Uruguay
Sovereign Debt Report

Quarterly report published by the Debt Management Unit (DMU) of the Ministry of Economy and Finance ***October 2025***

Highlights

- **Overview of borrowing strategies in domestic and international markets from January to September of 2025.**
- **Ongoing domestic market issuance calendar of Treasury Notes for the second semester of 2025: key features and design considerations.**
- **Debt stock as a share of GDP and currency and maturity structure of debt by end-2025Q2.**
- **Updated projections on Government's borrowing needs, funding sources and net indebtedness for 2025.**
- **Fitch Ratings affirmed the BBB credit rating and maintained the stable outlook.**
- ***Methodological Annex*: Enhancements to the fiscal framework and projected debt to GDP dynamics through 2029, based on the five-year Budget bill submitted to Congress on August 31st, 2025.**

I. Overview of borrowing strategies in the first nine months of 2025.

From January to September 2025, total gross borrowing (through bond market issuance and multilateral loans) amounted to USD 3.610 billion. Of the gross borrowing raised, 93% (USD 3.360 billion) was sourced from the bond markets by tapping short- and intermediate-maturity bonds. The remainder (USD 250 million) was obtained through multilateral loan disbursements.

Within the total bond market financing, 43% (USD 1,453 million) was issued in domestic markets and denominated in local currency. The remainder (USD 1,907 million) was obtained by accessing external bond markets in two foreign currencies: U.S. dollars (in February 2025) and Swiss francs (in June 2025).

Figure 1. Total sovereign bond issuance from January to September of 2025
(in USD million)

Figure 1a: By jurisdiction

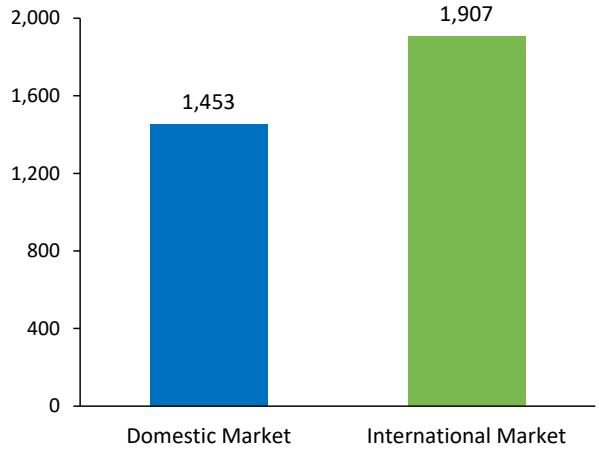
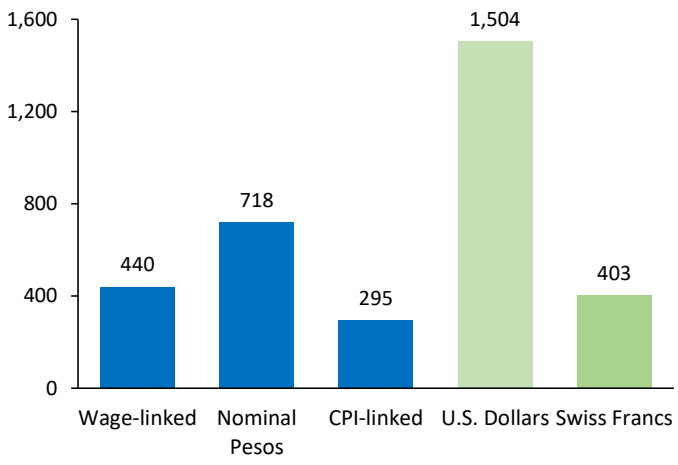


Figure 1b: By currency



Promoting the Development of Secondary Markets

The Debt Management Unit (DMU) of Uruguay is focused on enhancing the efficiency and depth of secondary markets for the country's sovereign external bonds. For an emerging market issuer like Uruguay, a liquid and transparent secondary market is essential to reducing borrowing costs, stabilizing yield curves, and bolstering investor confidence.

The DMU recognizing that banks' market-making activities, active quoting, trading, and liquidity provision are critical to developing resilient sovereign bond markets. In this vein, the DMU conducted a comprehensive, months-long evaluation in 2025 of banks' contributions to Uruguay's secondary sovereign bond markets, encompassing both local and foreign currency instruments. The assessment focused on banks' roles in enhancing trading depth, improving price discovery and transparency, and encouraging sustained investor participation, independent of their prior involvement as bookrunners in primary issuances.

The evaluation centered on three key areas:

- *Market-Making Commitment*. The DMU assessed each bank's role as a liquidity provider, emphasizing their efforts in quoting prices, facilitating trades, maintaining dedicated trading desks, and holding inventory in Uruguay's sovereign bonds. These activities are essential for attracting diverse investors and minimizing yield curve volatility.

- *Liquidity Provision*. Banks were requested to provide evidence on their contributions to deepening yield curves at benchmark maturities. Key metrics included reductions in bid-ask spreads, increases in trading volumes, higher frequency of daily quotes, and larger executable order sizes. The DMU specifically reviewed quoting activity on Bloomberg's ALLQ function, focusing on accessibility, timeliness, and breadth of quoting. In addition, banks were asked to describe trading engagement on the MarketAxess platform, and participation in non-deliverable forward (NDF) FX markets, where applicable.

- *Capital Allocation and Risk Appetite*: Banks provided qualitative or quantitative details on the capital allocated to sovereign debt trading, reflecting their willingness to hold positions and absorb market shocks. This commitment underscores their capacity to support market stability and resilience.[1]

Moving forward, these criteria—market-making commitment, liquidity provision, and capital and resource allocation—will be increasingly pivotal in the selection of bookrunners for Uruguay's global bond issuances, alongside other relevant factors. By prioritizing these areas, the DMU aims to strengthen Uruguay's secondary bond markets, fostering greater liquidity, transparency, and investor confidence to support the country's long-term debt management objectives.

II. Ongoing domestic market issuance calendar of Treasury Notes for the second semester of 2025: key features and design considerations.

On July 16, 2025, Uruguay's DMU released its semi-annual issuance calendar for July–December 2025, targeting a base amount of approximately USD 670 million-equivalent in the domestic market. The overarching objective is to expand local-currency issuance in the domestic market, capitalizing on growing confidence in Uruguay's declining inflation trajectory and enhanced Central Bank credibility, as well as low country risk.

Below we lay out the key features in the design, execution and communication of the current auction calendar.

Key Features and Design Considerations

The calendar includes five instruments denominated in local currency: two in Nominal Fixed-Rate Pesos (UYU), two in CPI-linked units (UI), and one in Nominal Wage-linked units (UP). Three of these Treasury Notes will be auctioned for the first time (the two denominated in UYU and one of the UI instruments), and all three of them have contractual maturities of less than five years. The remaining two Notes (the longer-maturity UI and the UP) will be re-openings of existing securities. For details, refer to the press release here or visit the DMU's website here.

The auction program for the second semester was designed by considering the following features:

[1] We understand that certain requested information may be subject to internal regulations restricting its disclosure. In such cases, to the extent possible, provide the greatest level of detail permitted within such boundaries.

- *Instrument specifications*: Selection of the number of instruments, and respective base issuance amounts, currency denominations (UYU, UI, or wage-linked), issuance type (new or re-tap), and amortization structures.

- *Auction mechanics*: Determination of issuance frequency and sequencing of each security.

- *Coupon determination*: Establishment of coupon rates for newly issued securities.

- *Eligible securities for exchange*: Identification of domestic securities from Ministry of Economy and Finance (Treasury Notes) and Central Bank of Uruguay (Monetary Bills) eligible for exchange within each auction.[2]

The design considered the following factors:

- *Investor demand dynamics*: Analysis of investor preferences (institutional investors, banks, retail) by currency and maturity, showing a marked shift toward nominal fixed-rate instruments with maturities under five years. This reflects declining inflation and inflation expectations, further progress in entrenching Central Bank credibility, and a weakening global USD value.

- *Financing objectives*: Alignment with the 2025 financial program's funding targets for the domestic market.

- *Monetary and economic factors*: Evolution of the yield curve for Monetary Regulation Bills (MRBs), projected inflation and real wage trajectories, and domestic and international macroeconomic conditions.

Structural and Regulatory Considerations in Uruguay's Domestic Debt Issuance Strategy

The design of the issuance program also accounted for structural factors. First, the maturation of the pension system's individual capitalization pillar, which has two key effects:

  - *Growth of Pension Fund Assets in Retirement Funds*: Growth in the Retirement Fund managed by Pension Fund Administrators (AFAPs) has expanded, given the increasing demand for short-term government securities, particularly Consumer Price Index-linked (UI) and nominal fixed-rate instruments.

  - *Rise in Annuity Provider´s Assets under Management.* In the decumulation phase, the growth of assets managed by insurers offering lifetime annuities has driven rising demand for long-term Wage-Linked Treasury Notes (UP) to align with their financial balance sheet requirements.

  - *Regulatory changes from the Central Bank*. Second, regulatory changes by the Central Bank of Uruguay (BCU), could encourage banks to hold a greater proportion of government Treasury Notes in their portfolios, boosting demand in the primary market and enhancing their role as market makers in the secondary market.

Innovations in Uruguay's Auction Program

The second-half 2025 auction program introduces several innovations to Uruguay's domestic debt issuance strategy. For the first time, two nominal fixed-rate instruments with maturities under five years have been incorporated. Additionally, the calendar includes three instruments with maturities of less than five years, a novel feature in the DMU's issuance framework.

A key strategic shift is the prioritization of *nominalization* of domestic local currency issuance, with Uruguayan Peso (UYU)-denominated securities constituting the majority of the total issuance, diverging from historical trends where index-denominated instruments were more prominent. Furthermore, the inclusion of both UYU and CPI-linked (UI) securities with five-year tenors—auctioned in close proximity and structured with bullet repayments at maturity—enables investors (both institutional and retail) to better assess the market's required inflation compensation (breakeven point) based on the demand curve and bid amounts at each rate.

[2] Investors can settle the securities purchased by using cash (in Uruguayan Pesos or U.S. Dollars) and/or tendering certain short-term Treasury Notes and MRBs. The list of eligible instruments for settlement is published on the DMU's website on the Friday prior to each auction. On the day before each auction, the base amount is confirmed and published on the DMU's website. Finally, on the auction day, the repurchase prices for eligible Notes and MRBs will be published on the DMU's website.

Enhancements in Transparency and Dissemination

With the release of the latest issuance calendar, the Ministry of Economy and Finance (MEF) has advanced efforts to enhance the visibility and understanding of the primary and secondary markets for local securities. This includes joint presentations with Central Bank of Uruguay (BCU) authorities to engage investors, as well as the systematic and periodic dissemination of auction results through monthly reports (access to the reports here).

The regular publication of auction outcomes aims to provide greater transparency and analytical insights into the dynamics of the local market and its macroeconomic significance. This initiative seeks to foster increased participation, depth, and efficiency in the market, benefiting all stakeholders.

Auction Outcomes

During the first three months of the new calendar (July, August, and September), the Government placed an equivalent of USD 494 million (1.5 times the original base amount). Of the total amount issued, 60.5% of Treasury Notes were purchased by exchanging Treasury Notes and Monetary Bills. Over the last three months, we´ve seen a consistent decrease in auction cut-off rates together with a steady increase in auctioned amounts for nominal fixed rate peso instruments. Detailed outcomes for each auction are available in Table 6B in the Central Government's Debt and Financing Statistics appendix.

The Government intends to implement the issuance calendar as scheduled. However, base amounts, instruments, auction dates, eligible securities, or other features of the auction mechanism may be modified depending on the evolution of market conditions during the semester and public debt management objectives, among other factors. Any such changes will be announced in due course.

III. Net indebtedness and debt stock, currency and maturity structure of debt by end-2025Q2

In the first eight months of 2025, gross borrowing incurred by the Central Government (the nominal value of bonds issued in domestic markets and loans disbursed) was the equivalent of USD 3,209 million. Total nominal amortizations of bonds and loans were USD 1,926 million during this period. Thus, net borrowing in the year to August was USD 1,284 million. In addition, the Central Government reduced its financial assets by USD 510 million during this period. As a result, the government`s Net Indebtedness was the equivalent of USD 1,794 million over the period January-August 2025 (see Table 4 in Annex). The net indebtedness ceiling for 2025 is set by law at USD 3,450 million.

The gross debt stock of the central government reached 63.1% of nominal GDP by end-2025Q2, up 6.3 percentage points of GDP from end-2024 and up 1 percentage point of GDP from end-2025Q1. On the other hand, net debt reached 59.7% of GDP, up 6.7 percentage points of GDP from end-2024 and up 2.7 percentage points of GDP from end-2025Q1 (see Debt Indicators in Annex).[3]

The share of local currency debt stood at 54.3% of total debt. Compared to end-2024, the share of local currency-denominated debt increased by 1.9 percentage points by the end of the second quarter of 2025, and compared to end-2025Q1, it increased by 1.4 percentage points.

As of 2025Q2, the weighted average annual interest rate paid on outstanding local currency debt was 3.5% in real terms for the CPI-linked portfolio, 2.1% for wage-indexed (UP) instruments, and 9.2% for nominal peso liabilities. The average annual rate for the dollar-denominated debt portfolio held steady at 5.4% (see Table 3 in Annex).

IV. Updated projections on Government's borrowing needs, funding sources and net indebtedness for 2025

On August 31st, 2025, the new administration, which took office in March of 2025, submitted to Congress the draft bill containing the projected fiscal finances and borrowing program for 2025-2029.

The projected fiscal deficit of the Central Government and BPS for 2025, excluding interest income from the Social Security Trust Fund, stood at 4.1% of GDP.[4] As a result, total financing needs for 2025 are projected at

[3] Figures were calculated with the numerator and the denominator expressed in dollars.

[4] Nevertheless, the overall deficit observed in 2025 will be 3.7%, due to the one-time income associated with the Social Security Trust Fund II, as outlined in Law No. 20,209 (the "Cuarentones Law"), which is estimated at 0.4% of GDP.

USD 6,326 million (up from USD 6,041 million projected in the previous Sovereign Debt Report, published in June 2025 and based on the Annual Budget Review submitted to Congress in May 2025). Total funding needs aggregates the estimated fiscal deficit (primary deficit plus interest payments) of approximately USD 1,340 million, amortizations of bonds and loans for USD 2,763 million, and USD 54 million of projected financial asset accumulation by the government (see Table 5 in Annex).

In terms of funding sources for 2025, gross borrowing is projected at USD 6,231 million. This is made up of bond market issuances (in both domestic and international markets) for a projected USD 5,698 million, plus loan disbursements from multilaterals expected to be USD 533 million (see Table 5 in the Annex).

The projected total net indebtedness for 2025 is USD 3,414 million. The legal net indebtedness ceiling is USD 3,450 million.

V. Fitch Ratings affirmed the BBB credit rating and maintained the stable outlook.

On September 19th, 2025, Fitch Ratings affirmed Uruguay's Long-Term and Local Currency Issuer Ratings at BBB, with stable outlook. This rating is supported by a relatively high GDP per capita, robust external finances and strong governance indicators. Fitch also highlighted that Uruguay is making gains in structurally lowering inflation while improving monetary policy credibility, which enables the reduction of dollarization and the impact of wage indexation. However, the agency stated that some structural challenges and fiscal risks constrain its rating beyond 'BBB'. These include the muted medium-term economic growth prospects, affected by competitiveness challenges and low investment levels, the still high dollarization and indexation and the relatively high level of general government debt to GDP, compared to peers. Access the credit analysis here.

I. ANNEX: CENTRAL GOVERNMENT'S DEBT, ASSETS, AND FINANCING STATISTICS

The DMU of the Ministry of Economy and Finance compiles the Central Government's statistics to monitor debt portfolio indicators and support the design and execution of debt management strategies. Debt figures include all loans and financial market securities contracted/issued by the Central Government in domestic and foreign currency, in local and international markets, and held or disbursed by private, multilateral, and/or other domestic or foreign public sector entities. Debt figures include Central Government securities held by the public Social Security Trust Fund and the SiGa Trust Funds (underpinning loan guarantees to SMEs). The "Gross debt" category excludes non-market Central Government securities outstanding as the result of the capitalization of the Central Bank in previous years.[5]

The Government's financial assets include liquid assets, in both local and foreign currency, held by the National Treasury at the Central Bank and the state-owned *Banco de la República* (BROU), including the credit balances of governmental agencies considered in the National Budget. It also includes other financial claims of the Central Government on financial and non-financial public sector entities, including those resulting from loan disbursements contracted by the Republic on behalf of public sector entities. It also encompasses assets under management in the SiGa Trust Funds. The "Other financial assets" category excludes assets under management of the Social Security Trust Fund (tied to the "Cincuentones Law") and Trust Funds of restructured mortgage loans administered by the National Housing Agency on behalf of the Minister of Finance.

Below, we present the evolution of total debt, financial assets and multilateral credit lines from the Central Government, expressed in both millions of US dollars (Table 1a) and thousands of millions of pesos (Table 1b).

Table 1a. Debt, Assets, and Multilateral Credit Lines
(in USD million, end-period)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025Q2
Gross Debt	26.098	28.664	29.383	29.838	32.879	35.498	40.898	45.218	45.946	50.934
Financial Assets	3.794	3.431	3.174	2.204	2.759	2.773	2.919	2.872	3.117	2.765
Liquid Assets	*2.515*	*2.230*	*2.132*	*1.213*	*1.582*	*1.611*	*1.590*	*1.762*	*2.178*	*1.673*
Other Assets	*1.279*	*1.201*	*1.042*	*991*	*1.177*	*1.162*	*1.330*	*1.111*	*939*	*1.092*
Net Debt	22.304	25.233	26.208	27.634	30.120	32.726	37.979	42.345	42.829	48.169
Multilateral Credit Lines (1)	2.418	2.418	2.434	2.191	1.415	1.865	1.515	1.039	764	764

(1) These include available credit lines with Fondo Latinoamericano de Reservas (FLAR), and the Interamerican Development Bank (IDB).

Table 1b. Debt, Assets, and Multilateral Credit Lines
(in UYU thousands of million, end-period)

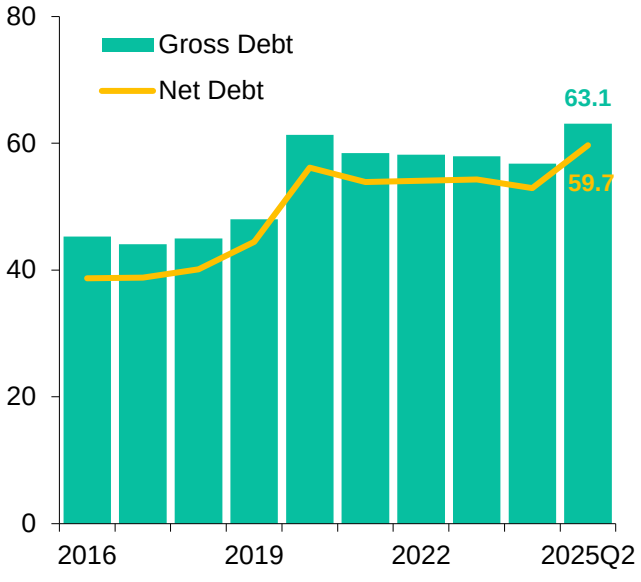
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025Q2
Gross Debt	764	824	952	1,114	1,392	1,586	1,639	1,764	2,027	2,015
Financial Assets	104	99	101	82	117	124	117	113	139	109
Liquid Assets	*74*	*64*	*68*	*45*	*67*	*72*	*64*	*69*	*96*	*66*
Other Assets	*30*	*35*	*33*	*37*	*50*	*52*	*53*	*45*	*43*	*43*
Net Debt	660	726	850	1,032	1,275	1,463	1,522	1,651	1,888	1,906
Multilateral Credit Lines (1)	71	70	79	82	60	83	61	41	34	30

(1) These include available credit lines with Fondo Latinoamericano de Reservas (FLAR), and the Interamerican Development Bank (IDB).

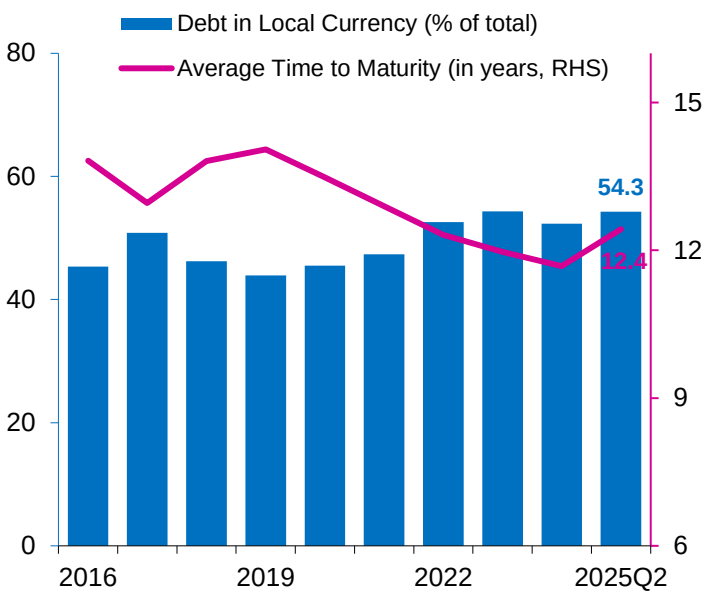
[5] The first capitalization bond was issued in 2008, and further issuances were made in 2010, 2011, 2012, and 2013 and more recently in December 2023. Data on the outstanding stock of Government bonds issued to capitalize the Central Bank, as of 2024Q1, can be found at: https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Finanzas%20Publicas/dpspnm.pdf

Figure 1. Debt Indicators

1a. Gross and Net Debt
(in % of GDP, as of end-period)



1b. Currency and Maturity Composition of Debt
(as of end-period)



Debt-to-GDP ratios in Figure 1a above are calculated by taking the ratio between total debt measured in dollars at the end of each period (using the end-of-period nominal exchange rates to express local currency and other foreign-denominated debt into dollars) and nominal GDP measured in dollars (using the period average nominal exchange rate to convert the local currency GDP numbers into dollars). As noted in the Statement of Reasons for the Five-Year Budget Bill ("Exposición de Motivos del Proyecto de Ley de Presupuesto Quinquenal"), starting with the publication corresponding to end-of-year 2025 values, the official statistics for the Government's gross and net debt as a percentage of GDP will be calculated by expressing the magnitudes in local currency (nominal pesos) for both the numerator and the denominator when calculating the debt in terms of GDP. See section 2 of Methodological Annex.

Table 2. Structure of Debt
(in % of total, end-period)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025Q2
By Currency [1]										
Foreign Currency (FX)	54.7	49.2	53.8	56.1	54.5	52.7	47.4	45.7	47.6	45.7
Dollars	52.0	47.6	51.4	53.9	49.1	47.8	43.6	42.4	41.9	40.0
Yens	2.3	1.2	2.1	2.1	3.7	3.3	2.4	1.9	3.4	3.3
Swiss francs	0.0	0.0	0.0	0.0	1.7	1.5	1.3	1.3	2.2	2.4
Other	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Local Currency	45.3	50.8	46.2	43.9	45.5	47.3	52.6	54.3	52.3	54.3
Nominal Fixed-Rate	5.0	12.8	10.1	8.6	5.6	7.3	6.5	9.0	9.0	9.7
CPI-Indexed (UI)	36.4	34.0	30.7	28.1	31.3	30.0	31.9	28.6	26.8	26.3
Wage-Indexed	3.9	4.0	5.3	7.3	8.6	10.1	14.2	16.6	16.5	18.3
By Residual Maturity										
Short-Term (less than one year)	5.1	5.5	3.9	5.6	4.7	5.3	4.4	4.5	5.1	4.0
Medium and Long Term	94.9	94.5	96.1	94.4	95.3	94.7	95.6	95.5	94.9	96.0
By Rate										
Fixed [2]	93.7	94.4	94.4	94.3	95.8	94.6	94.3	92.3	93.9	94.6
Floating	6.3	5.6	5.6	5.7	4.2	5.4	5.7	7.7	6.1	5.4
By Instrument										
Bonds	91.2	91.2	90.6	90.8	88.0	87.9	88.7	87.9	87.3	88.2
Loans	8.8	8.8	9.4	9.2	12.0	12.1	11.3	12.1	12.7	11.8
By Residency of Creditors										
Residents	44.5	46.5	45.0	42.6	42.2	44.3	50.1	50.8	51.2	52.0
Non-Residents	55.5	53.5	55.0	57.4	57.8	55.7	49.9	49.2	48.8	48.0
Bond Holders	46.7	44.7	45.6	48.2	45.8	43.6	38.6	37.2	36.3	35.8
Loans from Financial Institutions	8.8	8.8	9.4	9.2	12.0	12.1	11.3	12.1	12.5	12.2
By Contractual Jurisdiction										
Domestic	25.9	24.1	22.9	21.6	22.0	23.4	28.9	29.5	27.0	28.7
International	74.1	75.9	77.1	78.4	78.0	76.6	71.1	70.5	73.0	71.3

The sum of the components may differ from the totals due to rounding.
(1) Foreign currency composition is contractual and reflects currency conversions of multilateral debt.
(2) Includes local currency securities issued at a fixed real rate, both CPI-indexed and wage-indexed.

Table 3. Cost of Debt and Risk Indicators
(in %, except where noted; end-period)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025Q2
Average Interest Rate on Outstanding Debt [1]										
Dollars	5.1	5.2	5.2	5.0	4.8	4.6	5.1	5.2	5.4	5.4
Euros	5.3	5.3	5.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1
Yens	1.9	1.6	1.3	1.3	0.9	0.7	0.7	0.7	1.6	1.6
Swiss francs	.	.	.	.	0.3	0.4	0.4	0.3	1.0	1.1
Nominal Pesos	13.5	10.9	10.6	10.6	9.6	8.8	8.8	9.2	9.1	9.2
CPI-Indexed (UI)	4.1	4.1	3.8	3.8	3.6	3.4	3.3	3.4	3.4	3.5
Wage-Indexed	2.3	2.3	2.2	2.3	2.3	2.2	2.1	2.2	2.1	2.1
Exchange Rate Risk										
Share of Total Debt denominated in FX	54.7	49.2	53.8	56.1	54.5	52.7	47.4	45.7	47.6	45.7
Share of Short Term FX Debt in Total Debt	1.7	0.9	2.2	1.1	2.3	1.9	1.5	2.3	2.1	2.0
Interest Rate Risk										
Duration (in years)	12.1	11.6	12.3	12.5	12.1	11.7	11.1	10.7	10.6	11.6
Share of Floating Rate	6.3	5.6	5.6	5.7	4.2	5.4	5.7	7.7	6.1	5.4
Share of Total Debt that Resets in One Year	11.2	10.7	9.2	11.1	8.5	10.0	9.9	11.7	10.8	9.0
Roll-Over and Liquidity Risk										
Average Time to Maturity (in years)	13.8	13.0	13.8	14.0	13.5	12.9	12.3	12.0	11.7	12.4
Share of Short-Term Debt	5.1	5.5	3.9	5.6	4.7	5.3	4.4	4.5	5.1	4.0
(Liquid Assets + Credit Lines) / Short Term Debt Service [2]	188.2	154.0	172.8	108.0	95.7	105.2	88.3	71.2	71.7	57.7

The sum of the components may differ from the totals due to rounding.
(1) Weighted average by currency.
(2) Debt service includes amortization plus interest payments.

Figure 2. Amortization Profile by Currency of Denomination of Debt
(in USD million as of end-June 2025)

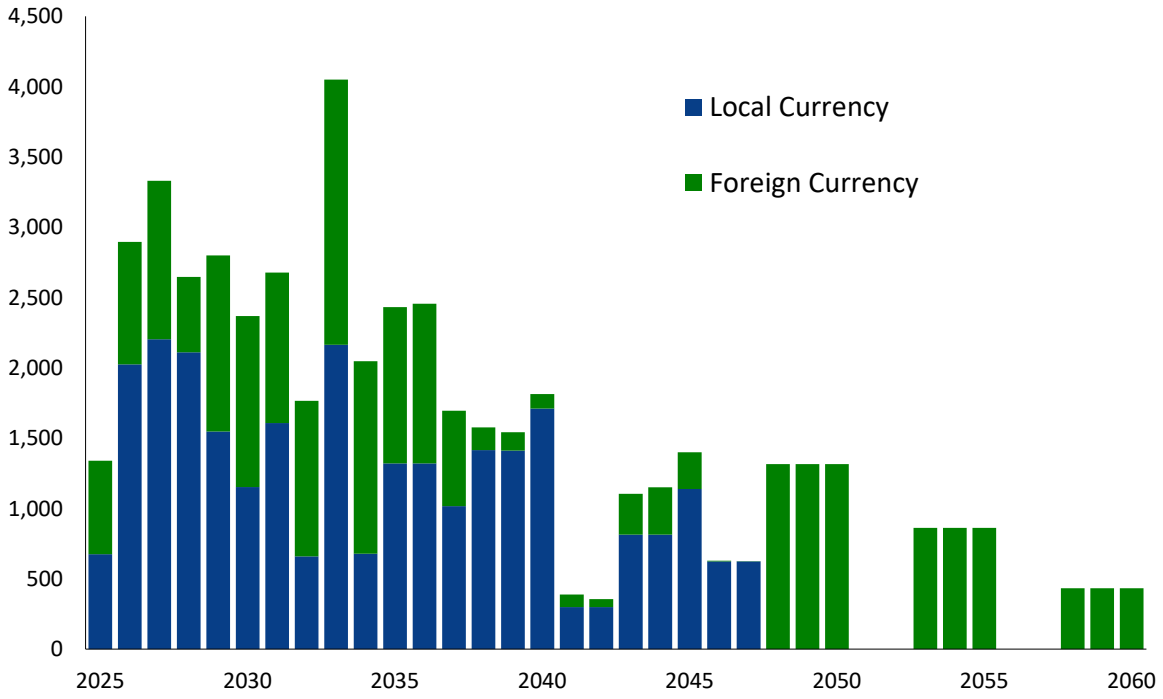


Figure 3. Short-Term Debt Service Profile
(in USD million as of end-June 2025)

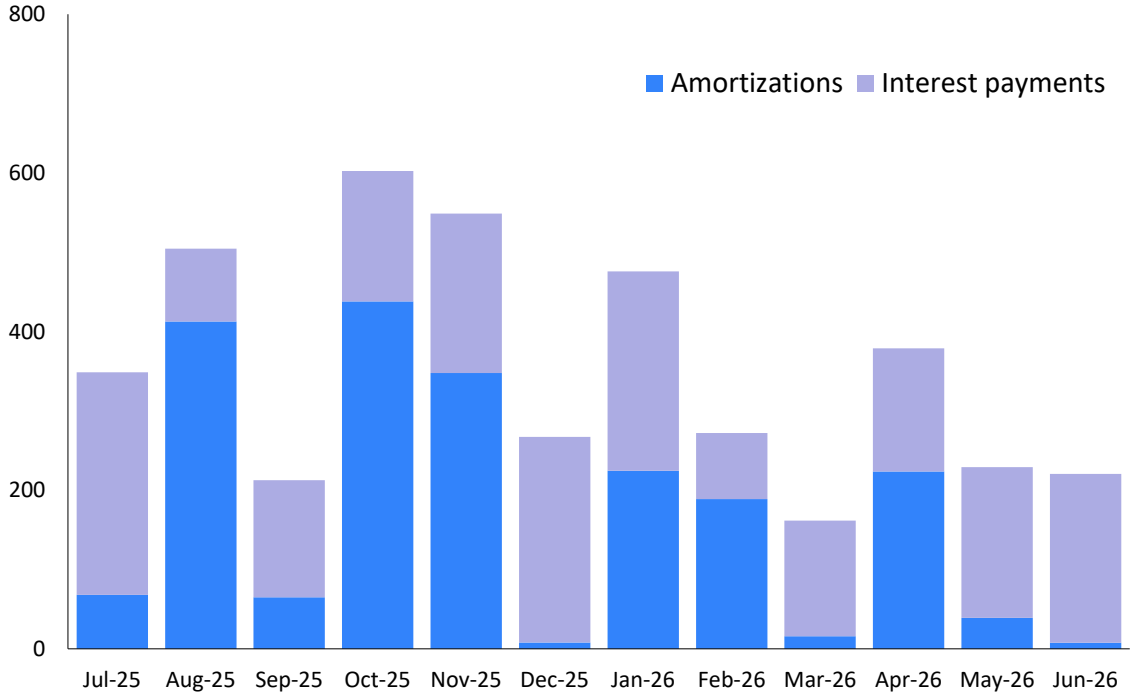


Table 4. Central Government's Net Indebtedness
(January-August 2025, in USD million)[1/]

(1) Gross Indebtedness	**3.209**
Disbursements from Multilaterals and Financial Institutions	33
Total Issuance of Market Debt	3.176
Local Market	*1.270*
International Market	*1.907*
(2) Amortizations of Bonds and Loans	**1.926**
Market Debt	1.563
Contractual obligations	*906*
Early redemptions	*657*
Loans	363
(3) Change in Financial Assets	**-510**
Liquid Assets	-626
Other Financial Assets	116
Net Indebtedness = (1) - (2) - (3)	**1.794**

[1/] Preliminary. The sum of the components may differ from the totals due to rounding.

Table 5. Central Government's Financing Needs and Funding Sources

(Annual, in USD million)

	2024	2025 (Proj.)
FINANCING NEEDS	**5,701**	**6,326**
Primary Deficit[1/]	611	1,340
Interest Payments[2/]	2,099	2,169
Amortizations of Bonds and Loans[3/]	2,745	2,763
Change in Financial Assets	245	54
FUNDING SOURCES	**5,701**	**6,326**
Disbursements from Multilaterals and Fin. Instit.	844	533
Total Issuance of Market Debt[4/]	4,797	5,698
Others (net)[5/]	61	95
Memo Item : Government Net Indebtedness (GNI)	2,650	3,414

Notes:
For 2025, based on fiscal projections and macroeconomic assumptions as of August 2025.
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.
3/ For 2025, includes the obligations coming due on a contractual basis and bonds repurchased and early redeemed through August 2025.
4/ Includes bonds issued domestically and in international markets.
5/ Captures other financial sources of cash inflows for the Treasury and financing operations that do not impact gross debt statistics.

Source: Ministry of Economy and Finance.

Table 6A. Domestic Issuance Calendar of Treasury Notes (January – June 2025)

Find below the results of the auctions for 2025H1:

Auction Date	Security	Maturity[1/]	Coupon (%)	Currency[2/]	Amount auctioned (in millions)		Amount issued (in millions)		Auction Rate (%)
					Original Currency	USD equiv.	Original Currency	USD equiv.	
01-14-2025	Series 32	02-28-2036	3.125	UI	250	35.1	336.9	47.3	3.45
01-21-2025	Series 7	02-21-2029	1.200	UP	1,200	44.9	1,800	67.4	1.79
01-28-2025	Series 11	12-07-2026	9.125	UYU	1,200	27.7	1,656	38.3	9.58
02-11-2025	Series 31	01-18-2029	3.250	UI	200	28.6	400	57.2	2.87
02-18-2025	Series 6	07-20-2036	2.250	UP	1,000	37.7	2,000	75.5	2.13
02-25-2025	Series 11	12-07-2026	9.125	UYU	1,200	28.3	2,400	56.5	9.57
03-11-2025	Series 32	02-28-2036	3.125	UI	250	36.9	41	6.1	3.29
03-18-2025	Series 7	02-21-2029	1.200	UP	1,200	47.4	2,389	94.3	1.80
03-25-2025	Series 11	12-07-2026	9.125	UYU	1,500	35.6	3,000	71.2	9.46
04-08-2025	Series 31	01-18-2029	3.250	UI	200	29.1	204	29.7	2.87
04-22-2025	Series 6	07-20-2036	2.250	UP	1,000	40.6	2,000	81.2	2.24
04-29-2025	Series 11	12-07-2026	9.125	UYU	1,500	35.8	3,000	71.5	9.53
05-13-2025	Series 32	02-28-2036	3.125	UI	200	30.5	106	16.1	3.30
05-20-2025	Series 7	02-21-2029	1.200	UP	1,200	49.0	1,871	76.4	1.98
05-27-2025	Series 11	12-07-2026	9.125	UYU	1,500	36.0	3,000	72.1	9.36
06-10-2025	Series 31	01-18-2029	3.250	UI	200	31.0	171	26.5	3.00
06-17-2025	Series 6	07-20-2036	2.250	UP	1,000	41.6	1,118	46.5	2.25
06-24-2025	Series 11	12-07-2026	9.125	UYU	1,500	37.3	1,113	27.6	9.01

Table 6B. Ongoing Domestic Issuance Calendar of Treasury Notes (July – December 2025)

Find below the results of the auctions for 2025H2:

Auction Date	Security	Maturity (*)	Coupon Rate (%)	Currency	Amount auctioned (in millions)		Amount issued (in millions)		Auctioned Rate (%)
					Original Currency	USD equiv.	Original Currency	USD equiv.	
07-22-2025	Series 12	01-22-2028	8.500	UYU	1,500	37.5	3,000	74.9	8.13
07-29-2025	Series 33	06-22-2030	3.000	UI	200	31.7	369	58.5	3.00
05-08-2025	Series 13	06-29-2030	8.125	UYU	1,250	31.2	2,500	62.4	8.05
08-12-2025	Series 5	01-09-2047	2.000	UP	1,750	74.6	No Bids Accepted		-
08-19-2025	Series 12	01-22-2028	8.500	UYU	2,000	50.0	4,000.0	100.0	7.77
08-26-2025	Series 32	02-28-2036	3.125	UI	100	15.9	97.8	15.6	3.13
09-09-2025	Series 12	01-22-2028	8.500	UYU	2,500	62.4	4,462.6	111.5	7.85
09-16-2025	Series 33	06-22-2030	3.000	UI	200	31.9	227.6	36.3	3.07
09-23-2025	Series 13	06-29-2030	8.125	UYU	1,500	37.6	1,406.9	35.3	7.92
10-14-2025	Series 12	01-22-2028	8.500	UYU					
10-21-2025	Series 5	01-09-2047	2.000	UP					
10-28-2025	Series 32	02-28-2036	3.125	UI					
11-11-2025	Series 12	01-22-2028	8.500	UYU					
11-18-2025	Series 33	06-22-2030	3.000	UI					
11-25-2025	Series 13	06-29-2030	8.125	UYU					
12-09-2025	Series 12	01-22-2028	8.500	UYU					
12-16-2025	Series 5	01-09-2047	2.000	UP					
12-23-2025	Series 32	02-28-2036	3.125	UI					

(*) All series are bullet, except for series 32 and series 5, which are amortizable over the last 3 years in consecutive and equal annual installments.

Table 8. Outstanding Government Debt Securities
(as of October 3rd, 2025)

International markets

In FOREIGN CURRENCY

Security	Issue Date	Maturity	Coupon (%)	Duration (years)	Avg. Life (years)	Amount Issued (USD mm) 1/	Outstanding Amount (USD mm) 1/	Amortizer	Next Coupon Date	Bloomberg Identifier
US Dollars										
Global USD Jul. '27	07-15-1997	07-15-2027	7,875	1,7	1,8	510	49	No	01-15-2026	TT334611 Corp
Global USD Oct. '27	10-27-2015	10-27-2027	4,375	1,0	1,1	2.100	1.269	Yes	10-27-2025	QJ2218924 Corp
Global USD '31	01-23-2019	01-23-2031	4,375	3,9	4,3	2.441	1.879	Yes	01-23-2026	AW7271116 Corp
Global USD '33	05-29-2003	01-15-2033	7,875	5,8	7,3	1.056	841	No	01-15-2026	EC939210 Corp
Global USD SSLB '34	10-28-2022	10-28-2034	5,750	6,5	8,1	2.200	2.200	Yes	10-28-2025	BZ876934 Corp
Global USD '36	03-21-2006	03-21-2036	7,625	7,2	9,5	1.421	1.057	Yes	03-21-2026	EF330974 Corp
Global USD '37	02-14-2025	02-14-2037	5,442	8,0	10,4	1.500	1.500	Yes	02-14-2026	YR3373317 Corp
Global USD '45	11-20-2012	11-20-2045	4,125	12,8	19,1	854	731	Yes	11-20-2025	EJ442676 Corp
Global USD '50	06-18-2014	06-18-2050	5,100	13,5	23,7	3.947	3.947	Yes	12-18-2025	EK3264687 Corp
Global USD '55	04-20-2018	04-20-2055	4,975	14,6	28,5	2.588	2.588	Yes	10-20-2025	AS2148789 Corp
Global USD '60	09-10-2024	09-10-2060	5,250	15,6	33,9	1.298	1.298	Yes	03-10-2026	YV5672386 Corp
Yens										
Samurai '26	12-09-2021	12-09-2026	0,670	1,2	1,2	3	3	No	12-09-2025	BS808422 Corp
Samurai '27	12-13-2024	12-13-2027	1,410	2,1	2,2	205	201	No	12-13-2025	YT6589352 Corp
Samurai '28	12-09-2021	12-08-2028	0,840	3,1	3,2	4	4	No	12-09-2025	BS808408 Corp
Samurai '29	12-13-2024	12-13-2029	1,580	4,0	4,2	44	43	No	12-13-2025	YT658966 Corp
Samurai '31	12-09-2021	12-09-2031	1,000	6,0	6,2	3	3	No	12-09-2025	BS808414 Corp
Samurai '31	12-13-2024	12-12-2031	1,680	5,9	6,2	2	2	No	12-13-2025	YT658957 Corp
Samurai '36	12-09-2021	12-09-2036	1,320	10,3	11,2	79	77	No	12-09-2025	BS808417 Corp
Samurai '44	12-13-2024	12-13-2044	2,780	14,6	19,2	69	68	No	12-13-2025	YT659008 Corp
Swiss Francs										
Global CHF '30	07-23-2025	07-23-2030	1,040	4,7	4,8	200	201	No	07-23-2026	YN7701470 Corp
Global CHF '35	07-23-2025	07-23-2035	1,618	9,1	9,8	200	201	No	07-23-2026	YN7701488 Corp

In LOCAL CURRENCY

Security	Issue Date	Maturity Date	Coupon (%)	Duration (years)	Avg. Life (years)	Amount Issued (USD mm) 1/	Outstanding Amount (USD mm) 1/	Amortizer	Next Coupon Date	Bloomberg Identifier
Nominal Fixed-Rate (UYU)										
Global UYU '28	09-15-2017	03-15-2028	8,500	2,2	2,4	793	640	No	03-15-2026	AP0760557 Corp
Global UYU '31	05-21-2021	05-21-2031	8,250	4,5	5,6	1.288	1.288	No	11-21-2025	BP526500 Corp
Global UYU '33	07-20-2023	07-20-2033	9,750	5,5	7,8	1.494	1.494	No	01-20-2026	ZJ749841 Corp
Linked to CPI (UI)										
Global UI '27	04-03-2007	04-05-2027	4,250	1,3	1,3	304	414	Yes	10-05-2025	EG3199437 Corp
Global UI '28	12-15-2011	12-15-2028	4,375	2,1	2,2	998	2.268	Yes	12-15-2025	EI8993764 Corp
Global UI '30	07-10-2008	07-10-2030	4,000	3,5	3,7	367	1.290	Yes	01-10-2026	EH4525315 Corp
Global UI '37	06-26-2007	06-26-2037	3,700	9,0	10,6	299	1.131	Yes	12-26-2025	EG5893227 Corp
Global UI '40	07-02-2020	07-02-2040	3,875	10,9	13,5	1.718	2.347	Yes	01-02-2026	BK245322 Corp
Global UI '45	05-16-2024	05-16-2045	3,400	14,0	18,6	1.450	1.535	Yes	11-16-2025	ZB990259 Corp

Domestic market

In LOCAL CURRENCY

Security	Issue Date	Maturity Date	Coupon (%)	Duration (years)	Avg. Life (years)	Amount Issued (USD mm) 1/	Outstanding Amount (USD mm) 1/	Amortizer	Next Coupon Date	Bloomberg Identifier
Nominal Fixed-Rate (UYU)										
Treasury Notes 10	02-01-2023	02-01-2029	10,500	2,9	3,3	164	164	No	02-01-2026	ZM7497484 Corp
Treasury Notes 11	02-07-2024	12-07-2026	9,125	1,1	1,2	735	735	No	02-07-2026	ZF9780734 Corp
Treasury Notes 12	07-22-2025	01-22-2028	8,500	2,1	2,3	288	288	No	01-22-2026	YM6366731 Corp
Treasury Notes 13	08-05-2025	06-29-2030	8,125	4,0	4,7	98	98	No	02-05-2026	YL0389475 Corp
Linked to CPI (UI)										
Treasury Notes 21	11-26-2014	11-26-2025	4,000	0,1	0,1	620	226	Yes	11-26-2025	EK9574097 Corp
Treasury Notes 25	01-24-2018	07-24-2030	2,900	4,5	4,8	676	676	Yes	01-24-2026	AR4175741 Corp
Treasury Notes 28	01-20-2021	01-20-2026	1,575	0,3	0,3	1.129	194	Yes	01-20-2026	BN5826324 Corp
Treasury Notes 29	08-24-2021	08-24-2034	2,500	7,2	7,9	1.054	1.054	Yes	02-24-2026	BR1714806 Corp
Treasury Notes 30	01-19-2022	01-19-2027	1,125	1,3	1,3	954	954	No	01-19-2026	BT5601823 Corp
Treasury Notes 31	01-18-2023	01-18-2029	3,250	3,1	3,3	699	699	No	01-18-2026	ZM4879866 Corp
Treasury Notes 32	02-28-2024	02-28-2036	3,125	8,2	9,4	226	226	Yes	02-28-2026	ZD3376021 Corp
Treasury Notes 33	09-16-2025	06-22-2030	3,000	4,4	4,7	95	95	No	03-22-2026	YM8532900 Corp
Linked to Nominal Wage Index (UP)										
Treasury Notes 2	08-29-2018	08-29-2033	1,800	7,2	6,9	825	825	Yes	02-28-2026	AU7040093 Corp
Treasury Notes 3	05-13-2019	05-13-2040	2,200	10,7	14,6	1.866	1.866	Yes	11-13-2025	ZS6932199 Corp
Treasury Notes 4	01-27-2020	01-27-2037	2,450	8,5	10,3	1.893	1.893	Yes	01-27-2026	ZP7855163 Corp
Treasury Notes 5	09-01-2021	09-01-2047	2,000	13,2	20,9	1.863	1.863	Yes	03-01-2026	BR2601176 Corp
Treasury Notes 6	07-20-2023	07-20-2036	2,250	8,8	9,8	689	689	Yes	01-20-2026	ZJ8592405 Corp
Treasury Notes 7	02-21-2024	02-21-2029	1,200	2,3	2,4	609	609	Yes	02-21-2026	ZD1725781 Corp
Linked to After-tax Wage Index (UR)										
Treasury Notes 1	03-31-2014	03-31-2044	2,250	15,2	18,8	1.492	1.492	Yes	03-31-2026	•

1/Dollar equivalent as of October 3th, 2025.
Source: Debt Management Unit and Bloomberg.

II. METHODOLOGICAL ANNEX

1. New fiscal framework introduced in the 2025–2029 Budget Bill submitted to Congress[6]

To reinforce the soundness and predictability of Uruguay's fiscal convergence path, the 2025–2029 Budget bill introduces a set of reforms to the existing fiscal framework, aligned with advances in the academic literature and international best practices. It also incorporates lessons derived from the implementation of the rule during the period 2020-2024. In fact, the previous administration commissioned a report from the Inter-American Development Bank (IDB) titled "*Propuestas para continuar fortaleciendo el Marco Fiscal en Uruguay*", which constitutes a significant input for the new proposal.

This new framework is grounded in a dual fiscal rule featuring (i) a medium-term net debt anchor as a share of GDP and (ii) operational targets (an indicative target in the structural fiscal balance and a legal ceiling on net indebtedness), consistent with stabilizing net debt in the medium term, below the new prudential debt anchor.[7] It also envisages the introduction of a set of correction mechanisms to keep the fiscal convergence path on track.

The fiscal institutions are also strengthened, as the Fiscal Council will evolve from an advisory body to an autonomous institution, with broader mandate and enhanced technical capacity. This will enhance independent oversight and transparency.

The proposed 2025–2029 Budget bill intends to reduce the deficit as a share of GDP and stabilize debt in the medium term, below the new prudential debt anchor. It projects a permanent rise in social spending and investment, to be financed through a gradual increase in revenues by modernizing and making more efficient tax administration, curbing tax fraud, implementing the global minimum tax, and rationalizing certain taxes.

Estimating the Debt Anchor

The calibration of the debt anchor required estimating two key concepts associated to the level of net public debt to GDP:

- *Debt limit*: the level beyond which public debt sustainability would be severely compromised. Crossing this threshold would entail a high risk of losing access to financial markets and even debt restructuring.
- *Debt anchor*: a prudent level of net debt-to-GDP ratio that is consistent with the sustainability of public finances, such that the probability of exceeding the debt limit over the subsequent five years remains below 1%.

Two main approaches were applied to estimate Uruguay's public debt limit:

- *Fiscal fatigue*. In theory, any level of debt can be stabilized through a sufficiently large adjustment in the primary balance. In practice, however, governments face political and institutional constraints that limit their ability to raise revenues or cut expenditures. As debt rises, the scope for adjustment diminishes, and beyond a certain point, higher interest payments cannot be offset by primary surpluses. At this threshold, debt becomes unsustainable—defining the debt limit.
- *Market discipline*. This approach focuses on the relationship between public debt levels and sovereign spreads. Evidence suggests this relationship is non-linear: above a critical threshold, spreads increase sharply and may reach levels incompatible with continued voluntary market access.

Based on both approaches, a set of models (time series and panel models) was estimated using data updated to 2024, Uruguay's net debt limit was estimated at **85% of GDP**.

The medium-term fiscal anchor was then calibrated through models capturing the joint dynamics of the main determinants of the net debt-to-GDP ratio: the primary balance, real GDP growth and the GDP deflator, inflation,

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[6] Prepared by Giuliano Cantisani and Joaquín Torres, Advisors at the Economic Policy Division of the Ministry of Economy and Finance of Uruguay.

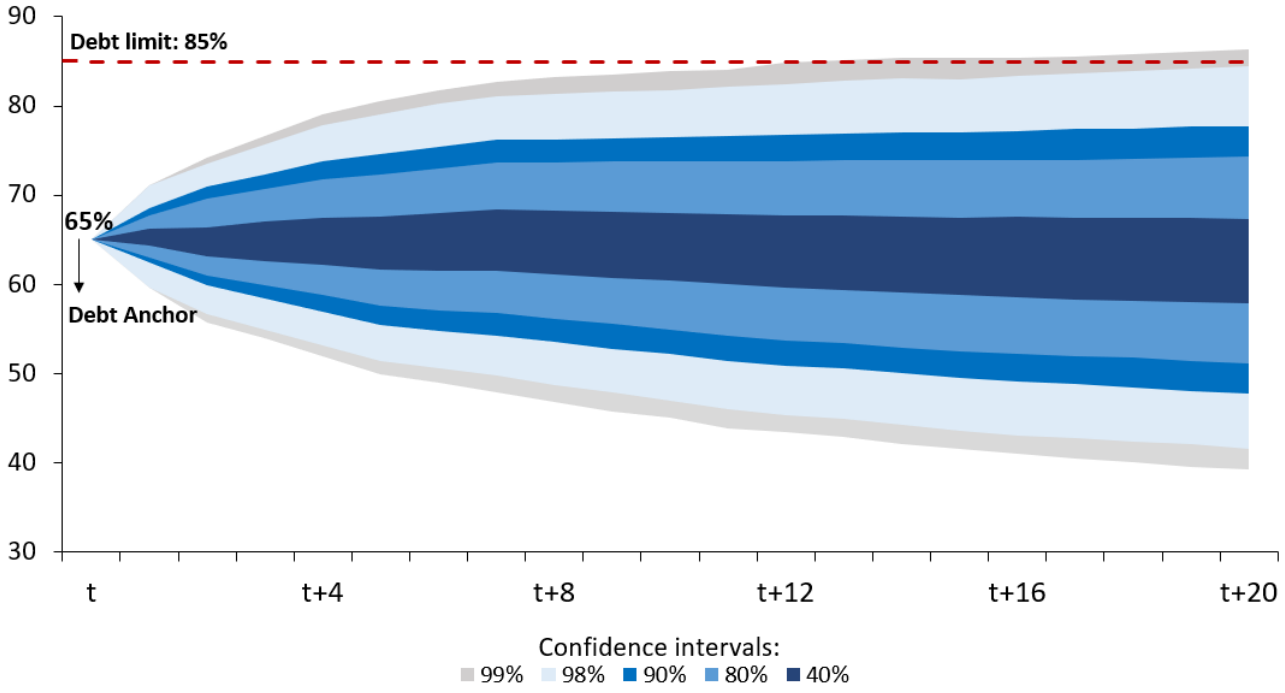
[7] The new framework removes the ceiling target on real primary expenditure growth, which was previously associated with estimating the economy's potential growth. As noted in the *Exposición de Motivos*, removing the primary spending growth cap avoids inconsistencies between operational targets, reduces overlap of similar dimensions, and prevents overdetermination of the fiscal framework. Empirical evidence supports maintaining structural fiscal rule targets over spending targets, since the latter are not only less common worldwide but also typically exhibit the lowest regional compliance rates.

exchange rate movements, changes in the average wage index (relevant given the share of debt indexed to salaries), interest rates across currencies (USD, UYU, UI, UR/UP), and Central Government reserve assets.

Simulations introducing random shocks to these determinants allowed for estimating the probability of breaching the debt limit under different scenarios. These innovations were rescaled by multiplying them by 2 before being applied to the equations. The adopted criterion sets the debt anchor at the level that ensures no more than a 1% probability of surpassing the limit within five years.

The results indicate that a net debt ratio of **65% of GDP** meets this standard, and will therefore serve as Uruguay's medium-term fiscal anchor. In other words, the new fiscal framework aims to anchor net debt to GDP with a margin of 2Opp of GDP relative to the sustainability threshold.

Figure 4. Net Debt Anchor Calibration
(% of GDP, quarterly data)



Source: Ministry of Economy and Finance.

2. Calculation of Debt-to-GDP Ratios

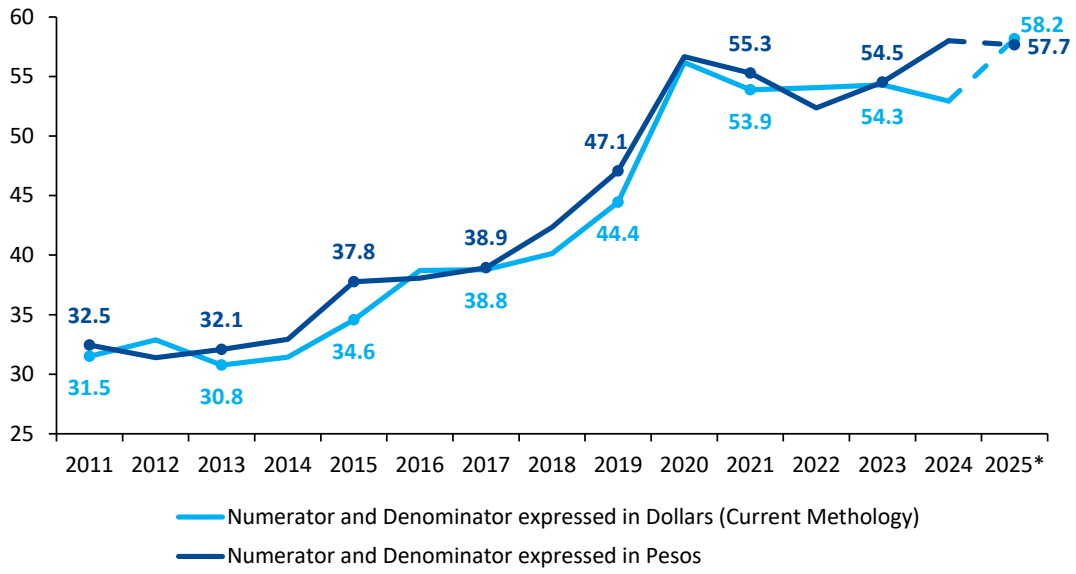
The Five-Year Budget Bill's Statement of Reasons outlines a change in the calculation of debt-to-GDP ratios, effective from the end of 2025. The new approach will express both the numerator (total gross debt and net debt) and denominator (nominal GDP) in local currency (nominal Uruguayan pesos, UYU).

Currently, debt-to-GDP ratios are calculated by taking the ratio between: (i) total debt measured in dollars at the end of each period (using the end-of-period nominal exchange rates to express local currency and other foreign-denominated debt into US dollars, as well as the respective indexed unit values for CPI and wage indexed local currency debt) and (ii) nominal GDP measured in dollars (using the period average nominal exchange rate to convert the local currency GDP numbers into dollars).

When the annual average and end-of-period exchange rates are similar, the current methodology yields results comparable to calculating the ratio in nominal local currency. However, when fluctuations in the nominal exchange rate during the year are such that the average and end-of-period rates differ substantially, it can lead to notable differences between the two approaches.

The chart below illustrates the historical net debt-to-GDP ratio from 2011 to 2024, calculated using both methodologies, alongside a projected ratio for end-2025 based on model-driven estimates from the Budget Bill.

Figure 5. Evolution of Government Net Debt
(% of GDP)



Source: Ministry of Economy and Finance.
(*) Projections

The historical data reveals a high correlation between the two methodologies for calculating the net debt-to-GDP ratio, with identical values in certain years (e.g., 2017 and 2023). However, disparities arise in other years due to fluctuations in intra-annual and end-of-period exchange rates and the composition of gross debt (and assets) in local and foreign currencies.

From 2011 to 2024, the net debt-to-GDP ratio calculated in U.S. dollars (current methodology) was, on average, 1 percentage point lower than the ratio calculated in local currency (Uruguayan pesos, UYU), with an annual average discrepancy of -1% of GDP. The largest divergence occurred in 2024, when the dollar-based ratio was 5.1 percentage points lower than the local currency-based ratio. In contrast, in 2022, the dollar-based ratio exceeded the local currency ratio by 1.7 percentage points. Over the 15-year period, the dollar-based ratio was lower than the local currency ratio in 11 years, with varying margins, though the standard deviations of the two series are similar.

Starting with the end-of-2025 data, official government statistics for gross and net debt as a percentage of GDP will adopt the local currency methodology, expressing both debt and GDP in nominal UYU. The debt anchor ratio has been econometrically calibrated using the local currency-based time series to reflect this upcoming change.

This shift is supported by three key considerations:

- *Alignment with international Standards*: Most rating agencies and multilateral organizations analyzing Uruguay´s debt calculate the ratio to GDP by using local currency for both debt and GDP, making this methodology consistent with global practices and facilitating comparability.

- *Conservative reporting*: Historically, the local currency-based debt-to-GDP ratio has been higher than the dollar-based ratio. Adopting this approach reflects a more cautious stance in macroeconomic and financial management.

- *De-dollarization progress*: Previously, when most debt was foreign currency-denominated, expressing the ratio in dollars was practical. However, with local currency debt now comprising over half the portfolio, calculating the ratio in UYU aligns with Uruguay's ongoing de-dollarization efforts.

Given nominal exchange rate projections for the rest of 2025 as of end-August, the methodological transition in 2025 seems well-timed. Model-based projections indicate the debt-to-GDP ratio under both methodologies will be nearly equivalent, with a minimal discrepancy of -0.5%—half the average annual difference observed over the period. Overall, this envisaged methodological change aims to ensure greater accuracy and relevance in reporting Uruguay's fiscal metrics.

3. Government financial program: projections 2025-2029

The Government's 2025–2029 financial program outlines annual financing needs and funding sources. Gross financing requirements encompass the primary fiscal deficit, net interest payments, amortization (contractual and anticipated) of market securities and loans, and changes in financial assets. Funding will primarily come from sovereign bond issuances in domestic and international markets, supplemented by loan disbursements from multilateral organizations, including the Inter-American Development Bank, World Bank, Andean Development Corporation, and Fonplata.

Table 9. Projected Central Government's Financing Needs and Funding Sources
(in USD million)

	2025	2026	2027	2028	2029
FINANCING NEEDS	**6,326**	**6,667**	**6,843**	**6,254**	**6,078**
Primary Deficit	1,340	1,345	902	458	3
Interest Payments[1/]	2,169	2,381	2,520	2,655	2,861
Amortizations of Bonds and Loans[2/]	2,763	2,908	3,431	3,155	3,188
Change in Financial Assets[3/]	54	33	-10	-14	26
FUNDING SOURCES	**6,326**	**6,667**	**6,843**	**6,254**	**6,078**
Disbursements from Multilaterals and Fin. Instit.	533	600	600	500	500
Total Issuance of Market Debt[4/]	5,698	5,966	6,145	5,652	5,467
Others (net)[5/]	95	101	98	102	111
Memo Item : Government Net Indebtedness (GNI)	3,414	3,625	3,324	3,011	2,753

Notes:
The figures are based on fiscal projections and macroeconomic assumptions as of August 2025.
1/ Includes interest payments to the FSS (Social Security Fund) and the SiGa Trust for holding government securities.
2/ Includes contractual maturities and repurchased bonds that mature in subsequent years.
3/ Variation of Treasury liquid assets and other financial assets (assets of the SiGa trusts and assets with other public sector entities, resulting from loans contractually contracted by the Republic on their behalf); a negative value (-) implies a de-accumulation of assets (asset drawdown).
4/ Includes bonds issued in the domestic and international markets.
5/ Reflects the net effect of financing operations that do not impact gross debt statistics; market valuation effects for bond issues priced above or below par; and financial sources of Treasury cash increase that do not imply government revenue in fiscal statistics.

Source: Ministry of Economy and Finance.

The borrowing plan is built on a baseline macroeconomic and financial scenario, incorporating fiscal projections for the primary balance, debt service profiles (interest and amortizations), bond market funding strategies, multilateral organization disbursements, and debt management objectives. A key goal is to advance de-dollarization, targeting at least 57% of total debt in local currency by the end of the period, up from approximately 52% in 2024.

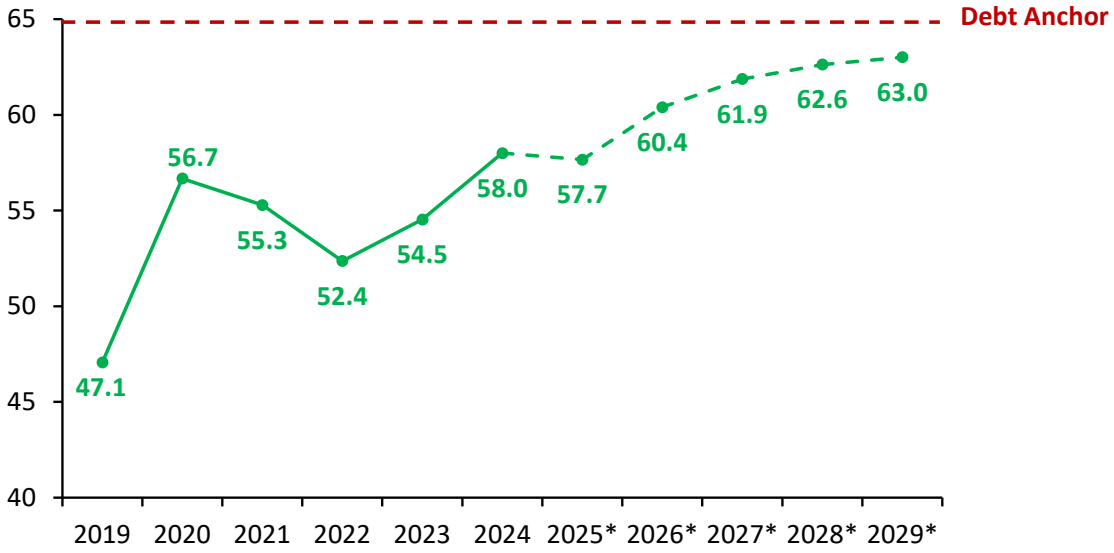
To achieve this, the Government will prioritize deepening local currency financing in the domestic market and maintaining a balanced currency composition in international debt issuances. Efforts will focus on minimizing fiscal financing costs, diversifying the investor base, enhancing liquidity in local currency yield curves, and promoting market-making activities by domestic and foreign financial institutions. Additionally, multilateral credit organizations are expected to provide 14% of financing needs, with continued access to precautionary credit lines to strengthen contingent liquidity reserves.

This financial program is a critical input for projecting the debt-to-GDP trajectory over the five-year period and assessing its sustainability relative to the fiscal anchor of 65% of GDP.

Projections indicate a decline in both gross and net debt-to-GDP ratios by the end of 2025 compared to 2024, with gross debt decreasing by 0.8 percentage points and net debt by 0.3 percentage points. In 2026, net debt-to-GDP is expected to rise by approximately 2.7 percentage points from 2025 levels. From 2027 onward, the growth rate of the net debt-to-GDP ratio is projected to decelerate, driven by the fiscal convergence program, sustained economic growth, and nominal exchange rate variations aligned with the projected inflation differential between Uruguay and the U.S. By 2029, the net debt-to-GDP ratio is expected to stabilize at approximately 63%, 2 percentage points below the fiscal anchor.

This trajectory supports fiscal sustainability and reflects Uruguay's ongoing commitment to prudent debt management and de-dollarization.

Figure 6. Projected Government´s Net Debt-to-GDP Dynamics



Source: Ministry of Economy and Finance.
(*) Projections

4. Government Net Indebtedness Legal Ceiling for 2026

Evolution of the Net Indebtedness Ceiling Framework

From 2020 to 2025, the legal ceiling for the government's net indebtedness was denominated in millions of U.S. dollars, a shift from the prior framework (in place until 2019) which set the ceiling in Consumer Price Index-linked units (UI). This change, introduced in 2020, aimed to enhance clarity and simplicity for the international financial community, particularly amid the global pandemic. The dollar-based ceiling was also designed to introduce a counter-cyclical element to fiscal policy. During periods of economic acceleration, cyclical appreciation of the local currency, combined with local currency issuances exceeding debt amortizations in recent years, could inflate net issuances when expressed in USD, rendering the ceiling more restrictive and aligning with prudent fiscal management.

However, practical implementation revealed challenges. Setting the ceiling in USD, while budget projections are primarily in local currency (Uruguayan Pesos, UYU), introduced volatility due to exchange rate fluctuations. An appreciation of the local currency beyond the assumptions in the macroeconomic program could strain compliance with the legal limit, even in the absence of imprudent fiscal policy or planning errors. This volatility stems from exogenous exchange rate movements, with the ceiling's restrictiveness further influenced by the timing of upward or downward exchange rate fluctuations and the scheduling of borrowing and debt amortization operations, which are converted to USD at the prevailing exchange rate.

Proposed Shift to UI-Denominated Ceiling

To enhance consistency and predictability in fiscal planning, it is proposed that the legal ceiling for net indebtedness be redefined in UI starting in 2026. As government revenues and expenditures are predominantly denominated in local currency, indexing the ceiling to UI—a more stable and predictable variable—aligns more closely with medium-term fiscal programming. This approach mitigates the volatility introduced by exchange rate fluctuations and supports disciplined fiscal policy, given that borrowing finances the fiscal deficit, which is also primarily in local currency.

For 2026, the proposed legal ceiling for net indebtedness is UI 25.115 million, equivalent to approximately USD 3,992 million based on exchange rate projections at the time of this Statement of Motives. The Central Government's financial program projects a net indebtedness of USD 3,635 million for 2026.

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