



# República Oriental del Uruguay

## Investor Presentation

*June 2024*



Ministerio de  
Economía  
Y Finanzas

# Key Credit Highlights



1

After sluggish growth in 2023, economic activity is poised to rebound in 2024.

2

The Government delivered on all pillars of the fiscal rule in 2023, for the fourth consecutive year.

3

Significant deceleration of inflation, which has reverted to the target band, while inflation expectations reached historic lows.

4

Lower current account deficit amid more subdued FDI inflows, and large international reserve buffers.

5

The Government has passed structural and fiscally conservative reforms, including the social security reform.

6

Uruguay is among the top performers on ESG fundamentals across EM countries and has the lowest country risk spread in LATAM.

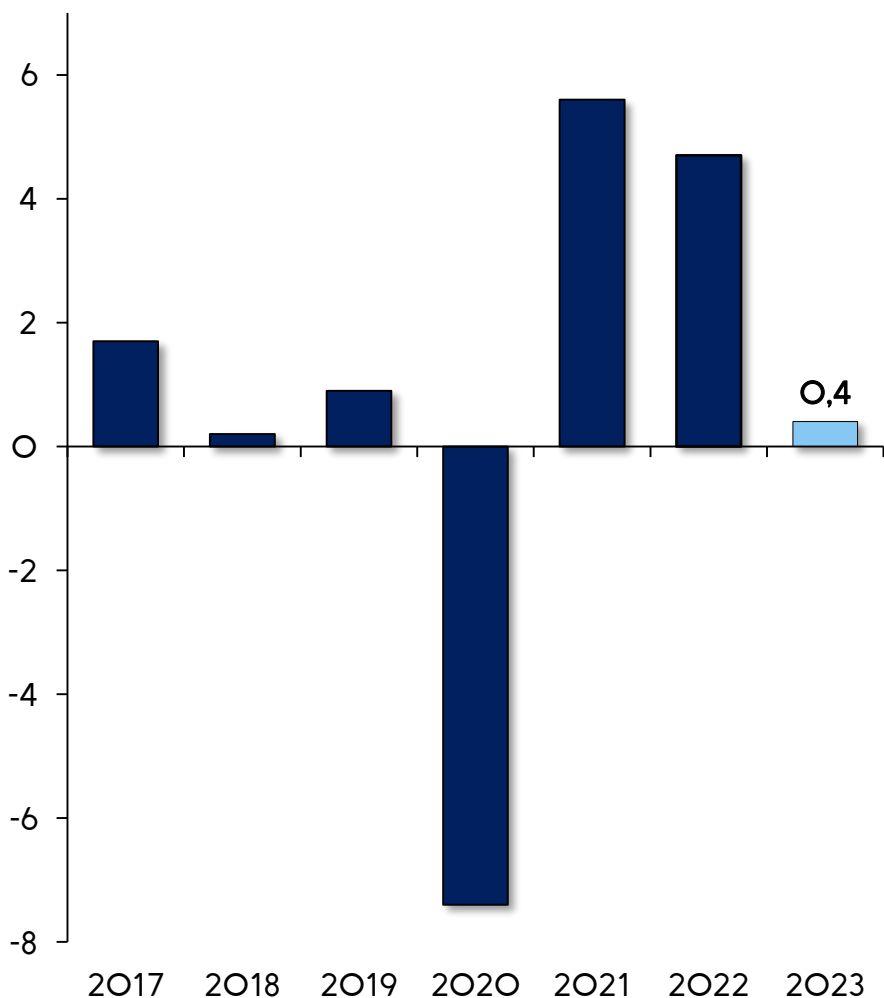


Economic activity decelerated markedly during 2023, weighed down by a severe drought, lower external demand for agricultural goods and cross-border purchases in Argentina driven by relative price differences.



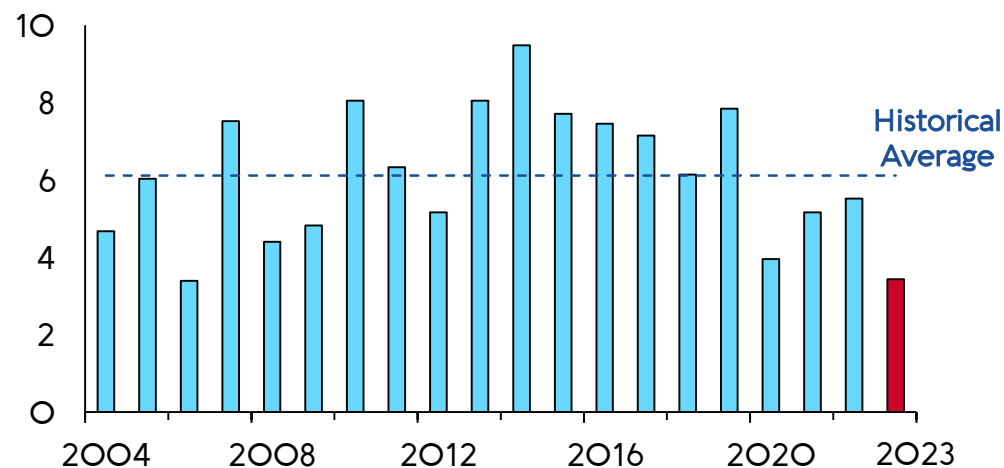
### Annual real GDP change<sup>(1)</sup>

(YoY, in %)



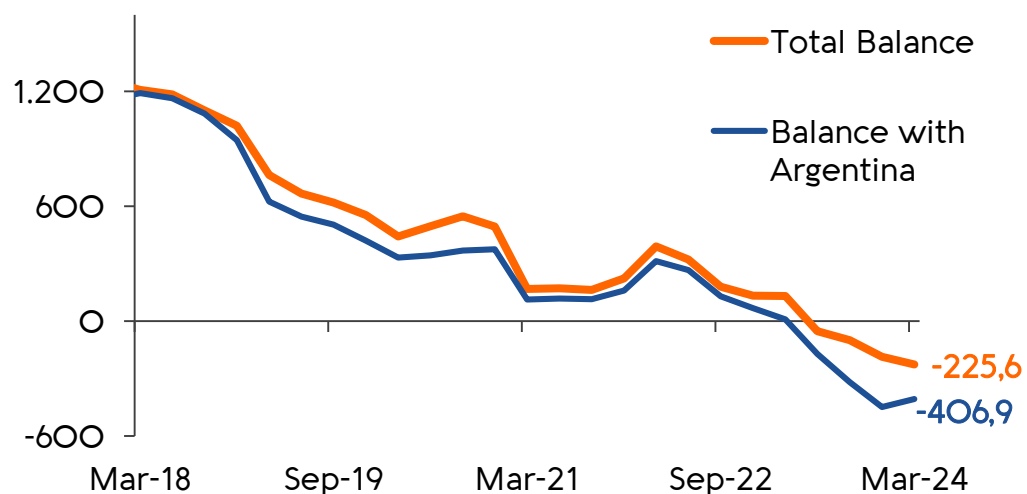
### Uruguay's hydraulic electricity generation<sup>(2)</sup>

(in thousands of GWh. annual)



### Net Tourism Balance<sup>(3)</sup>

(in millions of dollars, rolling 4-quarters)



(1) Source: Central Bank of Uruguay.

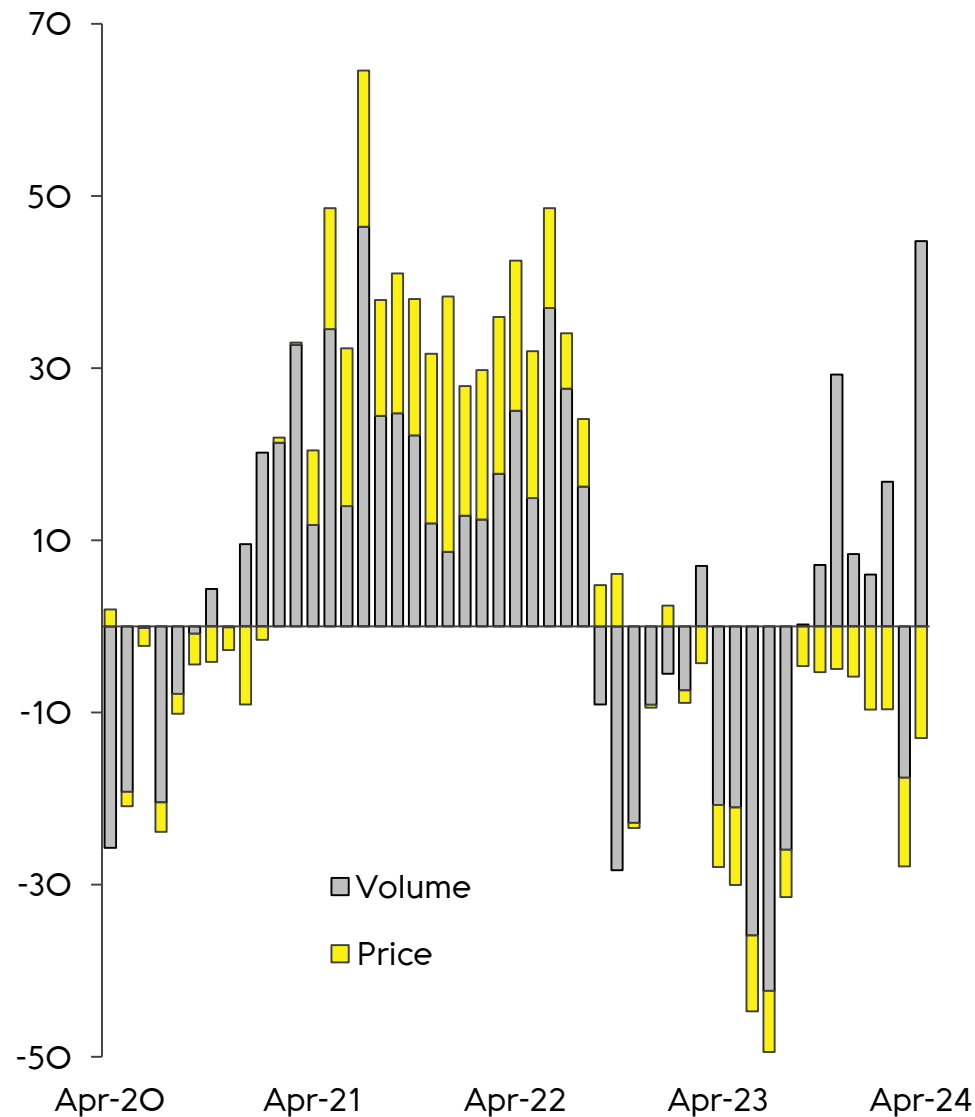
(2) Source: National Administration of Power Plants and Electrical Transmissions (UTE) and Uruguayan Electric Market Administration (ADME). The historical average was calculated for the period 2004-2023.

(3) Source: Ministry of Tourism.

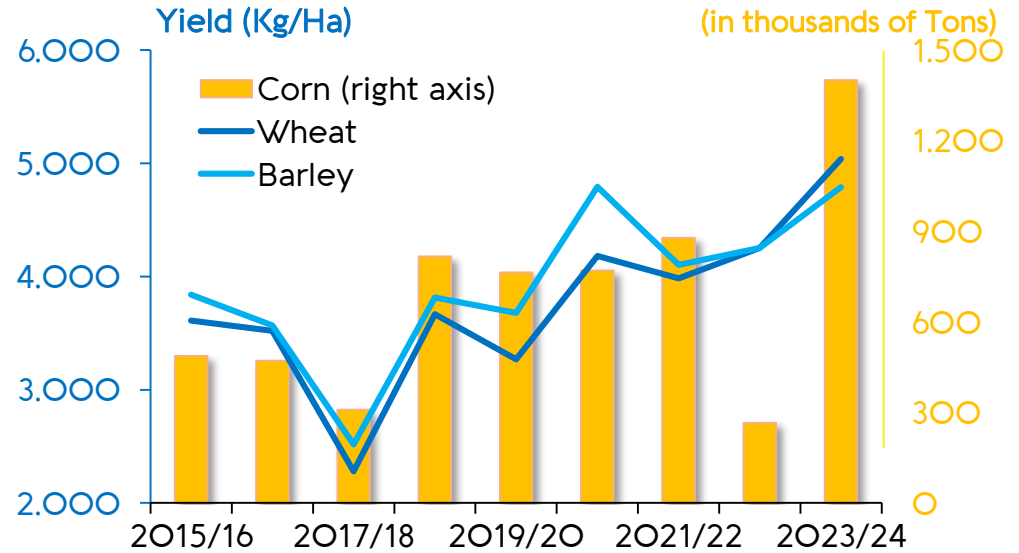
# Leading indicators suggest that a recovery is underway, driven by the normalization of agricultural production, exports and overall economic activity.



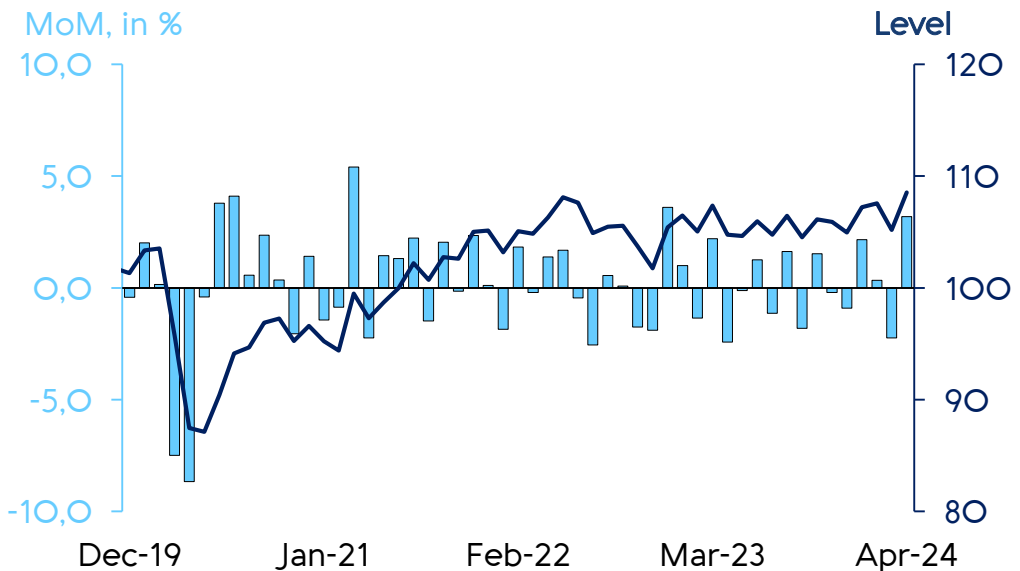
**Exports of goods, by volume and price <sup>(1)</sup>**  
(YoY change, in %)



**Winter crops <sup>(2)</sup>**



**Monthly Economic Activity Indicator (IMAE) <sup>(3)</sup>**  
(in seasonally adjusted terms)



(1) Source: Central Bank of Uruguay (BCU). It corresponds to the export flows of goods from the customs territory (does not include exports from free trade zones either).

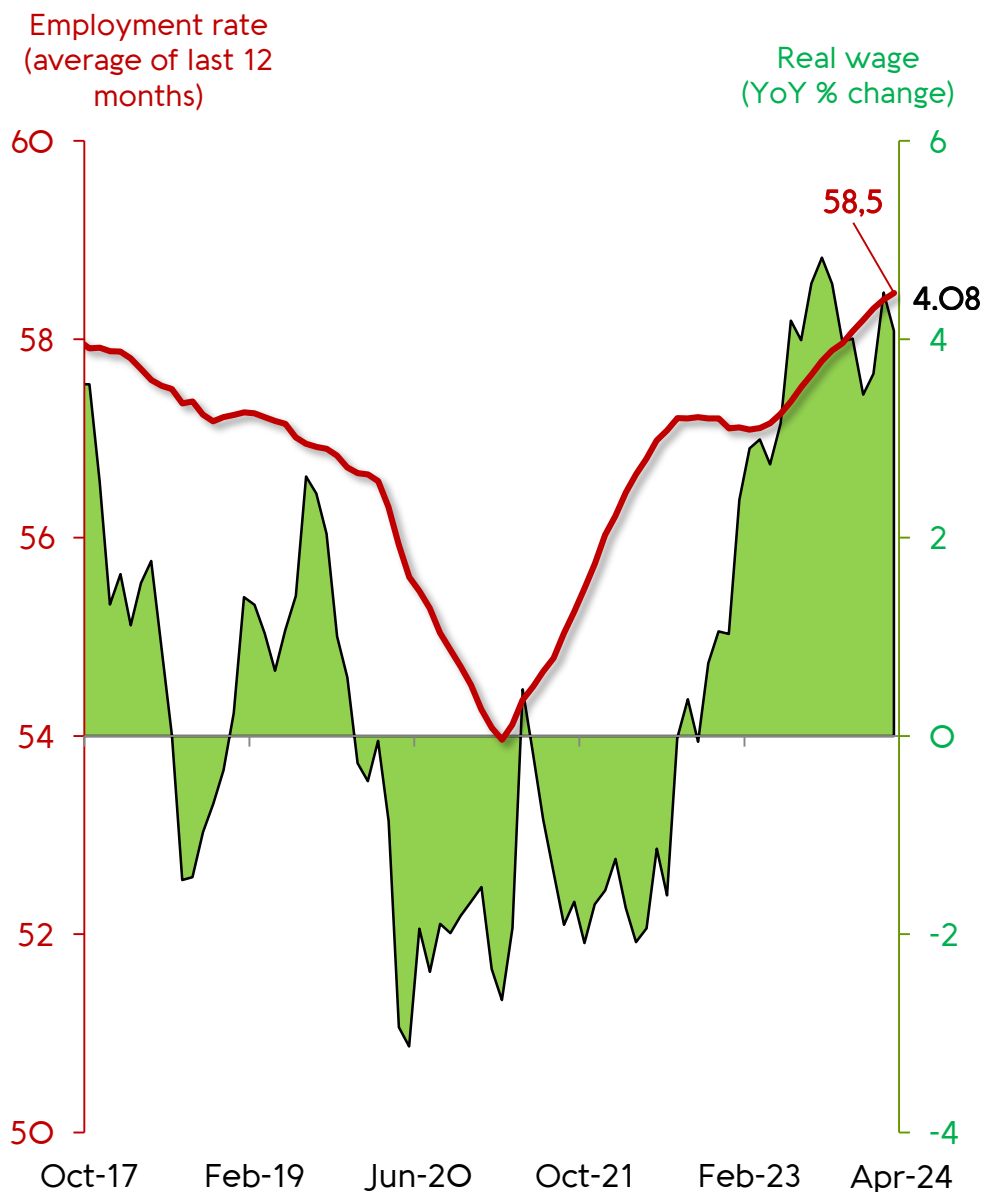
(2) Source: Agricultural Statistics Office (DIEA) of the Ministry of Livestock, Agriculture and Fisheries. For 2024, projections from Blasina y Asociados.

(3) Source: Central Bank of Uruguay (BCU).

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

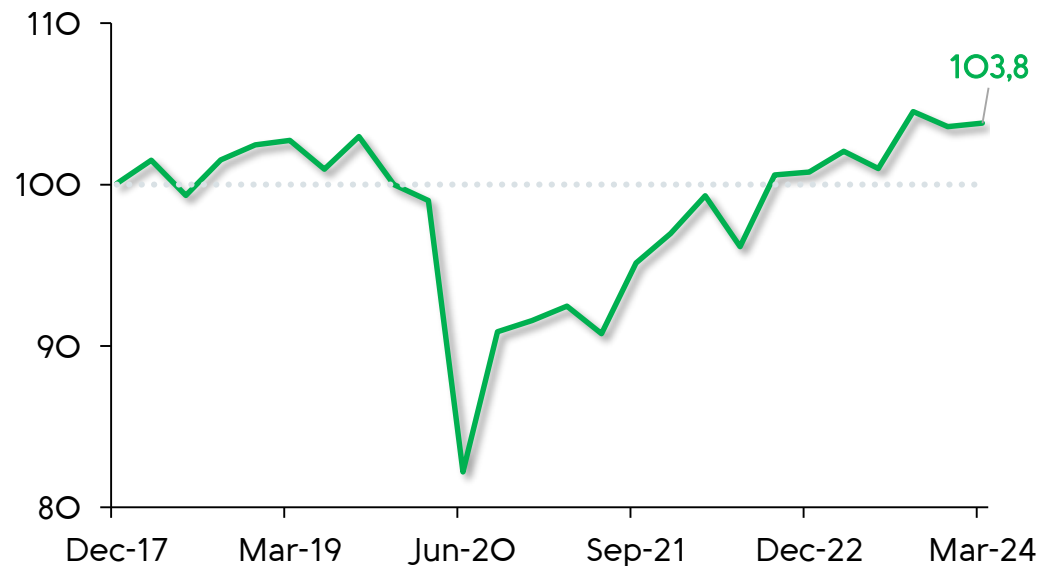


### Employment and real wages (1)

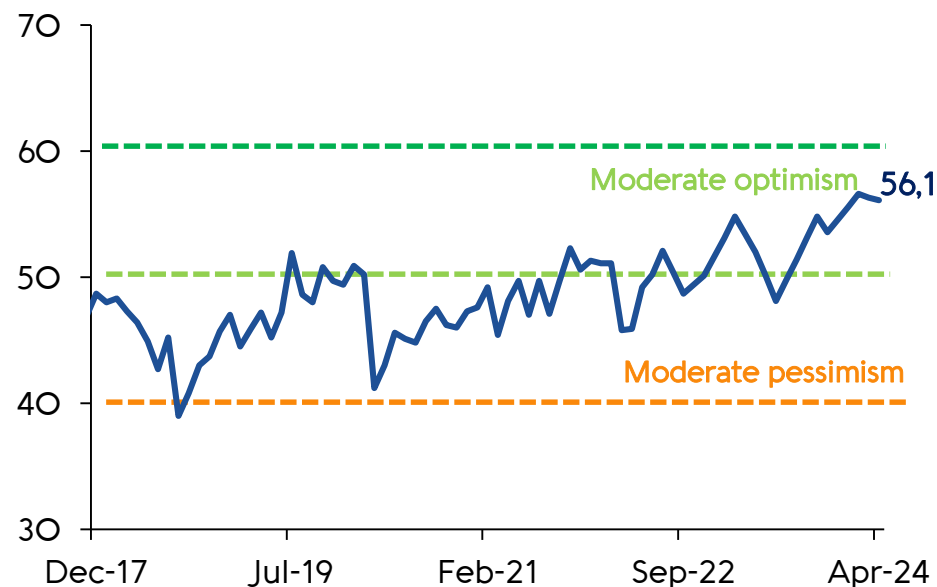


### Household consumption (2)

(Index base 2019 Q4 = 100)



### Consumer confidence index(3)



(1) Source: National Institute of Statistics.

(2) Source: Central Bank of Uruguay.

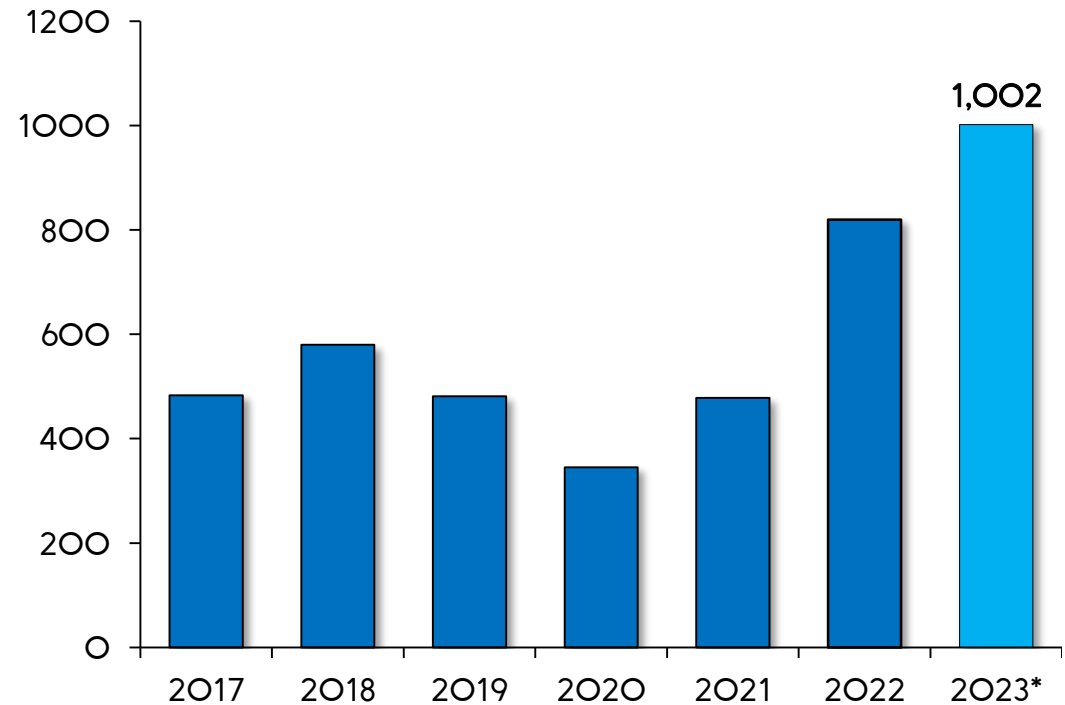
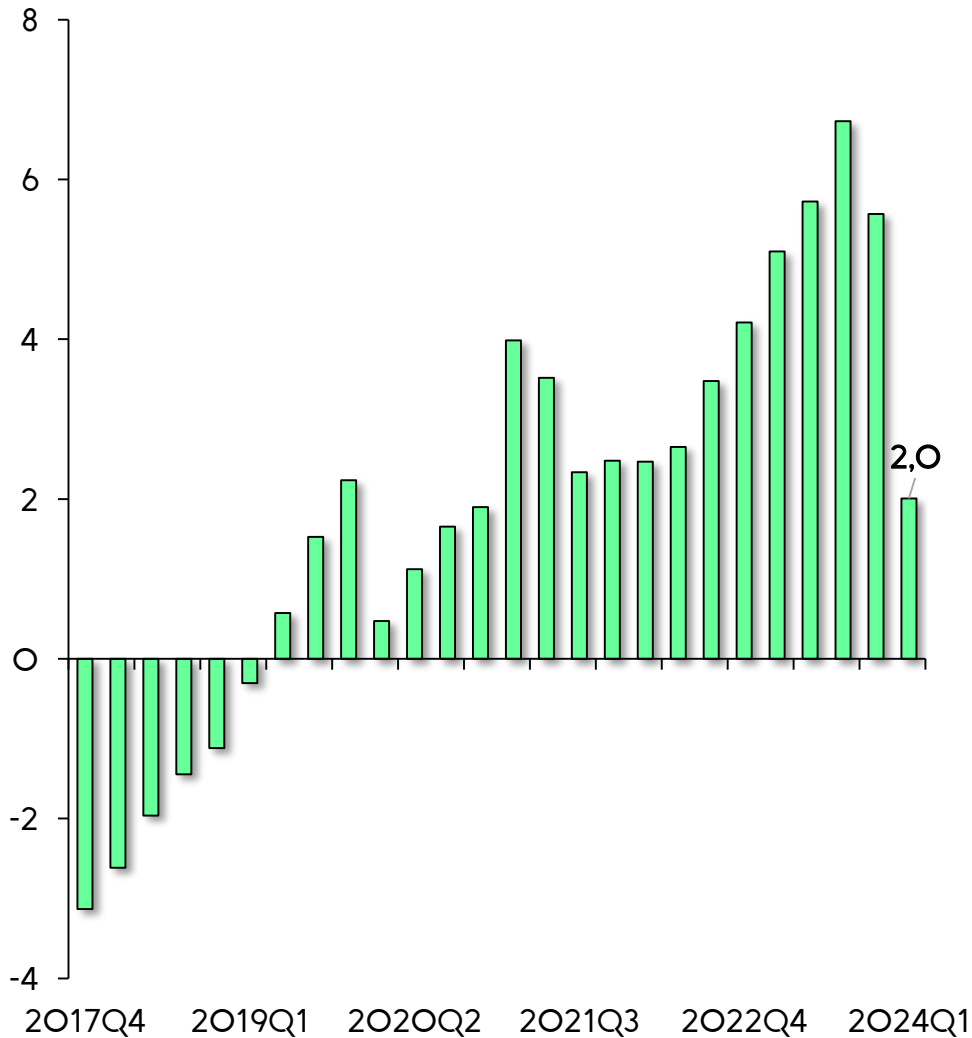
(3) Source: Equipos Consultores and Universidad Católica del Uruguay.

# Strong increase in FDI inflows through end 2023, although with more subdued flows during the first quarter of 2024.



**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. During 2024Q1, resident subsidiary companies significantly reduced their stock of financial liabilities with their parent and/or fellow companies abroad. These cross-border financial flows between related companies are registered in the FDI statistics of the Balance of Payments. For more information, please see the latest quarterly BOP report of the Central Bank [here](#) (in Spanish).

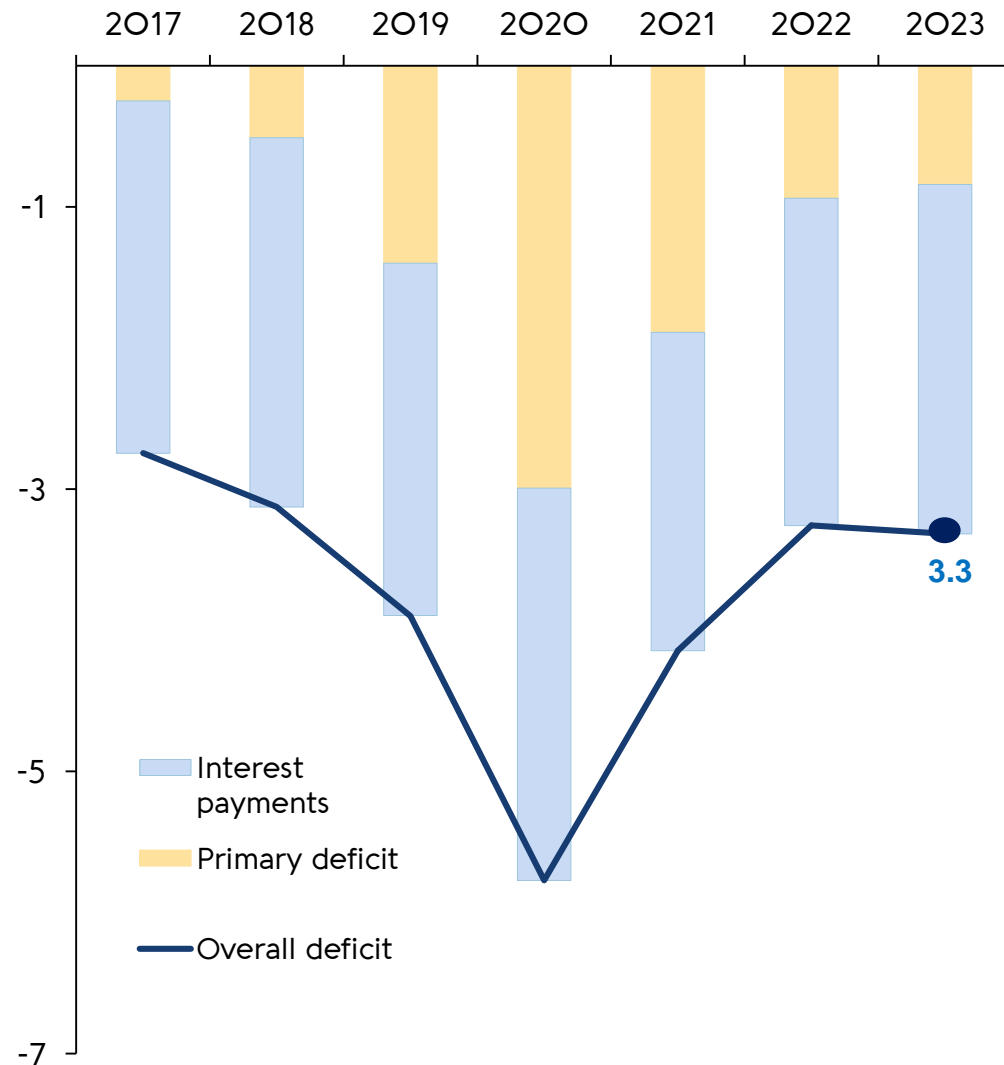
(2) Source: DNV, CVU, MEF, MTOP.

\*Preliminary Data

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.



**Central Government's fiscal balance (1)**  
(In % of GDP)



**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.

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



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

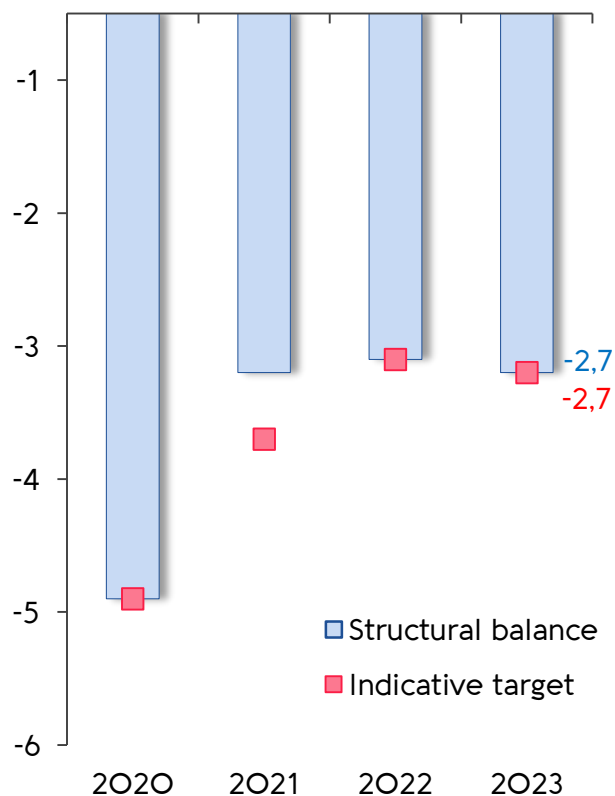
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**Indicative target cap on real growth in primary expenditure** in line with estimated potential real GDP growth

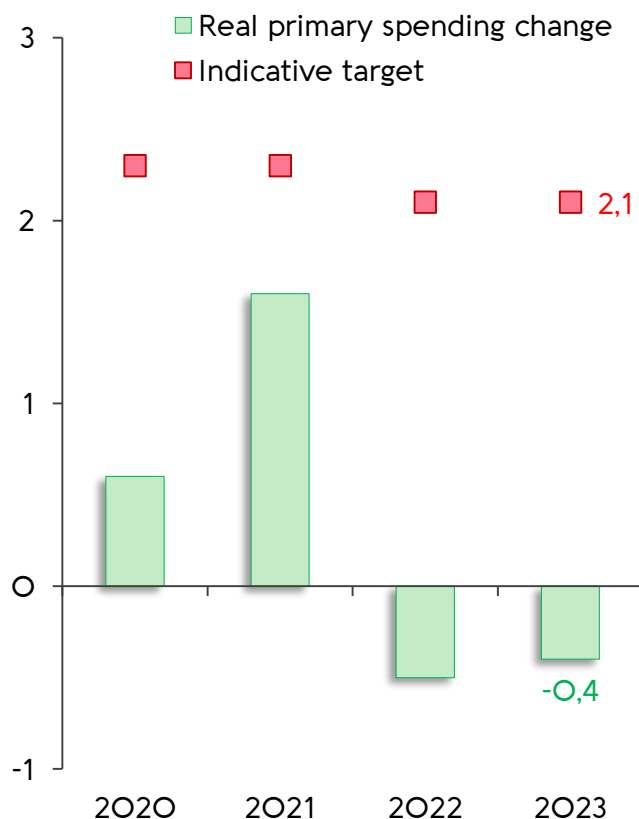
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**Legally binding maximum level of annual net indebtedness** in dollar amount.

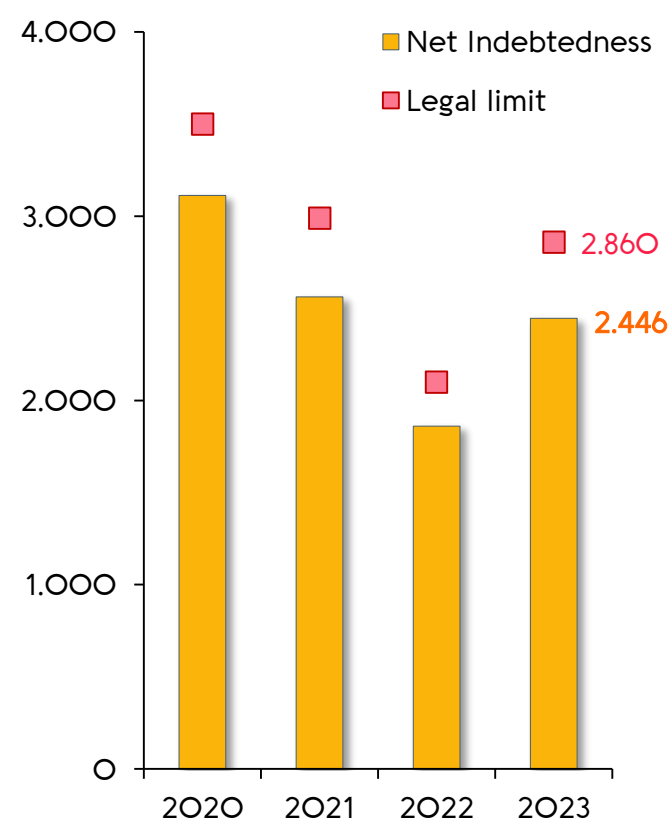
**Structural balance (1)**  
(In % of GDP)



**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 (FAC), at the time of evaluating the of the achievement of 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 2024, 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.

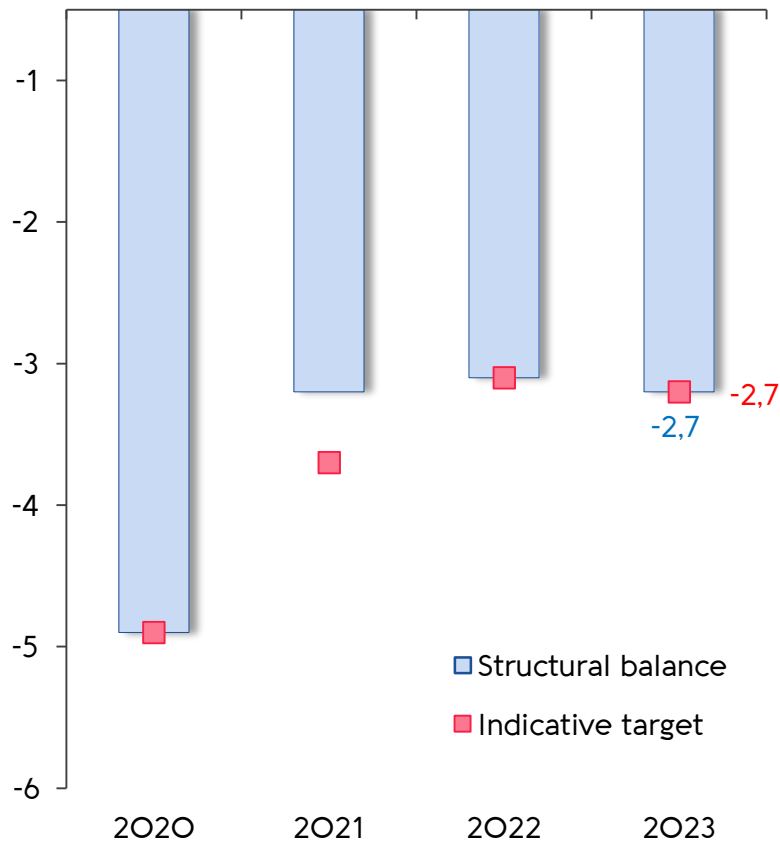
(3) For 2023, the legal net indebtedness cap was increased from USD 2,200 million to USD 2,860 million due to the water deficit emergency, invoking the use of the legal escape clause in the fiscal rule. Government Net Indebtedness is defined as gross indebtedness (bond market issuance and disbursed loans)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

# Compliance with the pillars of the fiscal rule as validated by the Fiscal Advisory Council (FAC), and revisions to nominal GDP statistics.



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)



Compliance with the pillars of the fiscal rule in a given year is audited and validated by the Fiscal Advisory Council (FAC) in February of the subsequent year.

In February 2024, the ratio of the structural fiscal deficit to nominal GDP (pillar 1) for 2023 was calculated using the forecast for nominal GDP in 2023, prepared by the Ministry of Economy and Finance (based on official GDP historical data available through 2023Q3). Given the data available at that time, the structural fiscal balance as a share of nominal GDP was 2.7%.

The first official estimate of the annual nominal GDP number for 2023 was published by the Central Bank on March 21, 2024, and included revisions to the historical GDP series from 2018 onwards. In particular, nominal GDP numbers for 2021 and 2022 were significantly revised downwards, due to changes in physical volume (real GDP) and lower implicit prices (GDP deflator). As a result, the first Central Bank estimate for nominal GDP for 2023 was 1.9% below the Ministry of Economy and Finance's estimate. As per the BCU's methodological standards, annual GDP estimates for a given year undergo four annual revision rounds until they become firm (i.e., the fourth vintage of annual GDP 2023, to be published in March 2027, will be the final one).

Taking into consideration the annual GDP for 2023 released in March 2024, and the updated estimates of fiscal elasticities published in June 2024, the structural fiscal result for 2023 was equivalent to 2.8% of GDP.<sup>(1)</sup>

For the purpose of evaluating the compliance with the fiscal rule in a given year, the structural deficit ratio is calculated in February of the following year, and is not revised retroactively, upwards or downwards, as initial estimates and subsequent revisions are published.

Source: Ministry of Economy and Finance of Uruguay, based on targets set in the annual Accountability Law approved by Congress in 2023.  
(1) See the methodological note on fiscal elasticities for the calculation of the structural fiscal balance published in June 2024, [here](#). (in Spanish).

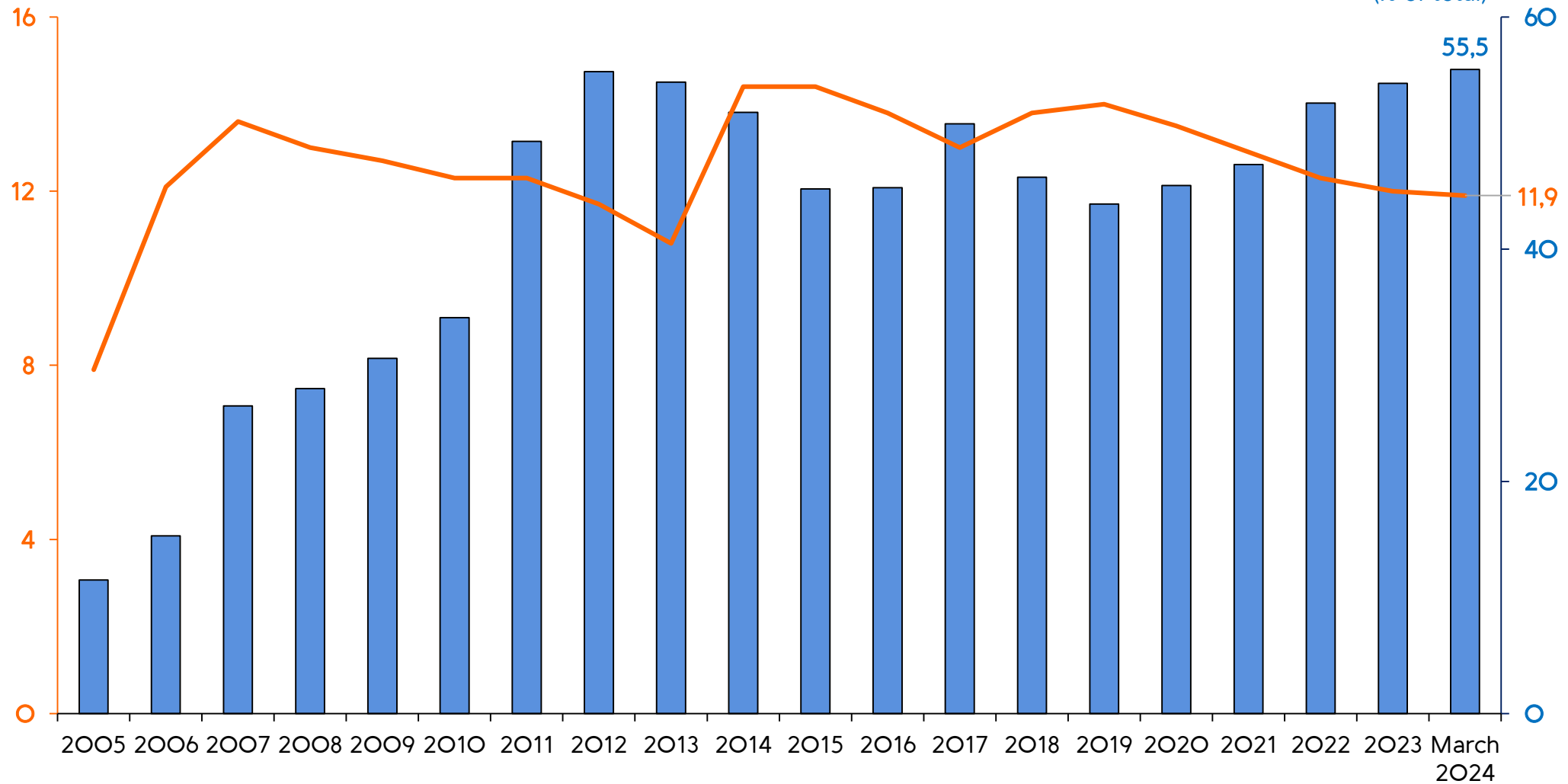
# Debt management strategies and relative price effects have significantly reduced dollarization of debt.



**Currency and maturity composition of debt <sup>(1)</sup>**  
(As of end-period)

Average time to maturity (in years)

Debt in local currency (% of total)



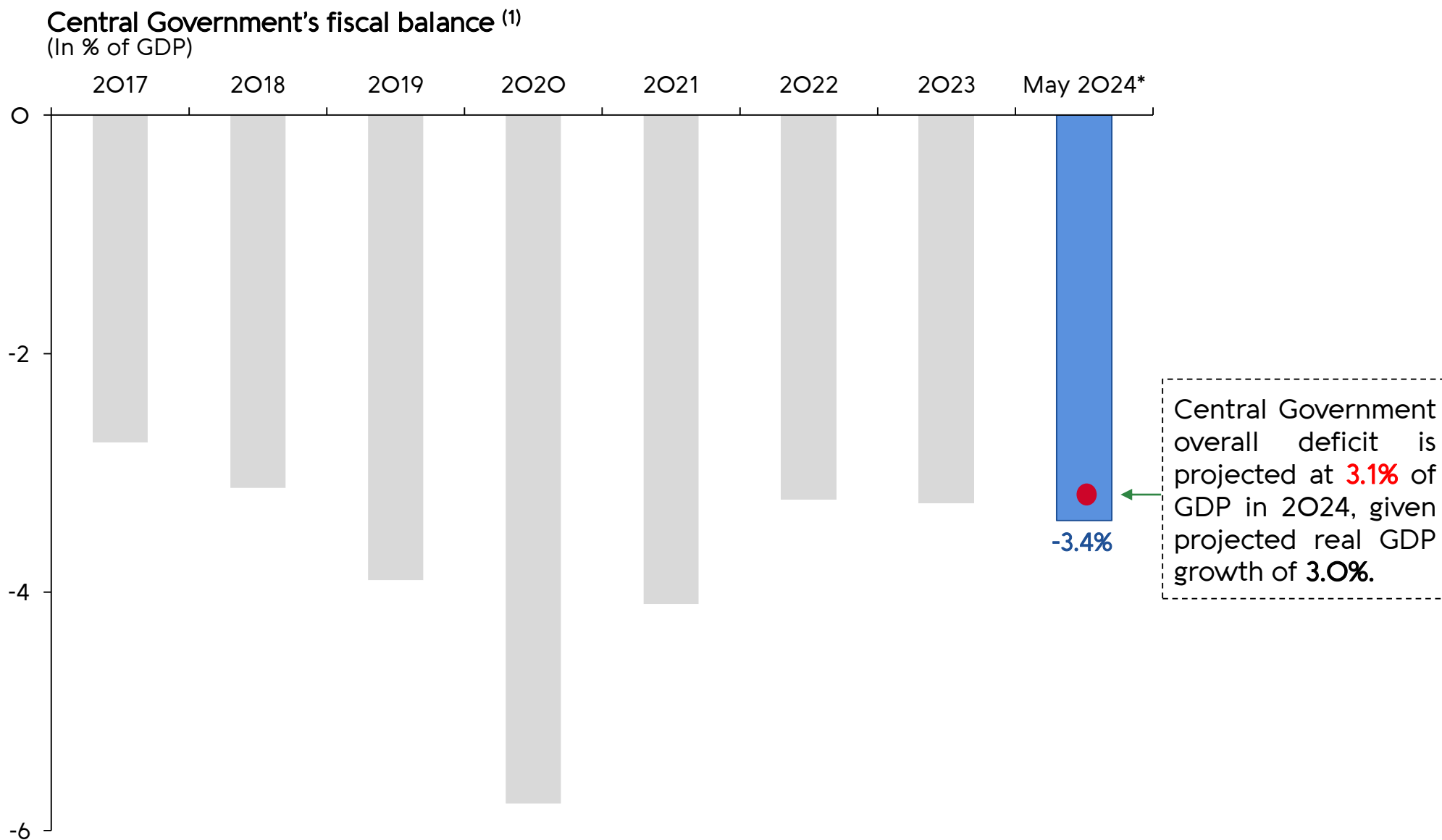
(1) Source: Debt Management Unit, Ministry of Economy and Finance of Uruguay.

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.

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



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

The targets and projections for the three pillars of the fiscal rule for 2024 were set in the Budget Accountability bill submitted to Congress by end-June.



 **Targets**

**Projections**

	Targets	Projections
Structural fiscal deficit <i>(percent of GDP)<sup>(1)</sup></i>	2.9%	3.4%
Change in primary expenditure <i>(annual real percent change)<sup>(2)</sup></i>	2.8%	4.8%
Legal limit on maximum level of annual net indebtedness <sup>(3)</sup>	USD 2,300 million	USD 2,294 million

Source: Ministry of Economy and Finance of Uruguay, based on the annual Budget Accountability bill submitted to Congress on the 30<sup>th</sup> of June, 2024.

(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.

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 inflation targeting regime

III Enhanced transparency in communication

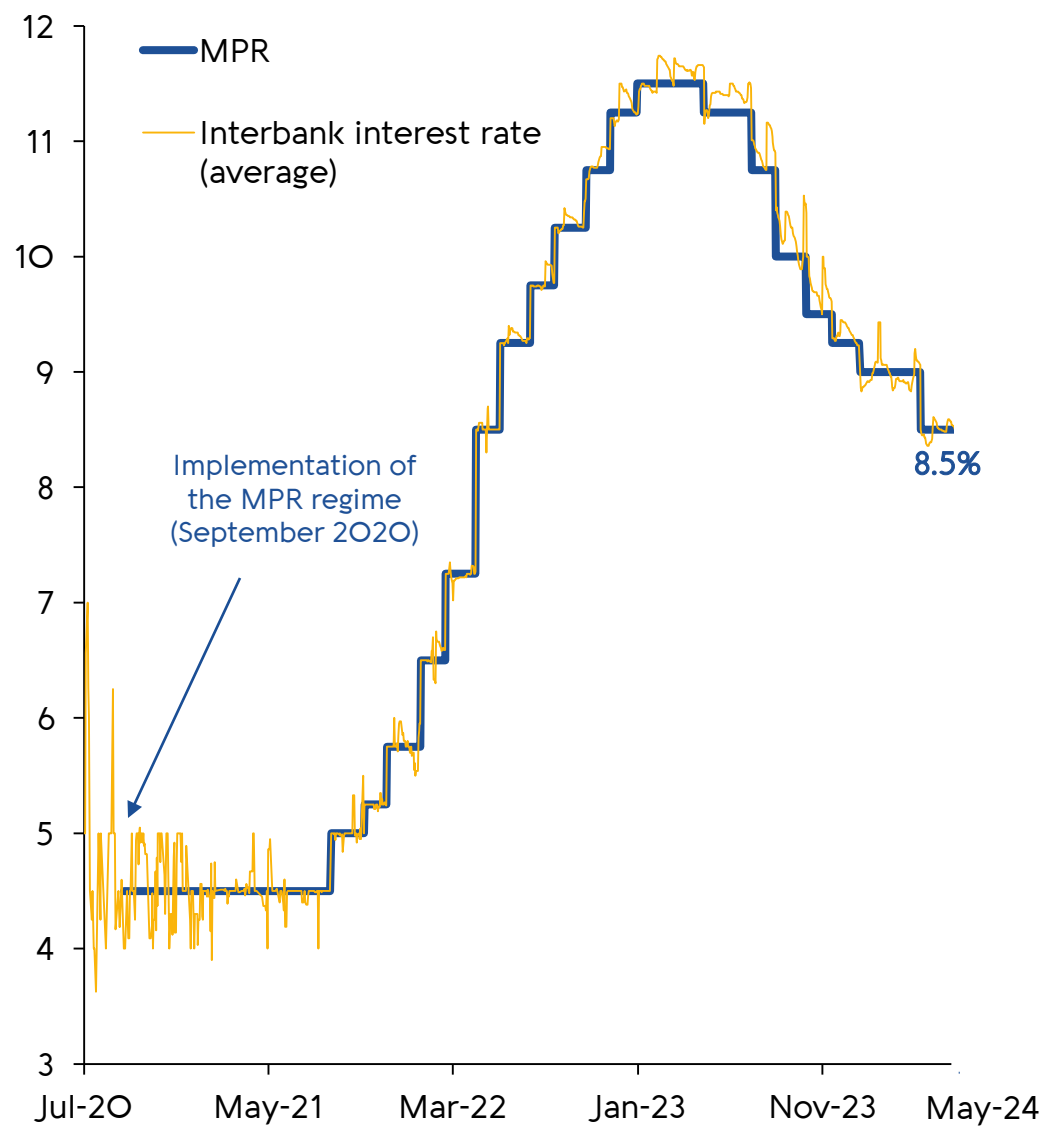
IV Free-floating exchange rate

V Policies for financial de-dollarization

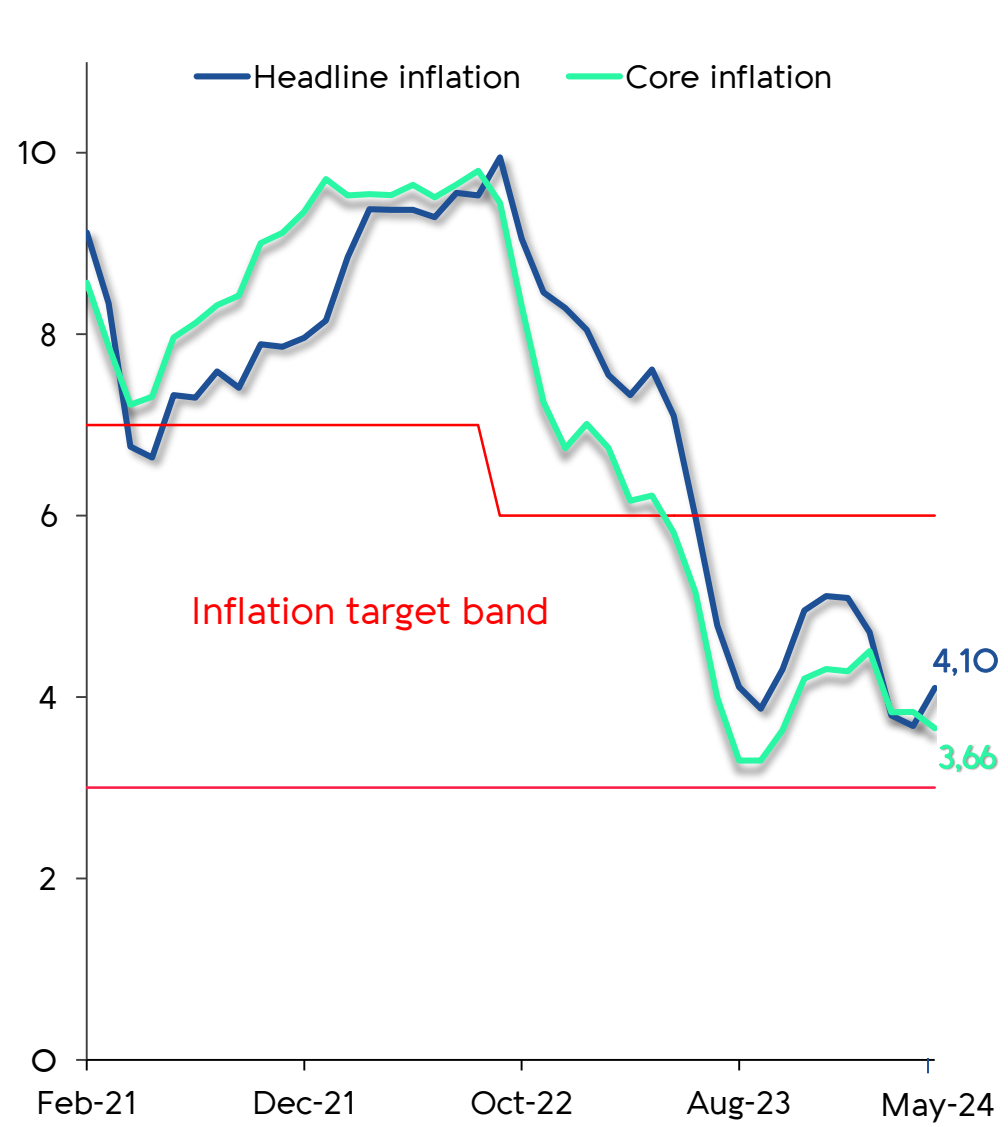
The Central Bank acted early and decisively, keeping real rates high. Since April 2023, it gradually lowered the reference rate. Headline inflation completed twelve consecutive months within the Central Bank's target range.



**Monetary Policy Rate (MPR) and interbank interest rate (1)**  
(In %)



**Headline and Core inflation (2)**  
(YoY, in %)



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

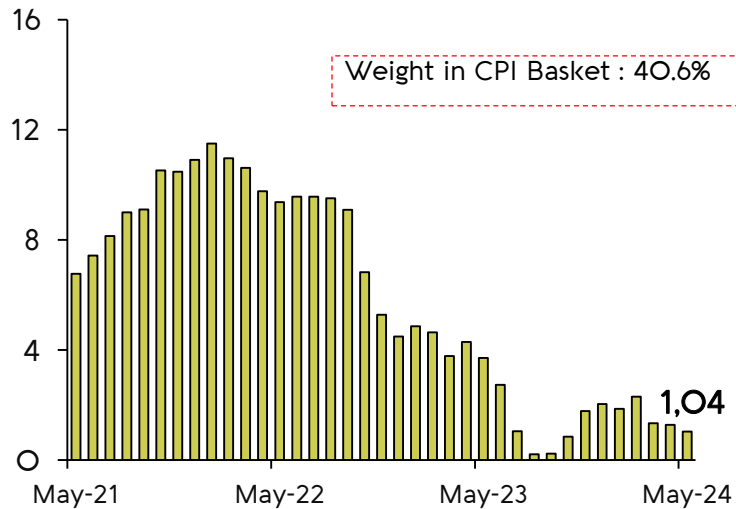
(2) Source: National Institute of Statistics and Central Bank of Uruguay.

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



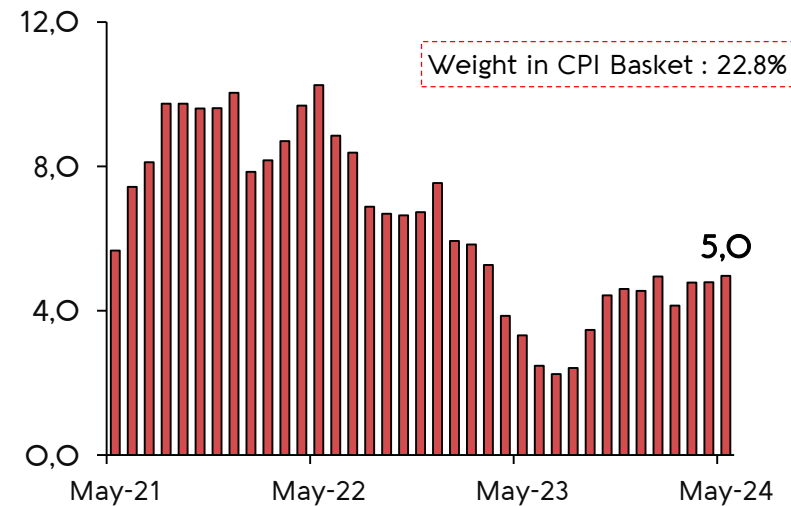
## Tradable inflation <sup>(1)</sup>

(YoY, in %)



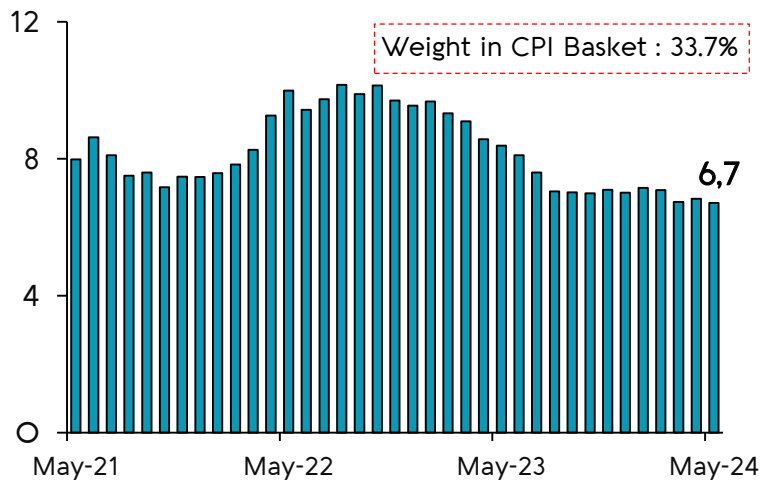
## Administered prices inflation <sup>(1)</sup>

(YoY, in %)



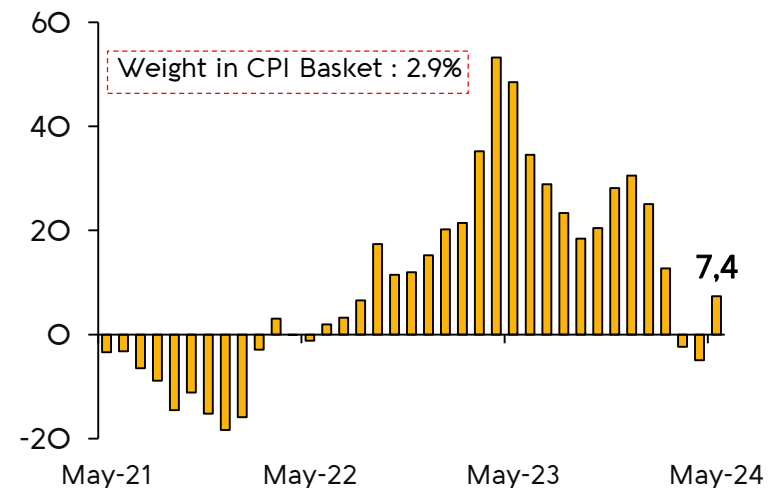
## Non-tradable inflation <sup>(1)</sup>

(YoY, in %)



## Fruits and vegetables inflation <sup>(1)</sup>

(YoY, in %)

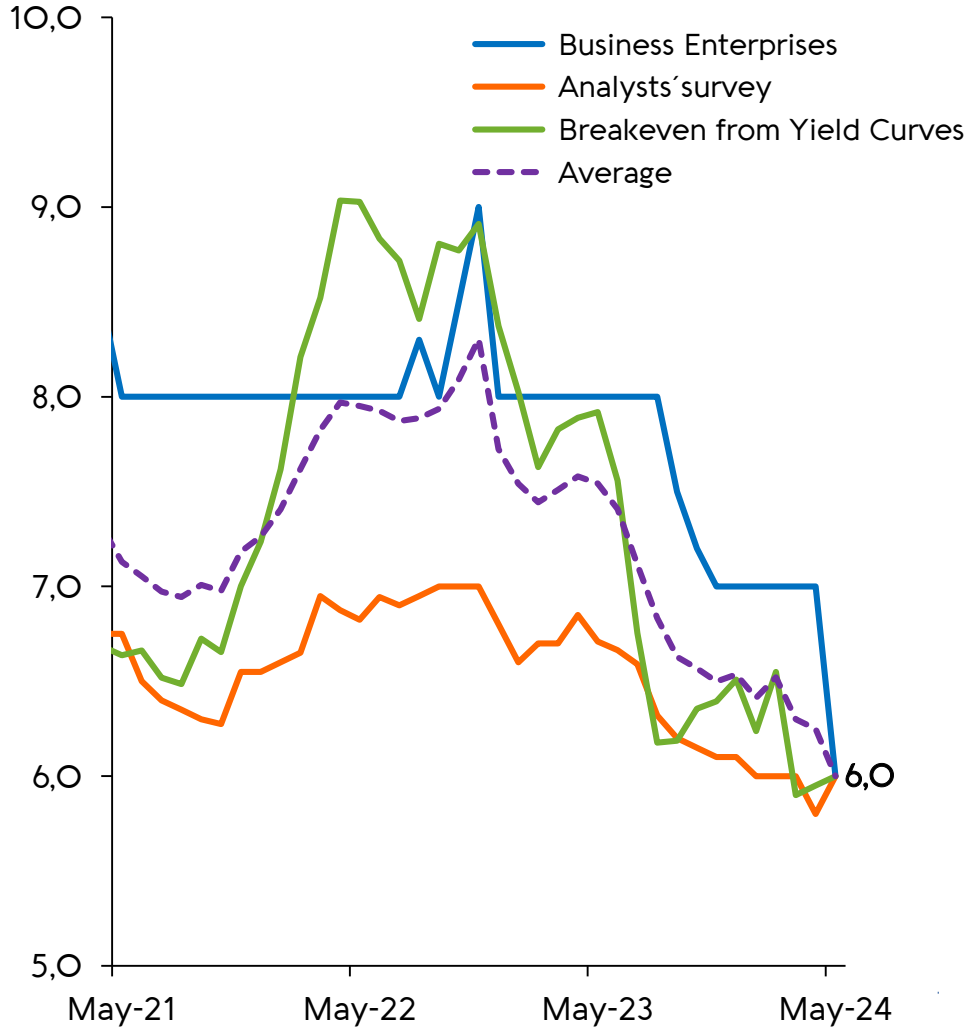


(1) Source: Central Bank of Uruguay.

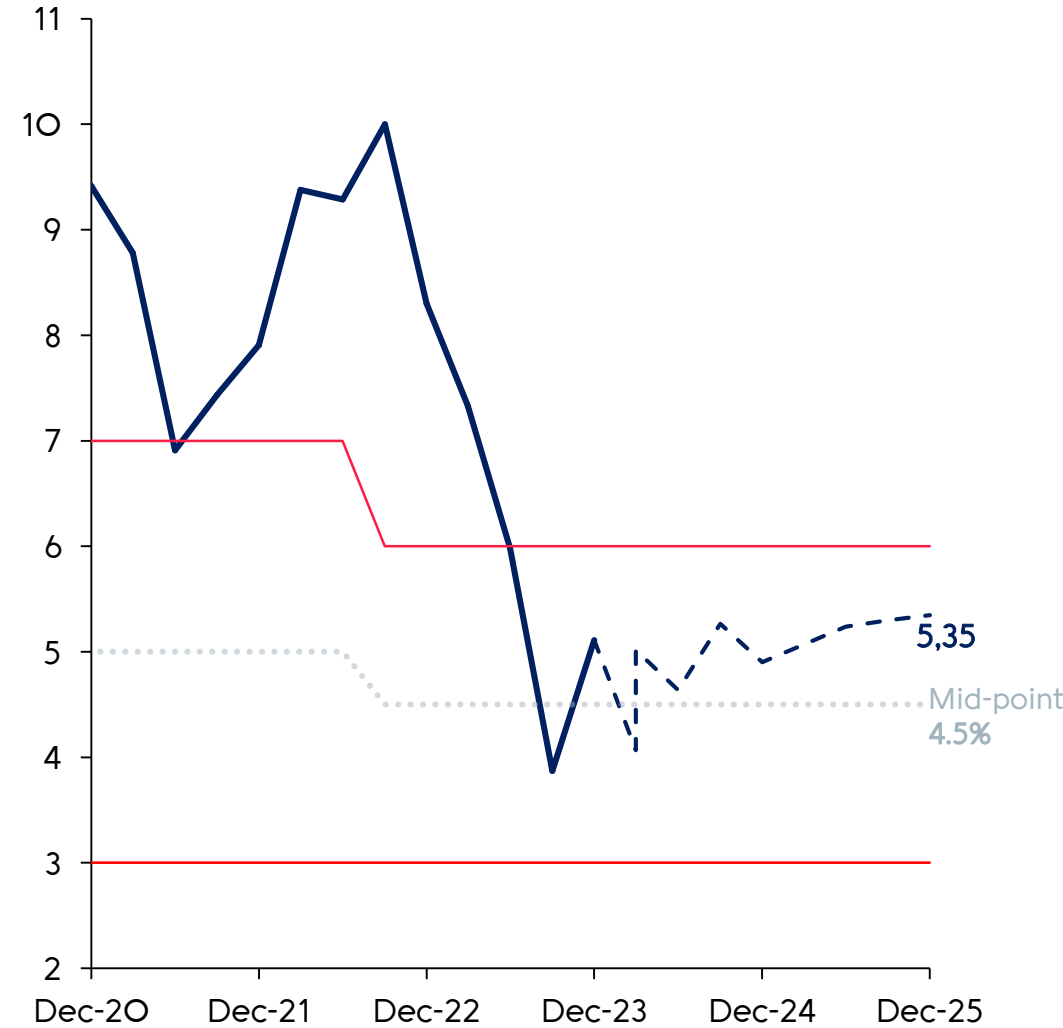
Inflation expectations have fallen to historic lows and are converging towards the inflation target; Central Bank projects inflation path within target band over the forecast horizon.



**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.

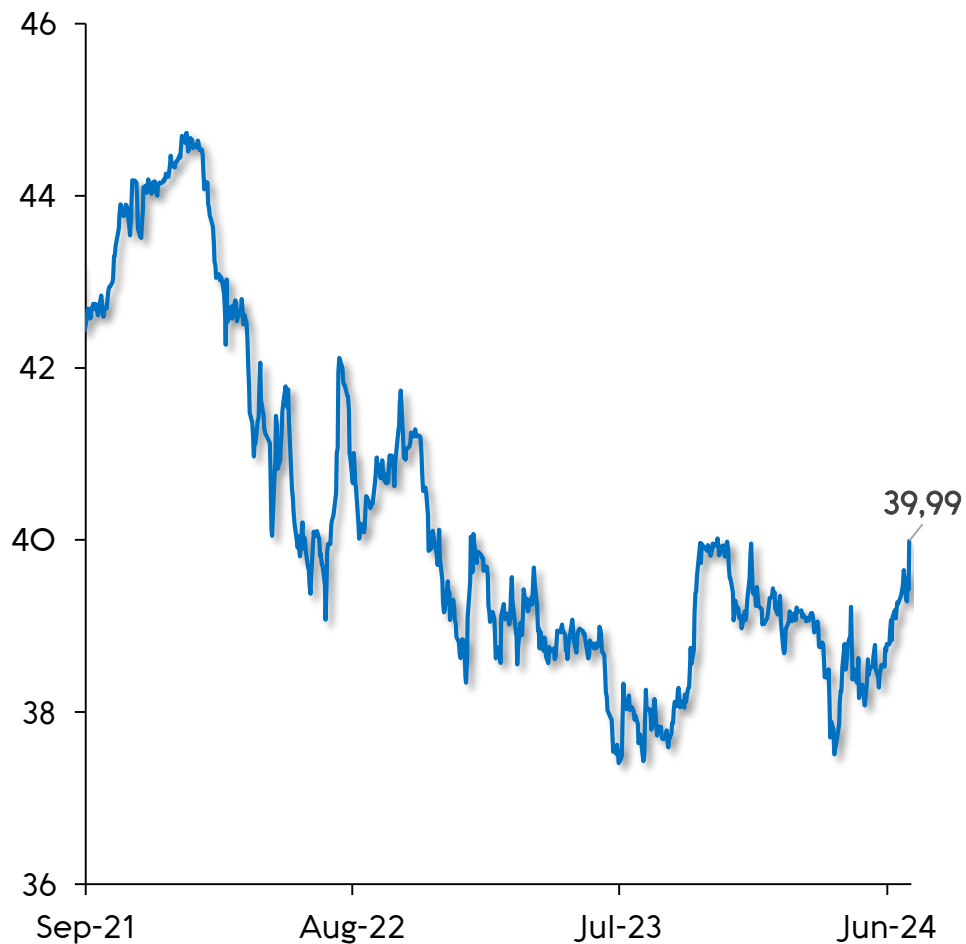
(2) Source: Central Bank of Uruguay. As of February 2024.



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

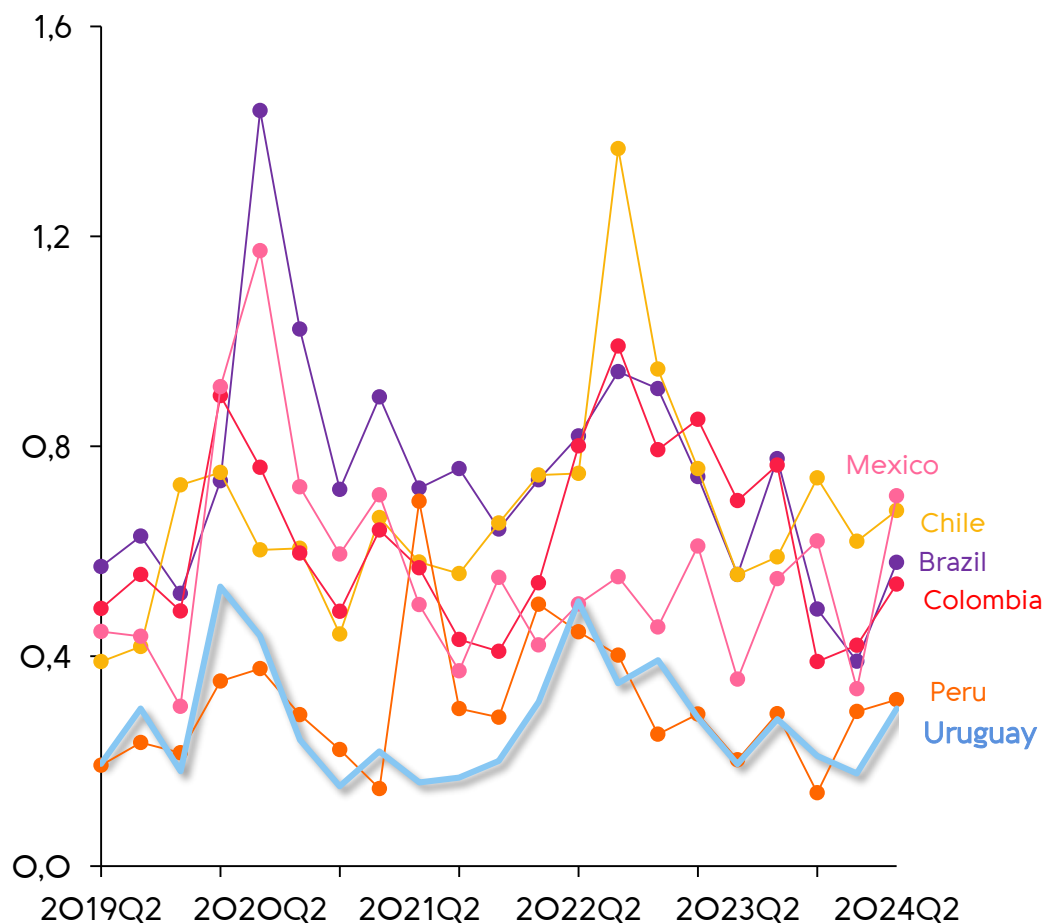
### Nominal exchange rate<sup>(1)</sup>

(Uruguayan pesos per dollar, daily. As of June 28, 2024)



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

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



(1) Source: Central Bank of Uruguay.

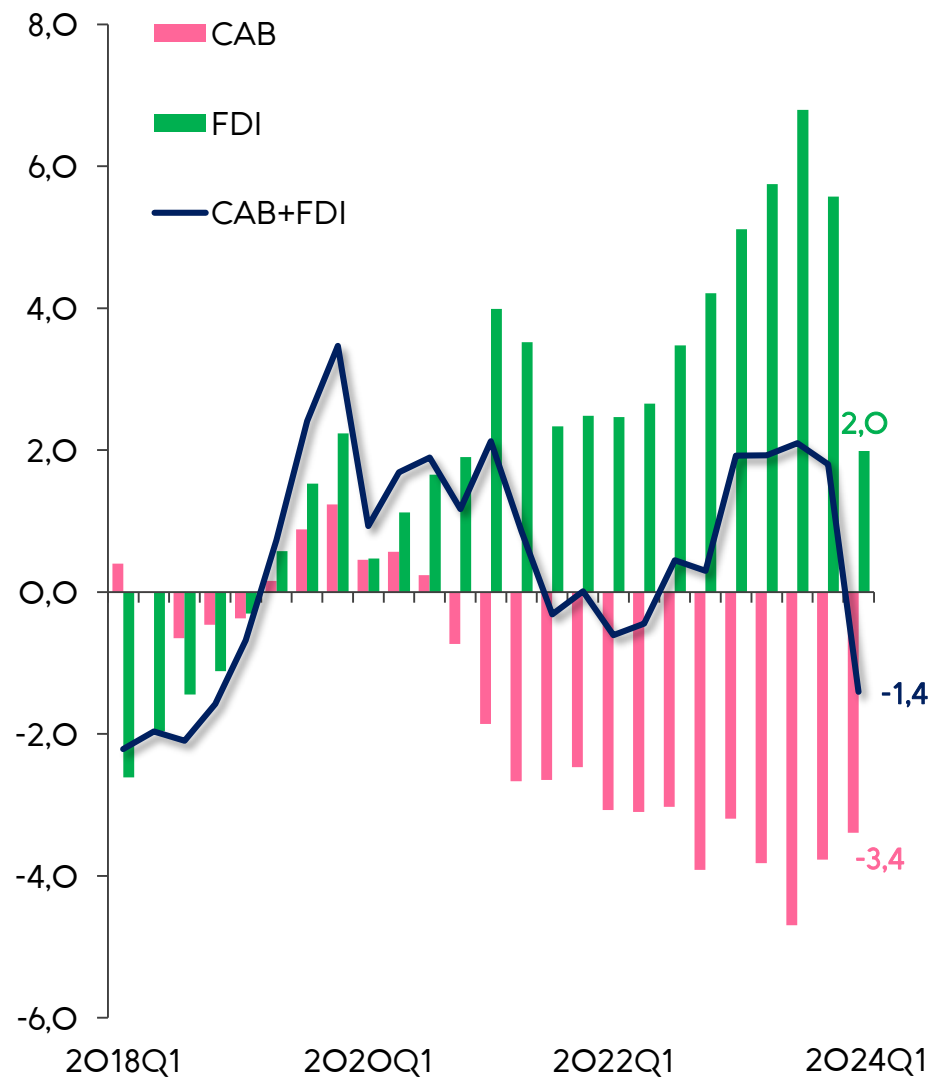
(2) Source: MEF calculations based on Bloomberg. Regional and country specific information is as aggregated or reported, as applicable. Each such country information may be calculated differently and aggregated by each respective source using various methodologies. Accordingly, this comparison is for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

# Lower current account deficit amid more subdued FDI inflows, by the first quarter of 2024.



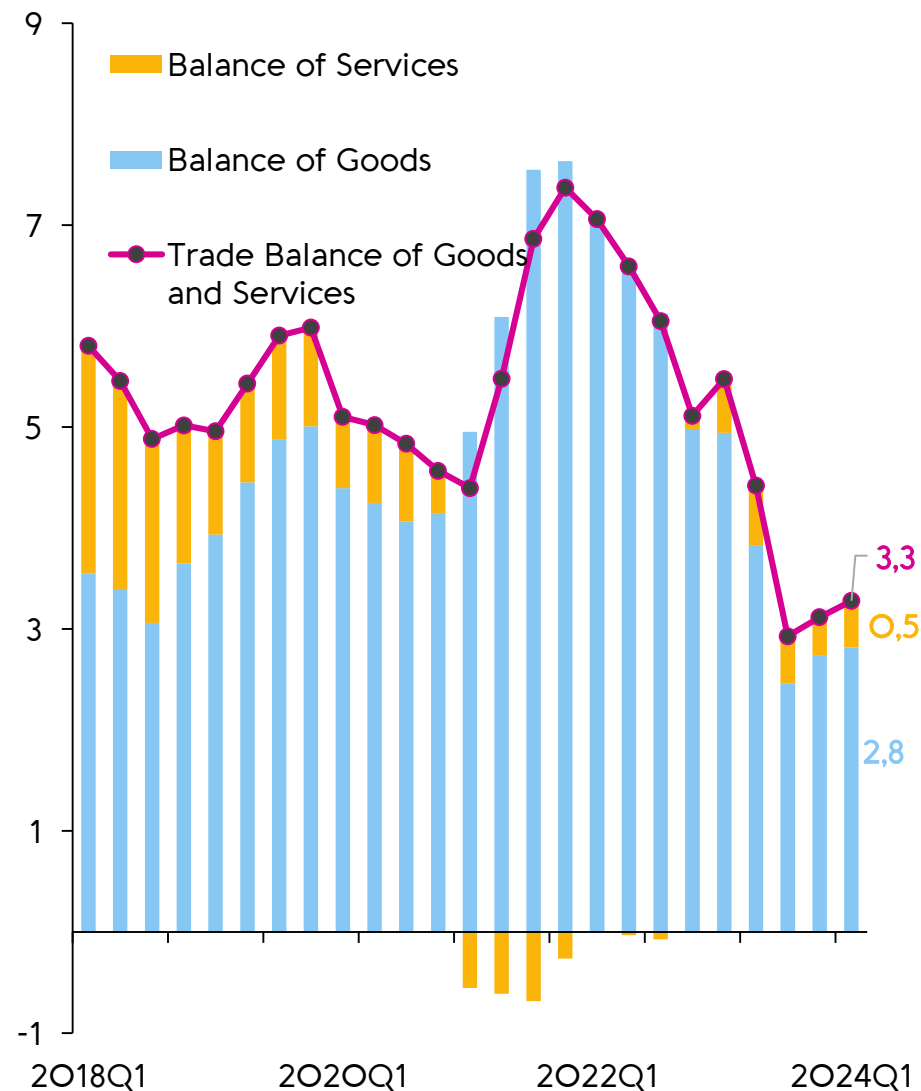
## Current account balance and FDI <sup>(1)</sup>

(Rolling 4-quarters, in % of GDP)



## Goods and services balances <sup>(1)</sup>

(Rolling 4-quarters, in % of GDP)



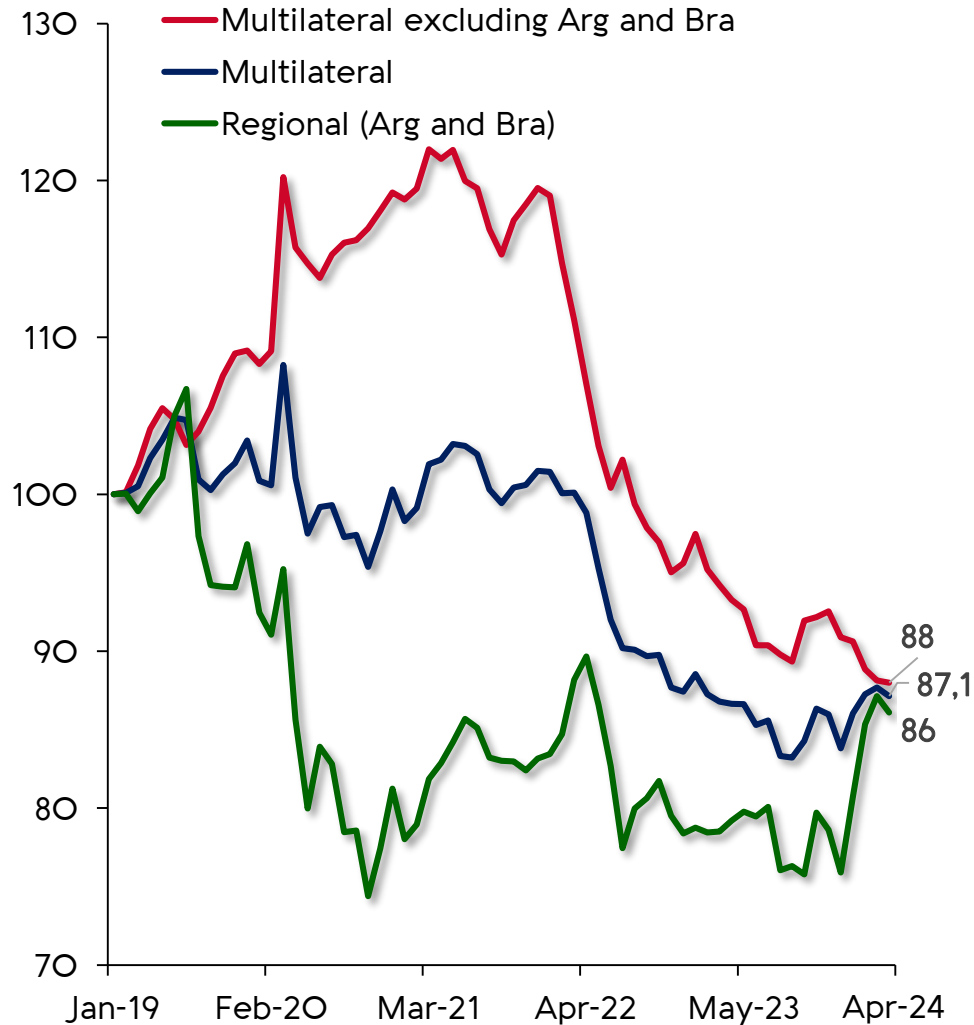
(1) Source: Central Bank of Uruguay.

# Large international reserve buffers are a significant external backstop.



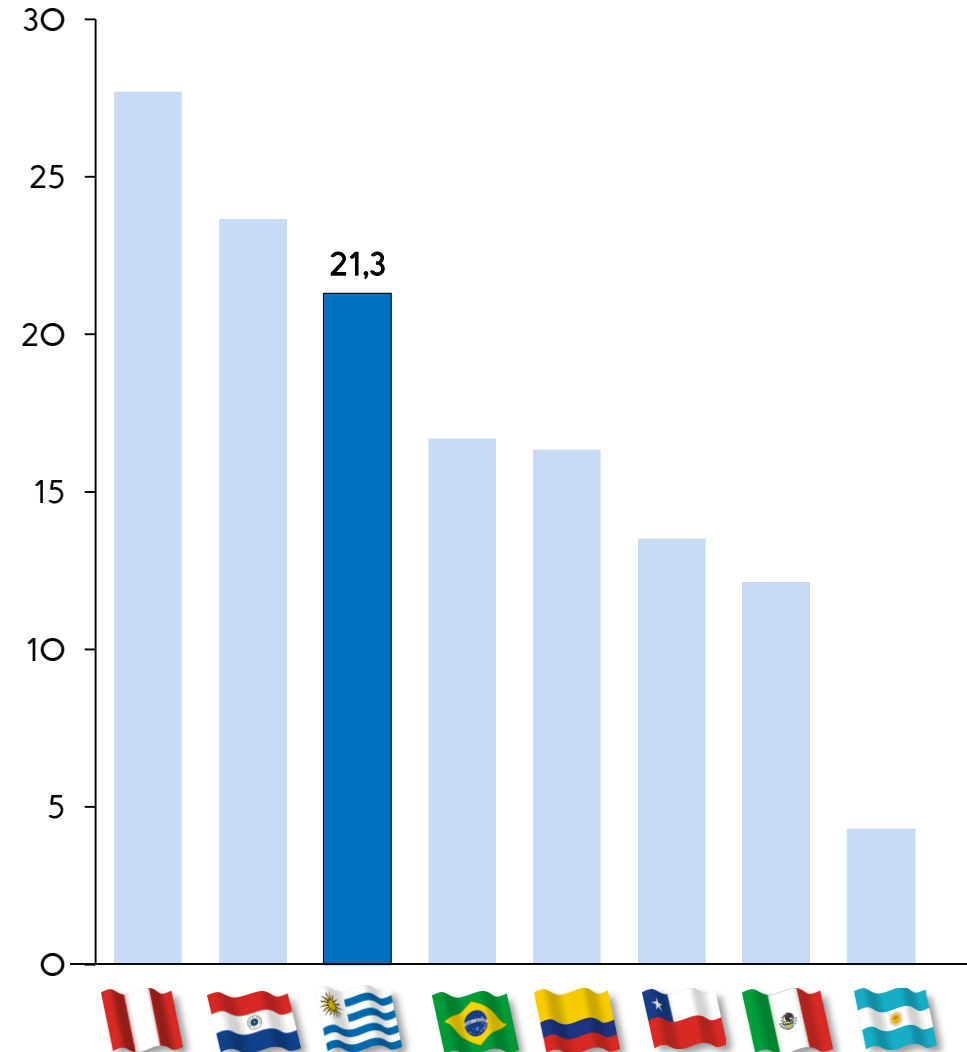
## Real Effective Exchange Rate of Uruguay <sup>(1)</sup>

(Index base 100 - Jan 2019)



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

(In % of GDP, as of end of March 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.

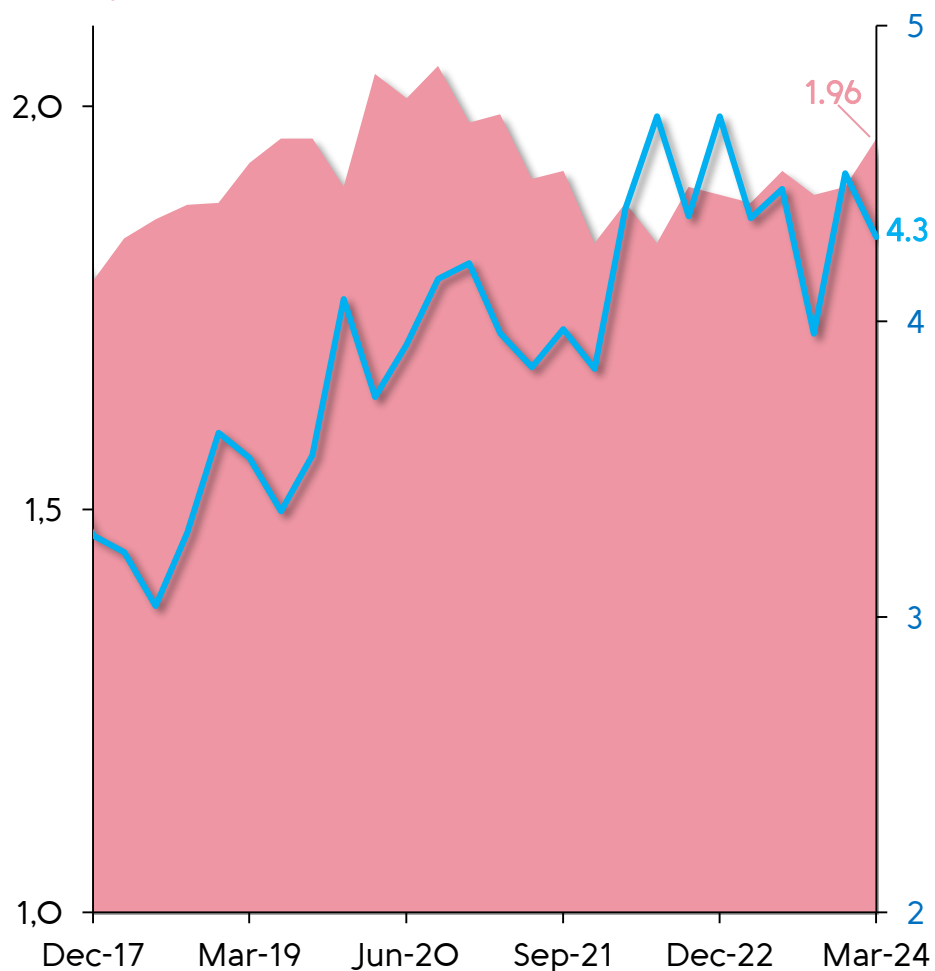
# Banking sector remains well-capitalized and with high liquidity levels, although with still-high deposit dollarization.



## Solvency and liquidity of the banking system <sup>(1)</sup>

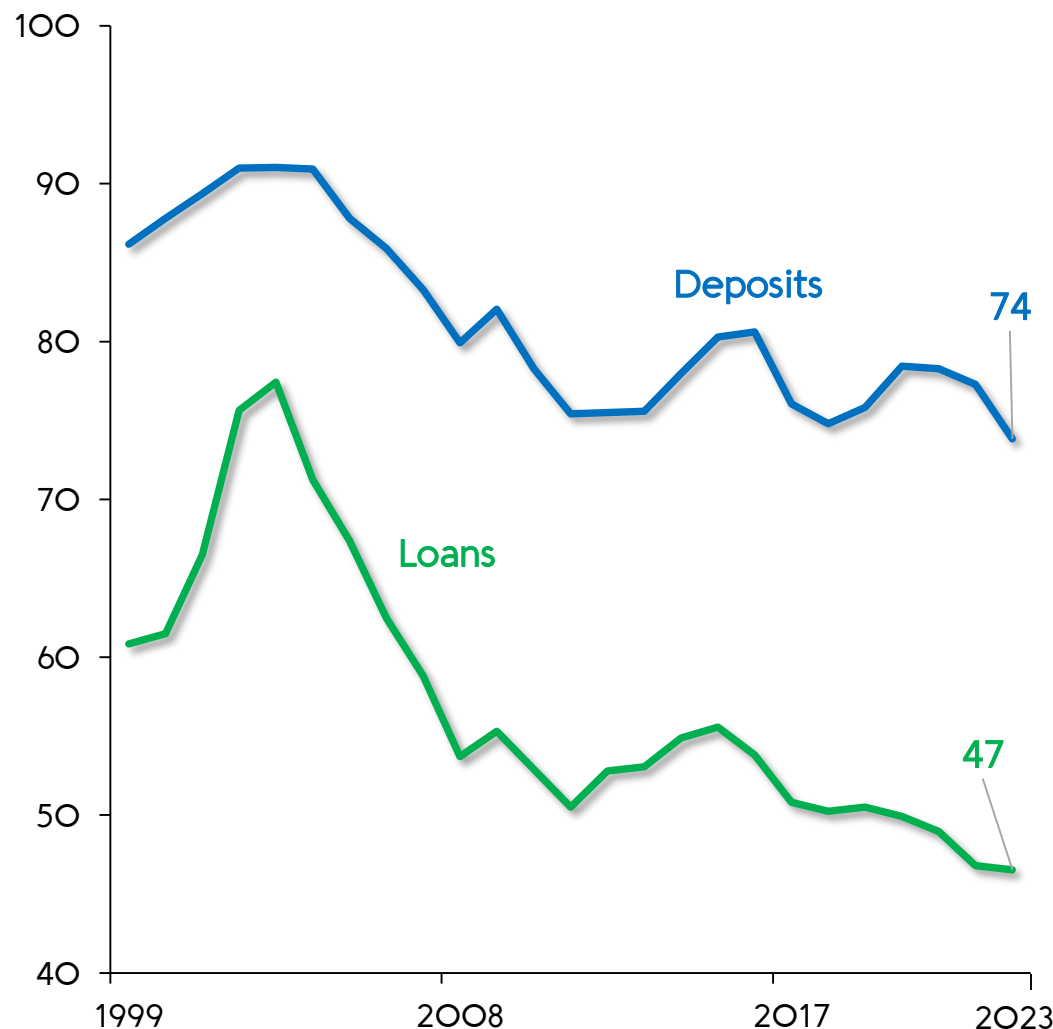
Number of times of minimum regulatory capital

Liquidity Coverage Ratio <sup>(2)</sup> (number of times)



## Dollarization of Deposits and Loans of the banking system <sup>(1)</sup>

(Annual average to the non-financial sector, % of total)



<sup>(1)</sup> Source: Quarterly reports of the Financial System published by the Central Bank of Uruguay.

<sup>(2)</sup> 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, intra and intergenerational justice, sustainability, and system fragmentation.
- **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.

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## Plebiscite of Social Security Reform

In April 2024, Uruguay's major trade union (the “PIT-CNT”), along with other social organizations, spearheaded a signature collection process to subject the Social Security reform, and other reforms introduced in 1996, to a referendum.

This reform proposes, among other measures, to enshrine in the Constitution a minimum retirement age of 60 years, give the state a monopoly over the social security system and eliminate the Pension Fund Administrators (AFAPs) and align minimum pensions with the national minimum wage.

The Constitution allows for plebiscites to consider constitutional reforms if requested by 10% of the country's registered voters (276,600). On April 26, 2024, the PIT-CNT submitted over 430,000 signatures to the President of the General Assembly.

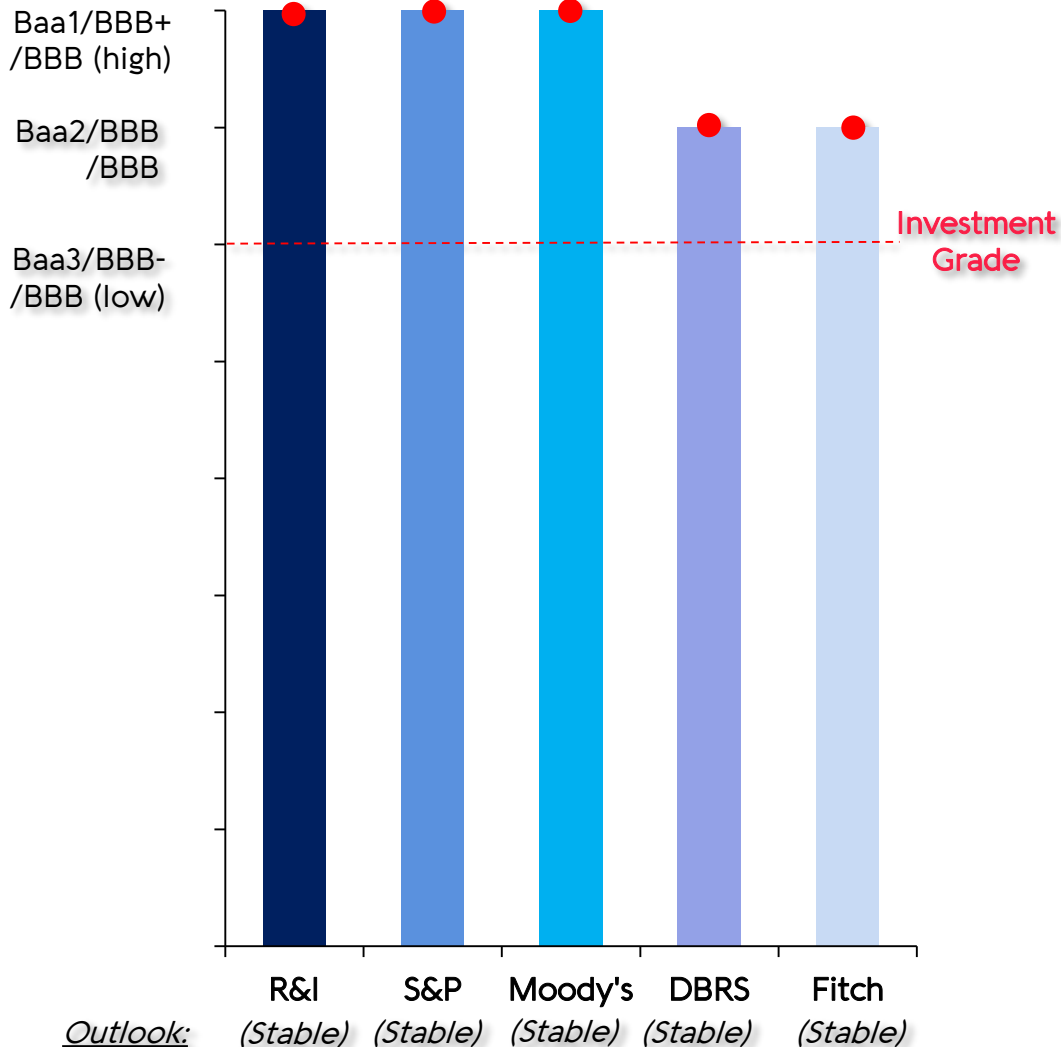
If the Electoral Court validates the minimum required amount of signatures, a plebiscite to approve or reject the reform proposed by PIT-CNT will be conducted during the upcoming national elections to be held on October 27, 2024.

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



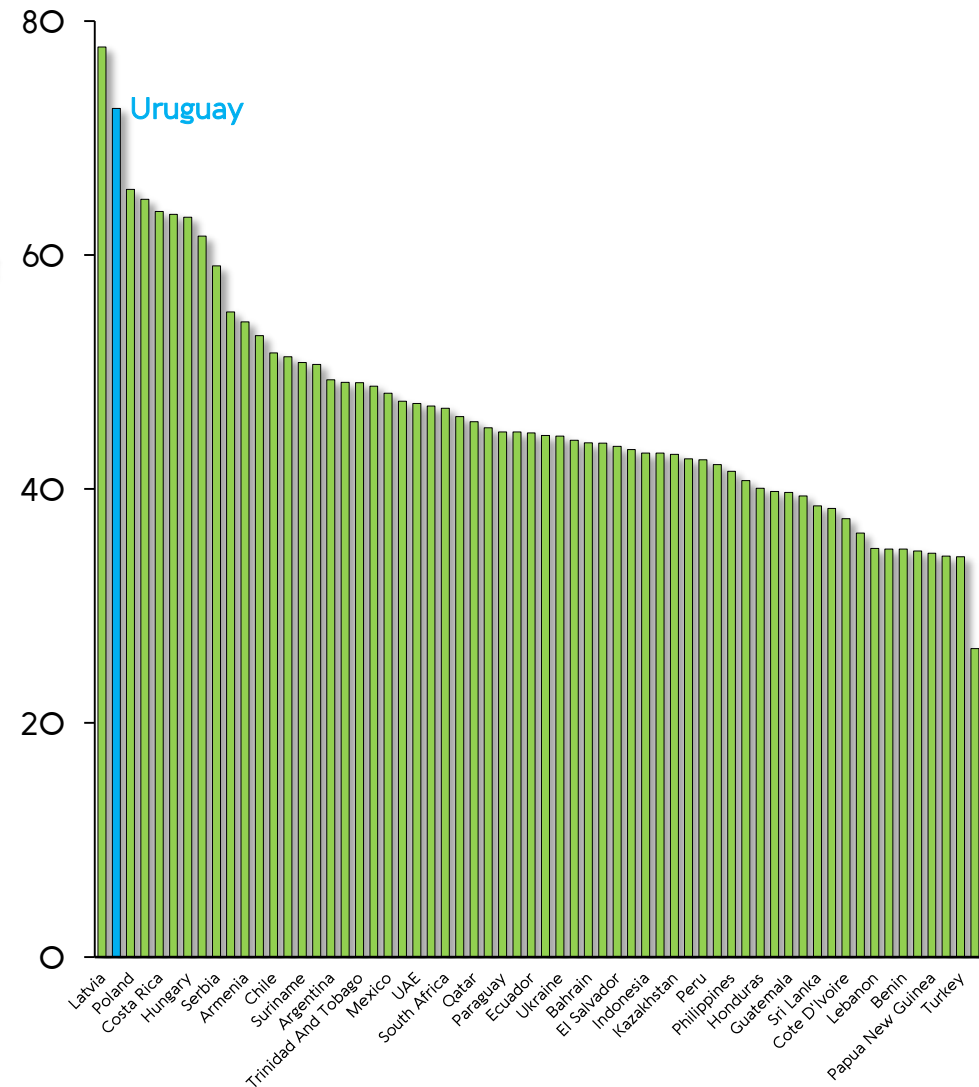
## Uruguay's sovereign credit ratings (1)

(As of June 2024)



## Emerging Markets' ESG Score (2)

(Index, 100 = best performance; as of end-June 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.

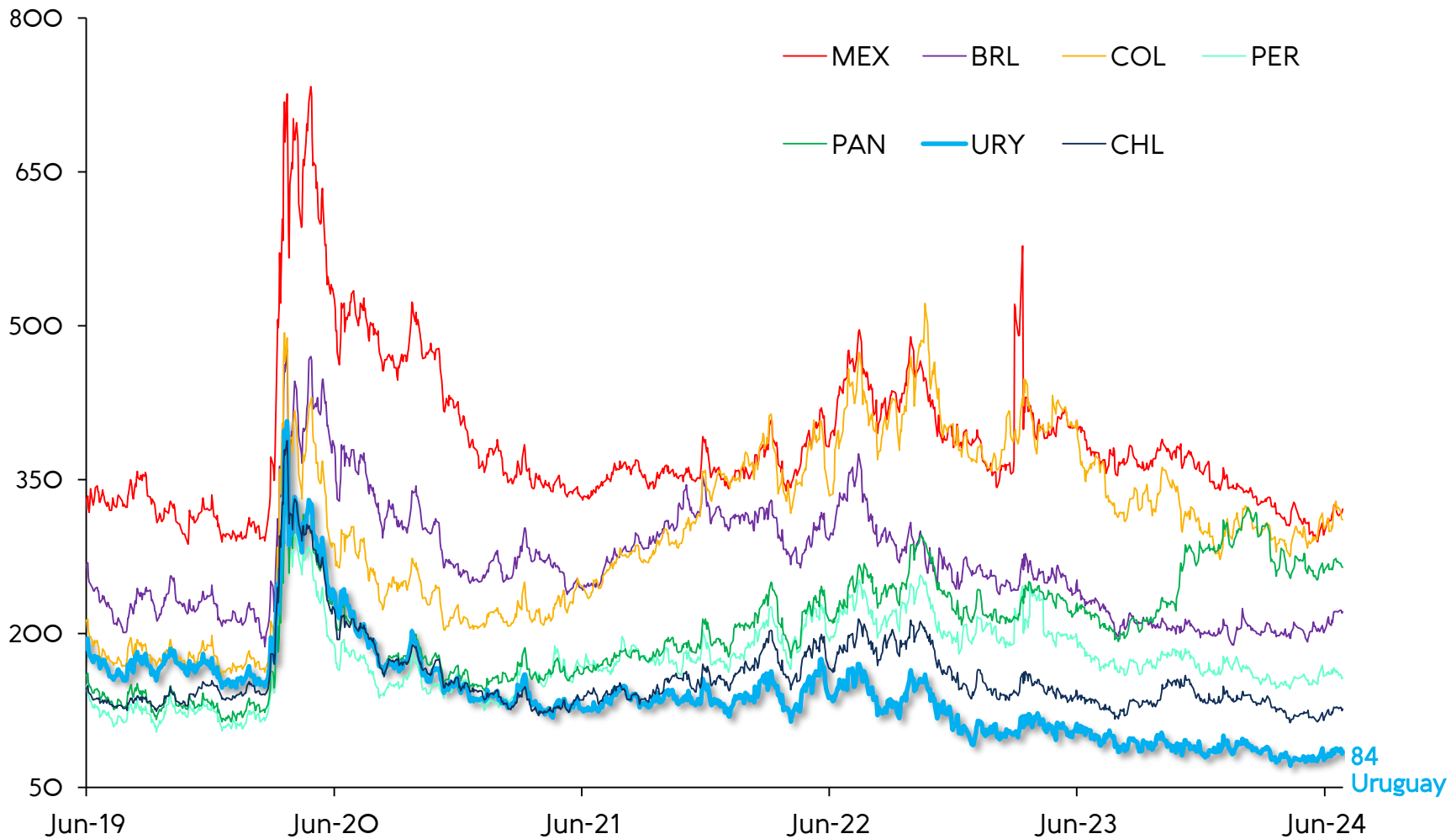
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# Uruguay achieved its lowest EMBI spread on record, and has the lowest sovereign risk premia in Latin America.



## Sovereign risk premia in LATAM <sup>(1)</sup>

(EMBI Global Diversified spread, in bps; as of June 27, 2024)



<sup>1)</sup> Source: Bloomberg.

Regional and country-specific information is aggregated or reported, as applicable. Each country's information may be calculated differently and aggregated by each source using various methodologies. Accordingly, this comparison is for illustrative purposes only and we do not purport to assert that the above information is actually comparable.



**República Oriental  
del Uruguay**

**THANK YOU**