



# República Oriental del Uruguay

## Investor Presentation

*September 2024*



Ministerio de  
Economía  
Y Finanzas

# Uruguay at a Glance



## Foundations of Economic Policy

- Predictable and prudent macroeconomic framework with fiscally-responsible policies
- Stable policy track-record reflecting the cohesive and consensual nature of Uruguay's political class
- GDP driven by agribusiness and food (53%), global services (27%) and tourism (8%)
- Effective monetary policy has brought down inflation and anchored inflation expectations
- Implementation of a fiscal rule (with sustained compliance since its establishment in 2020) enhances fiscal credibility and transparency
- Reliable, market-friendly and attractive destination for foreign direct investment
- Advances in impactful structural reforms focused on potential growth and fiscal solvency (e.g. 2023 Social Security Reform)

## Key Economic Indicators

<b>GDP</b> <i>(USDbn)</i>	<b>\$77bn</b> 2023	\$65bn L5Y Avg
<b>Inflation</b>	<b>5.1%</b> 2023	7.9% L5Y Avg
<b>Unemployment</b>	<b>8.3%</b> 2023	9.0% L5Y Avg
<b>Fiscal Deficit</b> <i>(% of GDP)</i>	<b>3.3%</b> 2023	3.5% L5Y Avg
<b>Debt to GDP</b> <i>(% of GDP)</i>	<b>58.3%</b> 2023	54.0% L5Y Avg
<b>FDI</b> <i>(% of GDP)</i>	<b>5.5%</b> 2023	3.3% L5Y Avg
<b>Current Account</b> <i>(% of GDP)</i>	<b>-3.6%</b> 2023	-1.8% L5Y Avg
<b>Int'l Reserves</b> <i>(% of GDP)</i>	<b>21.2%</b> 2023	24.3% L5Y Avg

## Standing in LatAm Rankings

 <b>#1</b> Political Stability and Democratic Strength <sup>(1)</sup>	 <b>#1</b> Low Corruption <sup>(4)</sup>
 <b>#1</b> Rule of Law <sup>(2)</sup>	 <b>#1</b> Social Mobility <sup>(5)</sup>
 <b>#1</b> Civil Liberties <sup>(3)</sup>	 <b>#1</b> E-Government Development <sup>(6)</sup>

Sources: IMG, Central Bank of Uruguay, National Statistics Institute, United Nations Development Program, IMF, S&P and Fitch Ratings

(1) Worldwide Governance Indicators, World Bank 2021 and Economist Intelligence Unit, 2022. (2) World Justice Project, 2022. (3) Freedom House, 2023. (4) Transparency International, 2022.

(5) World Economic Forum, 2022. (6) United Nations, 2022.

# Key Credit Updates



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.

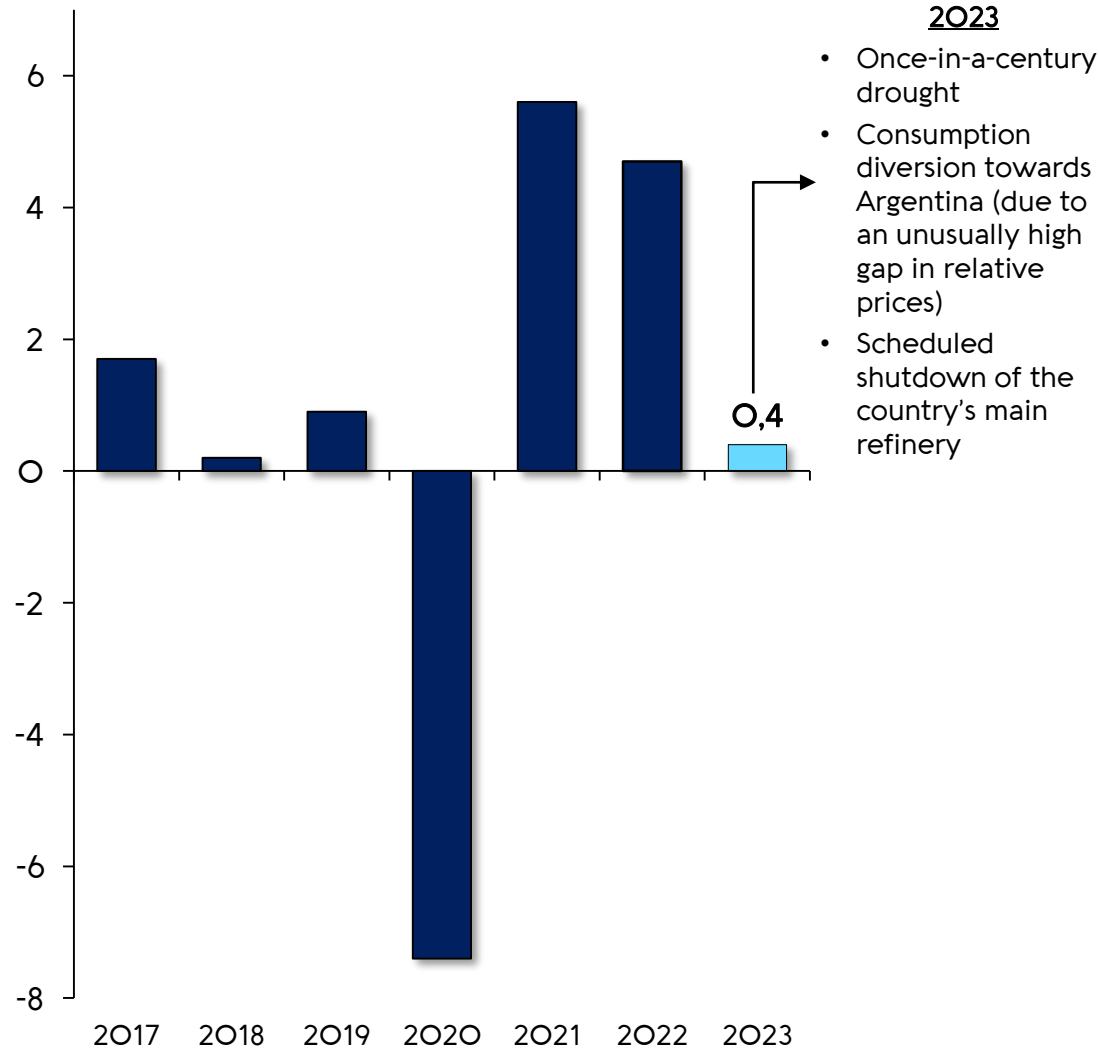
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Uruguay is among the top performers on ESG fundamentals across EM countries and has the lowest country risk spread in LATAM.

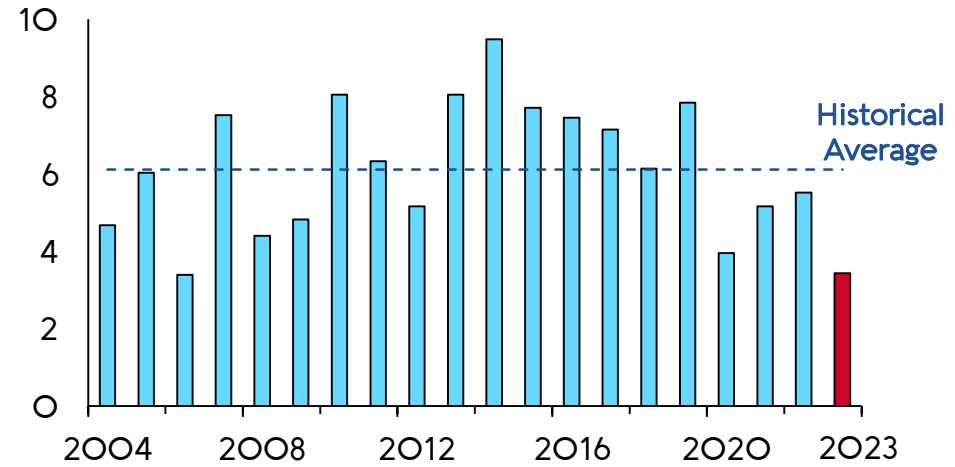
Economic activity decelerated markedly during 2023, weighed down by a severe drought, lower external demand for agricultural goods and cross-border purchases in Argentina driven by relative price differences.



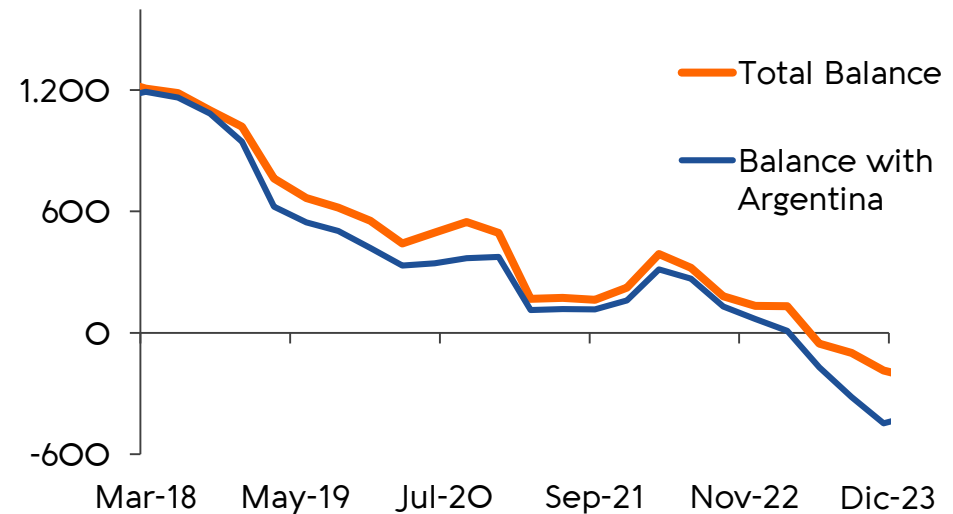
**Annual real GDP change<sup>(1)</sup>**  
(YoY, in %)



**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.

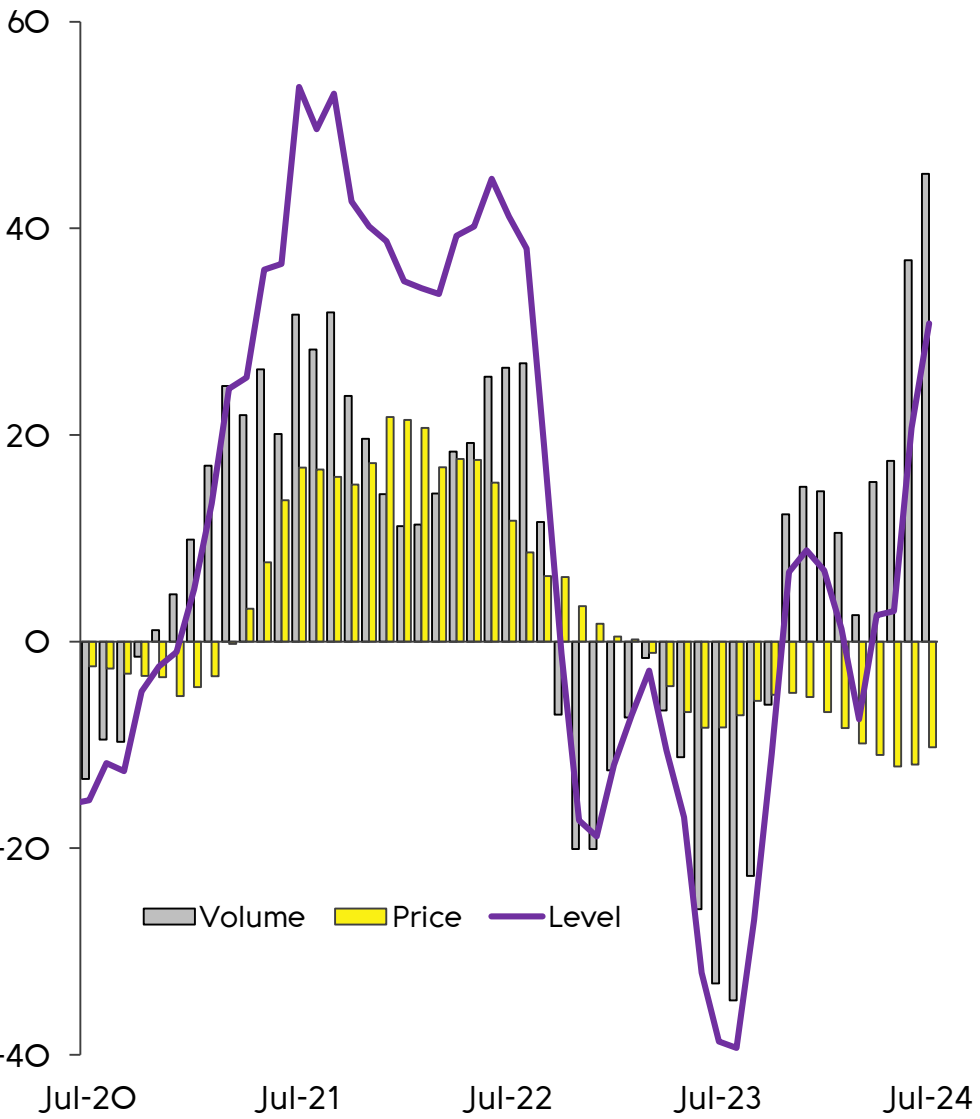
(2) Source: National Administration of Power Plants and Electrical Transmissions (UTE) and Uruguayan Electric Market Administration (ADME). The historical average was calculated for the period 2004-2023.

(3) Source: Ministry of Tourism.

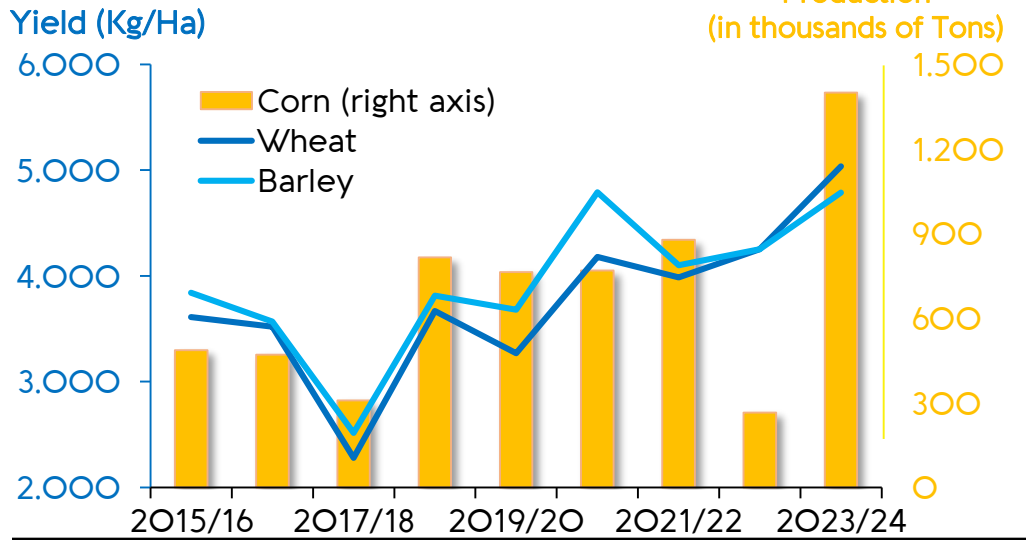
# Leading indicators suggest that a recovery is underway, driven by the normalization of agricultural production, exports and overall economic activity.



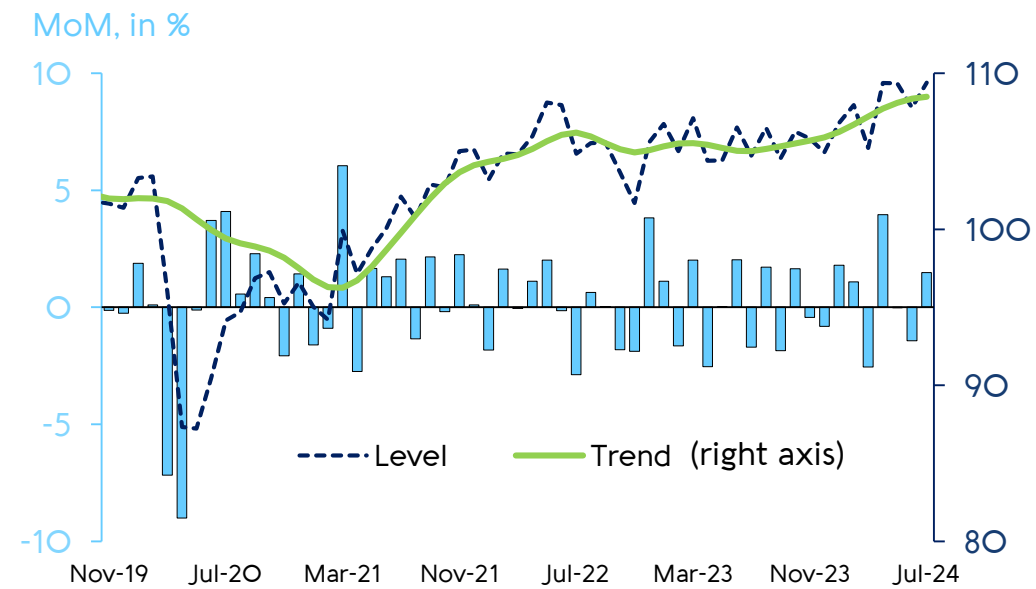
**Exports of goods, by volume and price<sup>(1)</sup>**  
(Three-month moving average of YoY change, in %)



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



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

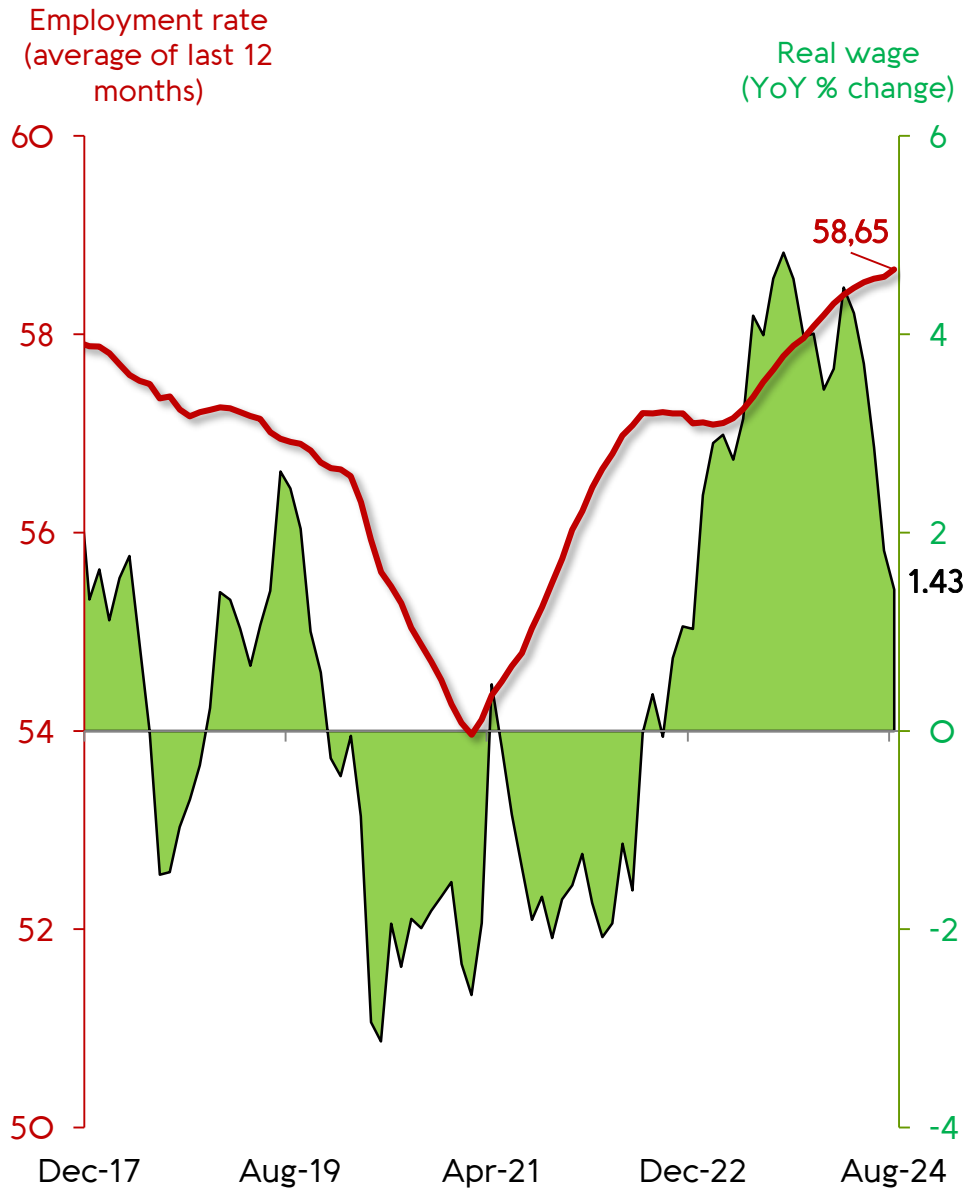


(1) Source: Central Bank of Uruguay (BCU). It corresponds to the export flows of goods from the customs territory (does not include exports from free trade zones either). Last value in level corresponds to June.  
 (2) Source: Agricultural Statistics Office (DIEA) of the Ministry of Livestock, Agriculture 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.

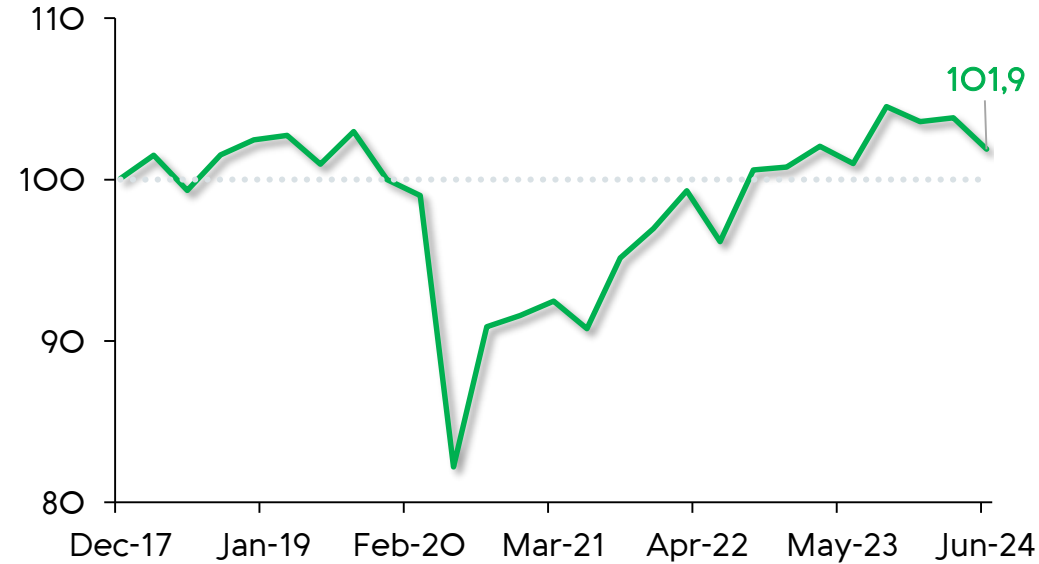


### Employment and real wages (1)

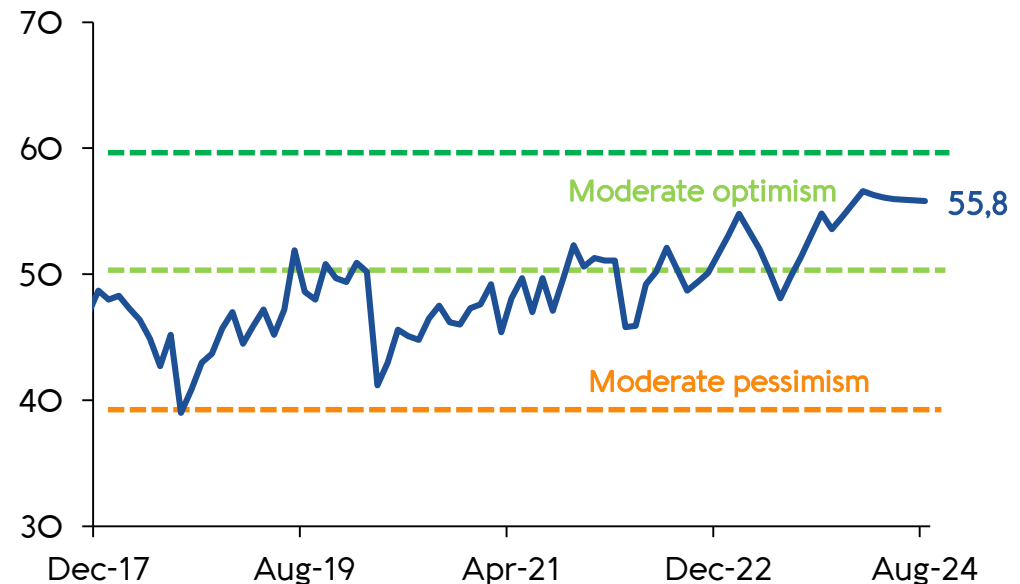


### Household consumption (2)

(Index base 2019 Q4 = 100)



### Consumer confidence index(3)



(1) Source: National Institute of Statistics.

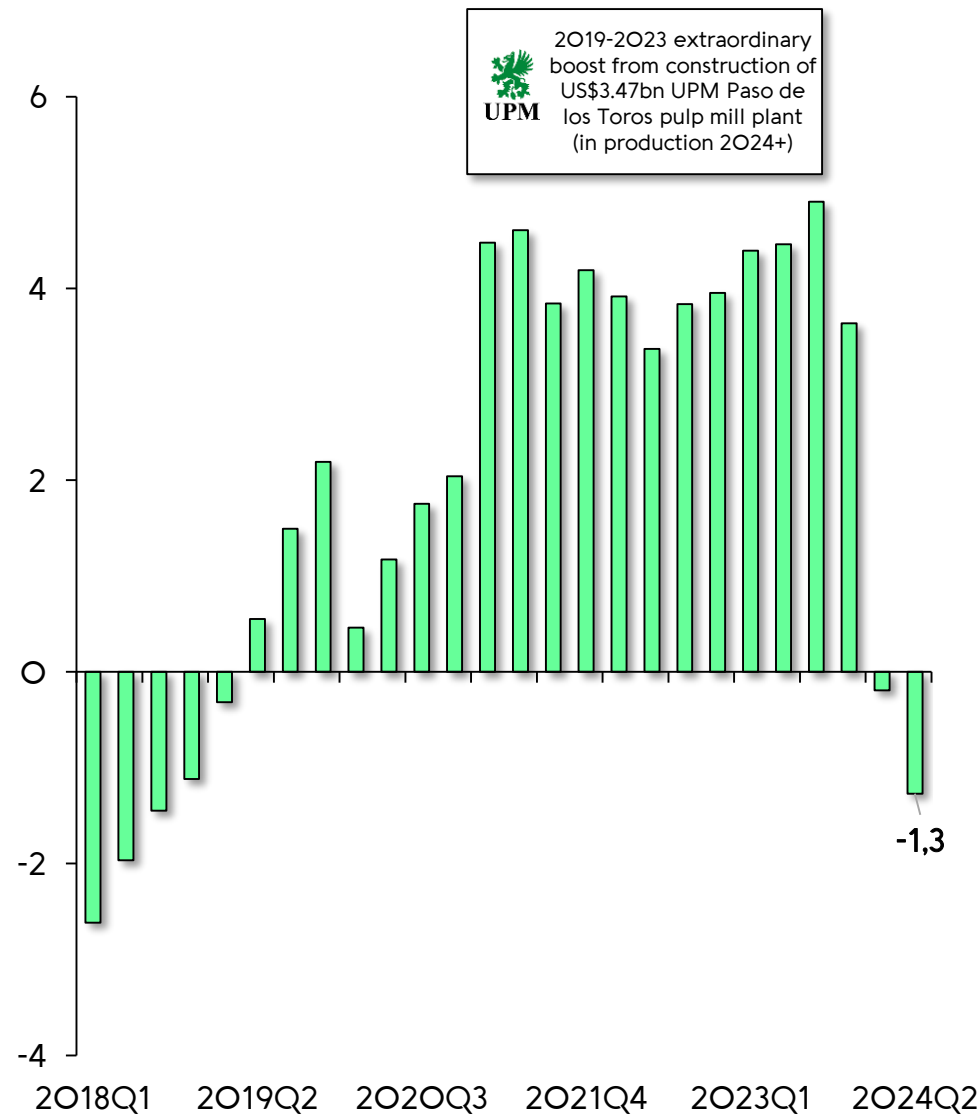
(2) Source: Central Bank of Uruguay.

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

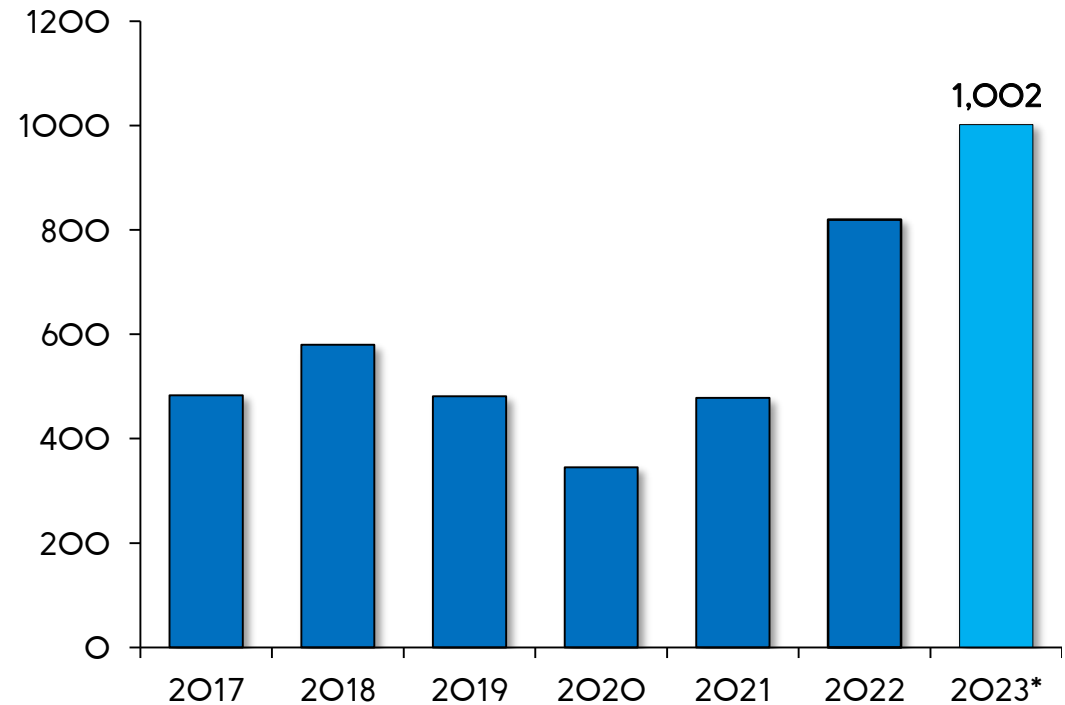
# Strong increase in FDI inflows through end 2023, although with a marked reversal during the first semester of 2024.



**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 and 2024Q2, 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.

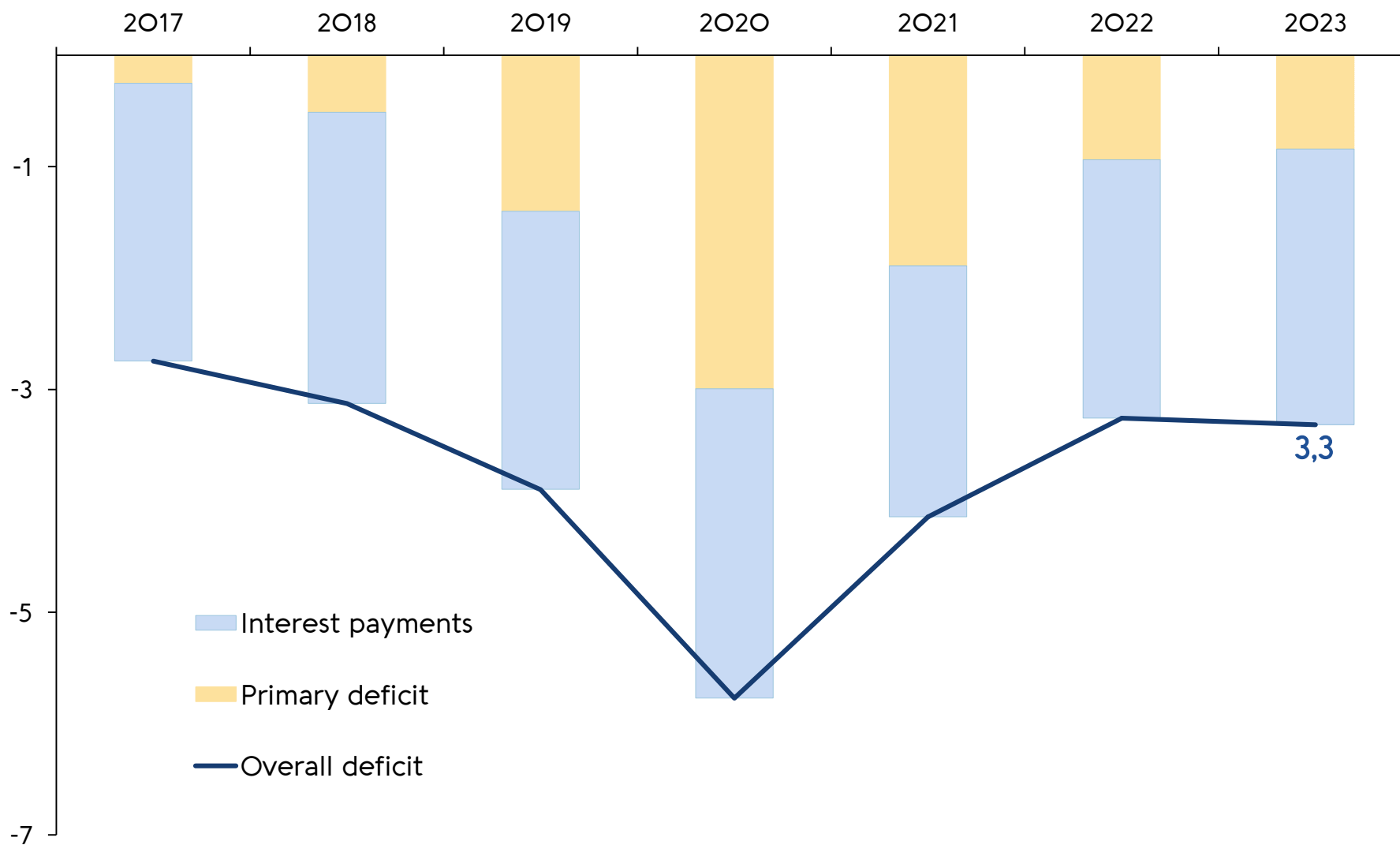
\*Preliminary Data

# The headline fiscal balance in 2023 was broadly aligned with the Annual Budget forecast.



## Central Government's headline fiscal balance <sup>(1)</sup>

(In % of GDP)



3,3

Interest payments

Primary deficit

Overall deficit

(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.



✓  
✓  
✓  
✓

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

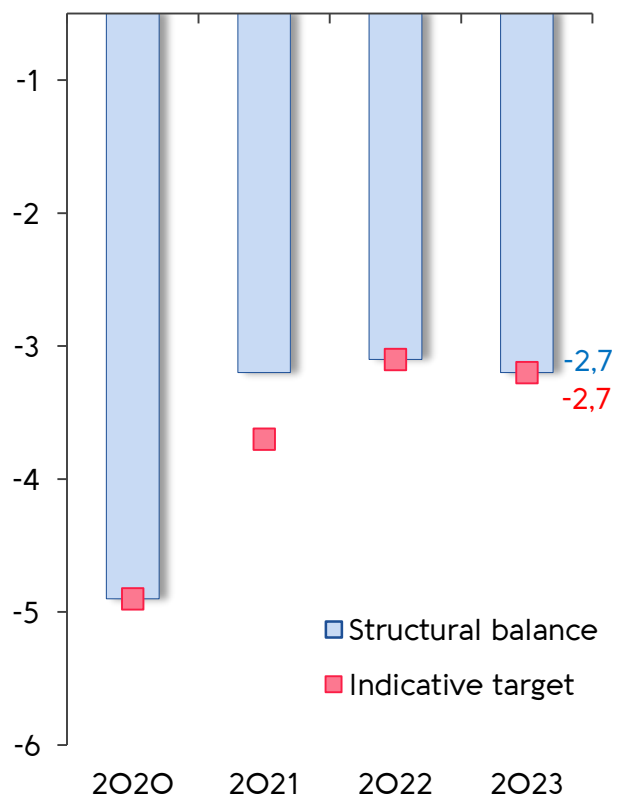
✓  
✓  
✓  
✓

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

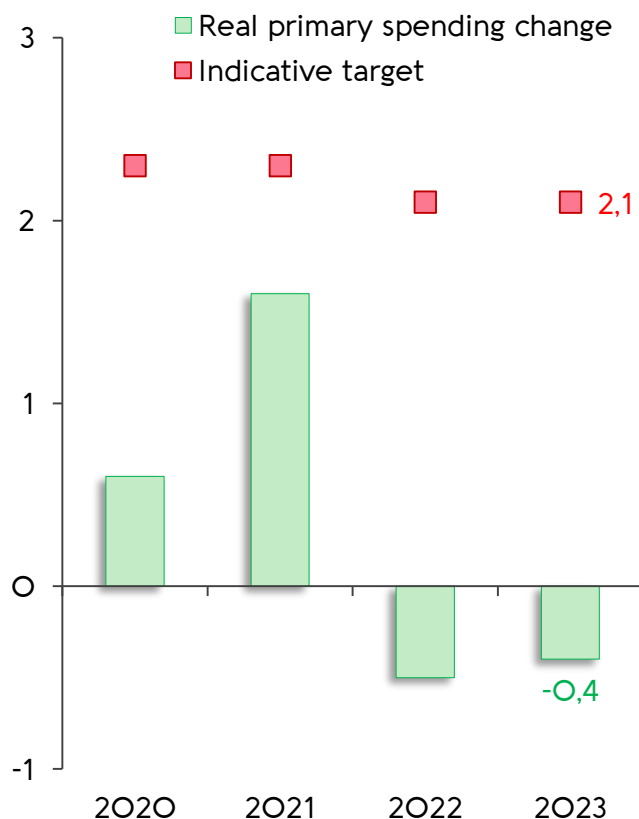
✓  
✓  
✓  
✓

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

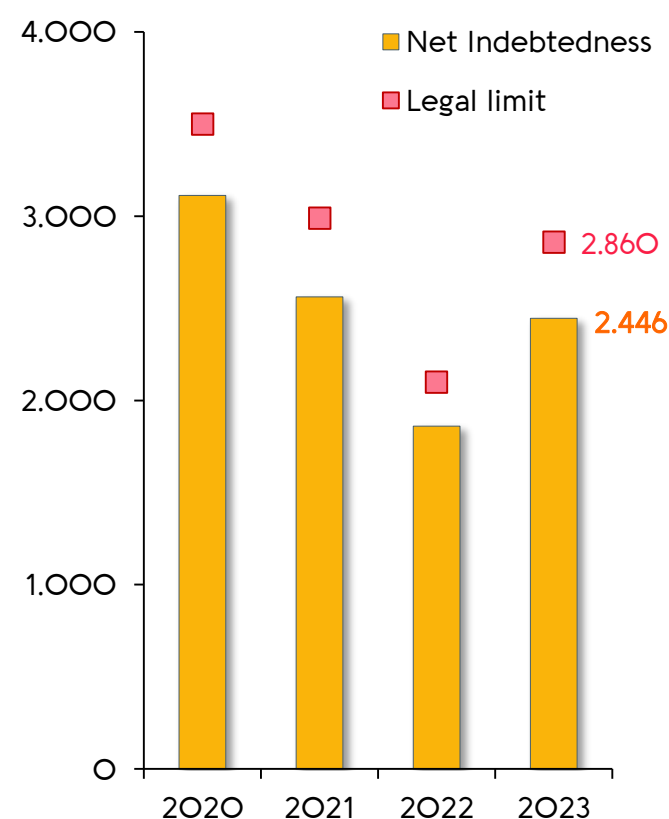
**Structural balance (1)**  
(In % of GDP)



**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 (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.

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 2,298 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.

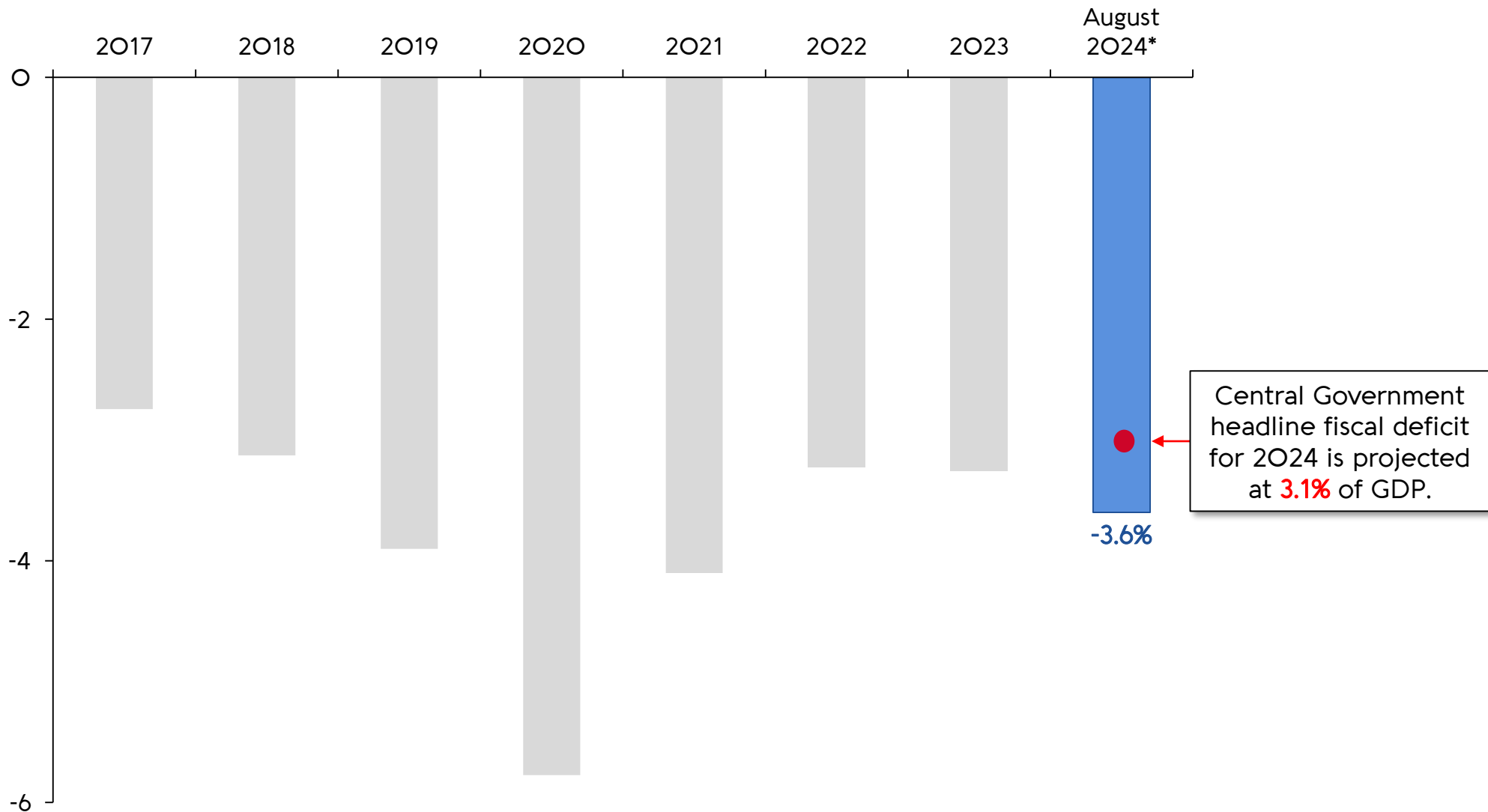
(2) Potential real GDP growth rate for 2024 (i.e., the indicative cap for real primary spending growth) is estimated at 2.8% by the independent Committee of Experts.

(3) For 2024, the legal net indebtedness cap is USD 2,300 million. It is important to note that, by construction, this measure of Government Net Indebtedness is approximately equivalent to the headline fiscal deficit of the Central Government (measured in USD current terms). The latest projection for 2024 for the headline fiscal deficit included in the Budget Accountability Law is 3.1% of GDP.

# Central Government headline fiscal deficit for 2024 is projected at 3.1% of GDP, given projected real GDP growth of 3.0%.



Central Government's headline fiscal balance <sup>(1)</sup>  
(In % of GDP)



Central Government headline fiscal deficit for 2024 is projected at **3.1%** of GDP.

-3.6%

\* Last 12 months.

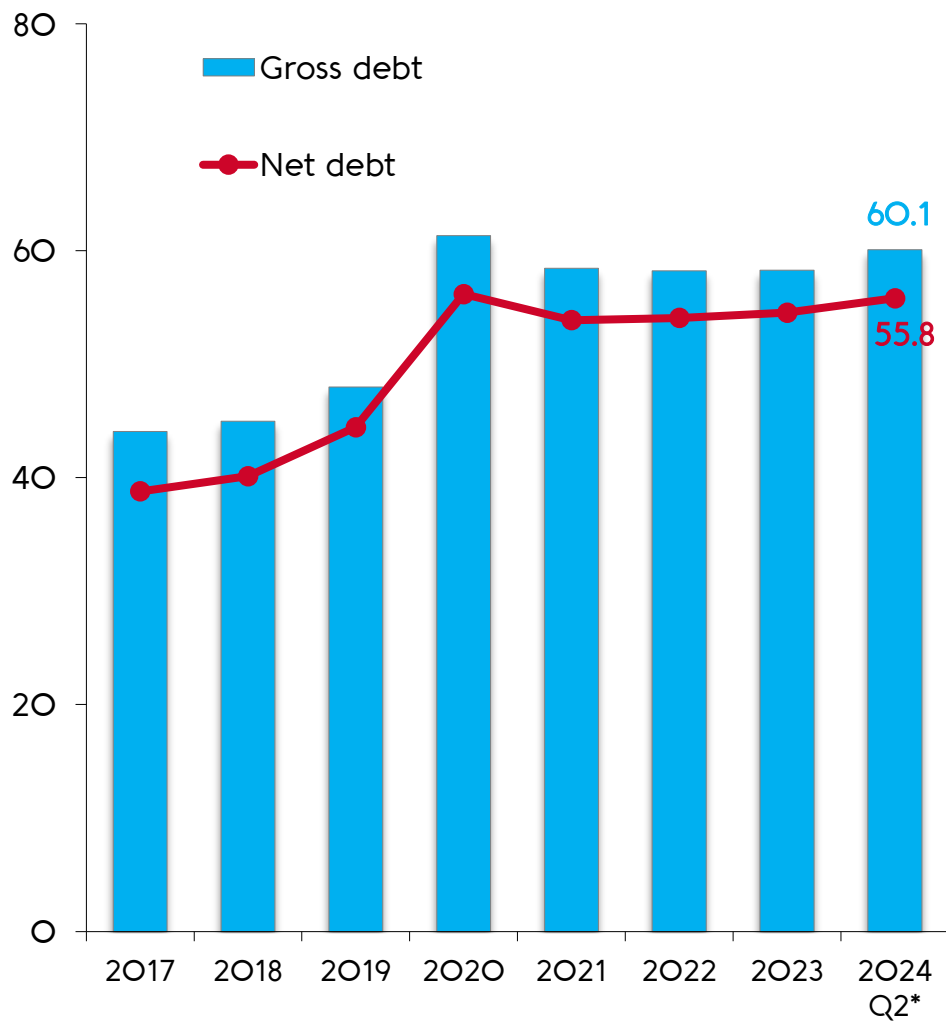
(1) Source: Ministry of Economy and Finance of Uruguay and Central Bank of Uruguay. Does not include extraordinary inflows to the Social Security Trust Fund.

(\*) Preliminary.

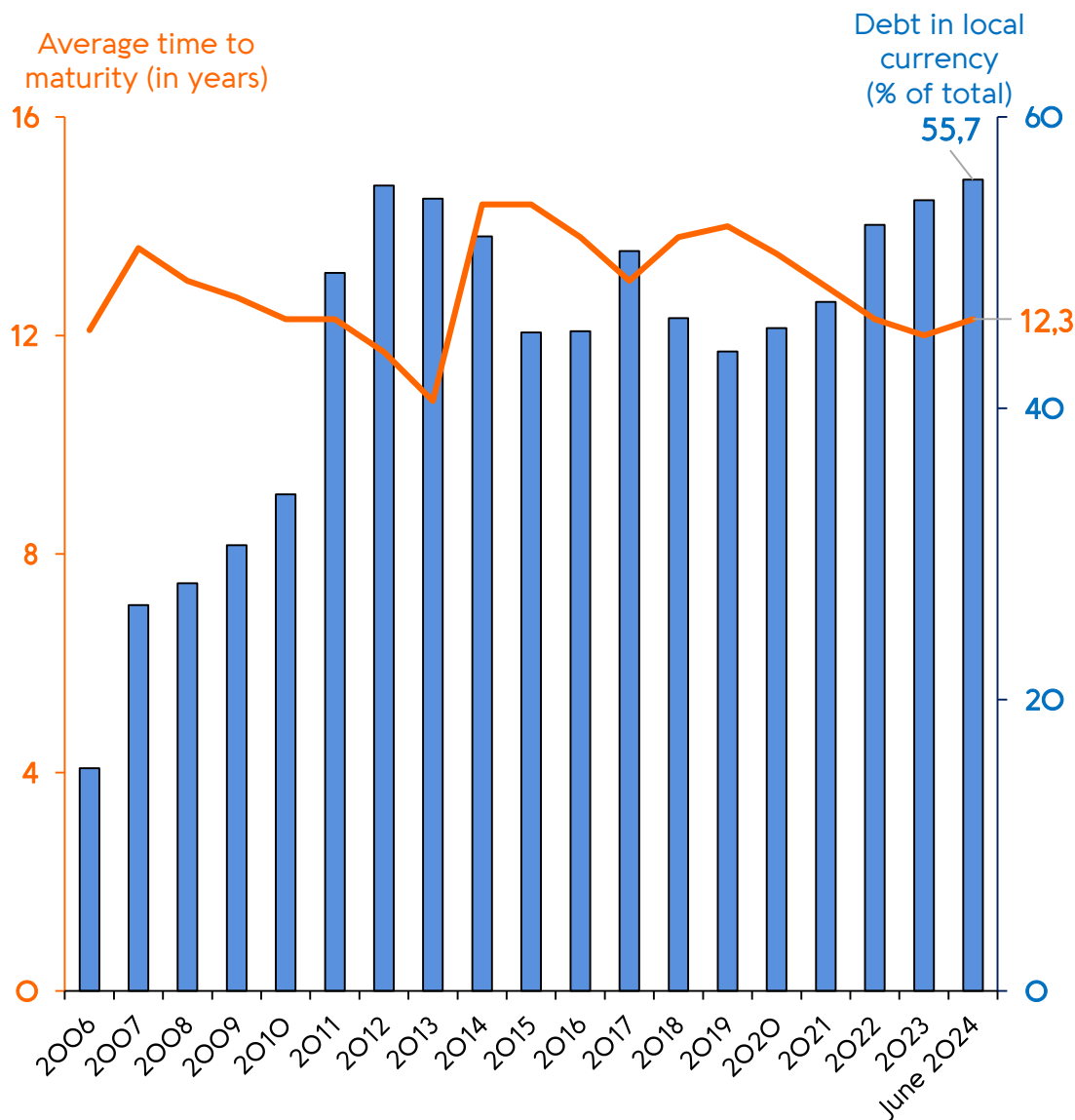
Debt management strategies and relative price effects have significantly reduced debt dollarization of debt, a key credit metric.



**Gross and net debt stock of the Central Government<sup>(1)</sup>**  
(As of end-period, in % of GDP)



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



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

(\*) Preliminary.

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

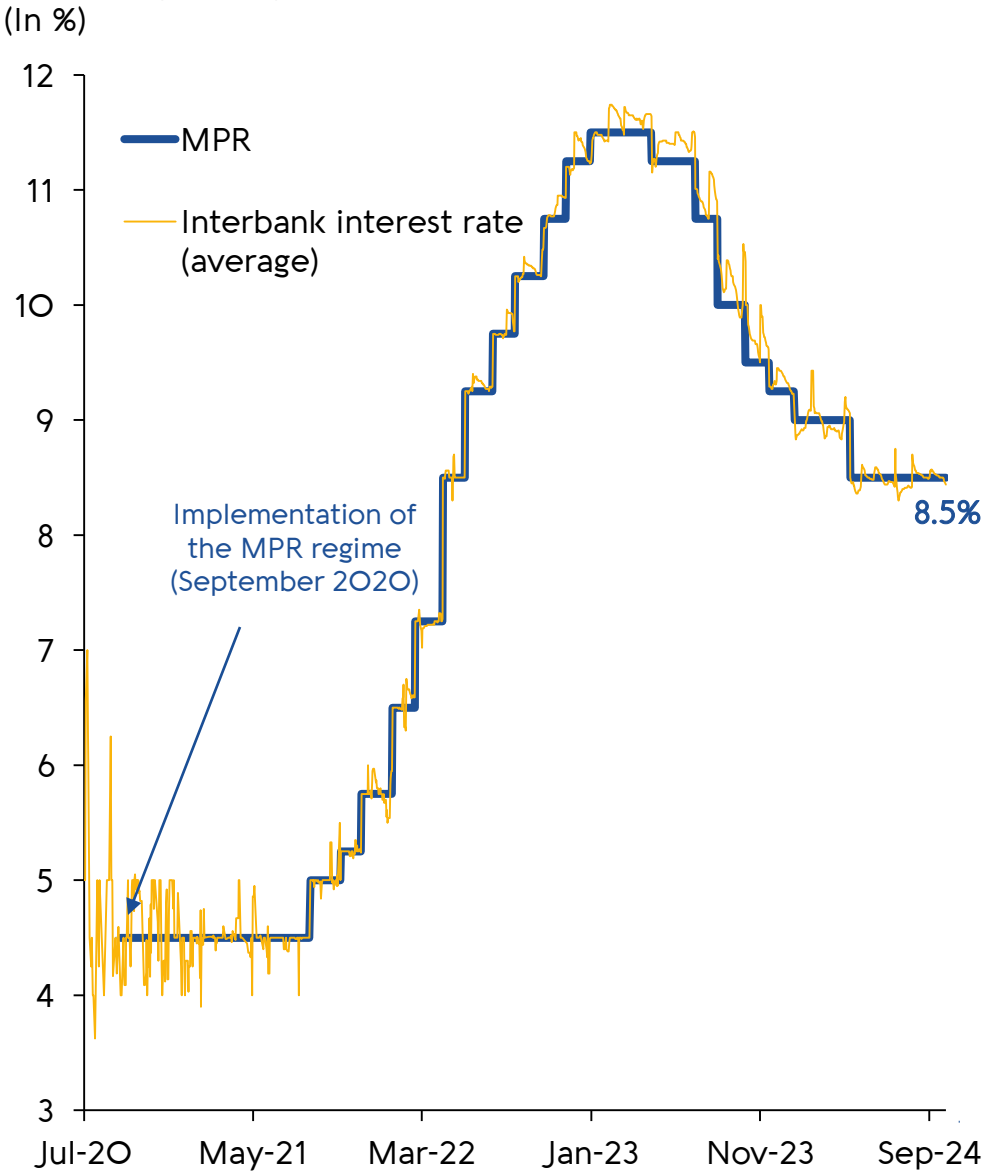
IV Free-floating exchange rate

V Policies for financial de-dollarization

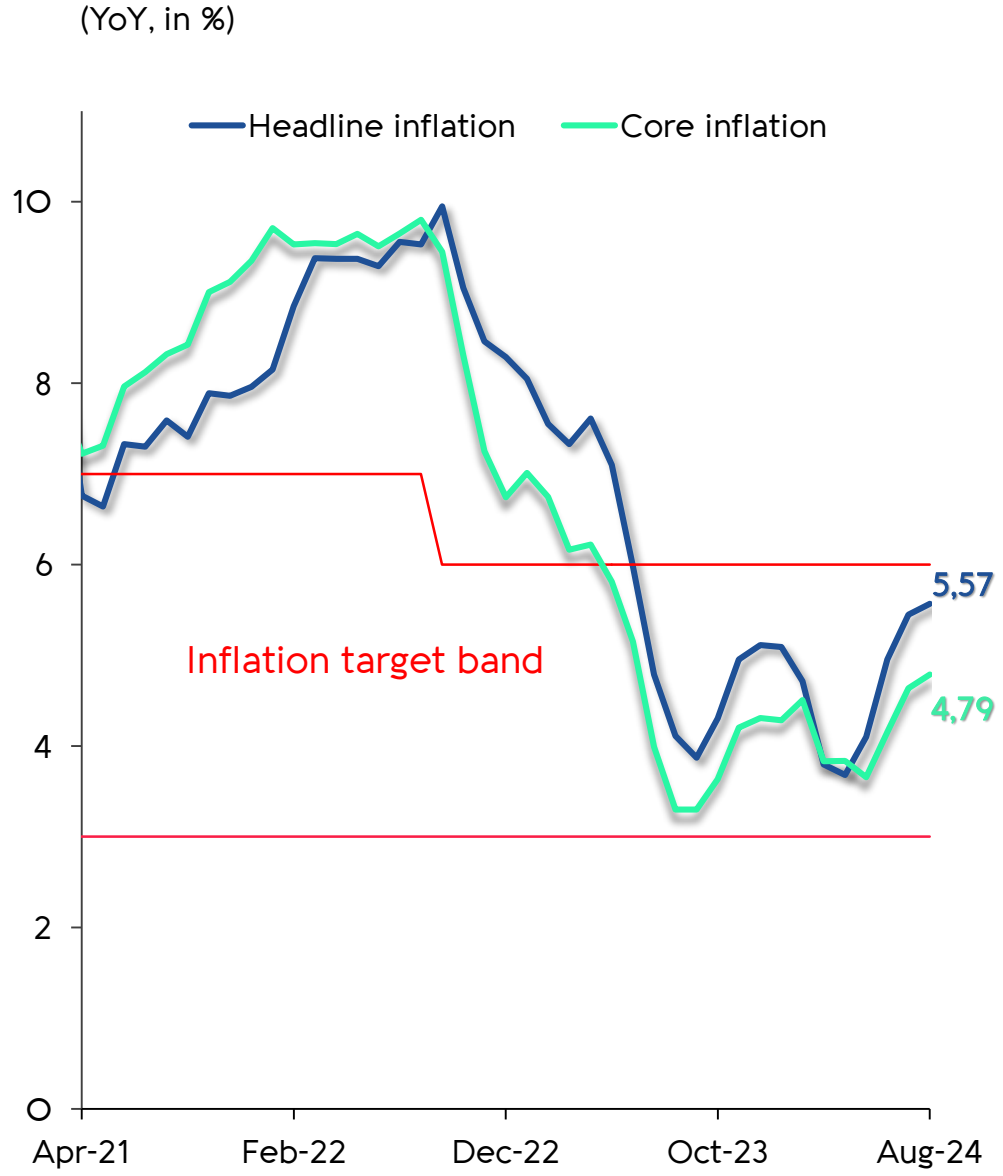


After keeping real rates high the Central Bank gradually lowered the reference rate since April 2023. Headline inflation completed fifteen consecutive months within the target range.

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.

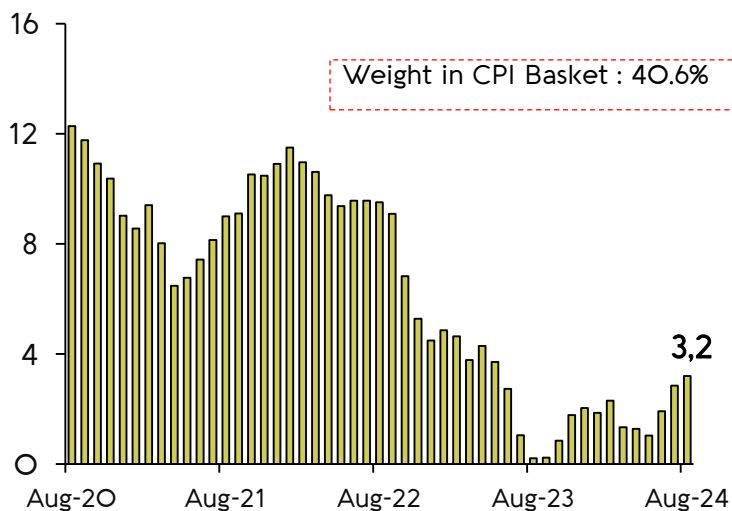
(2) Source: National Institute of Statistics and Central Bank of Uruguay.

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



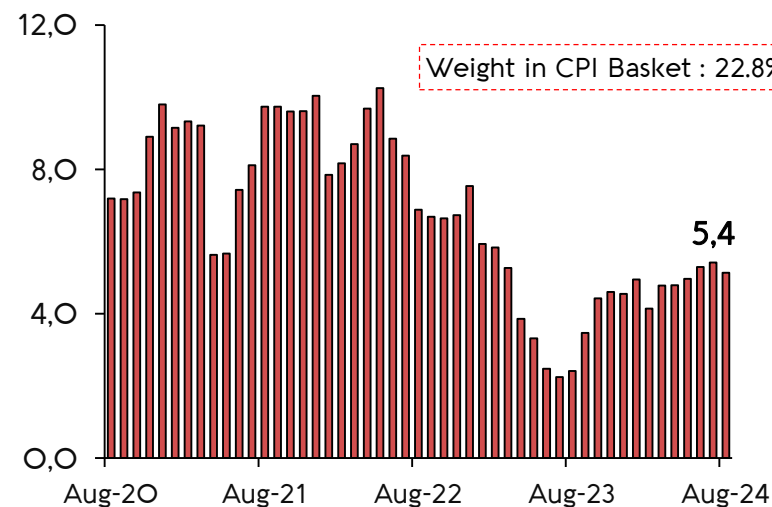
## Tradable inflation <sup>(1)</sup>

(YoY, in %)



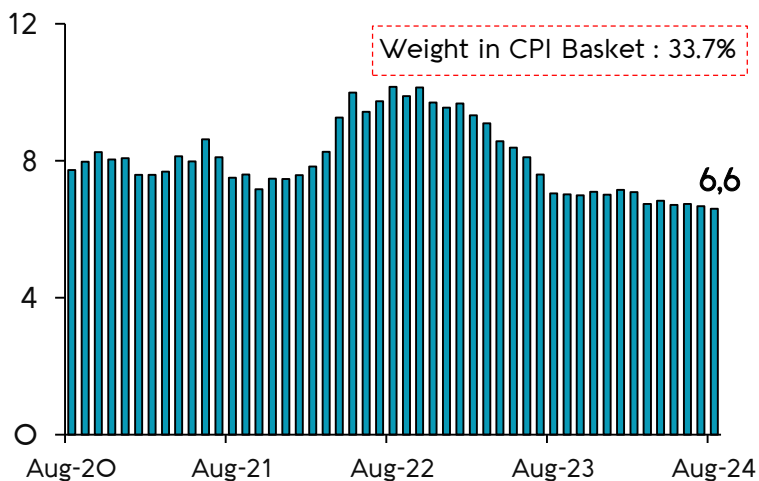
## Administered prices inflation <sup>(1)</sup>

(YoY, in %)



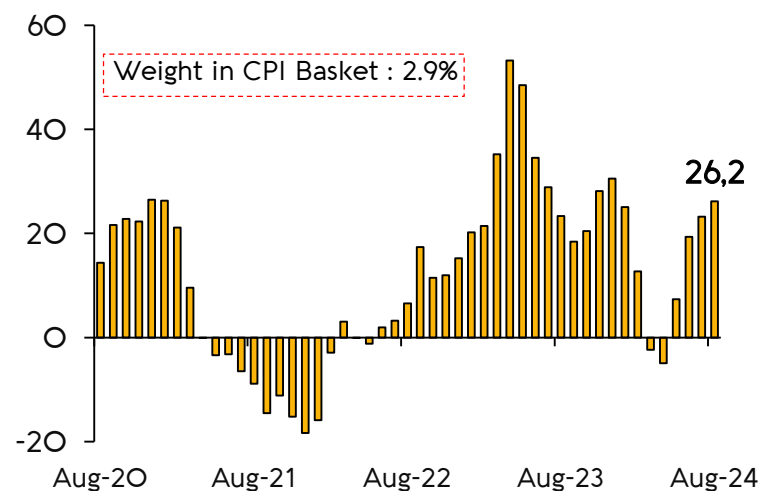
## Non-tradable inflation <sup>(1)</sup>

(YoY, in %)



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

(YoY, in %)

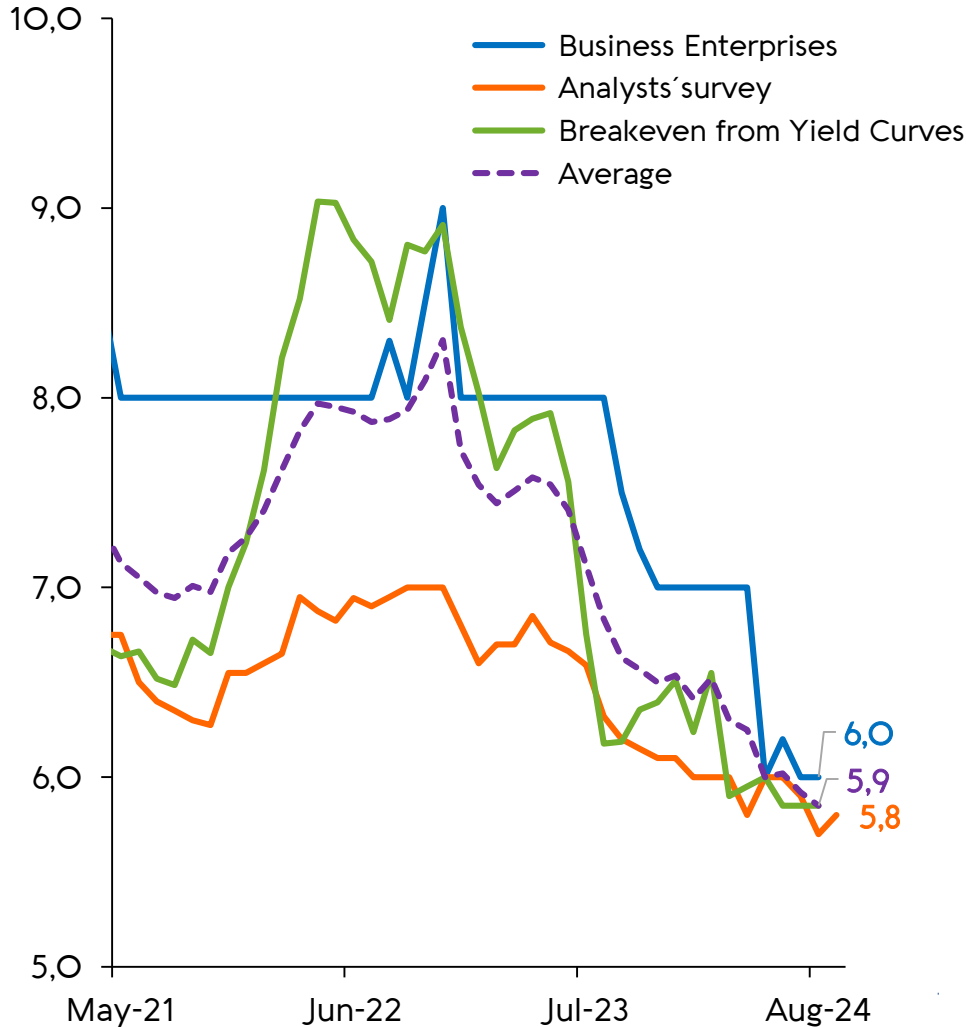


<sup>(1)</sup> Source: Central Bank of Uruguay.

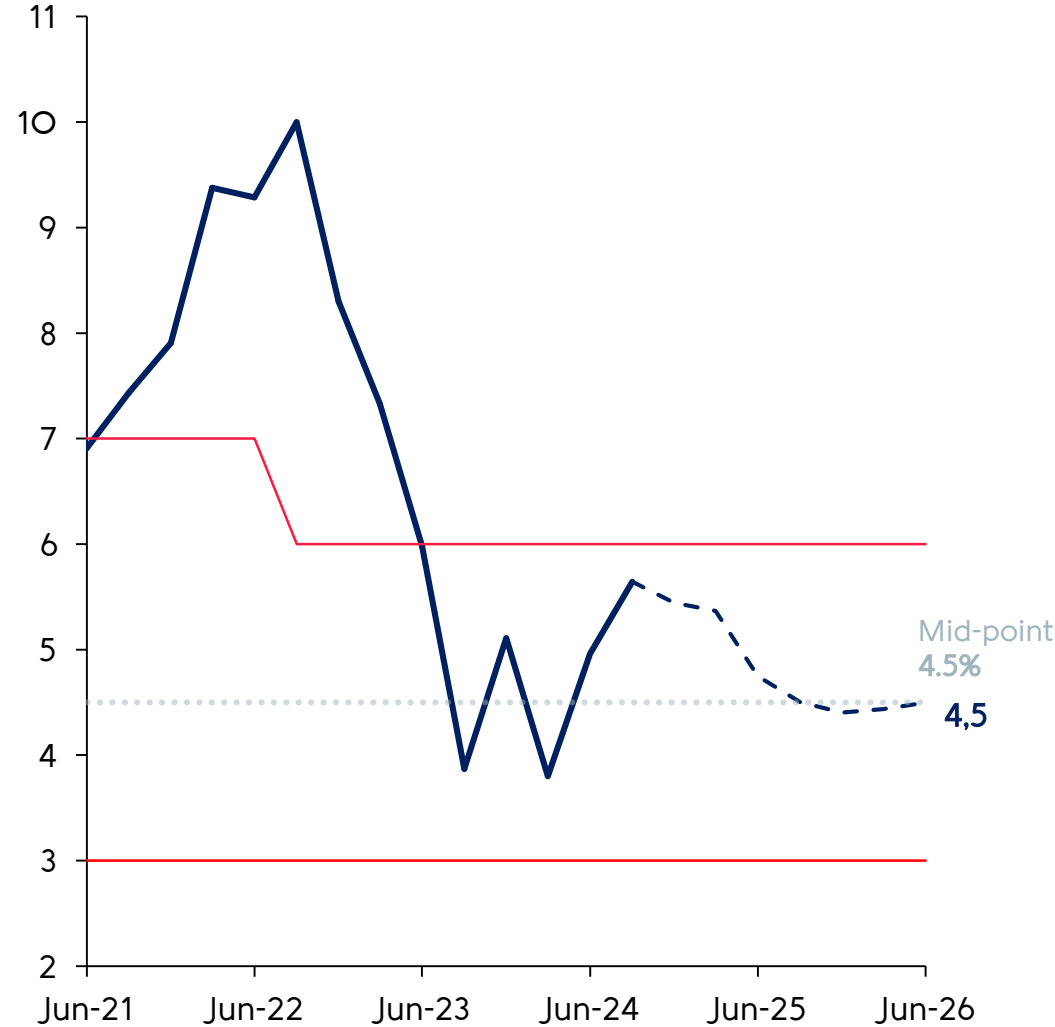
Inflation expectations have fallen to historic lows and are converging towards the inflation target; Central Bank projects inflation path within target band over the forecast horizon.



**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. The data on inflation expectations from analysts is available up to September.

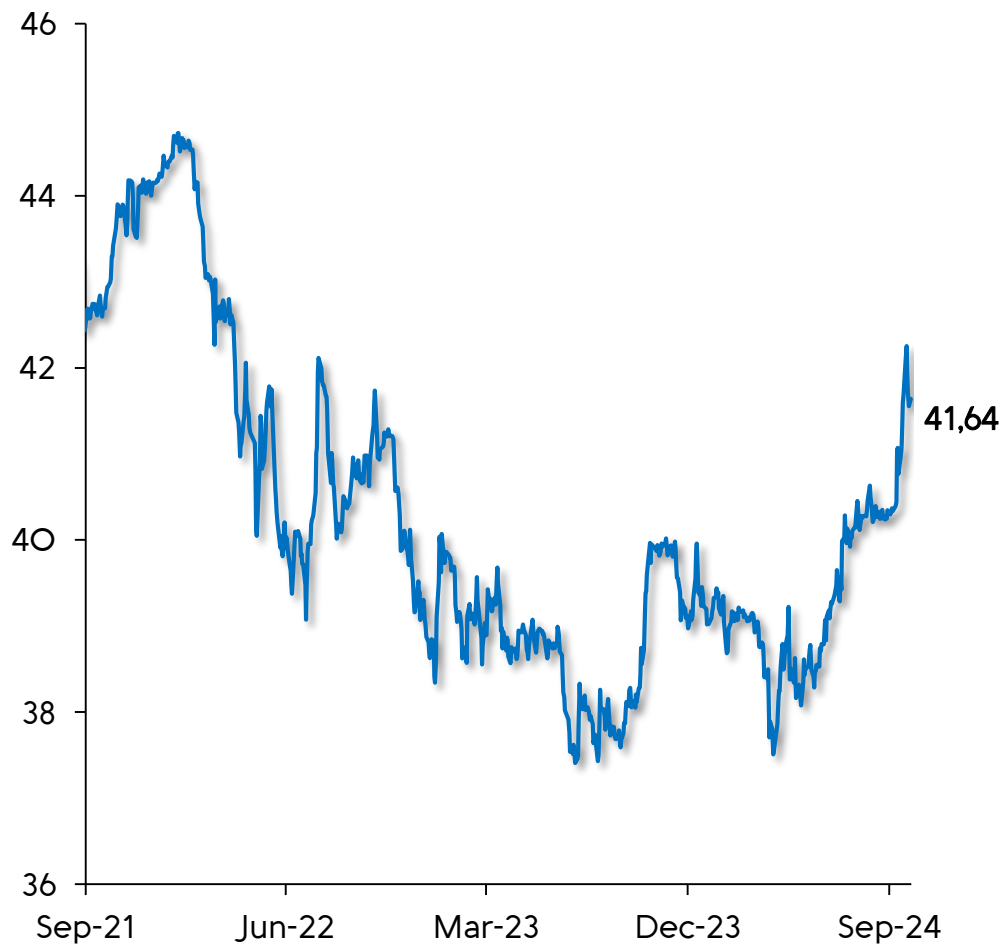
(2) Source: Central Bank of Uruguay. As of August 2024.



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

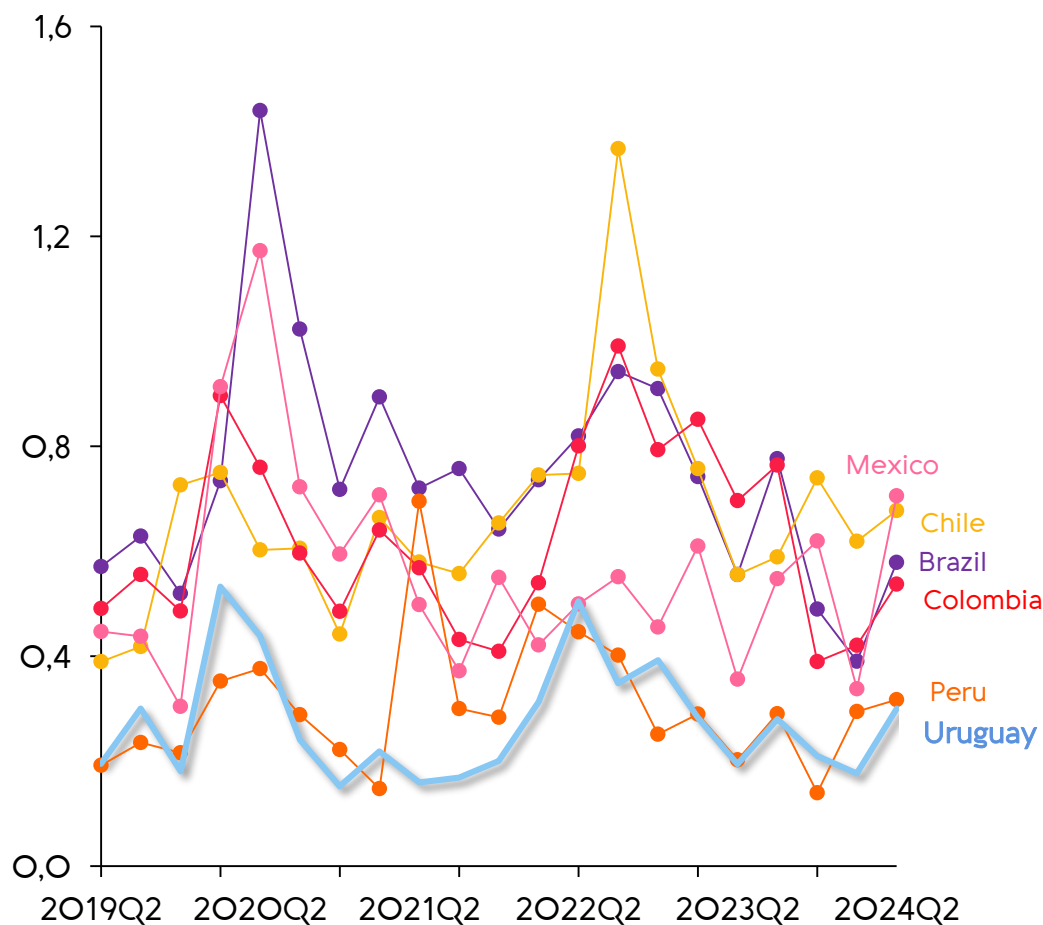
### Nominal exchange rate<sup>(1)</sup>

(Uruguayan pesos per dollar, daily. As of September 30, 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.

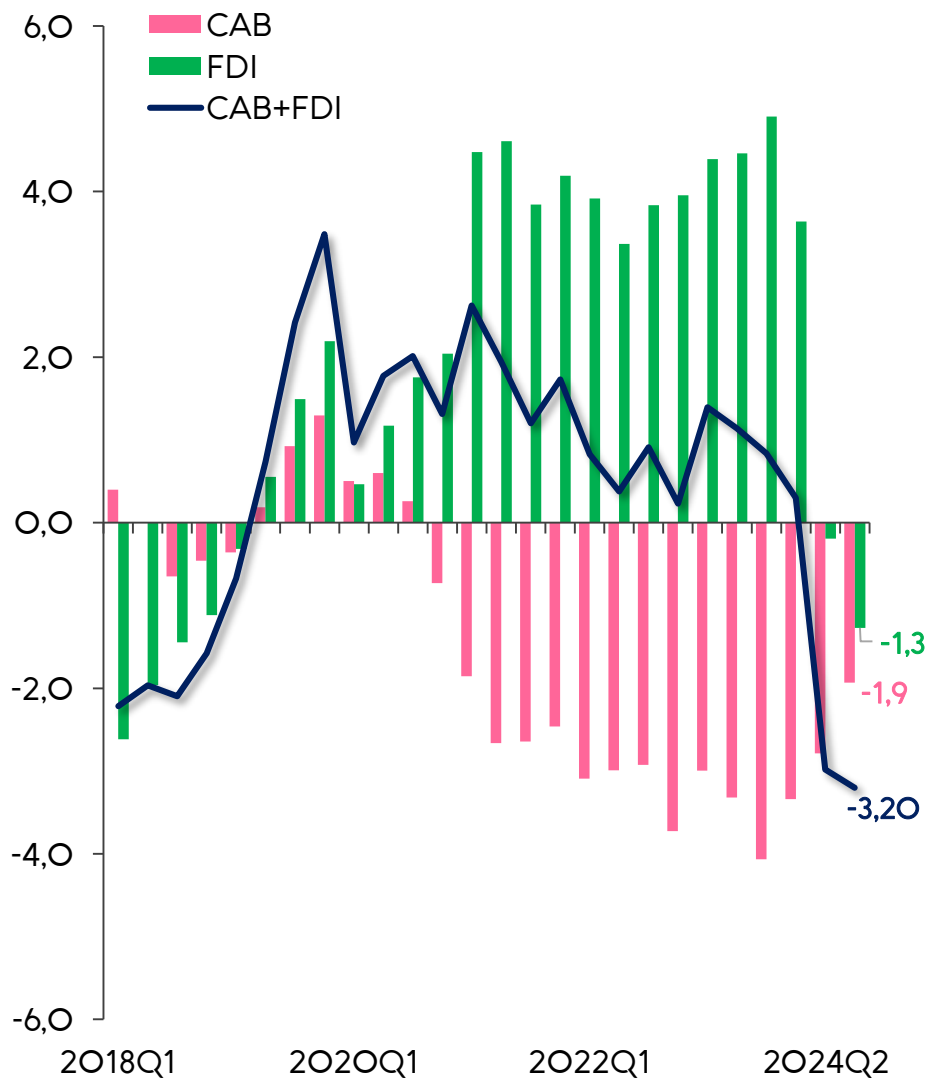
(2) Source: MEF calculations based on Bloomberg. Regional and country specific information is as aggregated or reported, as applicable. Each such country information may be calculated differently and aggregated by each respective source using various methodologies. Accordingly, this comparison is for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

# Lower current account deficit amid improving trade balance and more subdued FDI inflows.



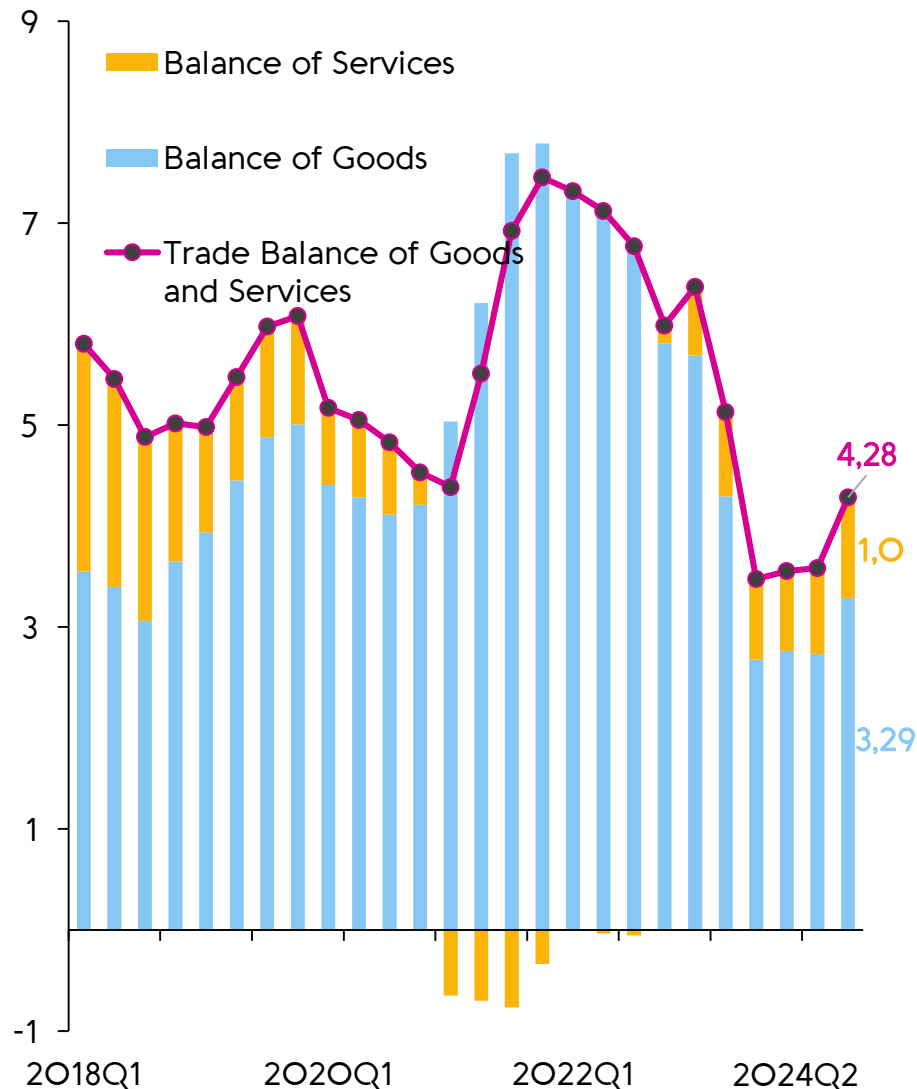
## Current account balance and FDI <sup>(1)</sup>

(Rolling 4-quarters, in % of GDP)



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

(Rolling 4-quarters, in % of GDP)



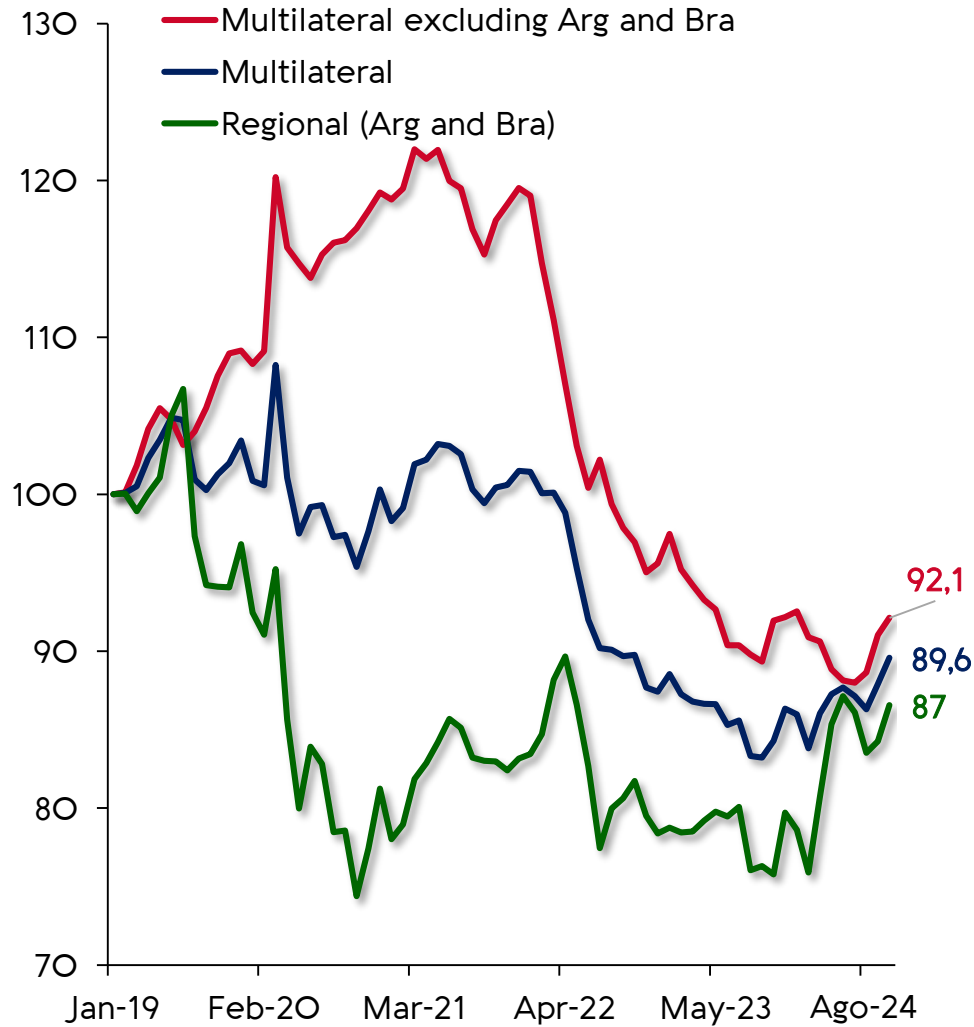
(1) Source: Central Bank of Uruguay.

# Large international reserve buffers are a significant external backstop.



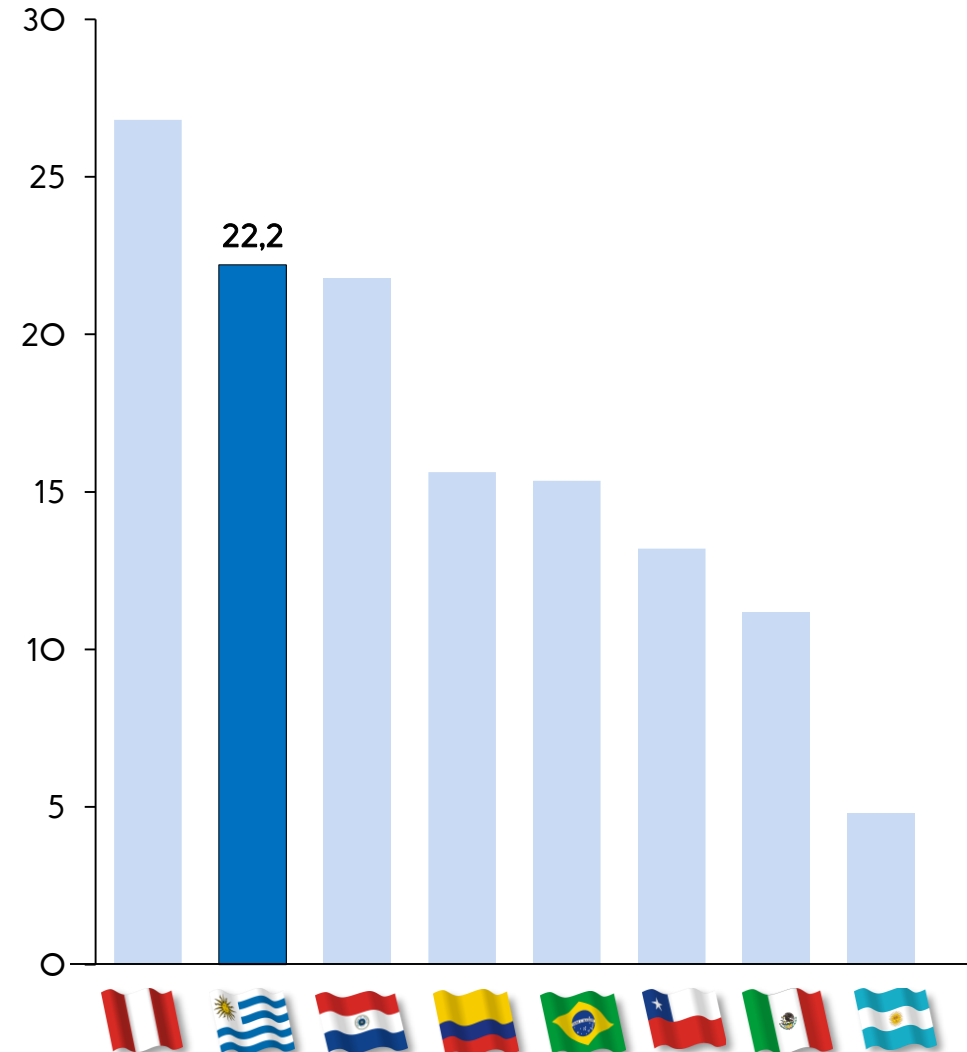
## Real Effective Exchange Rate of Uruguay <sup>(1)</sup>

(Index base 100 = Jan 2019)



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

(In % of GDP, as of end of June 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. The nominal GDP in US dollars corresponds to 2024, based on WEO projections as of April 2024 except for Uruguay where nominal GDP correspond to projection of Ministry of Economy and Finances as of August 2024. 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.

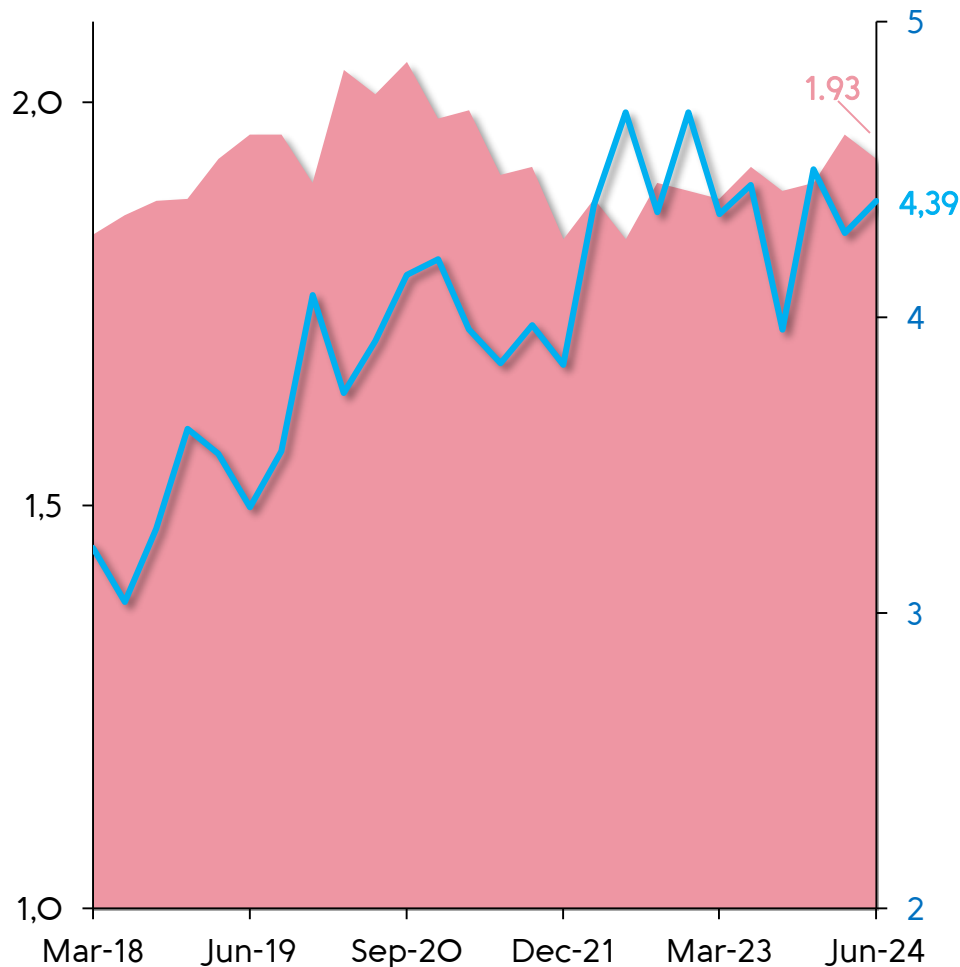
# Banking sector remains well-capitalized and with high liquidity levels, although with still-high deposit dollarization.



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

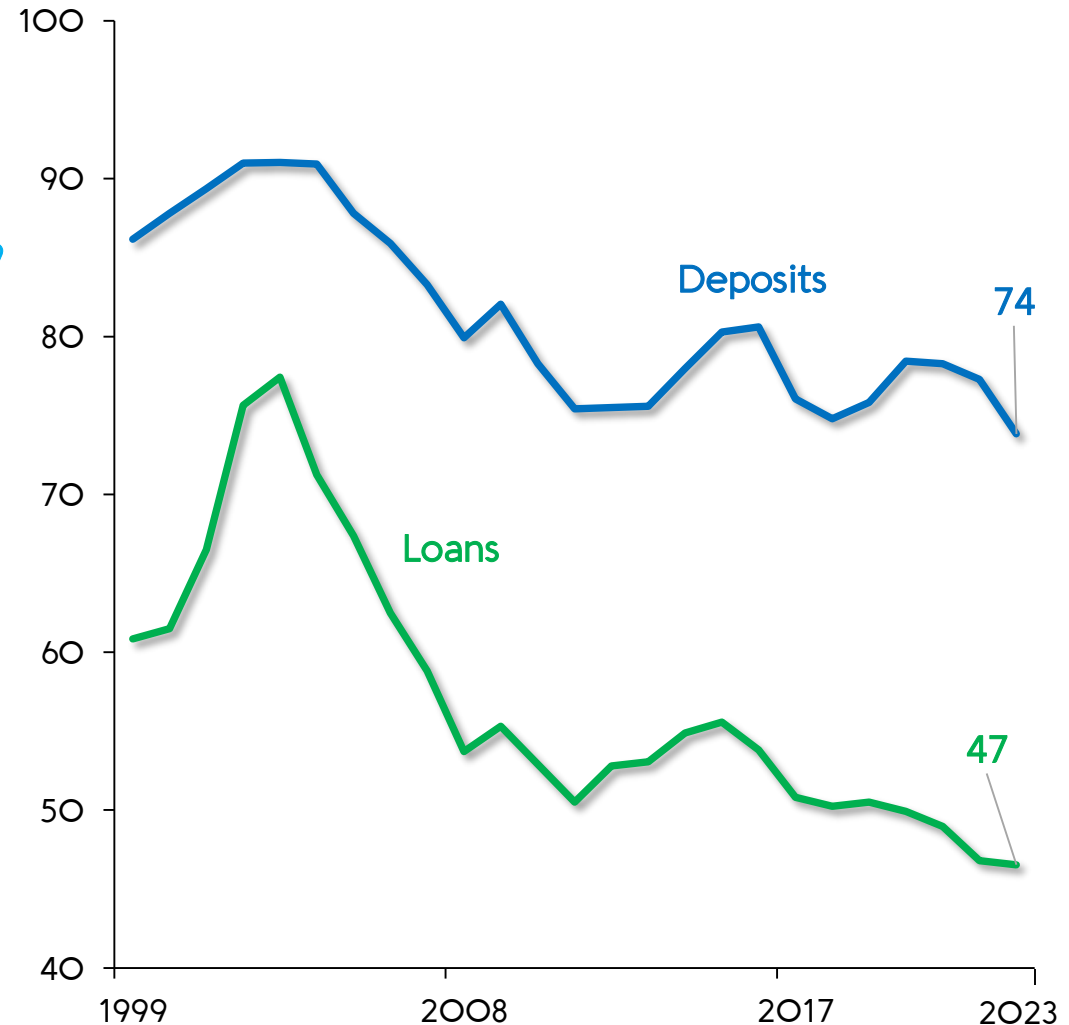
Number of times of minimum regulatory capital

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 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.

# Plebiscite on Social Security Reform to be held on October 2024



- In April 2024, Uruguay's major labor union (the "PIT-CNT"), along with other social organizations, spearheaded a signature collection process to subject the 2023 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 (down from the current 65), align minimum pensions with the national minimum wage and give the state the monopoly over the social security system, eliminating the Pension Fund Administrators (AFAPs).
- The Constitution allows for plebiscites to consider constitutional reforms if requested by 10% of registered voters. On April 26, 2024, the PIT-CNT submitted over 430,000 signatures to the President of the General Assembly. On July 3, 2024, the Electoral Court reviewed the signatures submitted by the PIT-CNT, and legally validated the minimum required amount of signatures (276,171 signatures). Therefore, it was determined that a plebiscite to approve or reject the reform will be conducted during the upcoming national elections, to be held on October 27, 2024.
- For this constitutional reform to be approved, the explicit will ("Yes" ballot) of 50% plus one vote of the total valid votes is required.

# 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.



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

(As of September 2024)

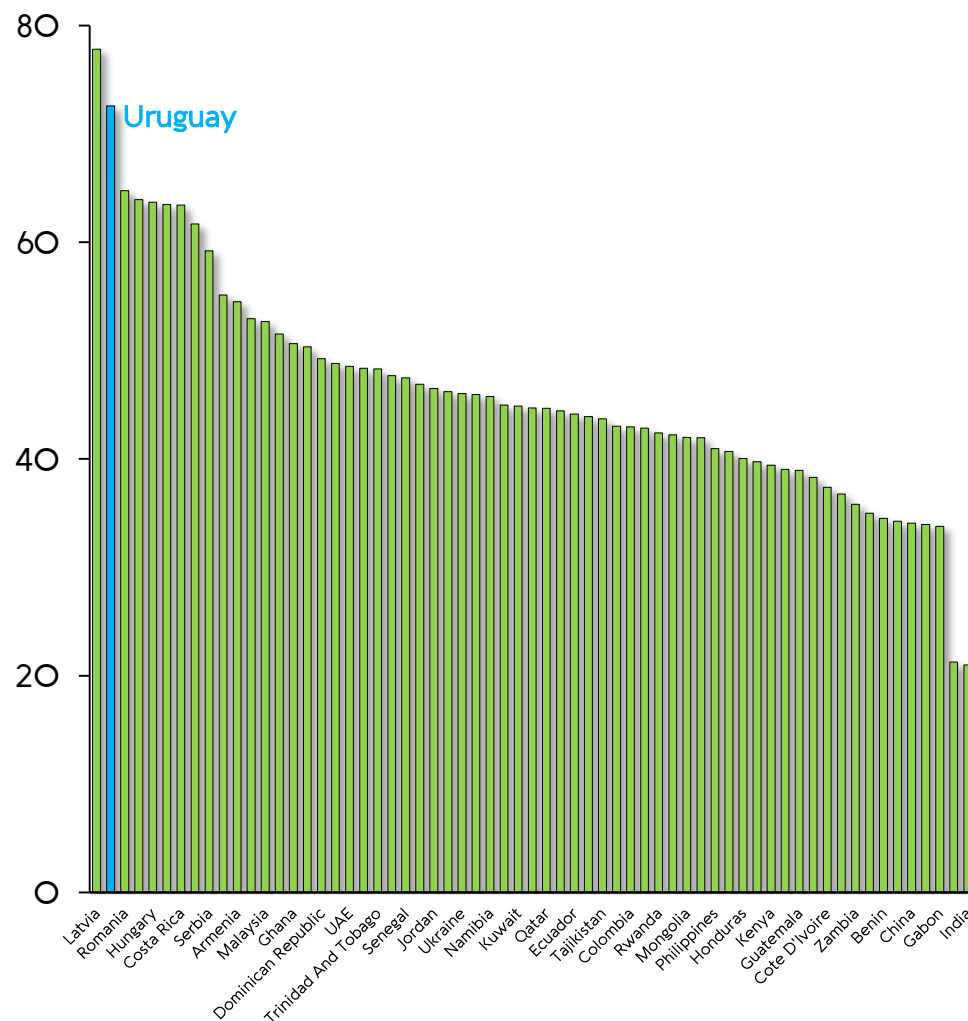
	S&P	Moody's	Fitch	DBRS	R&I
2024	BBB+	Baa1	BBB	BBB	BBB+
2023	BBB+	Baa2	BBB	BBB	BBB+
2022	BBB	Baa2	BBB-	BBB	BBB+
2021	BBB	Baa2	BBB-	BBB (low)	BBB
2020	BBB	Baa2	BBB-	BBB (low)	BBB

Indicates an upgrade in the rating level.

Indicates an improvement in the rating outlook.

## Emerging Markets' ESG Score <sup>(2)</sup>

(Index, 100 = best performance; as of end-September 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. In the case of Moody's, a Baa1 rating is equivalent to BBB+.

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

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del Uruguay**

**THANK YOU**