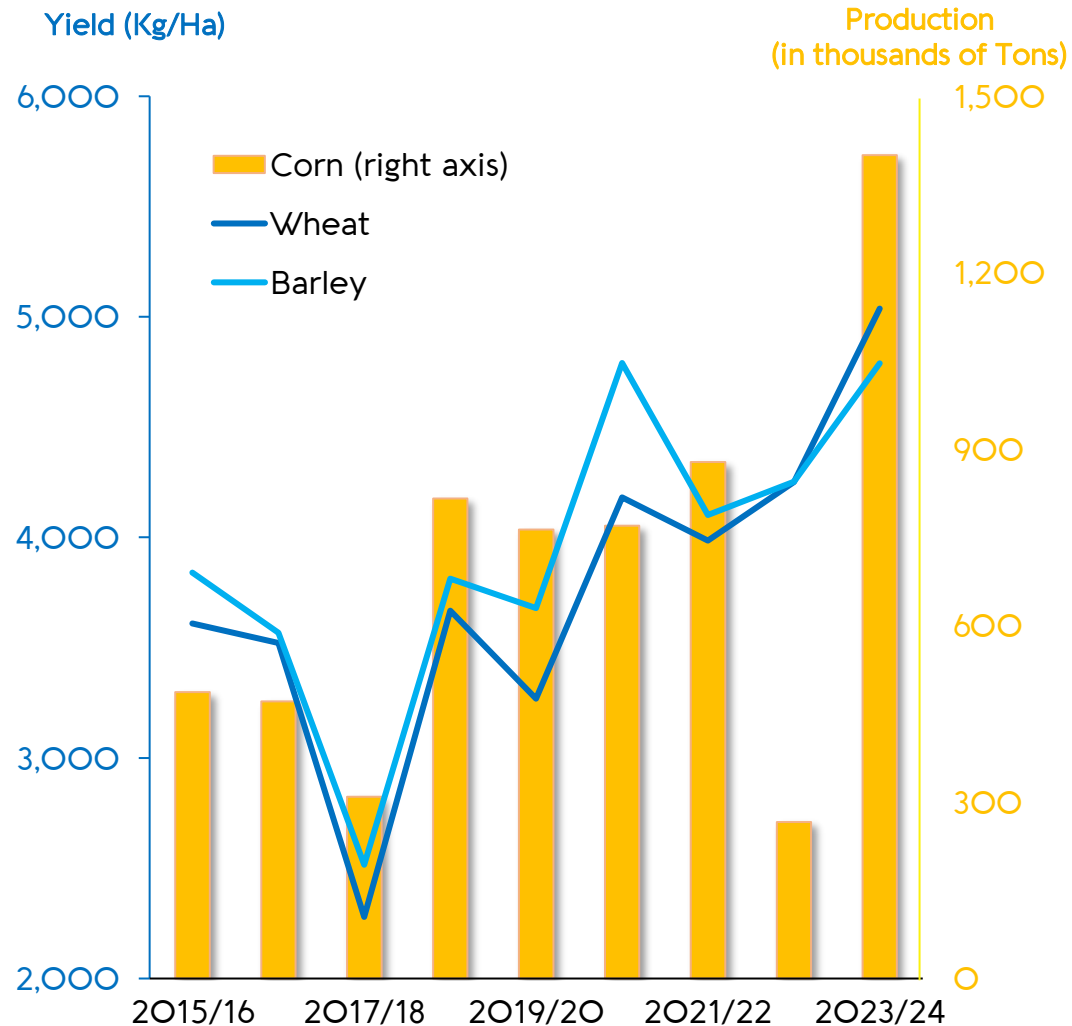
Leading indicators suggest that a recovery is underway, driven by normalization of agricultural production and exports, as well as stronger industrial production by UPM.



Industrial Production⁽¹⁾
(YoY real change, in %)



Winter crops⁽²⁾



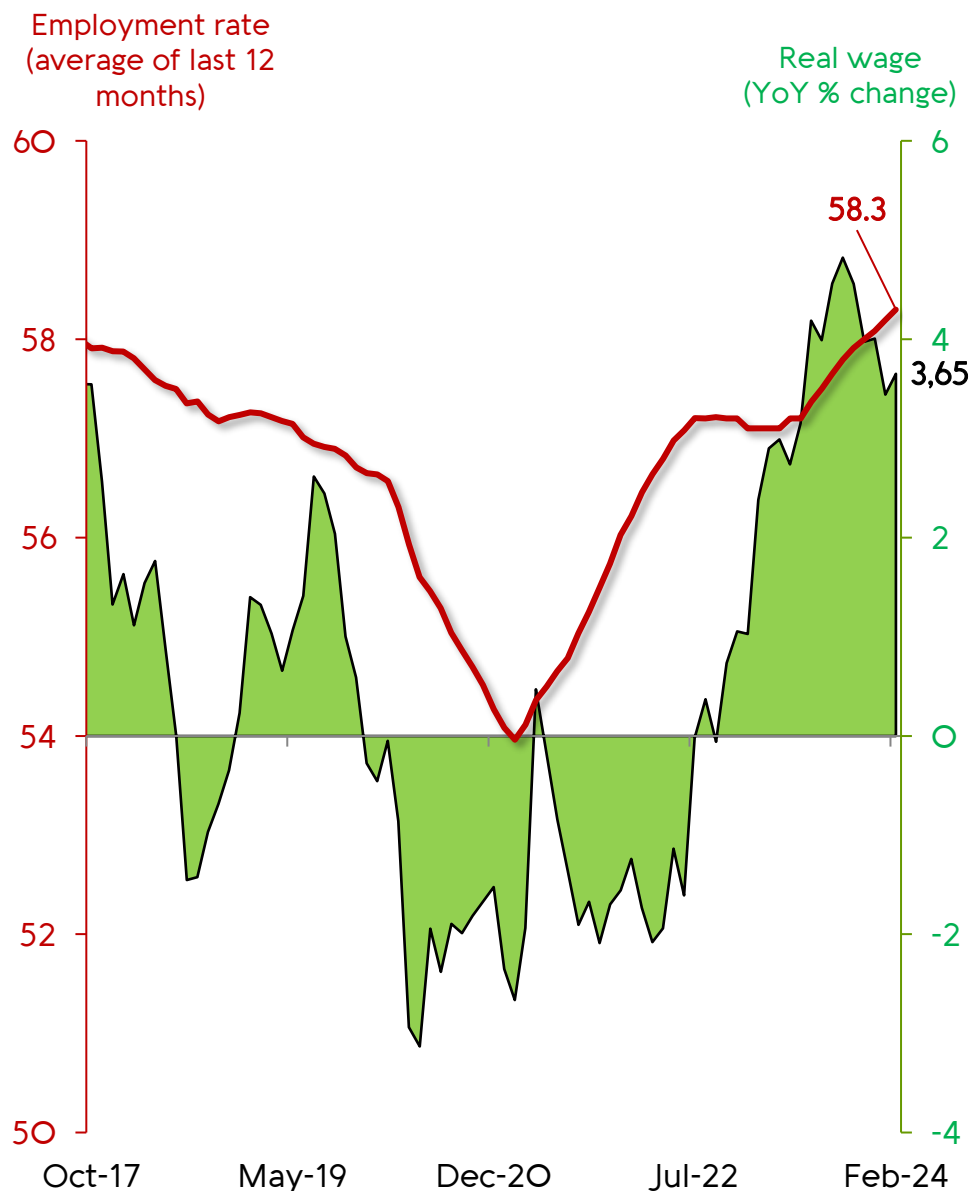
(1) Source: Ministry of Economy and Finance calculations based on data from the National Institute of Statistics. Data excludes production from the state-owned refinery ANCAP.

(2) Source: Agricultural Statistics Office (DIEA) of the Ministry of Livestock, Agriculture and Fisheries. For 2024, projections from Blasina y Asociados.

Strong labor market indicators, reflected in an upturn in real income growth and employment, will continue to boost private consumption during 2024, with smaller leakages to Argentina.

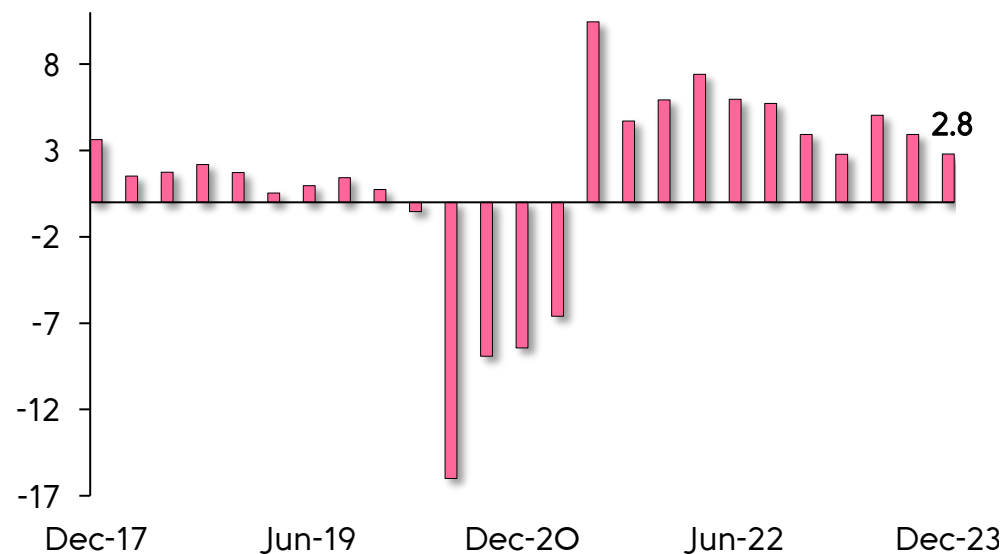


Employment and real wages ⁽¹⁾

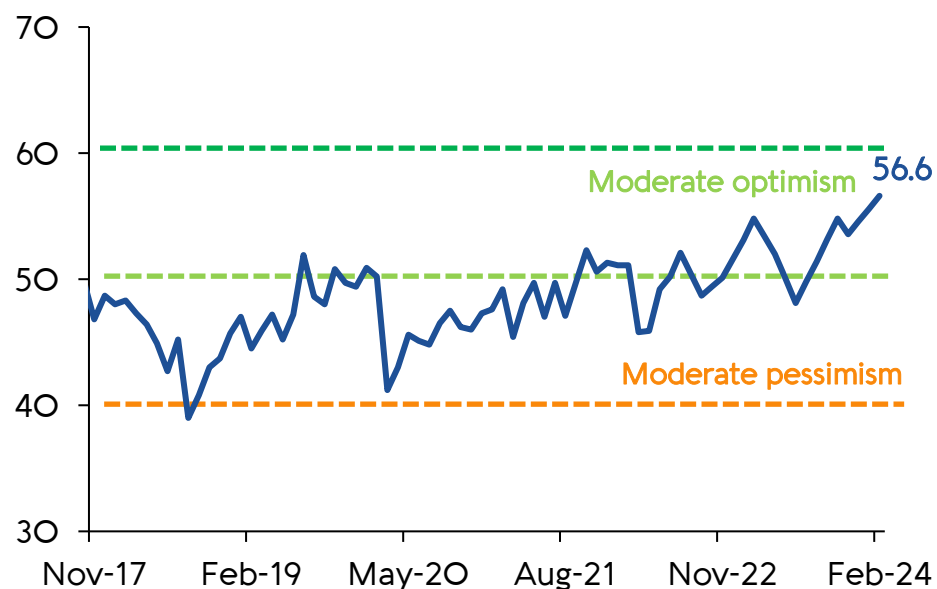


Household consumption ⁽²⁾

(YoY real change, in %)



Consumer confidence index ⁽³⁾



(1) Source: National Institute of Statistics.

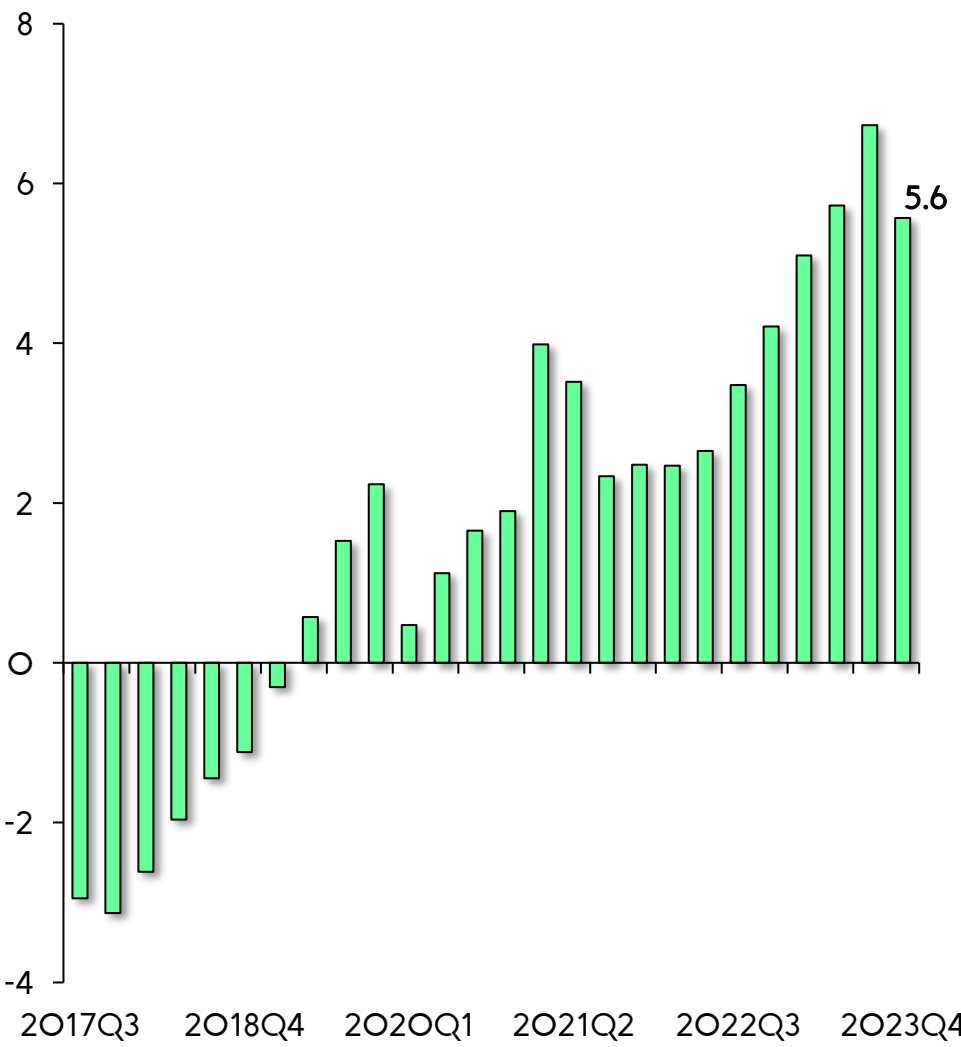
(2) Source: Central Bank of Uruguay.

(3) Source: Equipos Consultores and Universidad Católica del Uruguay.

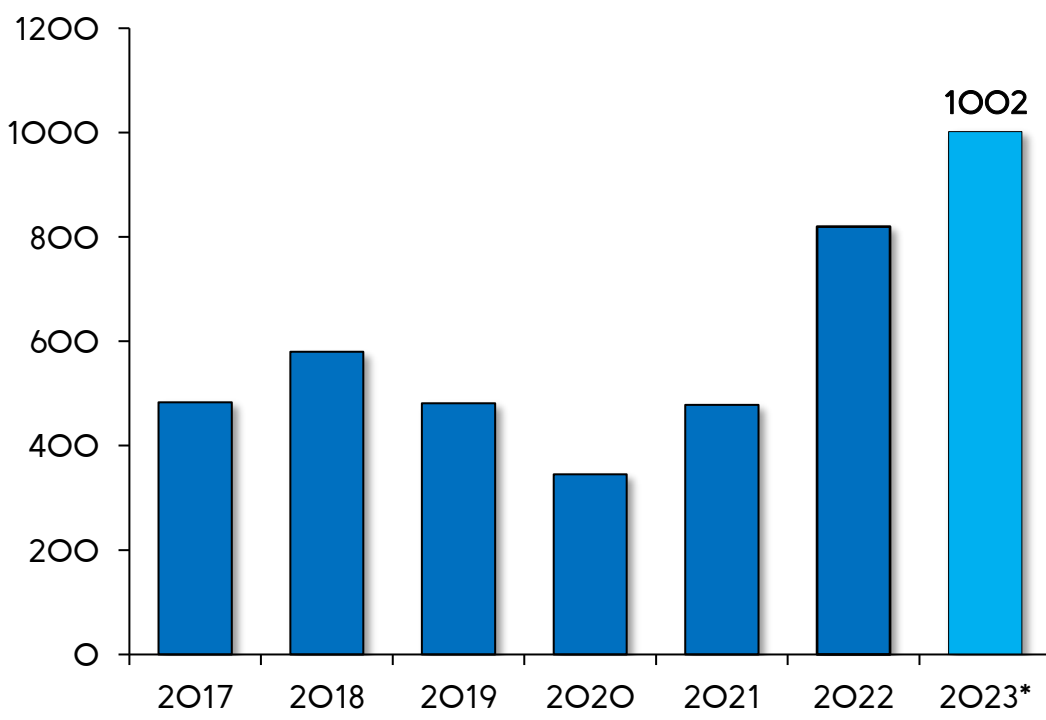
Strong increase in FDI inflows and large infrastructure investments enhance the productive capacity of the economy.



FDI net capital inflows⁽¹⁾
(Rolling 4-quarters, in % of GDP)



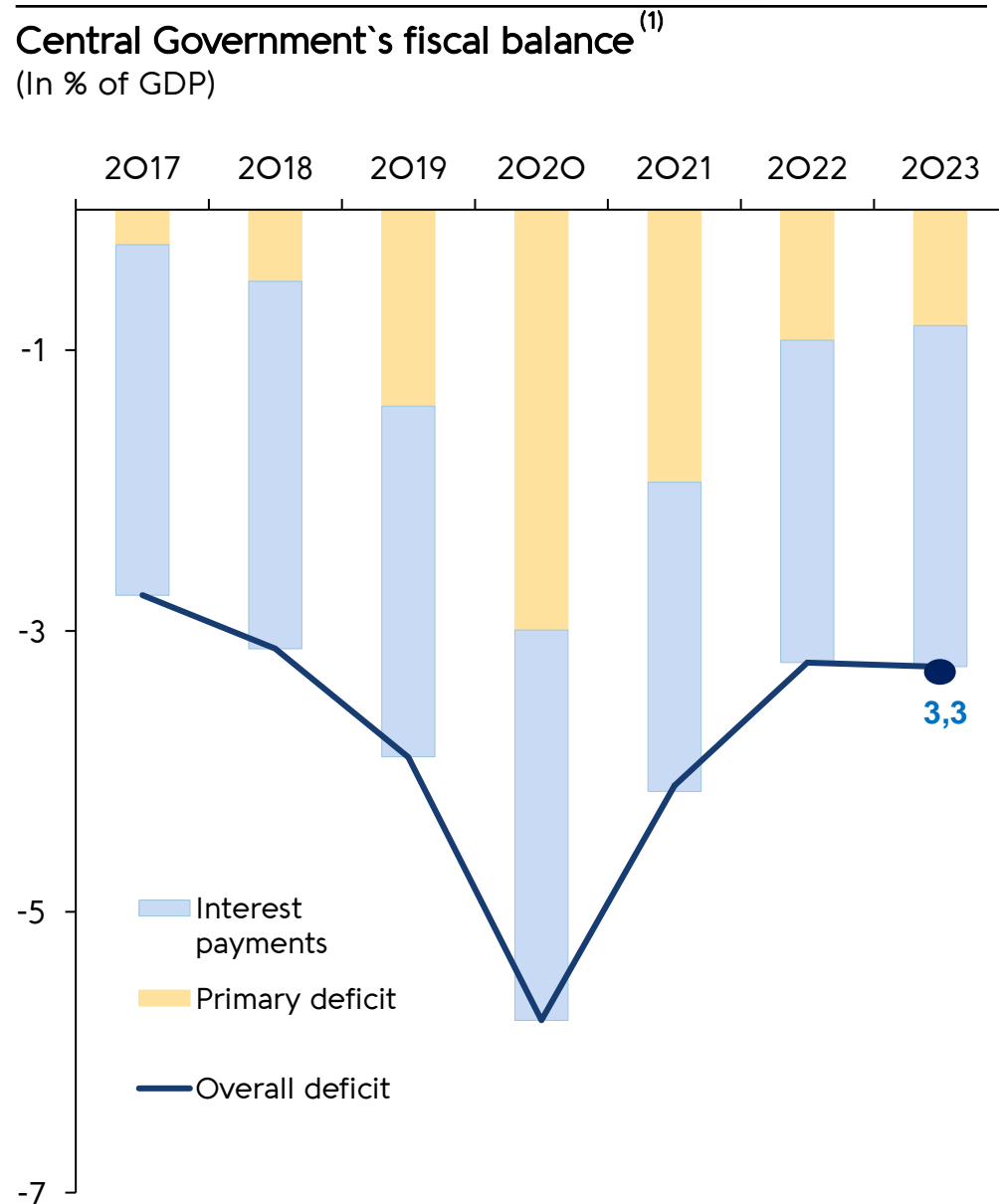
Road infrastructure investments⁽²⁾
(Millions of USD executed)



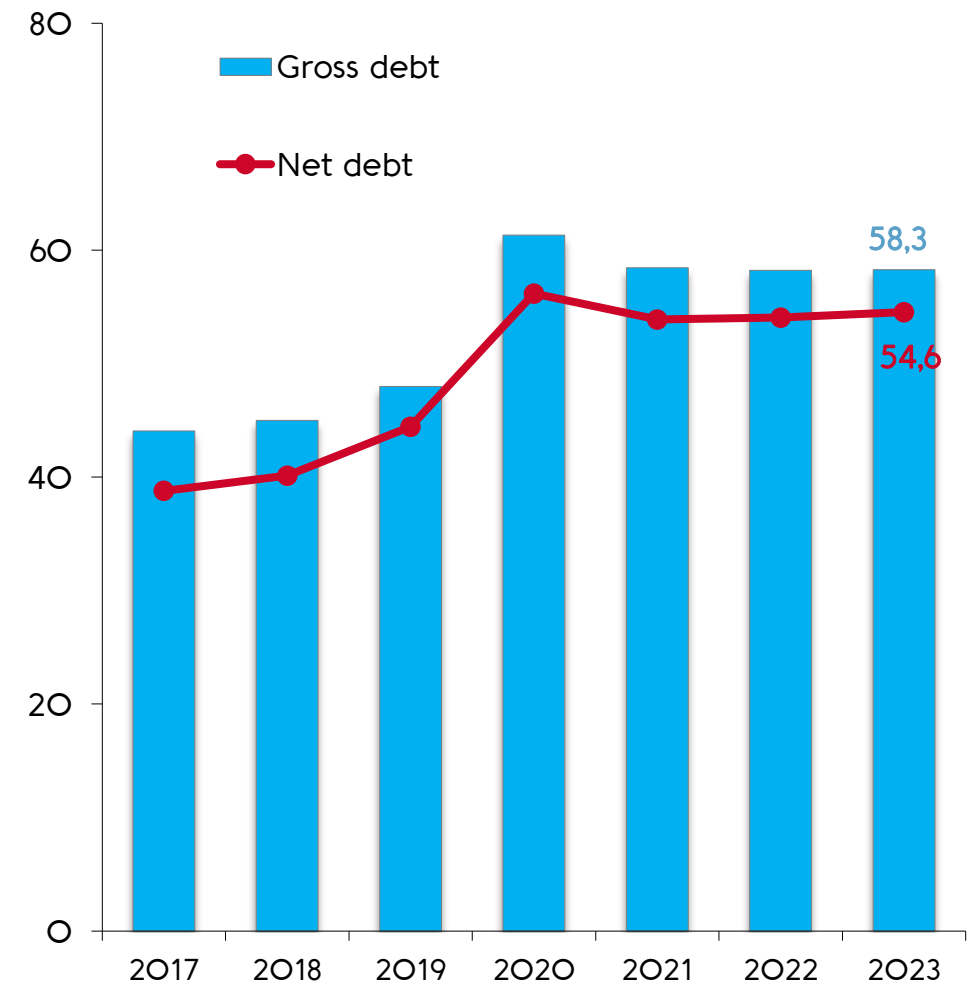
- Apr-24: UPM's first pulp transport by rail ran successfully in Uruguay when a train consisting of a locomotive and 14 wagons travelled from the Paso de los Toros pulp mill to UPM's port terminal in Montevideo.
- This was also the maiden voyage of the Ferrocarril Central, **Central Railway project** of the Uruguayan Ministry of Transport and Public Works.

(1) Source: Central Bank of Uruguay
*Preliminary Data
(2) Source: DNV, CVU, MEF, MTOP.

The fiscal balance headline in 2023 was broadly aligned with the Annual Budget forecast, and the debt-to-GDP ratio has decreased and stabilized since the onset of the pandemic.



Gross and net debt stock of the Central Government⁽²⁾
(As of end-period, in % of GDP)



(1) Source: Ministry of Economy and Finance of Uruguay and Central Bank of Uruguay, based on the Rendición de Cuentas 2022, submitted to Congress by end-June, 2023. Does not include extraordinary inflows to the Social Security Trust Fund.

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

The three pillars of the Fiscal Rule were met in 2023, for the fourth consecutive year, underpinning fiscal credibility.



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

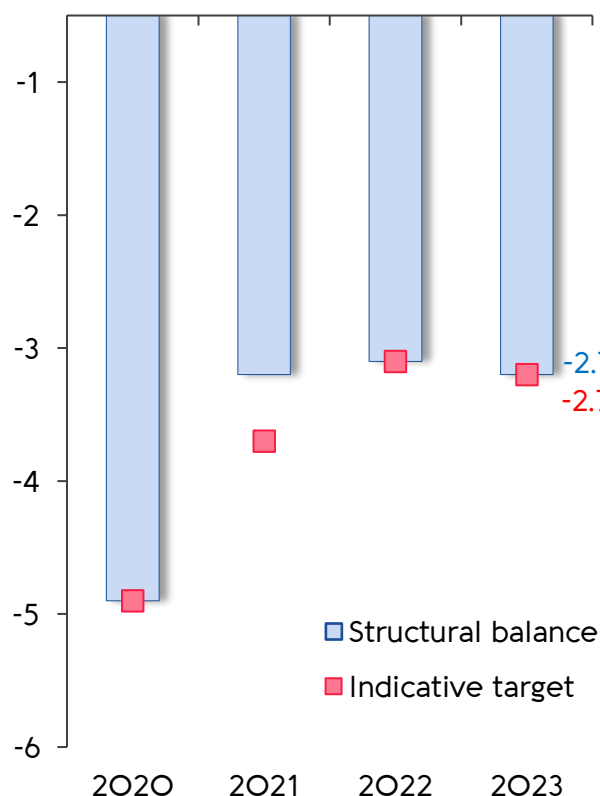


Indicative target cap on real growth in primary expenditure in line with estimated potential real GDP growth

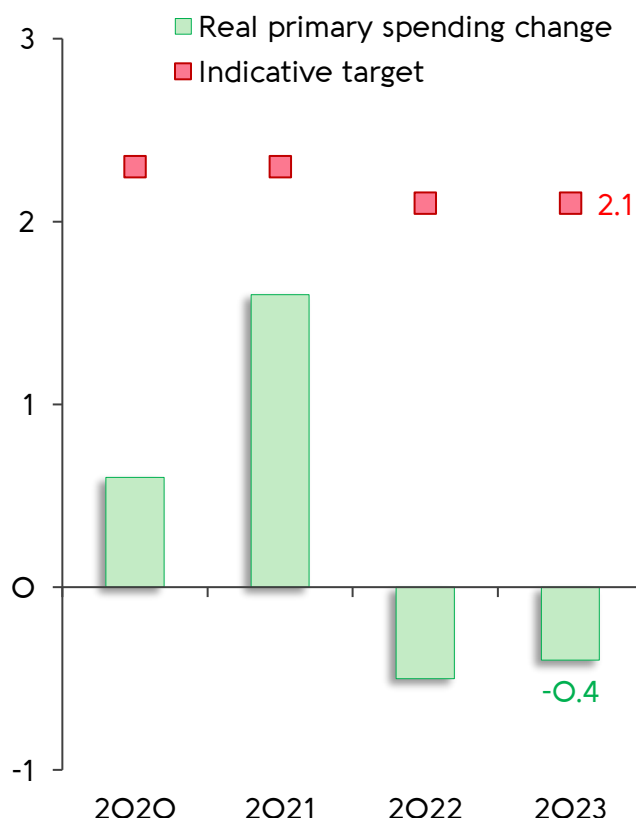


Legally binding maximum level of annual net indebtedness in dollar amount.

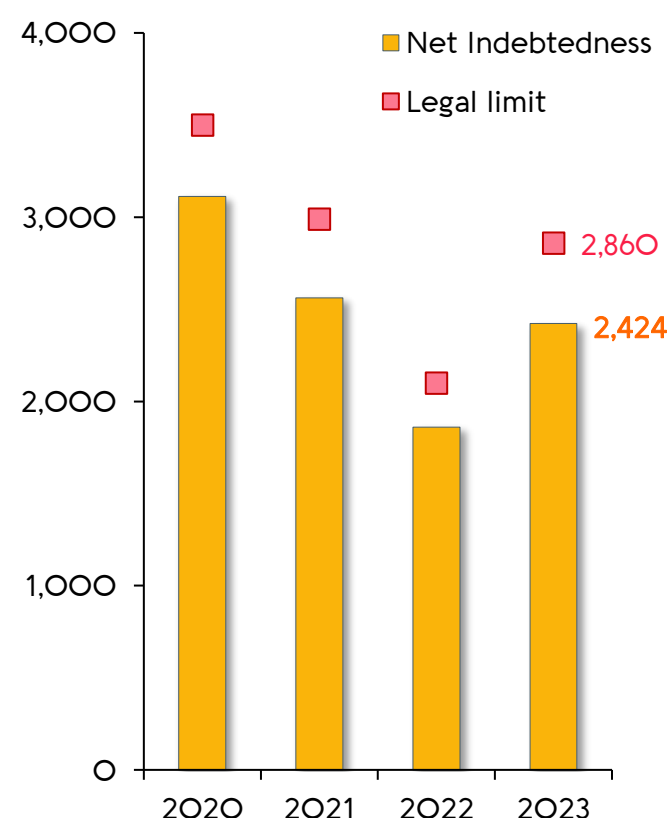
Structural balance⁽¹⁾
(In % of GDP)



Primary spending⁽²⁾
(Annual real change, in %)



Net indebtedness⁽³⁾
(USD mm)



Source: Ministry of Economy and Finance of Uruguay, based on targets set in the annual Accountability Law approved by Congress in 2023.

(1) Structural balance refers to the fiscal outcome adjusted for fiscal items impacted by economic cycle fluctuations and one-off/temporary spending and/or revenues. The ratio to GDP is calculated using the nominal GDP series and forecast for 2023 by MEF as of end-February 2024 and submitted to the Fiscal Advisory Committee (CFA), at the time of evaluating the pillar of the fiscal rule (see [Report on the Calculation of the Structural Result as of February 29th, 2024](#)). The annual GDP number for 2023 was officially published by the Central Bank by end-March 2023, which included revisions to the historical series from 2018 onwards.

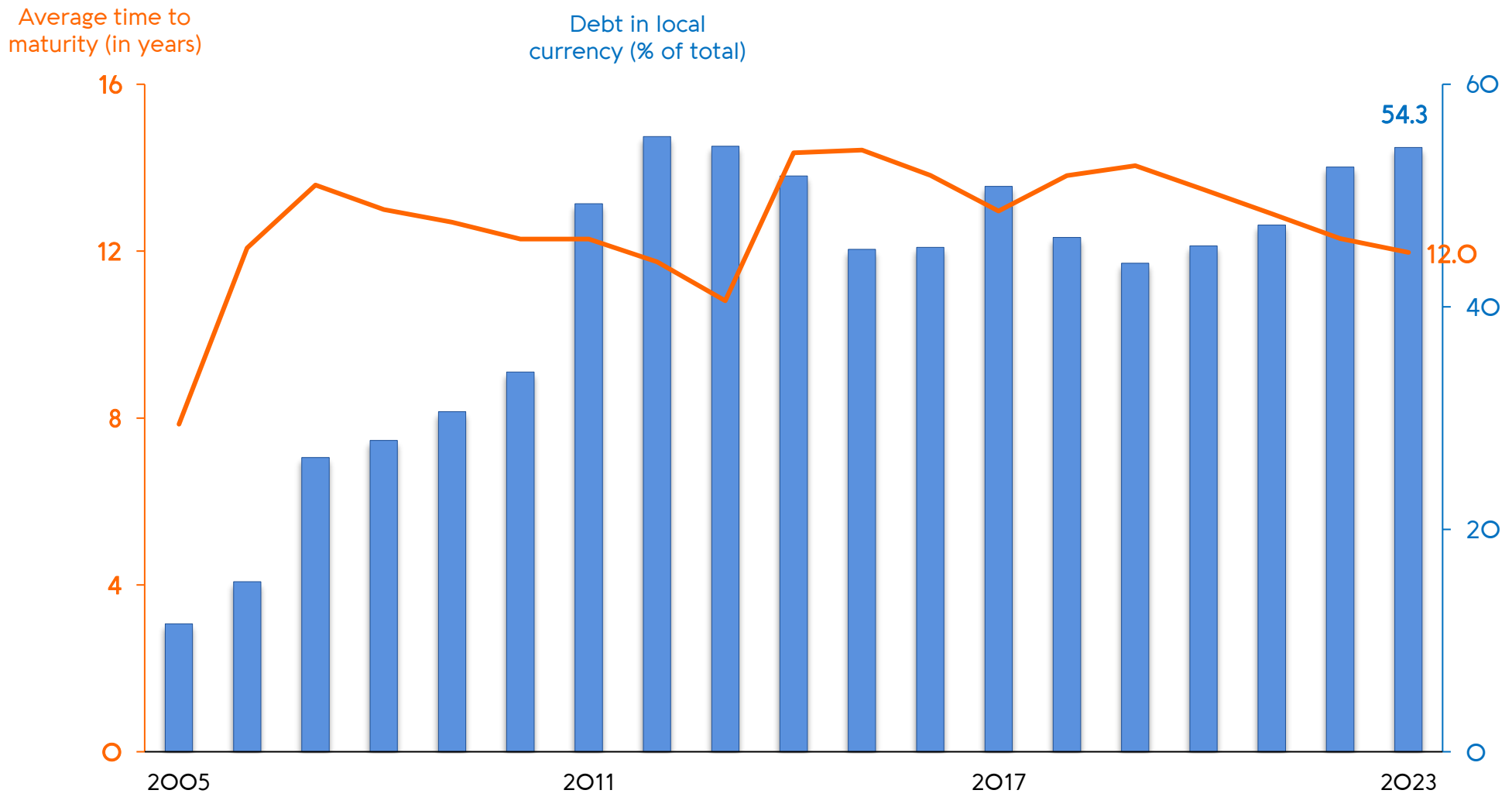
(2) Potential real GDP growth rate for 2023 (i.e. the indicative target for real primary spending growth) is estimated at 2.1% by the independent Committee of Experts.

(3) For 2023, the legal net indebtedness cap was increased from USD 2,200 million to USD 2,860 million due to the water deficit emergency, invoking the use of the legal escape clause in the fiscal rule. Government Net Indebtedness is defined as gross indebtedness (bond market issuance and disbursed loans) net of amortizations of market debt and loans, and the change in Central Government's financial assets, during the fiscal year.

Debt management strategies and relative price effects have significantly reduced dollarization of debt.



Currency and maturity composition of debt ⁽¹⁾
(As of end-period)



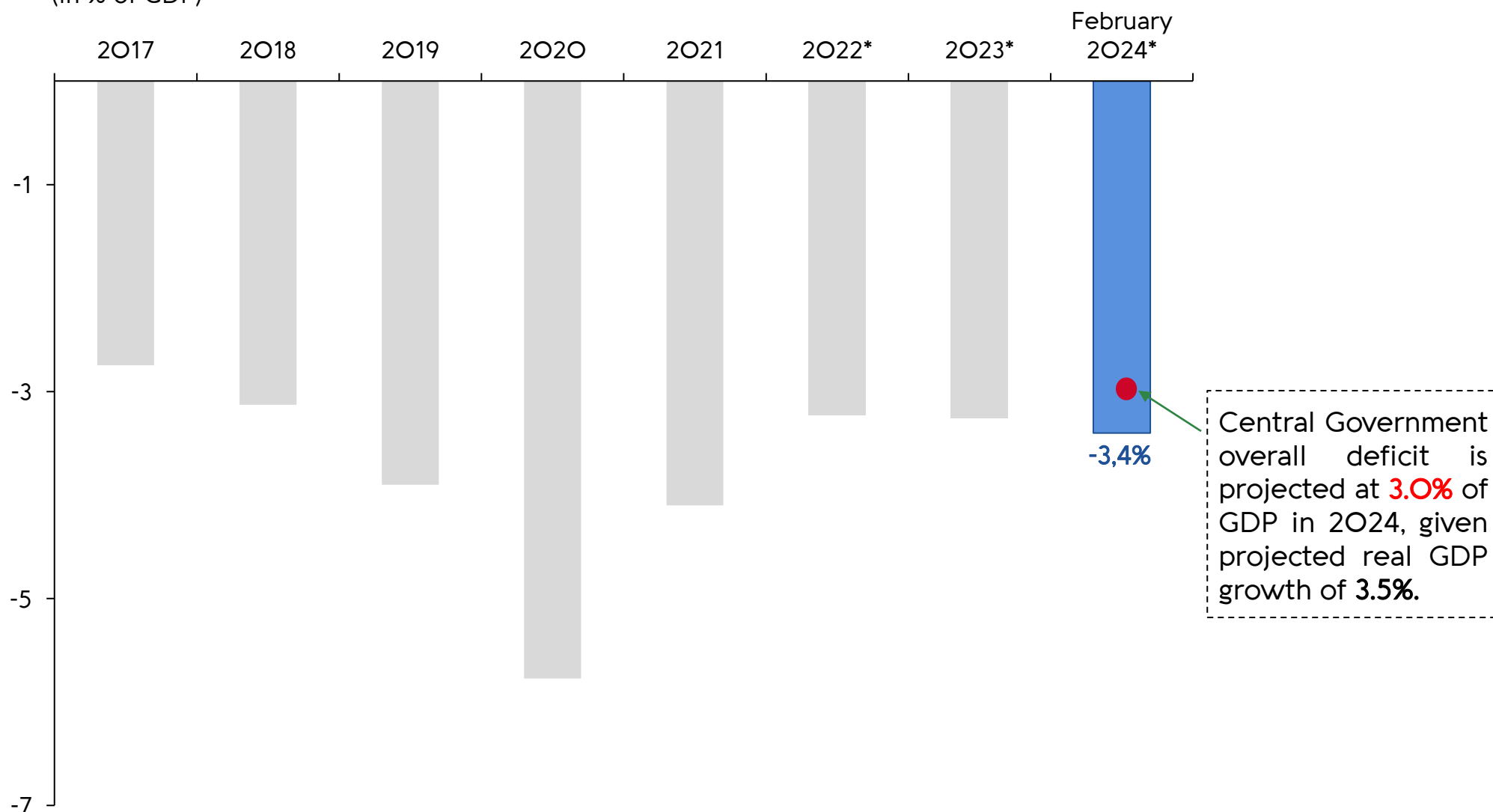
(1) Source: Debt Management Unit, Ministry of Economy and Finance of Uruguay.

The fiscal projection for 2024 implies a reduction in the headline fiscal deficit as a share of GDP, compared to 2023.



Central Government's fiscal balance ⁽¹⁾

(In % of GDP)



The three pillars of the fiscal rule for 2024 were set in the Budget Accountability Law last year.



Indicative target on structural fiscal balance
(percent of GDP)⁽¹⁾

2,9%



Indicative target cap on real change in primary expenditure
(annual percent change)⁽²⁾

2,8%



Legal limit on maximum level of annual net indebtedness⁽³⁾

USD 2.300 million

Source: Ministry of Economy and Finance of Uruguay.

(1) Structural balance refers to the fiscal outcome adjusted for fiscal items impacted by economic cycle fluctuations and one-off/temporary spending and/or revenues.

(2) Potential real GDP growth rate for 2024 (i.e. the indicative cap for real primary spending growth) is estimated at 2.8% by the independent Committee of Experts.

(3) For 2024, the legal net indebtedness cap is USD 2,300 million.

Fiscal Discipline and Enhanced Policy Framework have underpinned fiscal credibility.



- Disciplined fiscal stance is a key policy anchor: This administration has reduced the fiscal deficit and delivered on all pillars of the fiscal rule in 2023, for the fourth consecutive year (despite adverse shocks).
- The new fiscal framework has also enhanced transparency and accountability (roles of independent Fiscal Advisory Council and Committee of Experts).
- Strengthened Government balance sheet, through stabilization of the sovereign debt burden and continued progress in reducing dollarization.

Monetary policies focused on reducing inflation and anchoring inflation expectations within target band.



I Commitment to lower inflation as overriding objective

II Short-term Interest rate as policy instrument under IT regime

III Enhanced transparency in communication

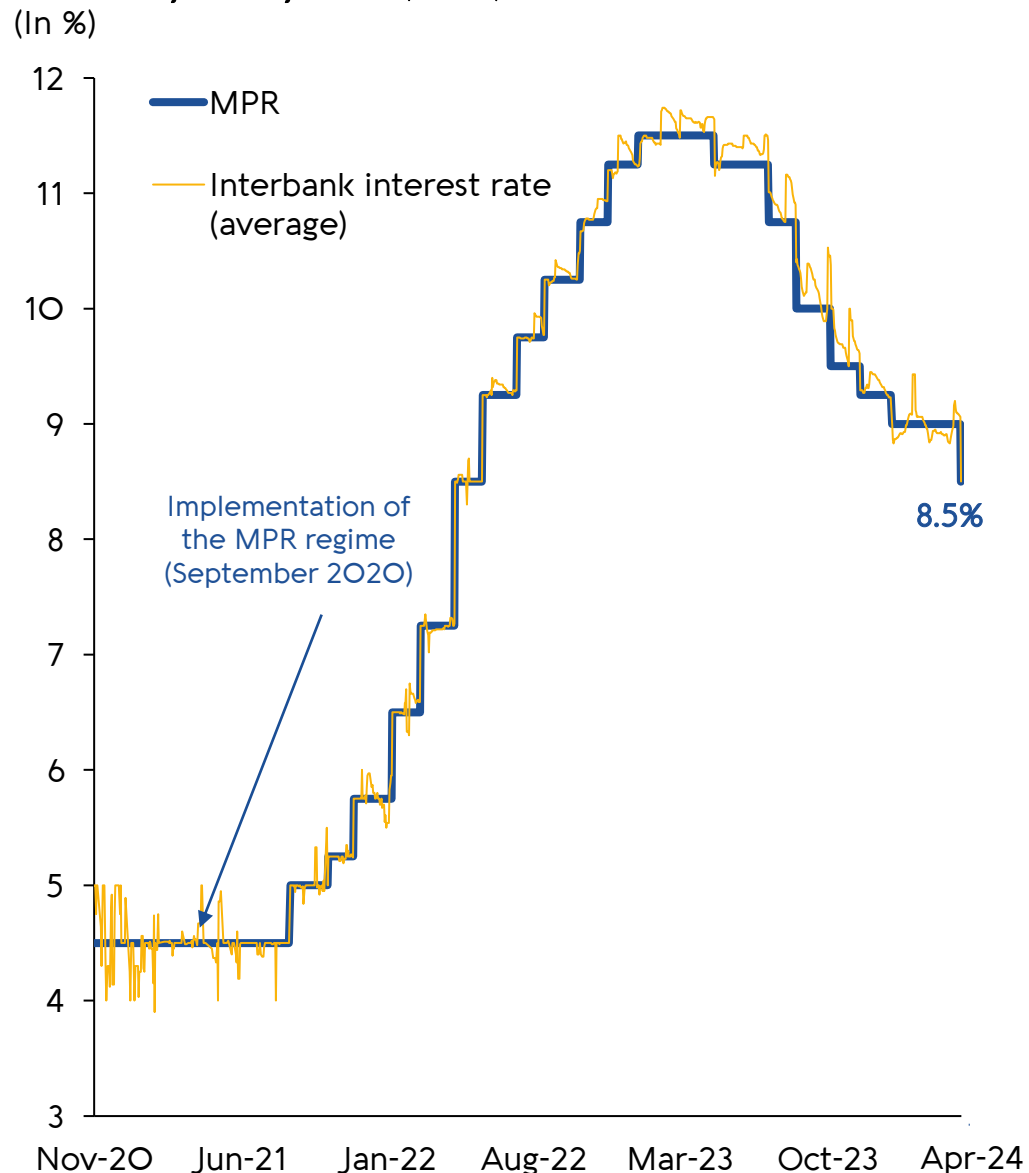
IV Free-floating exchange rate

V Policies for Financial de-dollarization

The Central Bank acted early and decisively, keeping real rates high; since April 2023, gradually lowered the reference rate.
Headline inflation has fallen sharply (to its lowest level in almost 20 years),

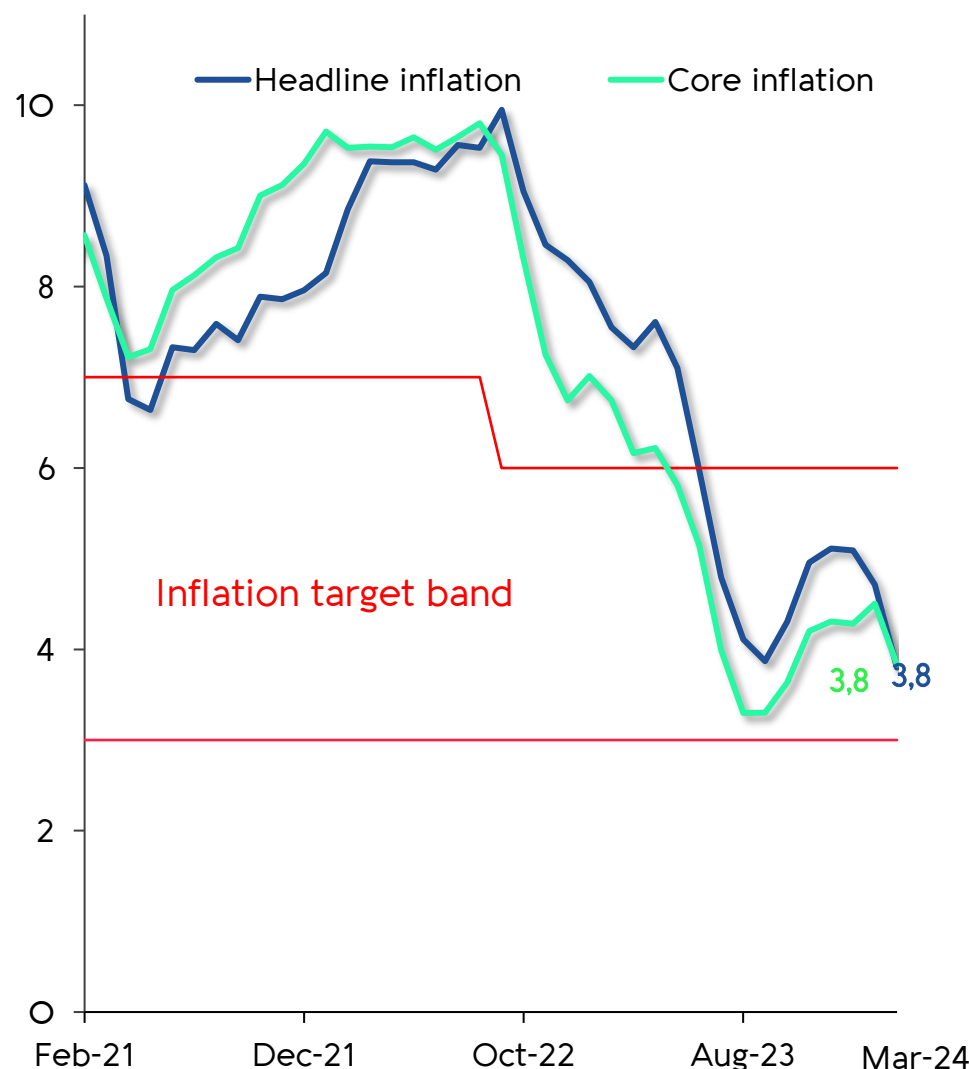


Monetary Policy Rate (MPR) and interbank interest rate⁽¹⁾



Headline inflation⁽²⁾

(YoY, in %)



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

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

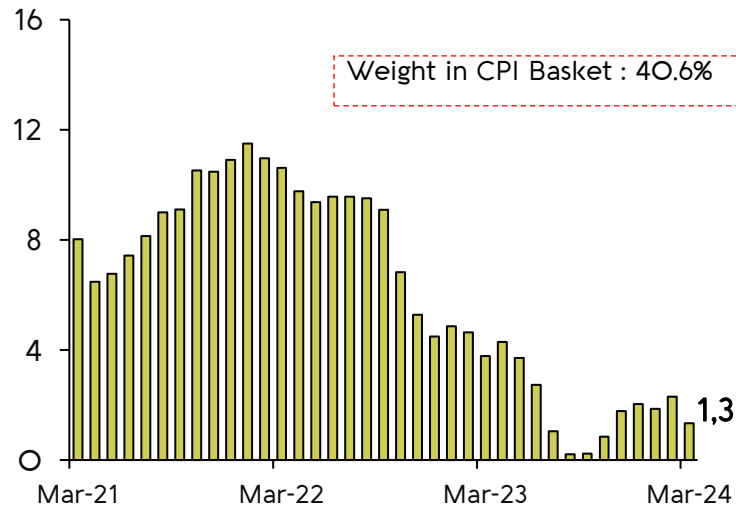
Note: Core inflation excludes fruit and vegetables as well as administered prices.

Decline in inflation is visible in both tradable and non-tradable components.



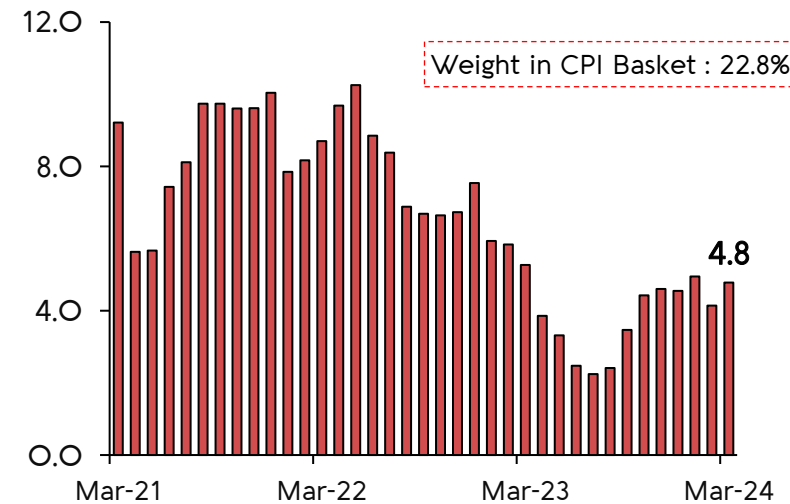
Tradable inflation⁽¹⁾

(YoY, in %)



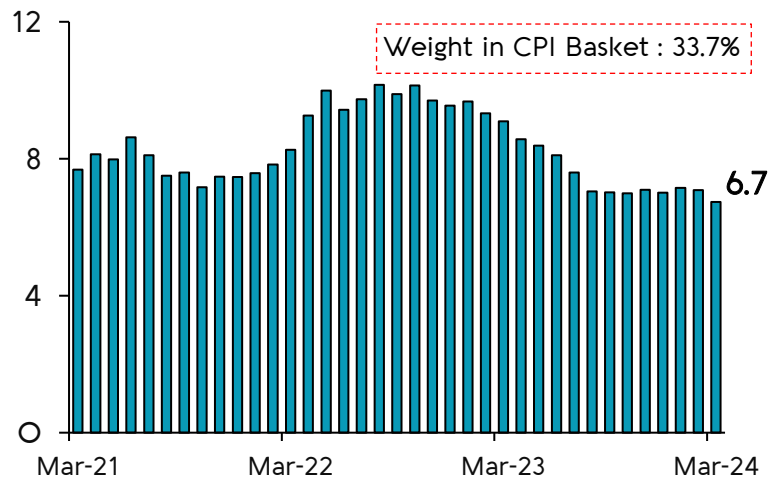
Administered prices inflation⁽¹⁾

(YoY, in %)



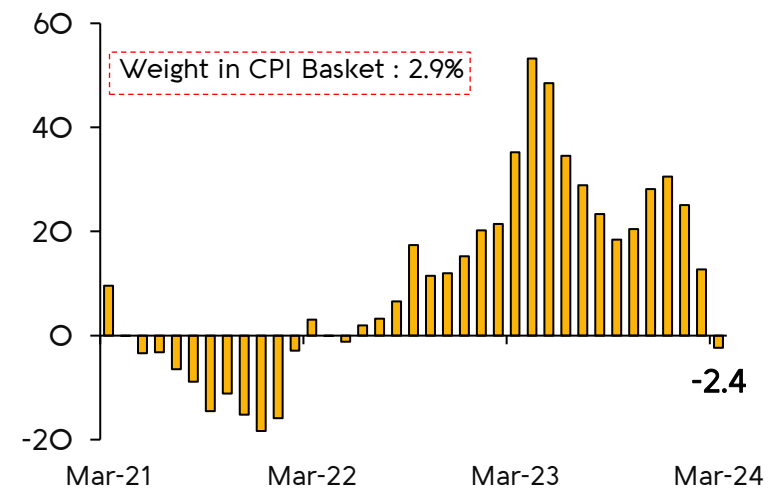
Non-tradable inflation⁽¹⁾

(YoY, in %)



Fruits and vegetables inflation⁽¹⁾

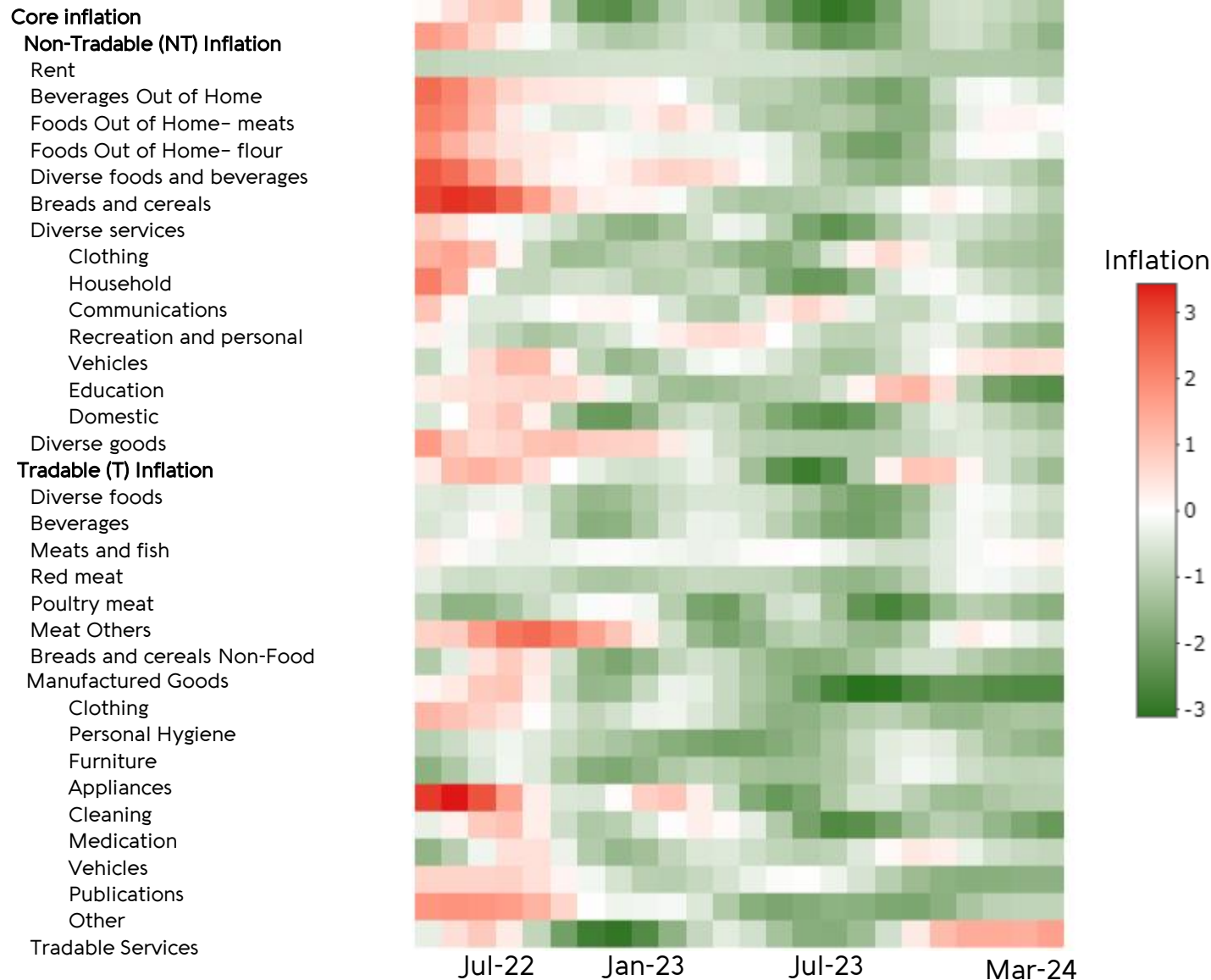
(YoY, in %)



Broad-based deceleration of the pace of price increases at the granular level.



Heatmap for Components of Headline inflation



Note: The data series for each inflation item is adjusted for seasonal variation and standardized relative to the historical average of Trend-cycle component.

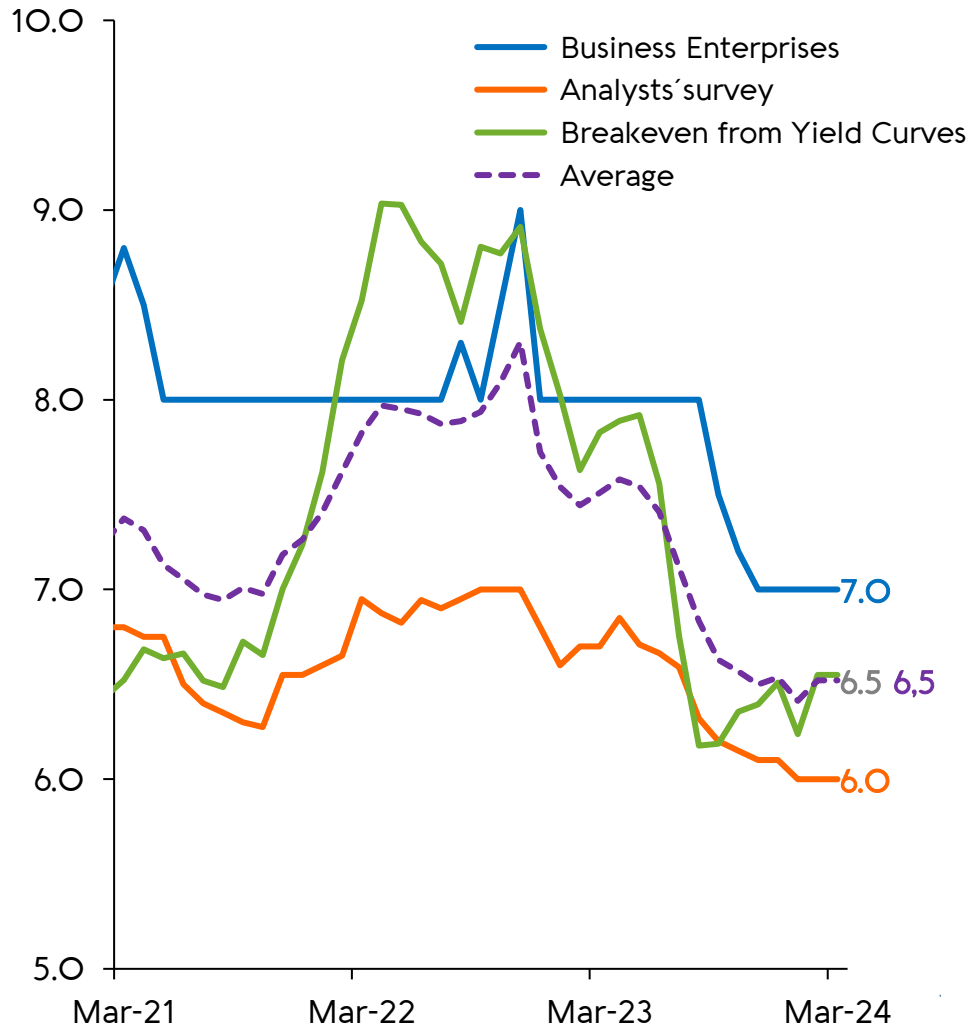
Source: Central Bank of Uruguay.

Core inflation excludes fruit and vegetables as well as administered prices.

Inflation expectations have fallen to historic lows and are converging towards the inflation target; Central Bank projects inflation path within target band over the forecast horizon.



Inflation expectations⁽¹⁾
(24-month ahead, median)



Central Bank's projected inflation path⁽²⁾
(YoY in %, quarterly frequency)



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

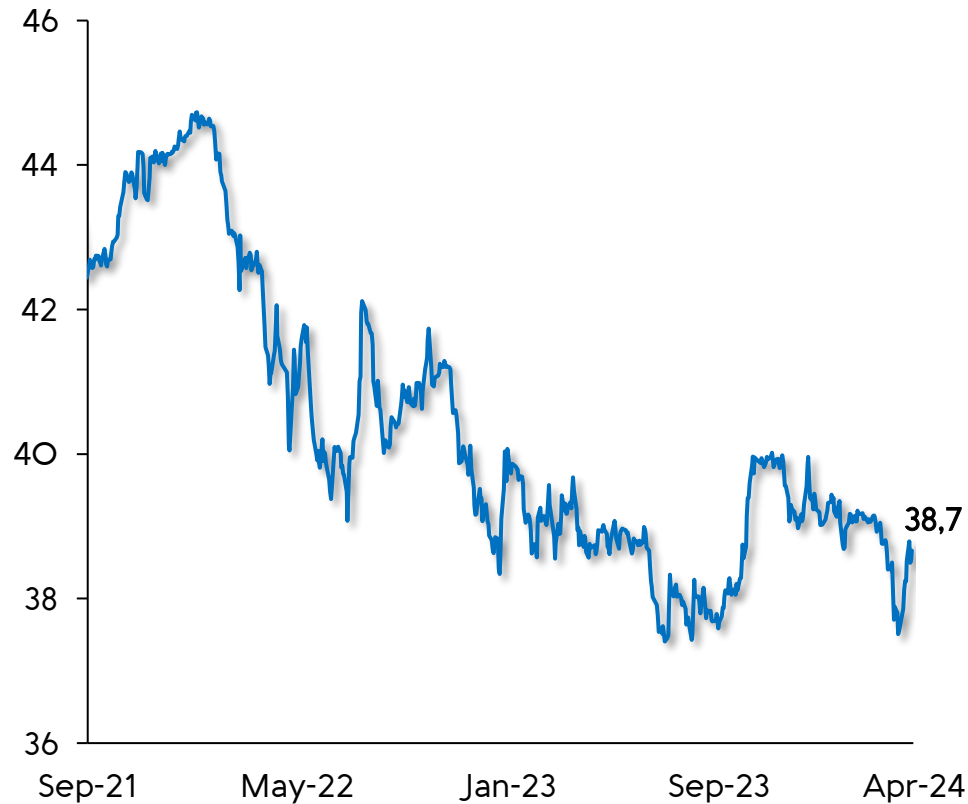
(2) Source: Central Bank of Uruguay. As of February 2024.

The FX has appreciated in nominal and real terms and with low volatility, reflecting the strength and stability of the economy.



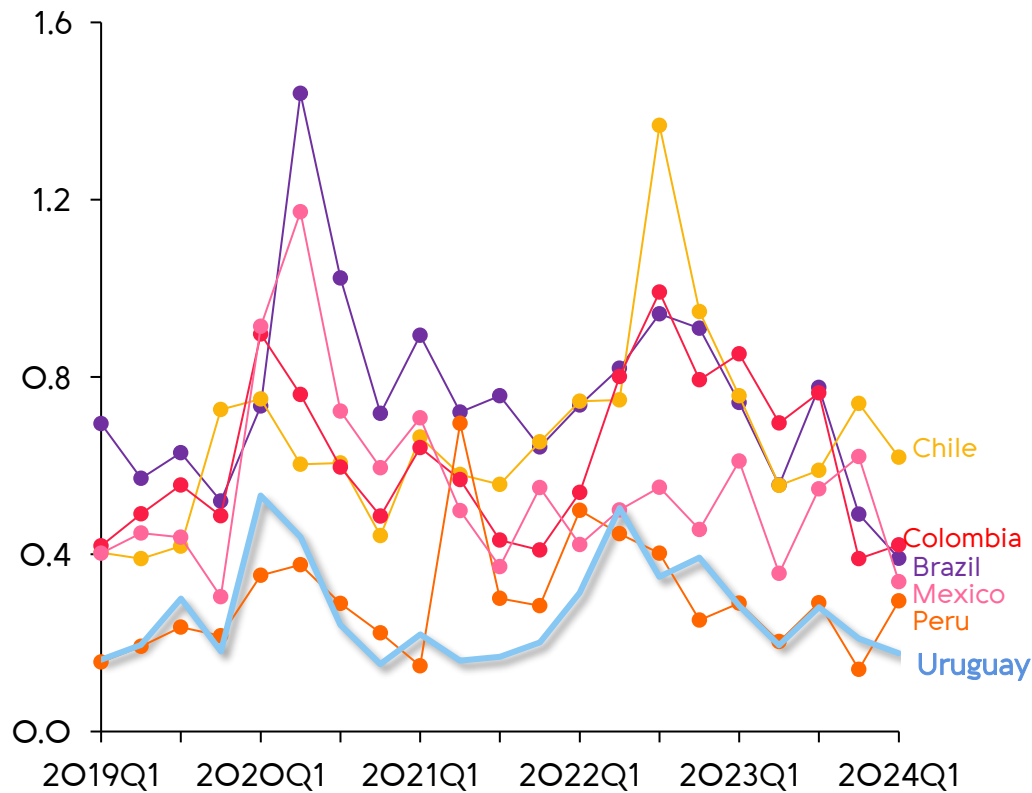
Nominal exchange rate⁽¹⁾

(Uruguayan pesos per dollar, daily. As of mid-April 2024)



Nominal exchange volatility in LatAm⁽²⁾

(Quarterly average of the absolute value of daily percent changes)



(1) Source: Central Bank of Uruguay.

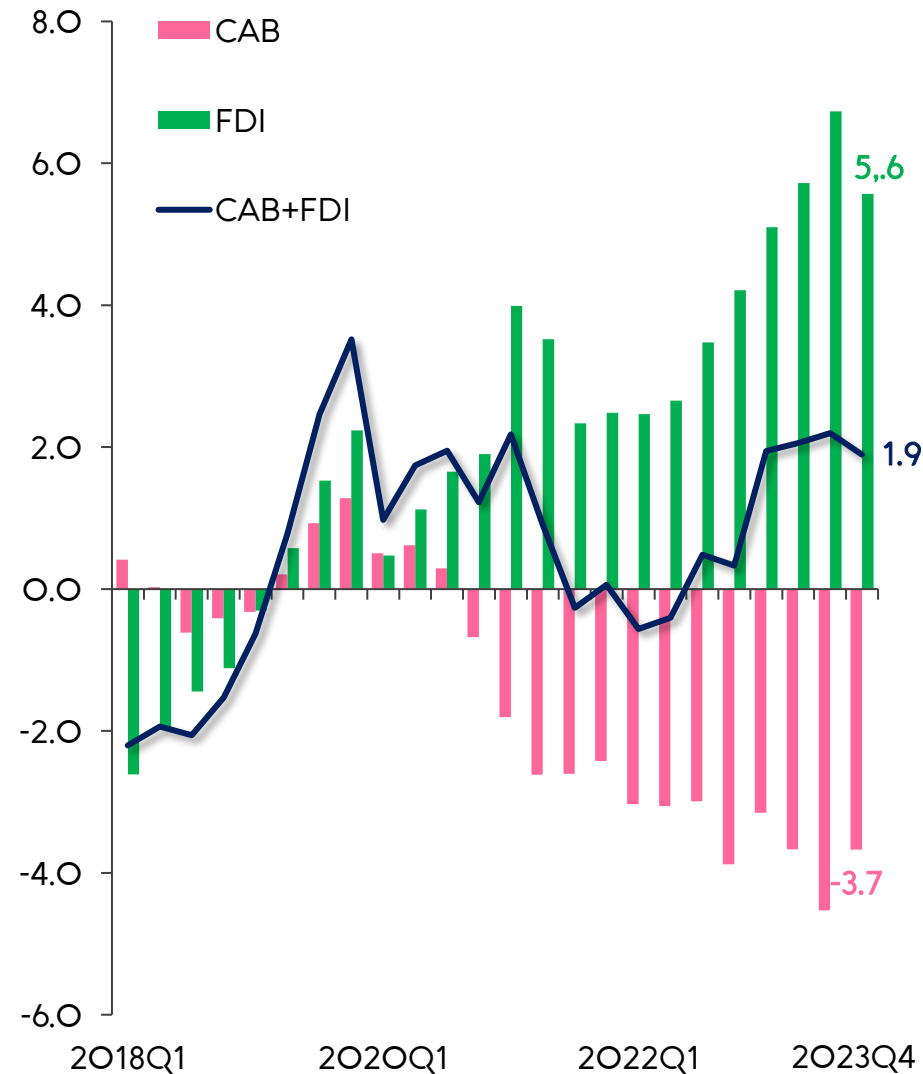
(2) Source: own calculations based on Bloomberg. Regional and country specific information is as aggregated or reported, as applicable. Each such country information may be calculated differently and aggregated by each respective source using various methodologies. Accordingly, this comparison is for illustrative purposes only and we do not purport assert that the above information is actually comparable.

Current account deficit has moderated by end of 2023, and is fully financed by FDI.



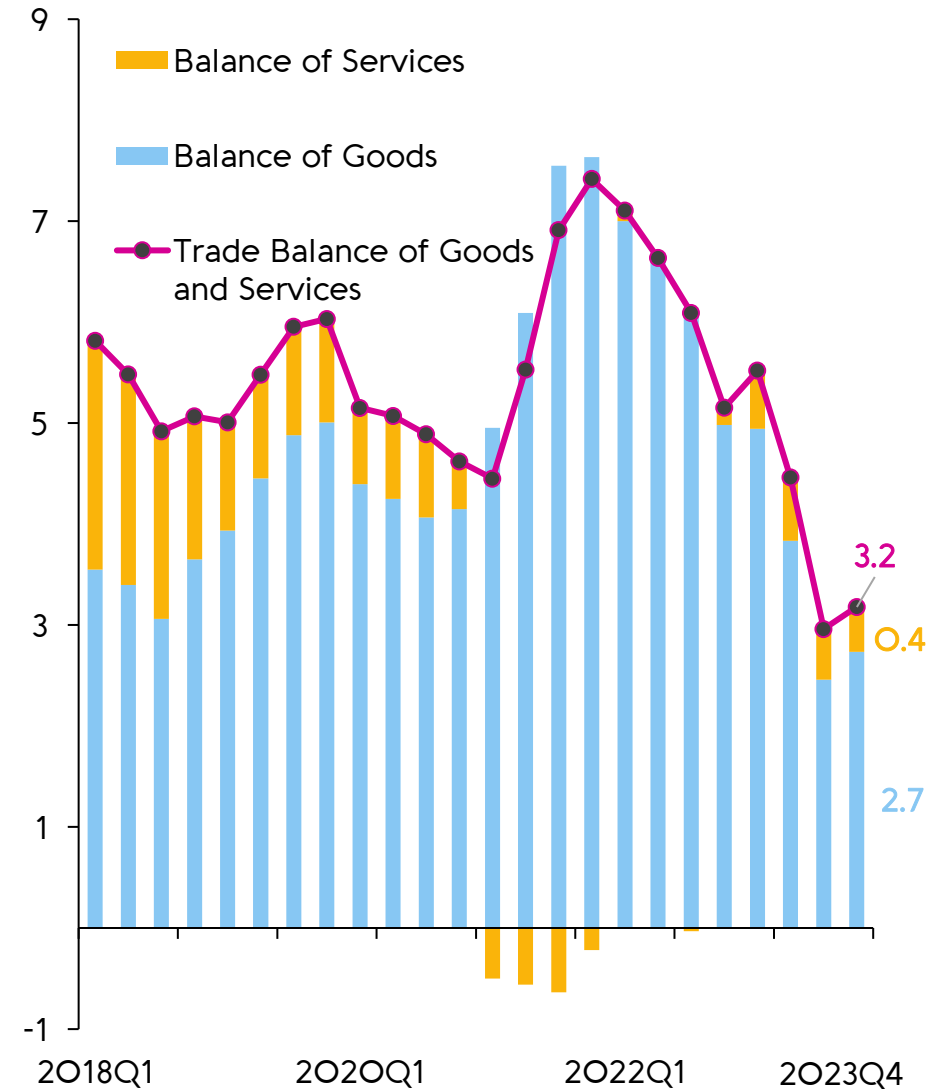
Current account balance and FDI ⁽¹⁾

(Rolling 4-quarters, in % of GDP)



Goods and services balances ⁽¹⁾

(Rolling 4-quarters, in % of GDP)



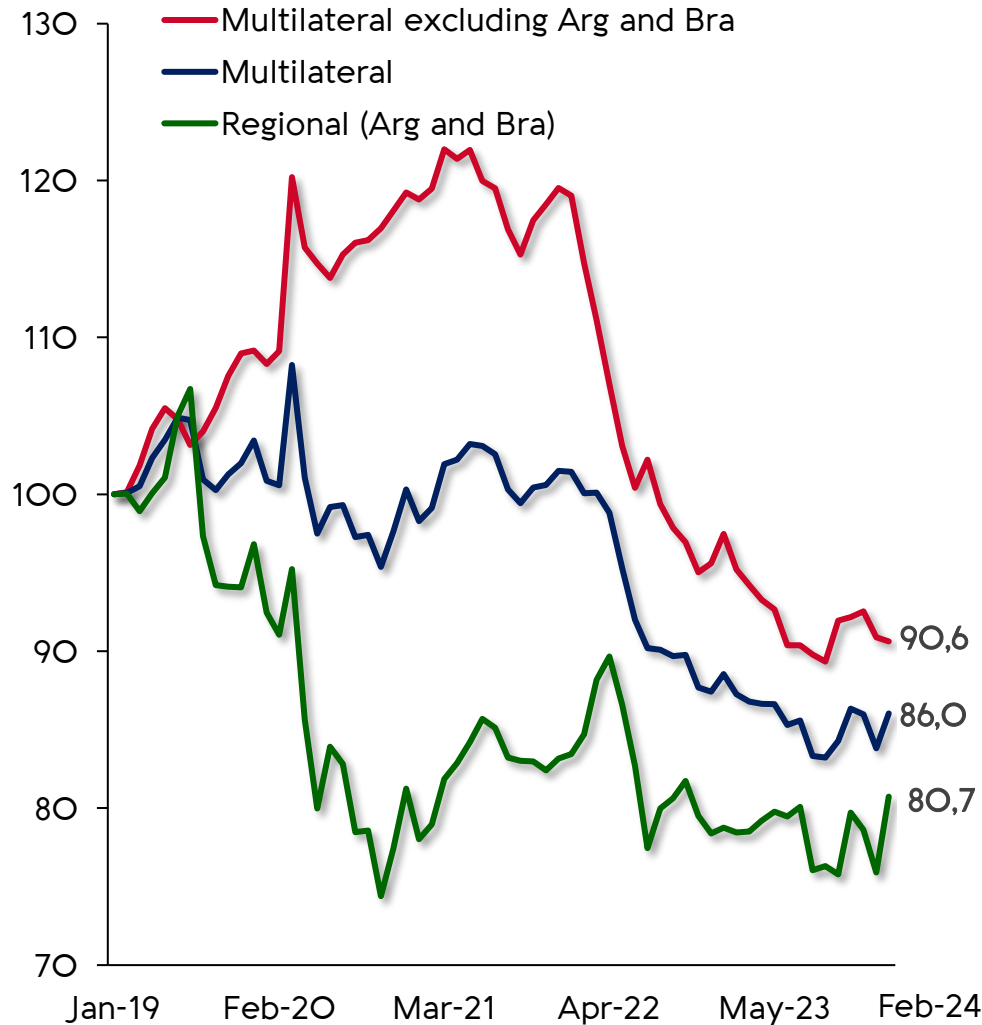
(1) Source: Central Bank of Uruguay.

Large international reserve buffers are a significant external backstop.



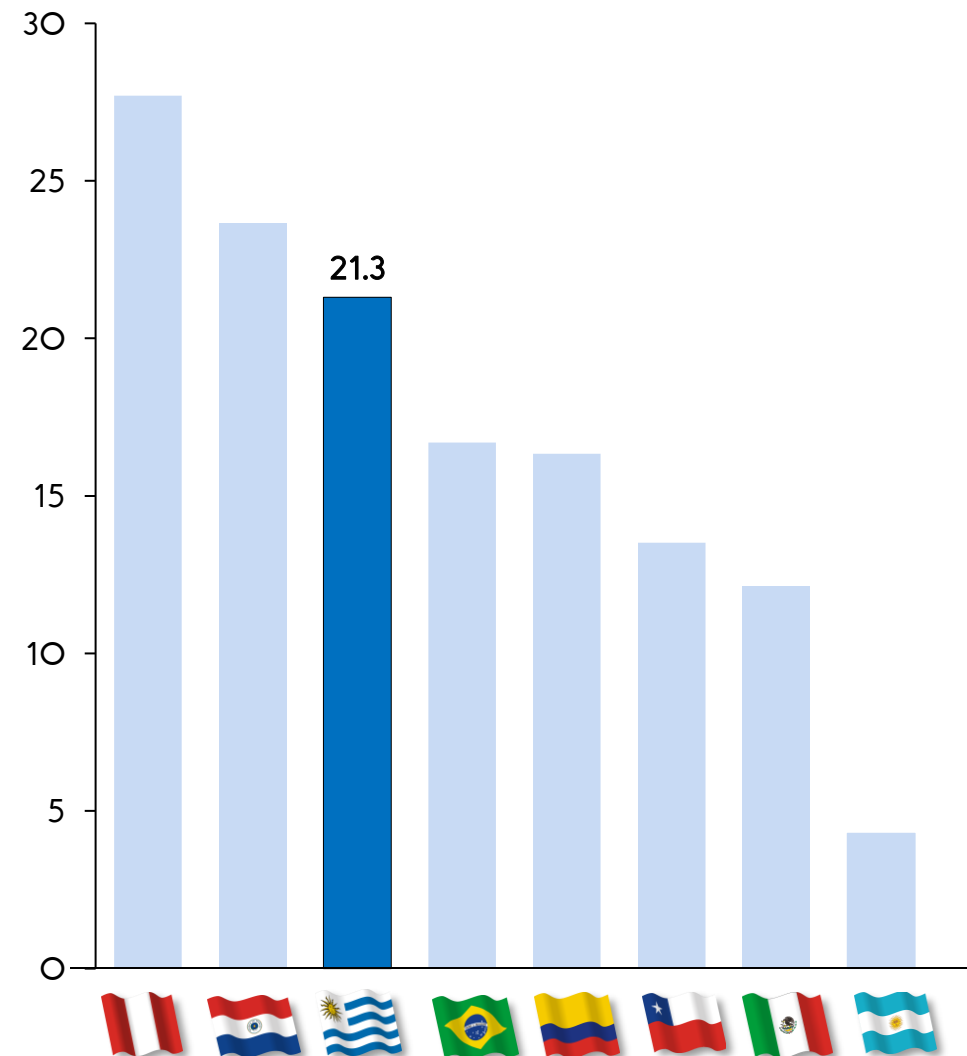
Real Effective Exchange Rate of Uruguay⁽¹⁾

(Index base 100 = Jan 2019)



International reserves in Latam⁽²⁾

(In % of GDP, as of end of February 2024)



(1) Source: Central Bank of Uruguay.

(2) Source: International Monetary Fund, except for Uruguay, where international reserves correspond to data from Central Bank of Uruguay. International reserves for Peru, Colombia and Brazil correspond to end-January 2024. The nominal GDP in US dollars corresponds to 2023, based on WEO projections as of October 2023 except for Uruguay where nominal GDP correspond to data from Central Bank of Uruguay. 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.

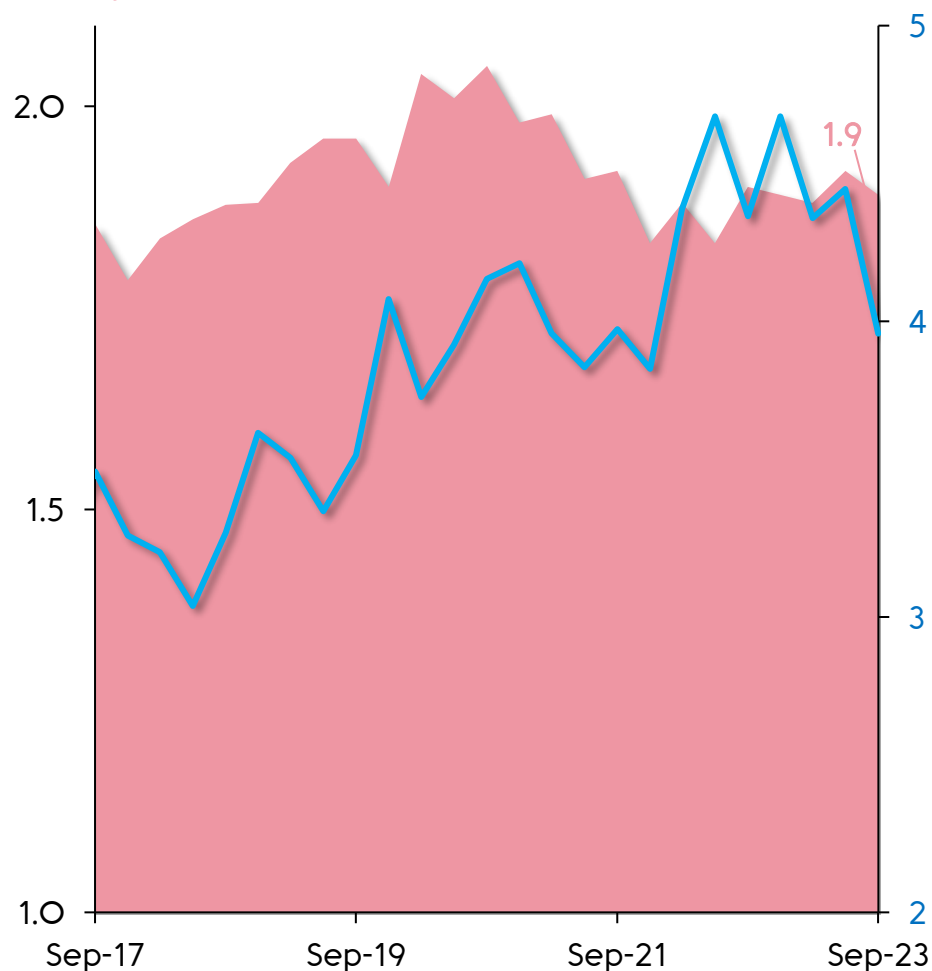
Banking sector remains well-capitalized and with high liquidity levels, although with still-high deposit dollarization.



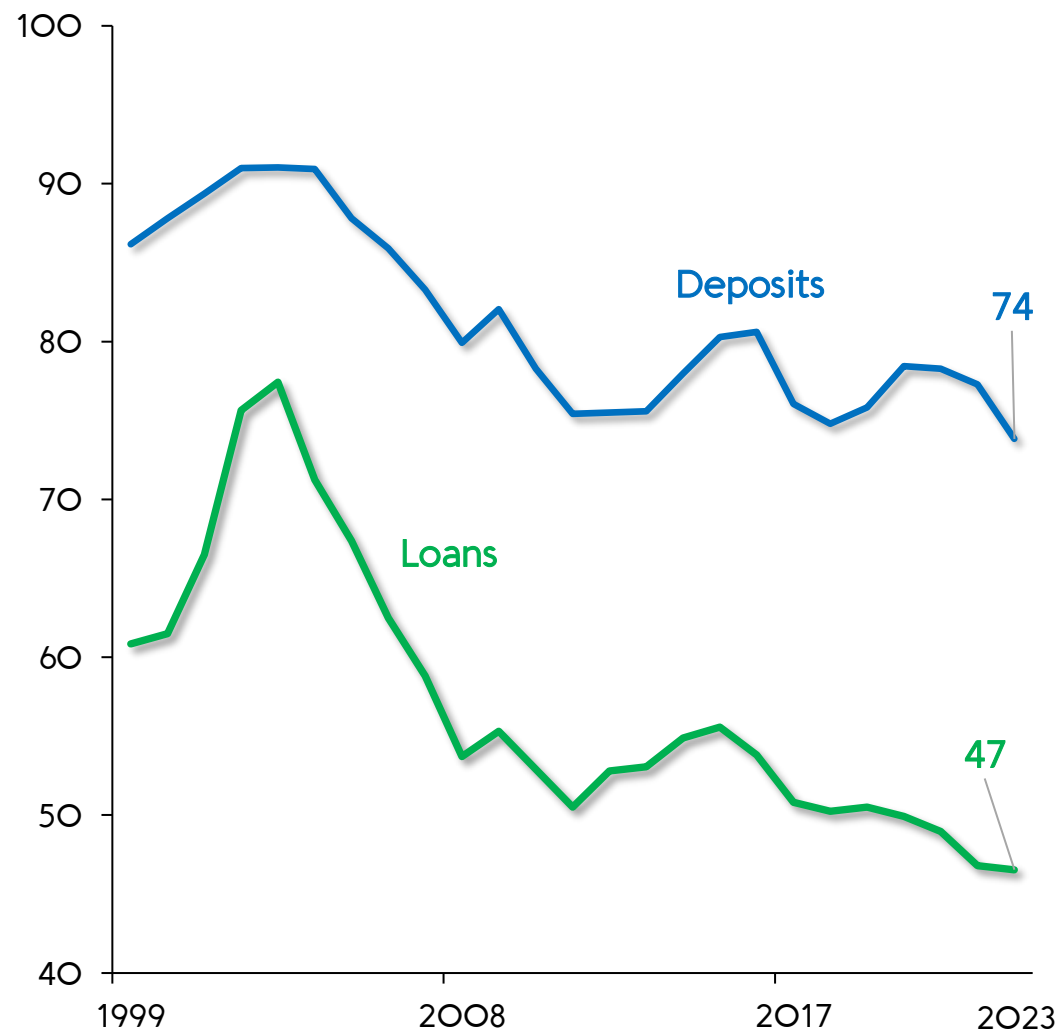
Solvency and liquidity of the banking system⁽¹⁾

Number of times
of minimum
regulatory capital

Liquidity Coverage Ratio⁽²⁾
(number of times)



Dollarization of Deposits and Loans of the banking system⁽¹⁾ (Annual average to the non-financial sector, % of total)



(1) Source: Central Bank of Uruguay.

(2) LCR reflects the institution's ability to cover its net liquidity outflows in a specific currency during a stress period. In this case, corresponds to the foreign currency liquidity position.

Government forges ahead with structural and fiscally-conservative reforms: “keeping the high-beam headlights on”.



**Enhanced Fiscal and Monetary Frameworks:
Rules and Institutions**

Social Security Reform

Education

Innovation and Digital Transformation

Commercial integration and Free Trade

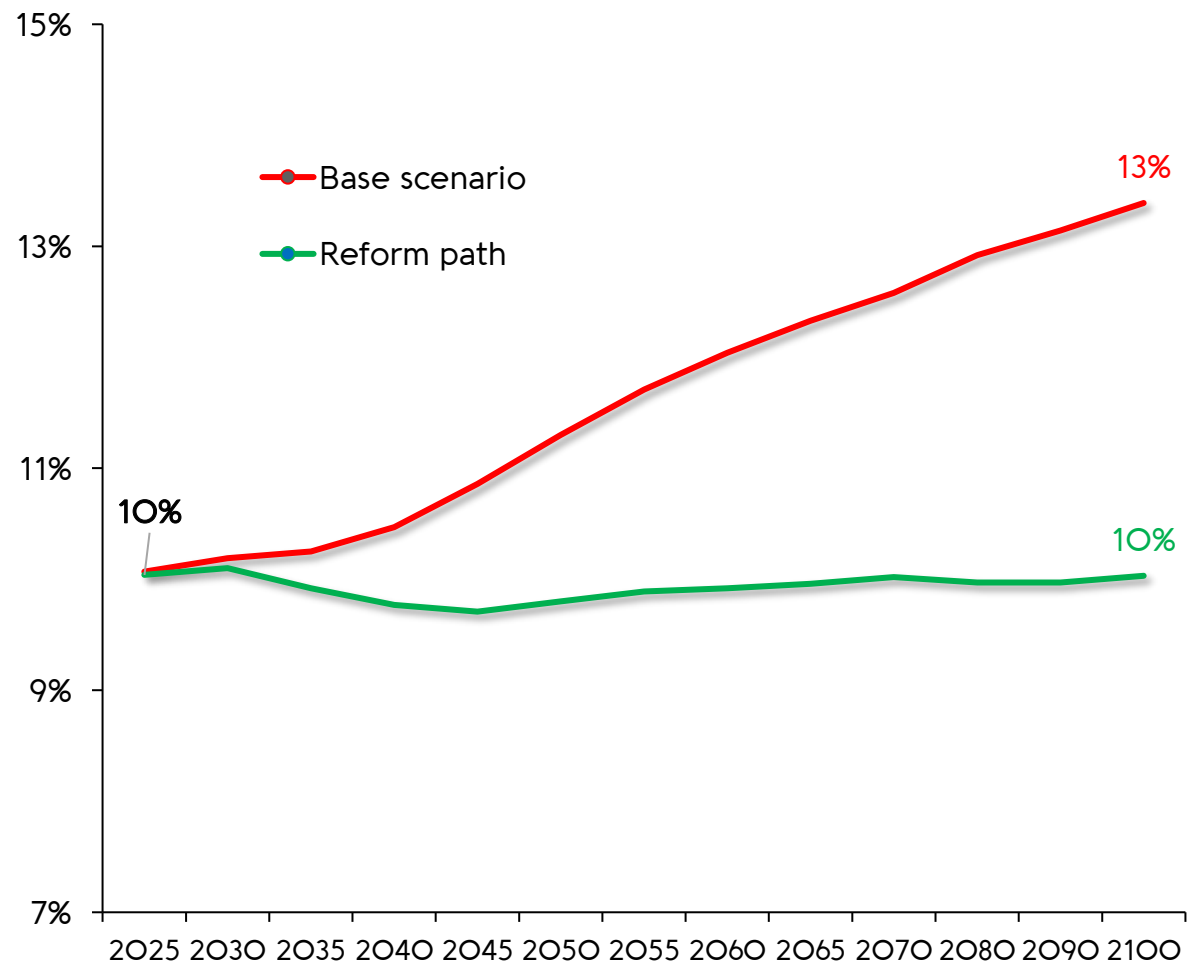
**Mainstreaming environmental considerations
into economic policies and sovereign financing**

Social Security reform is focused on long-term fiscal sustainability and improving equity of the pension system.



- **Necessary:** given challenging demographic trends⁽²⁾, intra and intergenerational justice, sustainability⁽³⁾, and system fragmentation⁽⁴⁾.
- **Gradual:** Retirement age increases gradually, starting from individuals born in 1973 onwards.
- **Fairer:** sustains elevated levels of coverage, with each contribution being significant. The “Supplementary Solidarity” program ensures a minimum income in old age.
- **Sustainable:** covers future pension expenditure.

Projection of Expenditures for Pensions, Disability and Survivorship ⁽¹⁾
(In % of GDP)⁽⁵⁾



(1) Source: Social Security Bank (BPS).

(2) The significant reduction in the number of births, coupled with the increasing life expectancy observed in our country, represents a rapid progress of demographic aging.

(3) Public spending on pensions is at relatively high levels and follows an unsustainable trajectory.

(4) The high fragmentation of the current system results in inequalities in rights and obligations among individuals. Every peso contributed to the system benefits in varying amounts and characteristics, depending on the affiliation sector or pension scheme of individuals, even within BPS.

(5) Includes the BPS, Armed Forces Retirement and Pension Service and Police Social Security Fund.

Uruguay`s Vision and Key Tenets of its Sovereign Sustainable Financing Strategy



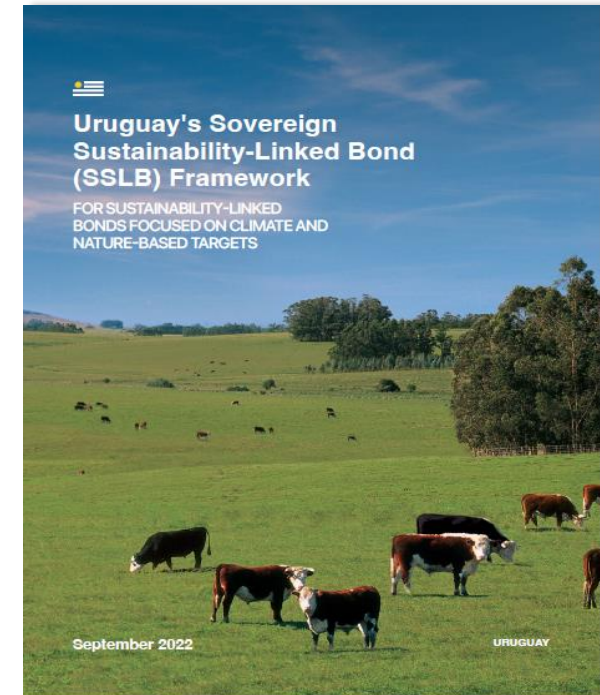
- **Financial innovation** should be an ally to spur climate action and ambition: develop new financial instruments that provide countries the right incentives to **tackle global challenges**.
 - Harness the power of **positive financial incentives** to encourage countries to follow sustainable policies: **differentiate borrowing costs** based on countries` **contribution to global public goods**, such as addressing climate change, biodiversity conservation and food security.
 - Develop financial instruments that can be **scaled-up and replicated at the international level** and promote **transparency and accountability on climate pledges across countries**.
- ➡ Align Uruguay`s financing strategies (in bond markets and multilateral lending) with the achievement of ambitious climate and nature goals committed under the Paris Agreement.

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



The Bond embeds:

- Two Key Performance Indicators (KPIs):
 - reducing the intensity of Greenhouse Gas emissions in the economy;
 - preserving the area of native forests.
- Sustainability Performance Targets (SPTs), based on goals set for 2025 under the Paris Agreement.
- Innovative step-up/step down interest rate mechanism that is incentive compatible:
 - coupon increases if the country does not meet targets.
 - coupon decreases if country overperforms on its targets.



In November 2023, the World Bank approved a Sovereign Sustainability-Linked Loan (SSLL) tied to performance indicators on sustainable livestock production.



The Loan embeds:

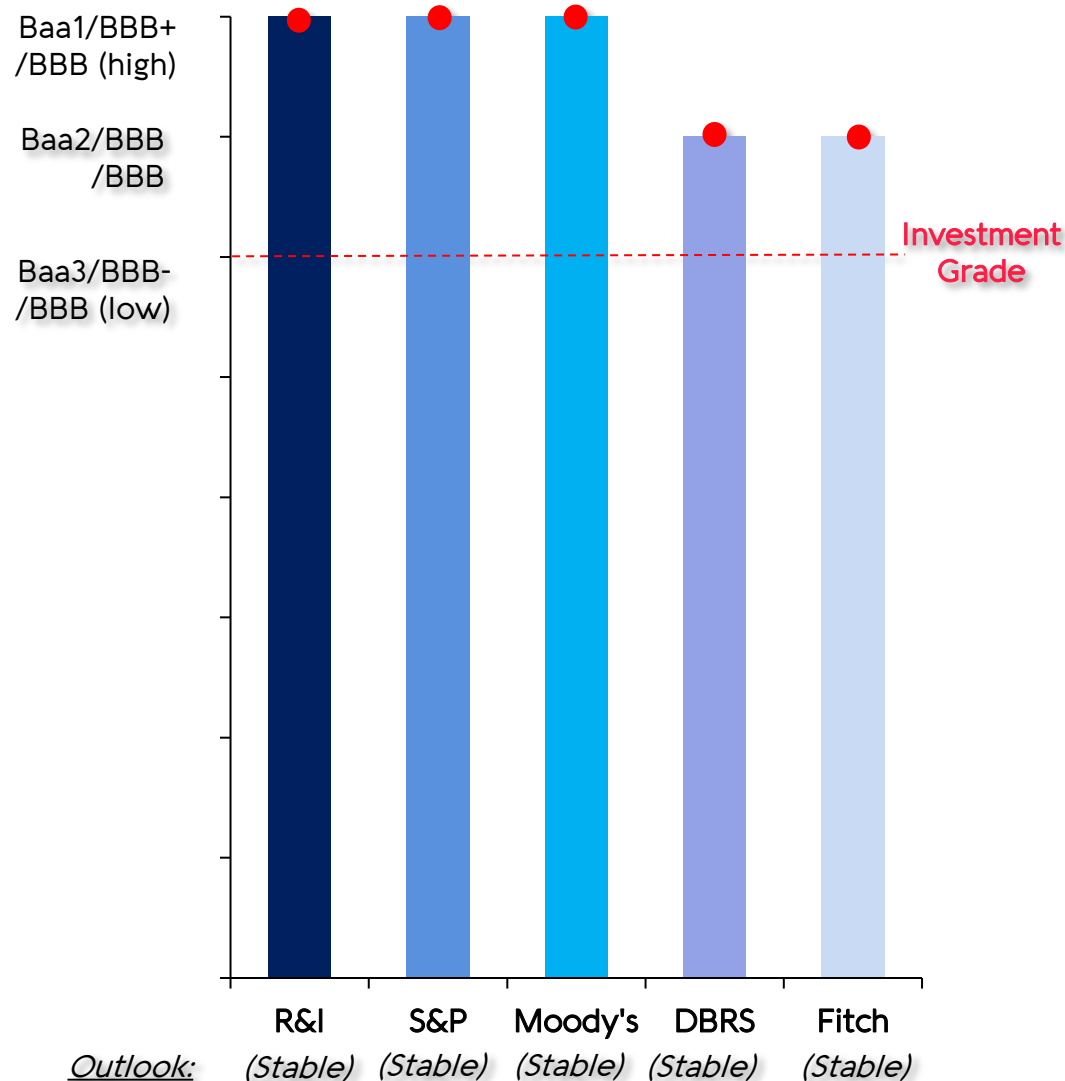
- Key Performance Indicator (KPI):
 - reducing the intensity of methane emissions per unit of livestock meat production (which is an integral part of our economic fabric).
- Sustainability Performance Targets (SPTs) across two NDCs: based on goals set for 2025 and 2030 under the Paris Agreement, with increasing ambition.
- New step down-*only* interest rate mechanism
 - The interest rate will be reduced if Uruguay can lower the intensity of methane emissions from its livestock sector beyond its Paris Agreement commitments, over the next 10 years.

Three of the five rating agencies now place Uruguay at its highest rating ever; the country is the top global performer on ESG fundamentals in emerging markets.



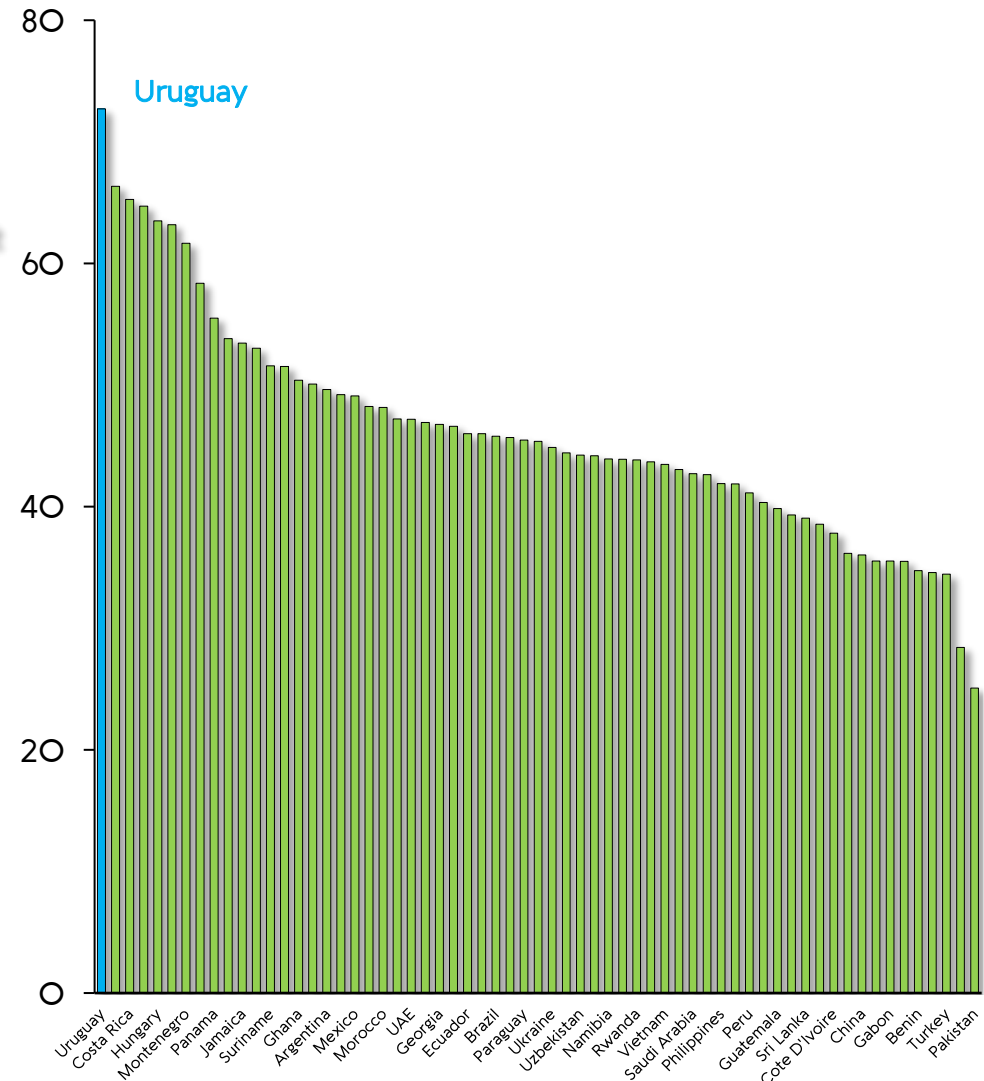
Uruguay's sovereign credit ratings ⁽¹⁾

(As of April, 2024)



Emerging Markets' ESG Score ⁽²⁾

(Index, 100 = best performance; as of end-March, 2024)



1) Source: Moody's, S&P, R&I, DBRS-Morningstar and Fitch. Agency ratings are not a recommendation to buy, sell or hold any security, and they may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating, as each agency has different evaluation criteria.

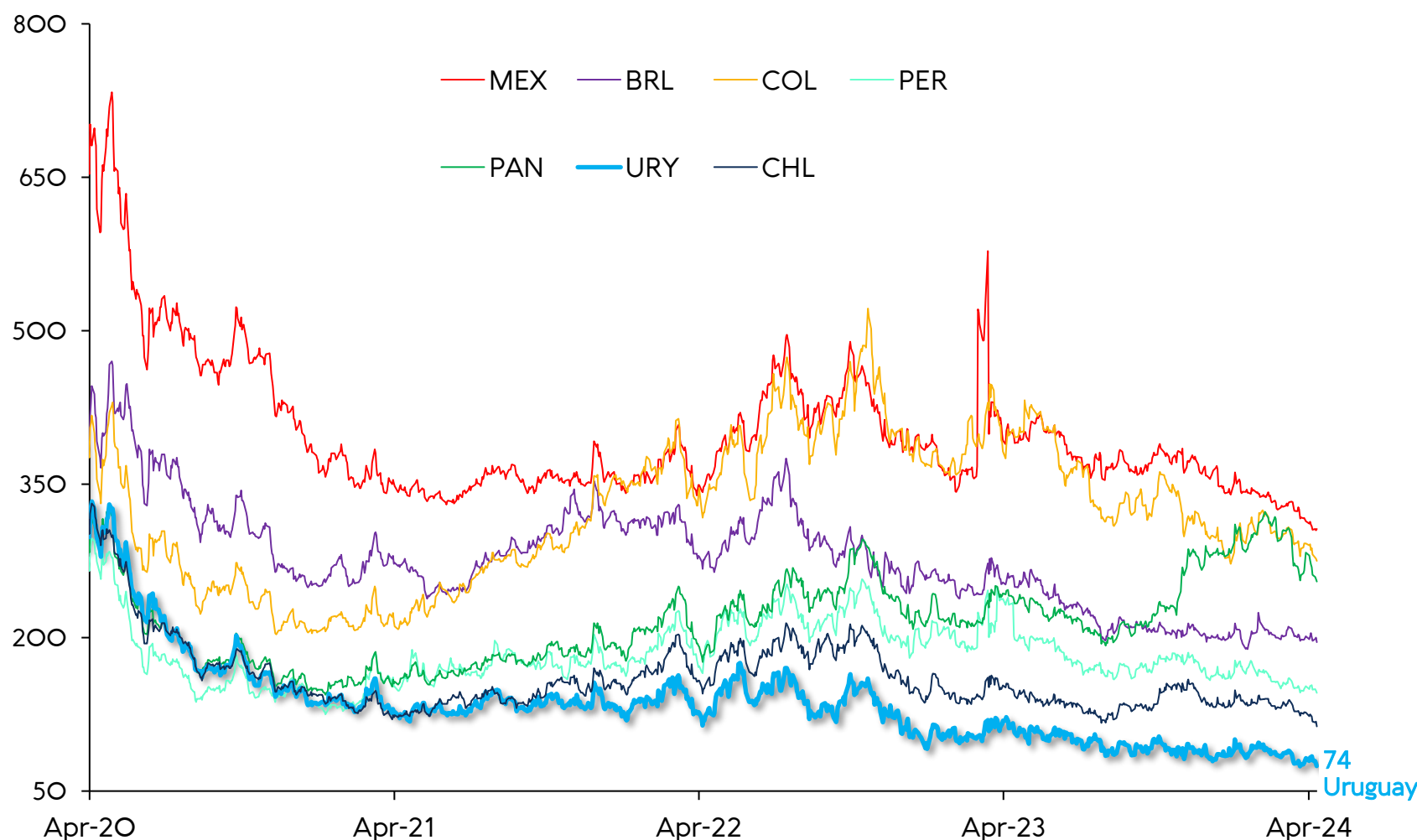
2) Source: J.P. Morgan Chase & Co. using data from Verisk Maplecroft, Sustainalytics and Climate Bonds Initiative.

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Uruguay achieved its lowest EMBI spread on record, and has the lowest sovereign risk premia in Latin America.



Sovereign risk premia in LATAM ⁽¹⁾
(EMBI spread, in bps; as of April, 2024)



¹⁾ Source: Bloomberg.

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Cornerstones of debt management and financing strategy for 2024.



- **Domestic markets.** Enhancing market depth through the issuance of nominal fixed-rate, CPI-linked and wage-linked Treasury Notes benchmarks, across different maturities.
- **International Markets.** All options open. Calibrate the currency and maturity mix of international debt issuance (in nominal pesos, CPI-linked and/or Dollars, either in the belly or long-end of the curve). The strategy will factor, inter alia: (i) resident and non-resident investor's preferences for type of currency, liquidity and duration and (ii) the government's goal to reduce the expected cost of funding while keeping a well distributed amortization profile.
- **Multilateral lending.** Continue to integrate sustainable finance when borrowing from multilateral institutions.



**República Oriental
del Uruguay**

THANK YOU