Research Update:

Uruguay 'BBB+/A-2' Ratings Affirmed; Outlook Remains Stable

November 11, 2026

Primary Contact

Carolina Caballero
Buenos Aires
55-11-3039-9748
carolina.caballero
@spglobal.com

Secondary Contact

Victor C Santana
Sao Paulo
55-11-3039-9744
victor.santana
@spglobal.com

Overview

- Strengthened monetary credibility, following three years of inflation close to target and in line with peers, should add resilience to the Uruguayan economy and provide an opportunity to deepen local currency credit markets and reduce reliance on foreign currency instruments.
- We expect the general government deficit to remain stable this year despite sluggish economic growth, with a gradual decline in the deficit beginning next year on higher projected revenue.
- We therefore affirmed our 'BBB+/A-2' sovereign credit ratings on Uruguay.
- The stable outlook incorporates our expectation that a return to moderate fiscal deficits, coupled with economic growth, will stabilize the debt burden.

Rating Action

On Nov. 11, 2026, S&P Global Ratings affirmed its 'BBB+' long-term and 'A-2' short-term foreign and local currency sovereign credit ratings on Uruguay. The outlook on the long-term ratings remains stable. The transfer and convertibility assessment remains 'A'.

Outlook

The stable outlook reflects our view that Uruguay's government will take steps to gradually reduce its fiscal deficit and reverse a recent increase in government debt. We expect that the implementation of tax changes and expenditure containment policies, coupled with moderate GDP growth, should stabilize the government debt burden in the next two years.

Downside scenario

We could lower the ratings in the next two years if fiscal policies' implementation is less effective than we expect in narrowing the fiscal gap and leads to a consistent deterioration of debt dynamics. The fiscal correction path was designed to stabilize the debt burden in the next three

years; risk may stem from rising spending or revenue underperformance, weaker long-term GDP growth, or a higher cost of debt.

Upside scenario

We could upgrade Uruguay in the next two years following consistent progress in reducing the fiscal deficit and stabilizing the debt burden. Stronger fiscal outcomes and proactive steps to foster private investment would likely bolster economic growth and strengthen fiscal flexibility.

Rationale

The 'BBB+' rating reflects Uruguay's stable democracy and political institutions, a GDP per capita that remains the highest in the region, and a strong external profile. These strengths are offset by fiscal pressures, as limited progress in narrowing the general government deficit has led to steady debt accumulation. Monetary flexibility is strengthening as the central bank gains credibility, having brought inflation to target; however, high dollarization still constrains local currency credit and monetary transmission channels.

Institutional and economic profile: Stable institutions amid growth slowdown and reform efforts

- We expect a slowdown in GDP growth to 1.1% this year, after net exports took a hit from lower agricultural output following the 2025 drought, and a recovery to growth of nearly 2% in 2027-2029.
- Boosting long-term growth remains at the center of the policy agenda as Parliament takes up a competitiveness bill to reduce the cost of doing business in Uruguay.
- A commitment to fiscal sustainability across party lines is important to manage spending pressures.

Uruguay's stable institutions reflect social cohesion and broad consensus on key economic policies, despite some differences in economic and political priorities between the two large political coalitions in the country. President Yamandu Orsi (Frente Amplio) is in his second year in office, and his administration has maintained continuity in efforts to stabilize debt, curb inflation, and address growth bottlenecks, all while navigating political pressure to expand social spending within the governing coalition. The administration convened the "Social Dialogue" commission to build consensus on adjusting parts of the 2023 social pension reform.

The sovereign's track record of macroeconomic stability is evident in its stable growth and its GDP per capita, which we expect to reach $26,800 in 2026, the highest in the Latin America region. That said, the recent slowdown in GDP growth reflects a series of climate shocks and weaker investment. Investment is expected to remain at 16% of GDP, from nearly 18% in 2021-2022, following the completion of the UPM 2 cellulose plant and associated infrastructure megaprojects. While per capita GDP growth aligns with that of peers at similar levels of development, sluggish growth could pressure fiscal dynamics over time.

Boosting productivity remains a political priority across party lines. The lower house is now discussing the broad deregulation reform approved by the upper house. This reform aims to improve domestic competitiveness through reducing the cost of living and the cost of doing business by reducing bureaucratic permit bottlenecks, trade-related fees, and other costs that affect international trade. Meanwhile, expanded market access and investment, thanks to the EU-Mercosur agreement, should boost growth potential over the medium term.

Near-term economic growth will have support from efforts to fast-track the COMAP (investment commission) investment pipeline and strong private consumption amid stronger real wages. We expect 2027 growth to rebound to 2%, from an expected 1.1% for 2026. Our growth expectations for 2028-2029 remain near potential (roughly 2%).

Expanding growth beyond 2% will depend on Uruguay's capacity to attract new business. The country's clean energy matrix could be appealing for energy-related projects, though its success will depend on global financial conditions and the development of domestic conditions, including energy costs and appropriate infrastructure.

Flexibility and performance profile: Stable inflation shows growing monetary flexibility

- Lowering the fiscal deficit will depend on active management of spending pressures and the consistent implementation of tax changes.
- Weaker terms of trade, coupled with the 2025 drought, will expand the current account deficit this year, but Uruguay's external position remains solid.
- The central bank aims to deepen local capital markets and expand bank lending by leveraging credibility gains following the decline in inflation.

Uruguay's five-year fiscal correction strategy relies on higher revenue. Budgetary constraints include payroll, pensions, and interest, which account for more than 80% of expenditure. These constraints reflect structural challenges such as aging of the population and the indexation of payrolls, but also a social contract in which welfare benefits from the state are a key part of social cohesion.

At the end of 2025, Uruguay approved the minimum global tax, which, coupled with the elimination of some tax exceptions and efforts to improve tax efficiency, should raise general government revenue by 0.5%-1.0% of GDP over the next two years. Along with a commitment to keep spending stable, this should lower general government deficits to 3% of GDP by 2029, from 3.7% in 2025-2026. We expect general government interest payments to average 8% of general government revenue between 2026 and 2028.

The Orsi administration has thus far been committed to the fiscal plan presented in 2025, notwithstanding somewhat weaker revenue performance amid the economic slowdown. That said, the planned deficit reduction starting next year may become more challenging if economic growth or the implementation of the new taxes falls short of expectations and considering persistent spending pressures.

The October 2024 social security plebiscite, which aimed to reduce the minimum retirement age--backtracking the increase approved in 2023--failed. However, social and political pressure persisted. The Orsi administration channeled social frustration by establishing the Social Dialogue commission, which recommend some legislative changes to the 2023 reform. The proposal pending in Parliament maintains 65 as the statutory retirement age but includes the possibility of early retirement at 60.

If approved, the changes would have some fiscal costs over the next five years, but the proposal also seeks to preserve long-term sustainability by setting a lower replacement ratio. Pension-related spending represents 11% of GDP, or one-third of central government spending, and the latest census points to a declining population.

We estimate general government debt, net of central government and social security assets, will stabilize below 60% by 2029, from 55% in 2026. That said, lower-than-expected growth or

sharper peso depreciation could pressure the debt burden. The appreciation of the Uruguayan peso has supported debt dynamics in the recent past, and our base case considers some real peso appreciation over 2027-2029.

Despite a decline in foreign currency debt, foreign exchange exposure still represents 43% of the total debt stock. Debt management has been geared toward reducing this exposure to foreign currency and indexed debt. Through October 2026, local debt placements reached the equivalent of $3 billion, compared with $2.1 billion in 2025. The consolidation of lower inflation is meanwhile helping to reduce the reliance on indexed debt instruments: In 2026, only 28% of instruments issued in local currency were indexed.

Over the past five years, the central bank has implemented a series of changes in the conduct of its monetary policy, aiming to tackle stable but relatively high inflation. The monetary authority stopped intervening in foreign exchange, changed the monetary instrument to interest rates from monetary aggregates, and lowered the inflation target to 4.5%, while transparency and communication improved.

Inflation has been within the target range for over three years and has become more aligned with that of peers. Inflation expectations remain anchored, despite recent pressure on tradables derived from oil and food prices. While the central bank's independence is still de facto, the bank's president's mandate coincides with the political cycle, the institution's credibility is growing.

Despite Uruguay's track record of macroeconomic stability and the banking system's solid financial position (see "Banking Industry Country Risk Assessment: Uruguay," Feb. 19, 2026), bank lending remains lower than for peers at 32% of GPD, partly because of the high dollarization of deposits. Over the past year, the central bank has reinforced its de-dollarization initiatives and recently lowered reserve requirements for peso deposits. We expect bank lending to grow toward 40% in the next three years and asset quality metrics to remain stable. Progress on the development of the local capital markets would strengthen monetary flexibility.

We expect Uruguay's external position to remain a rating strength, underpinned by low external debt and modest gross external financing requirements. While we project the current account deficit to widen to 1.4% of GDP in 2026--driven by weaker terms of trade and drought-hit export volumes--we expect the current account to remain balanced through 2027-2029.

Vulnerability to oil price shocks has declined over the last decade, with oil imports expected to represent 1% of GDP in 2026, from 7% two decades ago, as renewable energy has gained prominence in electricity production.

Uruguay--Selected Indicators

	2020	2021	2022	2023	2024	2025	2026bc	2027bc	2028bc	2029bc
Economic indicators (%)										
Nominal GDP (bil. UYU)	2,250.2	2,645.5	2,933.1	3,075.2	3,310.4	3,515.5	3,696.4	3,940.0	4,187.3	4,450.3
Nominal GDP (bil. $)	53.6	60.7	71.2	79.2	82.3	85.4	93.3	96.8	100.6	104.8
GDP per capita (000s $)	15.4	17.4	20.4	22.6	23.6	24.5	26.8	27.9	29.0	30.2
Real GDP growth	(7.4)	5.8	4.6	0.8	3.3	1.8	1.1	2.0	1.8	1.8
Real GDP per capita growth	(7.6)	5.6	4.4	0.6	3.6	2.0	1.3	2.1	1.9	1.9

Uruguay--Selected Indicators										
Real investment growth	(2.0)	18.8	10.2	(5.6)	(1.7)	0.3	3.0	3.0	6.0	6.0
Investment/GDP	16.2	18.2	18.6	17.7	15.9	16.2	16.5	16.6	17.3	18.0
Savings/GDP	15.6	15.8	15.1	14.8	15.2	15.9	15.0	16.3	17.6	18.5
Exports/GDP	26.2	32.9	32.9	28.0	28.2	27.1	26.2	27.9	28.9	29.1
Real exports growth	(14.3)	14.7	9.4	1.6	8.9	1.9	(2.3)	8.8	5.3	2.8
Unemployment rate	10.4	9.3	7.9	8.3	8.2	7.5	7.1	7.1	6.8	6.8
External indicators (%)										
Current account balance/GDP	(0.6)	(2.4)	(3.5)	(2.9)	(0.7)	(0.3)	(1.4)	(0.4)	0.3	0.5
Current account balance/CARs	(2.3)	(6.9)	(9.8)	(9.0)	(2.2)	(0.9)	(4.9)	(1.2)	0.8	1.6
CARs/GDP	28.3	35.4	35.9	31.8	32.7	31.8	29.5	31.2	32.1	32.4
Trade balance/GDP	4.2	7.8	6.0	3.0	4.0	3.5	1.9	2.9	3.8	3.9
Net FDI/GDP	2.0	4.2	4.0	3.9	(3.1)	1.0	0.5	1.5	2.0	2.0
Net portfolio equity inflow/GDP	(2.8)	(1.8)	(2.6)	(1.7)	2.6	1.3	0.0	0.0	0.0	0.0
Gross external financing needs/CARs plus usable reserves	99.0	101.0	102.8	104.0	96.3	93.3	95.4	91.3	89.6	88.2
Narrow net external debt/CARs	44.1	25.0	13.5	22.7	17.9	21.6	21.3	19.4	13.5	11.3
Narrow net external debt/CAPs	43.1	23.4	12.3	20.8	17.5	21.4	20.3	19.2	13.6	11.5
Net external liabilities/CARs	106.1	66.5	59.2	66.8	58.5	67.0	68.3	60.7	55.8	51.6
Net external liabilities/CAPs	103.8	62.2	53.9	61.3	57.3	66.4	65.1	60.0	56.3	52.4
Short-term external debt by remaining maturity/CARs	43.5	35.9	30.7	28.5	27.8	28.0	29.4	24.0	21.6	19.8
Usable reserves/CAPs (months)	5.5	4.6	4.0	3.6	4.1	4.6	4.7	4.4	4.2	4.2
Usable reserves (Mil. $)	8,876.0	9,381.9	8,110.5	9,406.8	10,363.3	11,243.1	11,243.1	11,243.1	11,541.2	11,851.8
Fiscal indicators (general government %)										
Balance/GDP	(5.0)	(3.6)	(2.9)	(3.1)	(3.2)	(3.7)	(3.7)	(3.4)	(3.2)	(3.0)
Change in net debt/GDP	9.5	6.6	1.7	4.1	7.0	1.7	5.3	5.1	4.7	4.5
Primary balance/GDP	(2.3)	(1.5)	(0.7)	(0.8)	(0.9)	(1.3)	(1.3)	(1.1)	(0.8)	(0.6)
Revenue/GDP	29.3	28.1	28.3	28.4	29.1	29.6	29.6	29.9	30.5	30.5
Expenditures/GDP	34.3	31.7	31.2	31.5	32.3	33.3	33.3	33.3	33.7	33.5
Interest/revenues	9.1	7.5	7.7	8.1	8.2	7.9	8.0	7.8	7.9	8.0
Debt/GDP	58.9	56.9	53.0	54.3	58.2	56.6	59.2	60.8	62.1	63.0
Debt/revenues	201.0	202.6	187.2	191.2	200.2	190.8	199.9	203.3	203.5	206.6
Net debt/GDP	53.1	51.7	48.3	50.2	53.6	52.1	54.9	56.5	57.9	58.9
Liquid assets/GDP	5.8	5.2	4.6	4.1	4.6	4.5	4.4	4.3	4.2	4.1

Uruguay--Selected Indicators

Monetary indicators (%)										
CPI growth	9.8	7.8	9.1	5.9	4.8	4.7	4.2	4.4	4.2	4.2
GDP deflator growth	10.7	11.1	6.0	4.1	4.2	4.3	4.0	4.5	4.4	4.4
Exchange rate, year-end (UYU/$)	42.3	44.7	40.1	39.0	44.1	39.0	40.2	41.2	42.0	42.9
Banks' claims on resident non-gov't sector growth	12.0	12.5	9.4	11.5	15.6	7.0	13.9	12.5	12.0	11.5
Banks' claims on resident non-gov't sector/GDP	28.4	27.2	26.8	28.5	30.6	30.9	33.5	35.3	37.2	39.0
Foreign currency share of claims by banks on residents	48.8	48.2	47.0	46.8	49.4	45.6	45.00	43.40	41.94	40.73
Foreign currency share of residents' bank deposits	77.4	77.2	75.0	71.5	71.8	69.1	70	70	69.00	68.00
Real effective exchange rate growth	(4.6)	(2.2)	11.2	8.0	0.9	(0.8)	0	0	0	0

Sources: N.A.

Adjustments: None

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. UYU--Uruguayan peso. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Uruguay--Rating Component Scores

Key rating factors	Score	Explanation
Institutional assessment	3	Stable democracy, predictable policies, free press, and peaceful changes of government. No external threats. Largely middle-class society with consensus on key economic policies. Policymaking during the past 15 years has remained generally effective. Strong institutional checks and balances, low perception of corruption, and respect for the rule of law.
Economic assessment	3	Based on GDP per capita (US$) and growth trends as per Selected Indicators table. We estimate GDP per capita growth over our forecast period will be in line with that of countries with similar levels of development.
External assessment	2	Based on narrow net external debt and gross external financing needs/(CAR plus usable reserves) as per Selected Indicators table.
Fiscal assessment: flexibility and performance	5	Based on the change in net general government debt (% of GDP) as per Selected Indicators table.
Fiscal assessment: debt burden	3	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per Selected Indicators table. Over 40% of gross government debt is denominated in foreign currency.

Monetary assessment	4	The Uruguayan peso is a floating currency. The central bank has a track record of de facto independence and has the ability to act as lender of last resort for the financial system. CPI as per Selected Indicators table. Resident deposits/loans in foreign currency account for more than 50% of the total.
Indicative rating	bbb+	As per table 1 of "Sovereign Rating Methodology.
Notches of supplemental adjustments and flexibility	0	
Final rating	BBB+	
Foreign currency	BBB+	
Notches of uplift	0	
Local currency	BBB+	Default risks do not apply differently to foreign currency and local currency debt.

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Uruguay 'BBB+/A-2' Ratings Affirmed; Outlook Remains Stable, Nov. 26, 2025
- Economic Outlook Emerging Markets Q1 2026: AI Will Drive Trade Divergence In 2026, Nov. 24, 2025

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant

criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings List	
Ratings Affirmed	
Uruguay	
Sovereign Credit Rating	BBB+/Stable/A-2
Transfer & Convertibility Assessment	A
Senior Unsecured	BBB+
Short-Term Debt	A-2

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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