CREDIT OPINION
20 July 2026

Update

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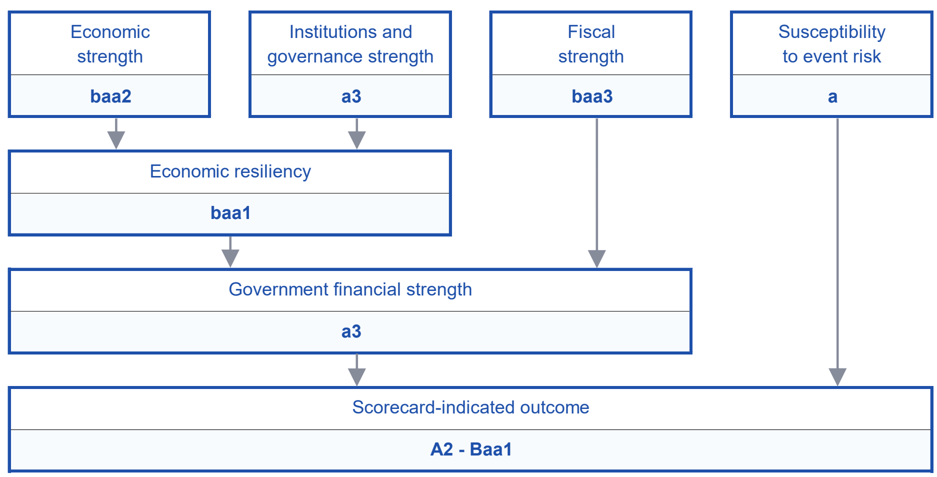
# Government of Uruguay – Baa1 stable

## Regular update

## Summary

The credit profile of Uruguay reflects high income levels, strong institutions and effective governance demonstrated by ongoing fiscal and monetary policy reforms. Low exposure to political and external event risk, supported by a narrow current account deficit and high foreign exchange reserve buffers, further strengthen the credit profile. These strengths help mitigate fiscal constraints stemming from an increasing gross debt burden that we expect will stabilize above 65% of GDP. A track record of subdued investment and modest trend growth also constrain Uruguay's creditworthiness.

Exhibit 1
**Uruguay's credit profile is determined by four factors**




*Source: Moody's Ratings*

## Credit strengths

» High income levels and strong institutional framework

» Strengthening inflation-targeting track record supports gradual de-dollarization strategy

» Robust foreign exchange and government liquidity buffers

## Credit challenges

» Structural rigidities in government spending

» Increasing debt burden reduces future shock absorption capacity

» Subdued investment levels constrain trend growth

## Rating outlook

The stable outlook reflects a balance of upside and downside risks. Upside risks relate to continued fiscal and monetary reforms, particularly the de-dollarization strategy, which, if sustained, should encourage higher investment, and help build a longer track record of compliance with fiscal targets, potentially with more positive effects than we currently assume. Meanwhile, a weaker-than-expected fiscal consolidation due to soft revenue performance or slower growth, resulting in a debt burden significantly above 65%, would erode fiscal shock-absorption capacity and point to weakening policy effectiveness.

## Factors that could lead to an upgrade

Uruguay's sovereign credit rating could be upgraded if additional structural and fiscal reforms lead to a significant drop in its debt burden and a lower interest burden. A significantly more pronounced improvement in growth performance than currently expected — driven by stronger private investment over an extended period, leading to further economic diversification and economic resilience to shocks — would also support an upgrade.

## Factors that could lead to a downgrade

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

## Key indicators

Exhibit 2

| Uruguay | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F | 2027F |
|---|---|---|---|---|---|---|---|---|
| Real GDP (% change) | -7.4 | 5.8 | 4.6 | 0.8 | 3.3 | 1.8 | 1.6 | 1.9 |
| Inflation rate (% change average) | 9.8 | 7.7 | 9.1 | 5.9 | 4.8 | 4.7 | 4.1 | 4.1 |
| Gen. gov. financial balance/GDP (%) [1] | -5.8 | -4.1 | -3.2 | -3.2 | -3.3 | -4.2 | -4.1 | -3.7 |
| Gen. gov. primary balance/GDP (%) [1] | -3.0 | -1.9 | -0.9 | -0.8 | -0.8 | -1.7 | -1.6 | -1.2 |
| Gen. gov. debt/GDP (%) | 61.9 | 60.0 | 55.9 | 57.4 | 61.2 | 59.8 | 62.4 | 64.0 |
| Gen. gov. debt/revenues (%) | 233.2 | 233.9 | 214.9 | 218.7 | 227.9 | 221.5 | 227.7 | 229.2 |
| Gen. gov. interest payment/revenues (%) | 10.5 | 8.8 | 8.8 | 9.2 | 9.4 | 9.3 | 9.1 | 8.9 |
| Current account balance/GDP (%) | -0.6 | -2.4 | -3.5 | -3.0 | -0.8 | -0.4 | -0.3 | -0.2 |
| External debt/CA receipts (%) [2] | 315.9 | 236.9 | 215.9 | 200.8 | 168.8 | 188.0 | 153.2 | 147.1 |
| External vulnerability indicator (EVI) [3] | 110.1 | 99.4 | 114.6 | 133.5 | 126.9 | 141.0 | 135.3 | 135.0 |

[1] Excludes pension transfers and includes interest payments related to the 'cincuentones' law starting in 2018.
[2] Current Account Receipts
[3] (Short-Term External Debt + Currently Maturing Long-Term External Debt + Total Nonresident Deposits Over One Year)/Official Foreign Exchange Reserves

*Source: Moody's Ratings*

## Profile

Uruguay is an upper-middle-income economy in South America. Services, trade, tourism and agriculture support a relatively diversified domestic market. Its profile reflects broad political consensus and limited polarization that leads to policy continuity, balanced against subdued domestic demand and exposure to global demand conditions.

## Detailed credit considerations

Uruguay's “baa2” **economic strength** score recently lowered from “baa1” following the shift to the 2025 base year, reflecting the downward revision in our growth outlook, in line with the economy's subdued investment track record at below 20% of GDP. The economy expanded by 1.8% in real terms in 2025, and we expect real GDP to grow by 1.6% in 2026 before converging toward potential at about 2.1%. Subdued investment remains a structural constraint, with a gradual recovery contingent on the central bank’s continued de-dollarization strategy to deepen local-currency credit markets, as well as increased FDI via the EU-Mercosur agreement, and progress on green hydrogen projects. The “baa2” score also incorporates relatively high income per capita, counterbalanced by the comparatively small size of the economy at $85 billion in 2025 compared to the Baa-rated peer median of around $256 billion.

Our “a3” assessment for Uruguay's **institutions and governance strength** balances the country's strong institutional framework and rule of law, which reinforces policy predictability, against its still-evolving capabilities to effectively and credibly implement fiscal and monetary policies.

Authorities introduced a new fiscal policy framework in 2020 that features a fiscal rule with a structural balance target, a limit on current expenditure growth and a ceiling on net debt. The current government has further strengthened this framework by anchoring operational targets to debt stabilization objectives and strengthening the role of autonomous and independent Fiscal Councils. Building a longer track record of compliance under this new framework would help reduce fiscal imbalances, and bolster fiscal policy credibility and effectiveness.

In 2020, the central bank revamped its monetary policy framework, including the reintroduction of interest rates as the main monetary policy instrument, and was among the first in the region to start tightening monetary policy in 2021. Starting 2023, the new monetary policy framework resulted in a declining inflation rate on a sustained basis and a significant improvement in monetary policy effectiveness. A longer track record on price stability, de-dollarization and credit growth to support private investment would be supportive of a higher score in monetary policy effectiveness.

Uruguay's “baa3” **fiscal strength** assessment reflects the government's strengthened fiscal rule and medium-term fiscal consolidation plans which underpin our expectation that the government's gross debt burden will stabilize above 65% of GDP over the next three years from 59.8% recorded in 2025. The five-year budget for 2025-29 targets a gradual narrowing of the headline deficit from 4.1% of GDP in 2025 and 2026 to 2.6% by 2029, driven mainly by revenue measures, in line with the government’s agenda, and reflecting the rigid spending structure. These revenue measures include a broadening taxation of foreign-source income, the introduction of a global minimum tax for multinationals, as well as efficiency and tax equity reforms which the government expects to raise 1.5 percentage points of GDP in 2025-29. Meanwhile, the government aims to increase the local currency debt share to 57% by 2029, from 53% in 2024, supported by an improved inflation targeting track record.

We assess Uruguay's **susceptibility to event risk** at “a,” reflecting low political, government liquidity risk and external vulnerability risk. Uruguay's low political risk assessment at “aa” is supported by a stable democratic system and a tradition of consensus-based policymaking. These features ensure predictable policy outcomes and social cohesion, minimizing the likelihood of disruptive political events. This stability underpins investor confidence and reinforces Uruguay's resilience to domestic shocks, contributing to its strong credit profile and low susceptibility to event risk.

Uruguay's government liquidity risk assessment of “a” balances the government's relatively low gross borrowing requirements — favored by a long maturity profile — against a relatively high share of external debt in total government debt.

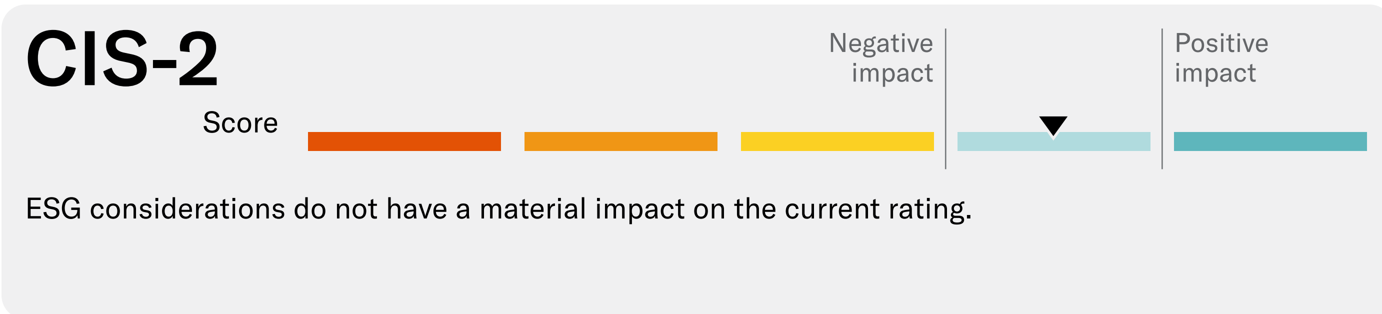
The banking sector risk assessment of “aa” reflects the system’s relatively large size for a Latin American economy, with domestic bank assets equivalent to 67% of GDP in 2025, and a Baseline Credit Assessment of baa2 for the banks we rate, which informs the risk assessment of potential contingent liabilities on the government’s balance sheet.

Uruguay's external vulnerability assessment at “a” is contained by a significant liquid foreign exchange reserve buffer covering about 12 months of good and services imports, and prudent debt asset-liability management, which offset risks from financial dollarization. A narrow current account deficit and diversified funding strategy further reduce exposure to external shocks amid increased geopolitical uncertainty.

## ESG considerations

### Uruguay's ESG credit impact score is CIS-2

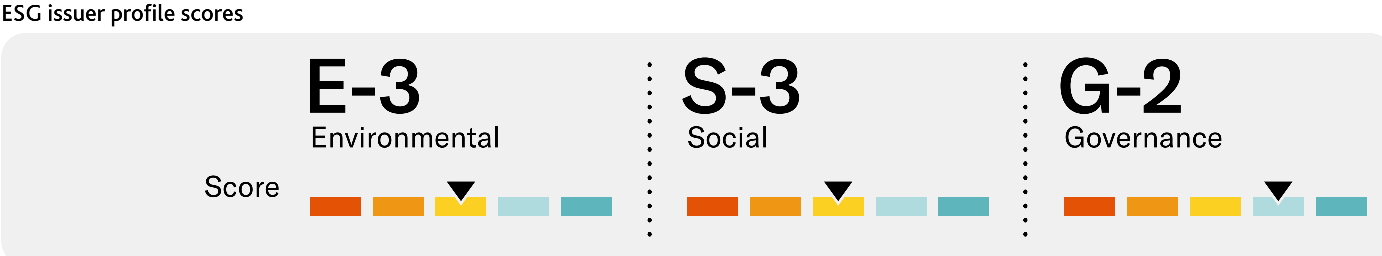
Exhibit 3
**ESG credit impact score**




*Source: Moody's Ratings*

Uruguay's ESG Credit Impact Score (**CIS-2**) reflects moderate exposure to environmental and social risks, mitigated by strong governance and institutional capacity, which continue to support the sovereign's investment-grade rating.

Exhibit 4
**ESG issuer profile scores**




*Source: Moody's Ratings*

### Environmental

Uruguay's exposure to physical climate risks (**E-3** issuer profile score), particularly droughts and excessive rainfall, can disrupt agricultural output and weigh on fiscal and external accounts. The government's proactive investment in renewable energy and water management infrastructure mitigates these risks, supporting long-term resilience.

### Social

Social risks (**S-3** issuer profile score) stem primarily from demographic trends, including an aging population that could pressure public finances and growth potential over time. Recent pension reforms and a strong social safety net help alleviate these pressures, while Uruguay's high human development indicators and inclusive labor market policies underpin social stability.

### Governance

Governance remains a credit strength (**G-2** issuer profile score). Uruguay benefits from a long-standing tradition of consensus-based policymaking, strong rule of law, and institutional transparency. Recent enhancements to fiscal and monetary frameworks, such as the strengthened fiscal rule and inflation-targeting regime, reinforce policy credibility and macroeconomic stability.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Recent developments

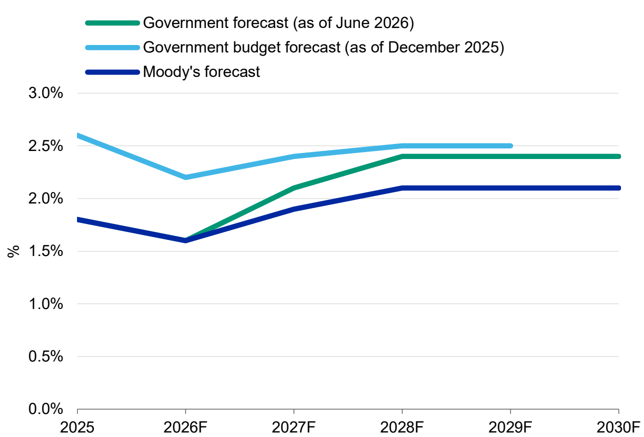
### Weaker growth outlook increases reliance on fiscal consolidation as debt rises

On 30 June, the government submitted the Rendición de Cuentas, which closes the 2025 fiscal exercise and amends the 2025-2029 Budget Law for subsequent years. With this update, the government has revised the real GDP growth path downward to 1.8% registered in 2025 and to 1.6% projected for 2026, from 2.6% and 2.2% in the original 2025-29 budget, followed by a gradual recovery (see Exhibit 5). The 2025 performance reflects a temporary refining shutdown, weaker construction activity and a more challenging external environment, while the 2026 revision incorporates the global slowdown, oil-price volatility linked to the Middle East conflict and softer regional demand.

Despite weaker growth, the Ministry of Economy and Finance maintains the original headline and structural fiscal balance path through 2030 by offsetting lower revenue with cuts to operating spending and discretionary transfers in 2026 (Exhibit 6).

Exhibit 5

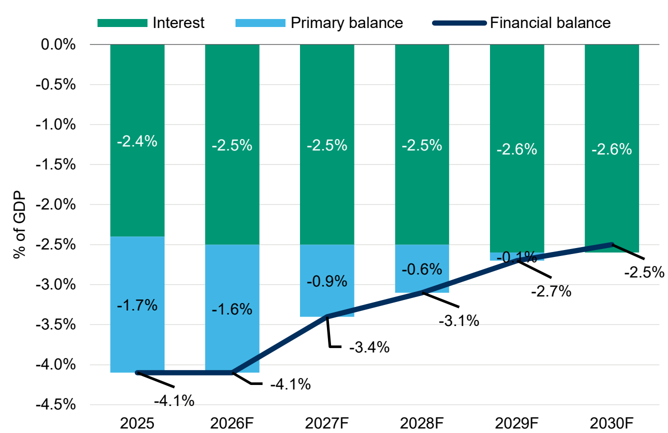
**Weaker than budgeted real GDP growth increases fiscal adjustment effort ...**
**(real GDP growth, %)**




*Sources: Ministry of Finance and Moody's Ratings*

Exhibit 6

**... to meet unchanged headline (and broadly equivalent structural) fiscal targets**
**(% of GDP)**




*Sources: Ministry of Finance and Moody's Rating*

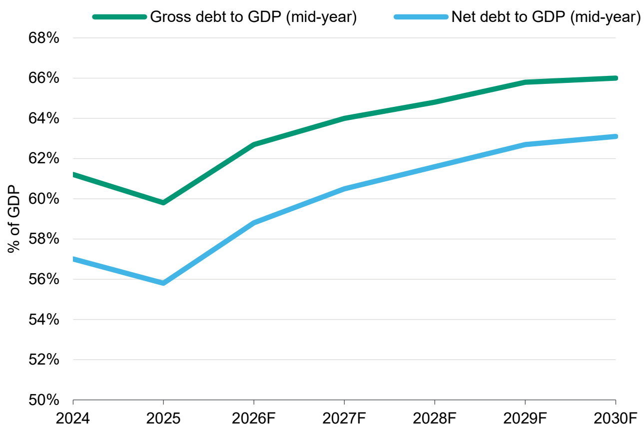
Even so, the consolidation path outlined in the mid-year review is insufficient to stabilize gross government debt which, in line with the government's projections, we expect to exceed 65% of GDP by 2030 from 59.8% in 2025 (see Exhibit 7). This path would remain consistent with the government's fiscal rule, which anchors net debt (excluding liquid assets of 3-4% of GDP over the forecast horizon) at 65%. However, the rigid spending structure, including indexed wages, social transfers and pensions, which together account for 86% of primary spending, leaves limited room for adjustment in the event of shocks, compounding fiscal vulnerabilities as the debt burden rises.

On the financing side, the central bank's strengthened inflation-targeting track record since 2023 continues to support two positive trends: the gradual expansion of local currency (LC) debt to 56% of total debt in 2025, from 44% in 2019, which reduces currency risk; and the shift toward non-indexed, fixed-rate LC issuance away from CPI- or wage-indexed variable-rate debt (see Exhibit 8). Lower indexation reduces the pass-through of inflation and wage dynamics into debt service costs, allows nominal GDP growth to gradually erode the real debt burden and strengthens the government's control over its medium-term fiscal trajectory.

Exhibit 7

**Debt burden is on an increasing trajectory, reducing fiscal shock absorption capacity**

**(% of GDP)**



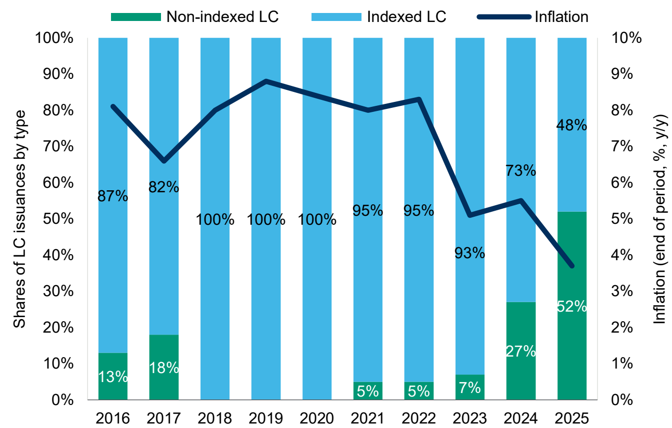

Net debt is defined as gross debt minus the government's liquid assets

*Sources: Ministry of Finance and Moody's Ratings*

Exhibit 8

**Tighter inflation control supports shift toward non-indexed local currency debt issuance**

**(Local currency debt issuance by type (LHS); end of period inflation, %, y/y (RHS))**




Indexed local currency (LC) issuances include CPI-indexed and wage-indexed variable rate issuances

*Sources: Ministry of Finance, Central Bank and Moody's Ratings*

## Moody's rating methodology and scorecard factors: Uruguay - Baa1 stable

Exhibit 9

| Factor / Sub-Factor | Metric | Indicator Year | Indicator | Initial Factor Score | Final Factor Score | Weights |
|---|---|---|---|---|---|---|
| **Factor 1: Economic strength** | | | | baa2 | baa2 | 50% |
| **Growth dynamics** | Average real GDP growth (%) | 2021-2030F | 2.6 | baa2 | | 25% |
| | MAD Volatility in Real GDP Growth (%) | 2016-2025 | 1.3 | baa3 | | 10% |
| **Scale of the economy** | Nominal GDP ($ billion) | 2025 | 85.3 | ba1 | | 30% |
| **National income** | GDP per capita (PPP, Intl$) | 2025 | 37,214.9 | a2 | | 35% |
| **Adjustment to factor 1** | *# notches* | | | | 0 | max ±9 |
| **Factor 2: Institutions and governance strength** | | | | a3 | a3 | 50% |
| **Quality of institutions** | Quality of legislative and executive institutions | | | a | | 20% |
| | Strength of civil society and the judiciary | | | aa | | 20% |
| **Policy effectiveness** | Fiscal policy effectiveness | | | baa | | 30% |
| | Monetary and macroeconomic policy effectiveness | | | baa | | 30% |
| **Specified adjustment** | Government default history and track record of arrears | | | | 0 | max -3 |
| **Other adjustment to factor 2** | *# notches* | | | | 0 | max ±3 |
| **F1 x F2: Economic resiliency** | | | | baa1 | baa1 | |
| **Factor 3: Fiscal strength** | | | | baa3 | baa3 | |
| **Debt burden** | General government debt/GDP (%) | 2025 | 59.8 | baa2 | | 25% |
| | General government debt/revenue (%) | 2025 | 221.5 | baa2 | | 25% |
| **Debt affordability** | General government interest payments/revenue (%) | 2025 | 9.3 | a3 | | 25% |
| | General government interest payments/GDP (%) | 2025 | 2.5 | a3 | | 25% |
| **Specified adjustments** | *Total of specified adjustment (# notches)* | | | -2 | -2 | max ±6 |
| | Debt Trend - Historical Change in Debt Burden | 2017-2025 | 15.6 | 0 | 0 | |
| | Debt Trend - Expected Change in Debt Burden | 2025-2027F | 4.2 | 0 | 0 | |
| | General Government Foreign Currency Debt/ GDP | 2025 | 26.6 | -2 | -2 | |
| | Other non-financial public sector debt/GDP | 2025 | 2.6 | 0 | 0 | |
| | Government Financial Assets including Sovereign Wealth Funds / GDP | 2025 | 3.2 | 0 | 0 | |
| **Other adjustment to factor 3** | *# notches* | | | | 0 | max ±3 |
| **F1 x F2 x F3: Government financial strength** | | | | a3 | a3 | |
| **Factor 4: Susceptibility to event risk** | | | | a | a | Min |
| **Political risk** | | | | aa | | |
| | Domestic political risk and geopolitical risk | | | aa | | |
| **Government liquidity risk** | | | | a | a | |
| | Ease of access to funding | | | a | | |
| **Specified adjustment** | High refinancing risk | | | | 0 | max -2 |
| **Banking sector risk** | | | | aa | aa | |
| | Risk of banking sector credit event (BSCE) | Latest available | baa2 | baa2 | | |
| | Total domestic bank assets/GDP | 2025 | 66.7 | <80 | | |
| **Adjustment to F4 BSR** | *# notches* | | | | 0 | max ±2 |
| **External vulnerability risk** | | | | a | a | |
| | External vulnerability risk | | | a | | |
| **Adjustment to F4 EVR** | *# notches* | | | | 0 | max ±2 |
| **Overall adjustment to F4** | *# notches* | | | | 0 | max -2 |
| **F1 x F2 x F3 x F4: Scorecard-indicated outcome** | | | | A2 - Baa1 | A2 - Baa1 | |

**Note:** While information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the scorecard-indicated outcome. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the scorecard-indicated outcome. For more information please see our Sovereign Ratings Methodology.

**Footnotes: (1) Initial factor score:** scorecard indicators combine with the automatic adjustments to produce an initial factor score for every rating factor, as detailed in Moody's Sovereign Ratings Methodology. **(2) Final factor score:** where additional analytical considerations exist, initial factor scores are augmented to produce a final factor score. Guidance on additional factors typically considered can be found in Moody's Sovereign Ratings Methodology; details on country-specific considerations are provided in Moody's research. **(3) Scorecard-indicated outcome:** Factor 1: Economic Strength, and Factor 2: Institutions and Governance Strength, combine with equal weight into a construct we designate as Economic Resiliency (ER). An aggregation function then combines ER and Factor 3: Fiscal Strength, following a non-linear pattern where Fiscal Strength has higher weight for countries with moderate ER and lower weight for countries with high or low ER. As a final step, Factor 4, a country's Susceptibility to Event Risk, is a constraint which can only lower the government financial strength as given by combining the first three factors. **(4) There are 20 ranking categories for quantitative sub-factors:** aaa, aa1, aa2, aa3, a1, a2, a3, baa1, baa2, baa3, ba1, ba2, ba3, b1, b2, b3, caa1, caa2, caa3, ca and 8 ranking categories for qualitative sub-factors: aaa, aa, a, baa, ba, b, caa, ca **(5) Indicator value:** if not explicitly stated otherwise, the indicator value corresponds to the latest data available.

*Source: Moody's Ratings*

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