Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of Uruguay, Government of

06 Aug 2025

New York, August 06, 2025 -- Moody's Ratings (Moody's) has completed a periodic review of the ratings of Uruguay and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 31 July 2025 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

The ratings of Uruguay, including its issuer and senior unsecured bond ratings remain unchanged at Baa1. The stable outlook also remains unchanged.

Uruguay's real GDP expanded 3.4% year-over-year in the first quarter of 2025, driven by a broad-based recovery in domestic demand and key productive sectors. We expect real GDP growth to moderate to 2.8% in 2025 compared to 3.1% in 2024. The central bank of Uruguay cut its policy rate to 9% in July, as inflation continued its downward trend, reaching 4.5% in July, in line with the central bank target and inflation expectations decelerated to 5%. The government revised its projected fiscal deficit for 2025 upwards to 4.1% of GDP, compared to the 3.0% forecast issued earlier in the year. This revision incorporates mostly one-off payments and lower-than-forecast revenues due to the ongoing disinflation process. For 2026, we expect the fiscal deficit to drop to 3.3% of GDP as the government adjusts to the lower inflationary environment that will bring with it reduced expenditures from less wage indexation and a lower public wage bill. The improving fiscal trajectory will help the debt burden to stabilize around 65% over the next 2-3 years.

Uruguay's Baa1 rating is supported by strong institutions that reinforce political and social stability, solid growth performance and steady flow of foreign direct investment (FDI). Comparatively large fiscal reserves and external buffers, and very strong asset-liability management practices, also support creditworthiness. These credit strengths are balanced against moderate level of public debt, structural rigidities in the government's expenditure and a relatively high, although declining, share of foreign-currency government debt.

Uruguay's "baa1" economic strength reflects solid GDP growth, high per capita income, and relatively small size of the economy. The "a3" institutions and governance strength highlight a strong institutional framework that reinforces policy predictability. Uruguay's "baa3" fiscal strength considers its moderately high government debt burden, relatively large share of foreign-currency debt, balanced against very strong asset-liability management practices. The country's "a" susceptibility to event risk reflects stable political system and limited external vulnerability.

The stable outlook balances prospects of sustained higher growth performance and improvement in fiscal policy implementation against Uruguay's exposure to weather-related shocks that weigh on growth and fiscal outcomes.

Uruguay's ESG Credit Impact Score (CIS-2) reflects its exposure to social risks related to aging population and to physical climate risks, mitigated by strong governance, and supported by strong rule of law and broad societal

consensus around economic policies.

Uruguay's ratings could be upgraded if additional structural and fiscal reforms lead to a material drop in debt and in the interest burden. A significantly more pronounced improvement in growth performance than currently expected, supported by stronger private investment over an extended period, which leads to further economic diversification and economic resilience to shocks would also support an upgrade.

The sovereign credit rating could be downgraded if reforms to fiscal and monetary policy frameworks are eroded, leading to the emergence of fiscal pressures and a rise in the debt burden. Prospects of a return of persistent low growth rates would also put downward pressure on Uruguay's rating.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Sovereigns published in November 2022. Please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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