Rating Report

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May 7, 2013

Previous Report:
April 5, 2012

Oriental Republic of Uruguay

Insight beyond the rating.

Analysts

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Ratings

Issuer	Debt Rated	Rating	Trend
Uruguay, Oriental Republic of	Long-Term Foreign Currency– Issuer Rating	BBB (low)	Stable
Uruguay, Oriental Republic of	Long-Term Local Currency– Issuer Rating	BBB (low)	Stable
Uruguay, Oriental Republic of	Short-Term Foreign Currency – Issuer Rating	R-2 M	Stable
Uruguay, Oriental Republic of	Short-Term Local Currency – Issuer Rating	R-2 M	Stable

Rating Update

DBRS, Inc. (DBRS) has upgraded the Oriental Republic of Uruguay's long-term foreign and local currency issuer ratings to BBB (low) from BB (high). In addition, the short-term foreign and local currency issuer ratings were upgraded to R-2 (middle) from R-3. The trend on all ratings has been revised to stable.

The reasons for the upgrade are: (1) sustained high rates of economic growth driven by investment, exports, and a structural transformation of the agriculture sector, (2) very low rollover risk, and (3) large financial buffers. These factors have improved public debt dynamics and enhanced the resilience of the economy to adverse shocks. The stable trends reflect DBRS's view that risks to the outlook are broadly balanced. On the one hand, Uruguay is likely to experience continued strong growth and a declining debt burden, and ongoing economic diversification is expected to further reduce Uruguay's vulnerability to external shocks. On the other hand, the economy would benefit from steps to reduce pro-cyclicality in public expenditure and achieve lower inflation. In addition, regional and global spillovers could still have a serious impact on the Uruguayan economy through terms of trade, tourism, real estate values, and financial channels.

(Continued on page 2)

Rating Considerations

Strengths

(1) Sound macroeconomic management
(2) Low rollover risk
(3) High levels of foreign direct investment
(4) Stable political environment and strong public institutions

Challenges

(1) Lack of space for countercyclical fiscal policies
(2) Persistent inflation pressures
(3) Financial dollarization
(4) Exposure to commodity-price cycle and regional volatility

Summary Statistics

For the year ended December 31	2010	2011	2012	2013E
Nominal GDP (US$, billions)	39.4	46.7	49.4	51.7
GDP per capita (US$)	11,742	13,866	14,614	15,254
Real GDP growth (% change yoy)	8.9%	5.7%	3.8%	3.8%
Inflation (CPI % change yoy)	6.9%	8.6%	7.5%	7.8%
Current account (% GDP)	-1.9%	-2.8%	-3.4%	-2.9%
Exchange rate (average; UYU/US$)	20.1	19.3	20.3	NA
Fiscal balance (% GDP)	-1.1%	-0.9%	-2.8%	-1.9%
Primary fiscal balance (% GDP)	1.9%	2.0%	0.1%	1.1%
Public sector debt (% GDP)	60.6%	57.9%	62.8%	NA
Gross external debt (% GDP)	36.7%	30.9%	N/A	N/A

Rating Update (Continued from page 1)

From 2004 to 2012, Uruguay expanded at an average annual rate of 5.8%. Supply and demand factors contributed to this strong economic performance. On the supply side, higher levels of investment boosted productivity in the agricultural sector, expanded production into higher value-added agribusiness, and diversified Uruguay's economy. Positive demand factors include favorable terms of trade and strong regional demand for tourism services. This solid growth performance has been accompanied by a rising employment rate and substantial real wage gains. The economy expanded 3.9% in 2012, slowing in tandem with its two large neighbors and the global economy, but demonstrating resilience during a period of weak external demand.

Economic diversification and prudent financial regulation have reduced Uruguay's exposure to regional volatility. While benefiting from its comparative advantage in traditional products such as beef, Uruguay has expanded into new agricultural markets, such as soy, dairy, and wheat. With more exports destined for global markets, Uruguay has reduced its exposure from country-specific shocks, particularly from Argentina. The share of merchandise exports destined for Argentina was 5.7% in 2012, down from 18% in 2000. Furthermore, the share of non-resident deposits in the Uruguayan banking system, primarily from Argentina, account for just 15% of total deposits, down from 41% in 2001.

This strong economic performance combined with persistent primary surpluses and proactive debt management has led to a significant improvement in the level and composition of Uruguay's debt profile. Gross public debt declined from 107.3% of GDP in 2003 to 62.2% of GDP in 2012. Net debt has declined to just 27.3% of GDP as of end-2012. Due to higher than expected debt issuance related to sterilization of Uruguay's rapidly growing foreign exchange reserves, the government has abandoned its goal to reduce gross debt to 40% of GDP by 2015; instead, the government is targeting a net-debt-to-GDP ratio of 23%. DBRS believes Uruguay is likely to achieve this target, particularly if the government uses increased revenue from expected growth in pulp and mining production to boost public savings.

Debt management operations have also substantially reduced vulnerabilities, including refinancing and exchange rate risks. The government, with limited debt maturing and 4.7% of GDP in precautionary savings as of end-2012, has adequate resources to cover gross financing needs for well over 12 months. In addition, Uruguay's financial cushion is supplemented by contingent credit lines totaling $2 billion (3.9% of GDP) from the World Bank, CAF, FLAR, and IADB. On the external front, annual net FDI averaged 5.9% of GDP from 2005 to 2012, among the highest in Latin America. Gross international reserves rose to $13.2 billion (26.7% of GDP) in February 2013, up $2.6 billion from a year prior, further strengthening the economy's liquidity position.

Nonetheless, in the event of an adverse shock, DBRS believes that the scope for countercyclical policy intervention remains somewhat limited. High levels of dollarization and the small scale of financial intermediation hinder the transmission of monetary policy. The debt burden is declining but fiscal accounts remain in a deficit position in spite of above-trend growth in recent years. And, while liquidity buffers would certainly provide space for automatic fiscal stabilizers to function, room for discretionary stimulus would likely be limited.

Inflation has remained near or above the upper limit of the Central Bank of Uruguay (BCU) target range for the last six years. With tight labor market conditions and rising real salaries, continued vigilance will be needed to anchor inflation expectations within the target range. Furthermore, the high level of financial dollarization throughout the economy creates balance sheet vulnerabilities which carry exchange rate and liquidity risks. Measures which enhance the credibility of monetary policy could facilitate de-dollarization and increase policy flexibility.

Fallout over sovereign debt and financial fragility in the Euro area or a sharp deceleration in China present downside risks to Uruguay's growth outlook, principally through the terms of trade channel. Agricultural products account for more than 60% of Uruguay's merchandise exports and therefore are exposed to fluctuations in world prices. Moreover, first round effects from a terms-of-trade shock could be amplified by reduced demand from Uruguay's commodity-producing neighbors, particularly Argentina. Trade disruptions or an economic downturn in the region would likely have a negative effect on economic activity in Uruguay, principally through weaker demand for tourism services. While ongoing investment into the mining sector is expected to significantly boost exports in 2014 and beyond, these exports will heighten Uruguay's exposure to shocks in external demand.

Despite these challenges, Uruguay's sound macroeconomic management, stable political environment and strong public institutions have provided a sustainable foundation for economic growth and social development. Continued fiscal discipline, particularly with regard to commodity-based revenue, combined with further progress on de-dollarization and inflation control could contribute to upward pressure on ratings. On the other hand, failure to utilize commodity revenues for countercyclical purposes and deal with long-term fiscal challenges could weaken the resiliency of the economy to adverse shocks and put downward pressure on the ratings.

Local and Foreign Currency Ratings

The local and foreign currency ratings are set at the same level because the depth of the domestic financial market remains limited. In addition, the country's foreign currency liquidity is strong, underpinned by a large stock of foreign currency reserves, which helps the capacity to service foreign currency debt. For these reasons, the greater capacity to tax in domestic currency is not sufficient, in our view, to differentiate the local and foreign currency ratings.

Rating Considerations Details

Strengths

(1) Sound macroeconomic management. Political consensus on prudent macroeconomic policies has underpinned the economy's strong performance since it recovered from the 2002 financial crisis. Prudent fiscal policy, exchange rate flexibility and strong financial regulation have helped lower public debt ratios and reduce economic and financial vulnerabilities.

(2) Low rollover risk. Proactive public debt management has significantly reduced risks to government funding. The average maturity of central government debt increased from 7.4 years in 2004 to 11.8 years as of March 2013, among the longest in either emerging or advanced economies. Moreover, Uruguay's 12-month pre-financing policy provides funding flexibility in the event of market turbulence; at this juncture, authorities have nearly enough liquidity to cover debt maturing over the next three years.

(3) High foreign direct investment. Political stability, strong rule of law and predictable macroeconomic policy have attracted high levels of foreign direct investment. FDI inflows have provided a stable source of external financing for the economy, diversified the export base and increased productivity through spillover and industry innovation effects. From 2005 to 2011, FDI inflows averaged 5.9% of GDP, among the highest in Latin America. FDI remained high during 2012, with net flows totaling 5.6% of GDP during the first three quarters of the year. Several ongoing projects suggest that FDI inflows will remain strong at least through 2014.

(4) Stable political environment and strong public institutions. Uruguay is a stable democracy with strong public institutions and low levels of corruption. The electorate is moderate and the party system facilitates pragmatic politics.

Challenges

(1) Lack of space for countercyclical fiscal policies. In spite of the significant reduction in debt over the past decade, Uruguay still has limited fiscal policy space to support growth in the event of shocks. In the near term, greater fiscal discipline would also help to ease underlying inflationary pressures and reduce the impetus for freezing food prices and utility tariffs.

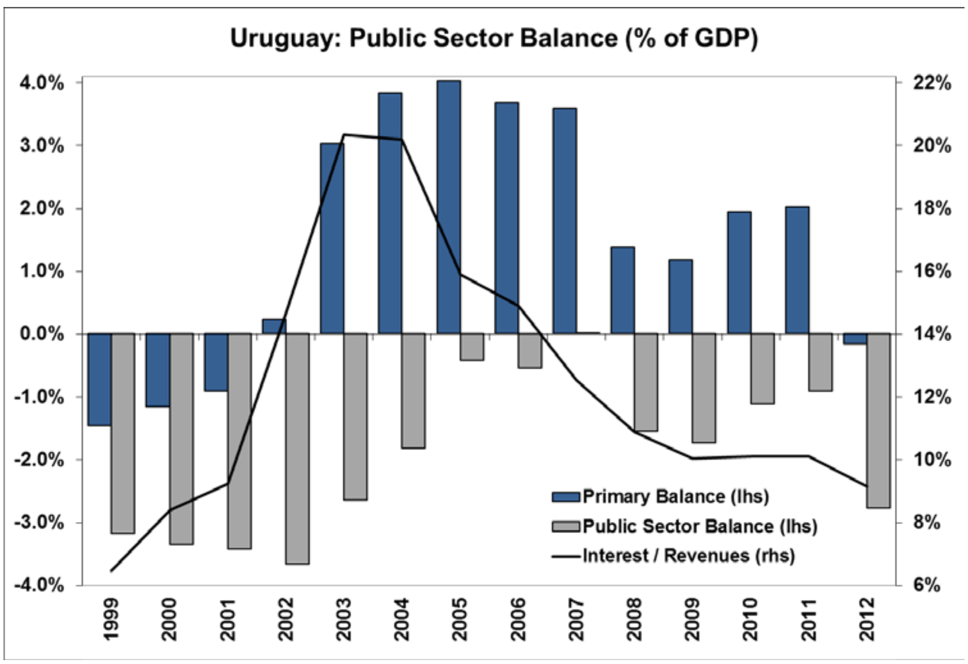
(2) Persistent inflation pressures. Rising commodity prices, tight labor market conditions and strong real wage growth have led to persistently high inflation. For the last six years, annual inflation has remained near or above the upper limit of the Central Bank of Uruguay (BCU) target range. Stronger and well-coordinated policy efforts will be needed to anchor inflation expectations within the target range.

(3) Financial dollarization. Dollarization creates currency mismatches and balance sheet vulnerabilities throughout the economy that carry exchange rate and liquidity risks. In addition, dollarization blunts the effectiveness of monetary policy. Although the share of dollarized credit and deposits has declined since 2002, it is still high at 51% and 71%, respectively, in March 2013.

(4) Exposure to commodity price cycle and regional volatility. Uruguay is a commodity-based exporter with strong trade and financial links to its neighbors. Agricultural products account for nearly 60% of goods exports, exposing Uruguay to the commodity-price cycle. Furthermore, first round effects of a decline in commodity prices could be amplified by reduced demand from Uruguay's commodity-producing neighbors, particularly Argentina. Although trade diversification and financial sector reform have reduced Uruguay's vulnerabilities to regional volatility, an economic downturn or sharp depreciation in a neighboring country would lower demand for Uruguayan exports, particularly tourism services, with negative effects on growth and employment.

Fiscal Management and Policy

Since the 2002 financial crisis, Uruguay's commitment to responsible fiscal policy has helped consolidate macroeconomic stability and lower public debt ratios. Primary surpluses averaged 2.5% of GDP from 2003 to 2012, aided by reforms that broadened the tax base and improved tax administration. The debt servicing burden over that time fell from 20.4% of public sector revenues to 9.2%. The government has used this greater fiscal space to channel resources toward priority sectors, such as education, health services and infrastructure.



Sources: Ministry of Economy and Finance – Oriental Republic of Uruguay, DBRS

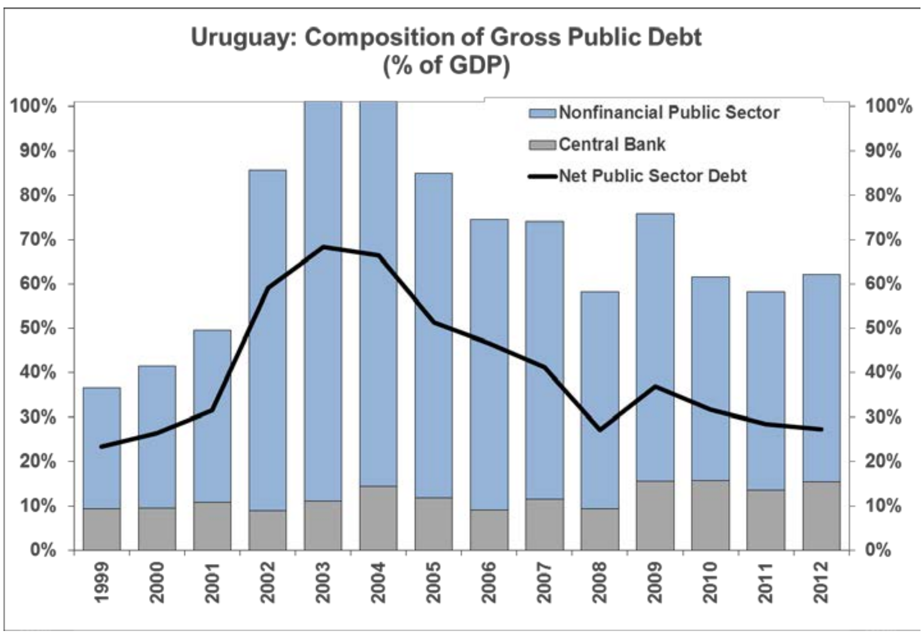
In 2012, fiscal accounts underperformed relative to the targets established in the five-year budget plan (2010-14). The overall deficit widened from 0.9% of GDP in 2011 to 2.8% of GDP in 2012, with the primary balance shifting from a surplus of 2.0% to a deficit of 0.2% of GDP. This deterioration stems largely from temporary factors, including the impact of drought conditions on Uruguay's energy bill (estimated at 1% of GDP) and the realization of contingent liabilities worth 0.4% of GDP (specifically, a settlement regarding the 2002 liquidation of Banco Comercial and costs associated with the 2012 closure of Pluna, Uruguay's national airline). The IMF expects Uruguay to achieve a primary surplus of 1.1% of GDP in 2013; the government is aiming to return to a surplus of 1.6%. Fiscal results from the first two months of the year suggest only a marginal improvement in the primary balance thus far, but the government's target nonetheless appears achievable.

While fiscal policies have reduced Uruguay's indebtedness and the associated vulnerabilities, rising real expenditures have exacerbated already strong inflationary pressures. Tighter fiscal policies would facilitate more rapid disinflation and help to shore up Central Bank efforts to anchor expectations. Price freezes in public utilities and on food are not a sustainable solution to inflationary pressures.

DBRS remains concerned that fiscal flexibility would remain limited in the event of a prolonged downturn. Liquidity buffers and precautionary credit lines provide adequate space for automatic fiscal stabilizers to function, but Uruguay would likely have limited space for discretionary fiscal stimulus.

Debt and Liquidity

Primary surpluses, strong growth and skillful debt management have led to a significant improvement in the level and composition of Uruguay's debt. Gross public debt declined from a post-crisis peak of 107.3% of GDP in 2003 to 62.2% of GDP in 2012. Gross debt registered a noteworthy rise in 2012 (up from 57.9% of GDP in 2011) because it includes central bank sterilization bonds and because Uruguay's methodology was revised to include the deposits of the non-financial public sector. This prompted a shift in the Mujica administration's target of a gross debt ratio of 40% of GDP by 2015 to a target of net debt of 23% of GDP by the same year.



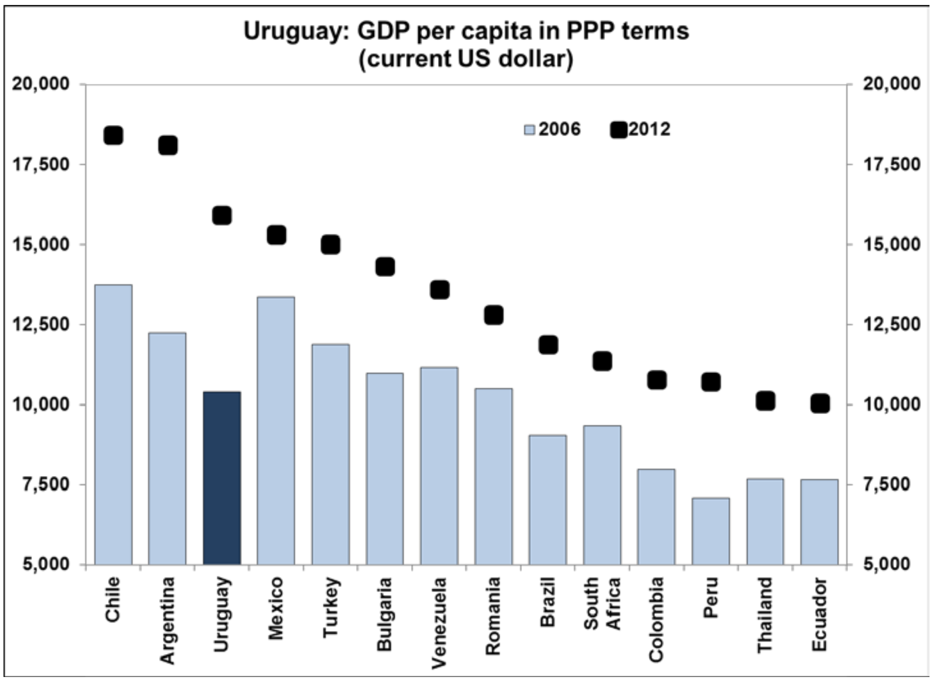
Sources: BCU, DBRS

Proactive debt management has significantly reduced rollover risk by smoothing the amortization schedule, extending the maturity structure and implementing a 12-month pre-financing policy. As of end-2012, the average maturity of central government debt was 11.8 years, among the longest in either emerging or advanced economies. Debt maturing between 2013 and 2016 amounts to an equivalent of just $3.5 billion (7% of 2012 GDP). Furthermore, the pre-financing policy sets aside liquid assets sufficient to cover gross financing needs for at least the next 12 months (net of the expected primary surplus), and present liquidity is well in excess of this amount. This provides the central government with significant funding flexibility in the event of market turbulence. Contingent credit lines with the World Bank, Corporacion Andina de Fomento (CAF) the Fondo Latinoamericano de Reservas (FLAR), and the InterAmerican Development Bank (IADB) offer an additional $1.9 billion in financial buffers.

The government has also made substantial progress reducing exchange rate risk. The share of central government debt denominated in local currency increased from just 11% in 2004 to 55% in 2012. The government plans to continue its strategy of debt de-dollarization by issuing peso denominated debt and buying back foreign currency denominated bonds.

Economic Structure and Performance

Uruguay has been one of the fastest growing economies in Latin America from 2003 to 2012, expanding at an average annual rate of 5.3%. While this took place in the context of favorable commodity prices and strong regional demand, this performance was also the result of prudent macroeconomic policies, higher rates of investment and increasing competitiveness in the agriculture sector. Furthermore, Uruguay's strengthened policy framework mitigated the impact of the 2009 global economic downturn and broadly preserved macroeconomic stability. From 2003 to 2012, real income per capita increased at an average rate of 5.3%. Nevertheless, sustaining high rates of economic growth over the medium term will require substantial investment in infrastructure and education.



Note: Data are IMF estimates
Source: IMF, DBRS

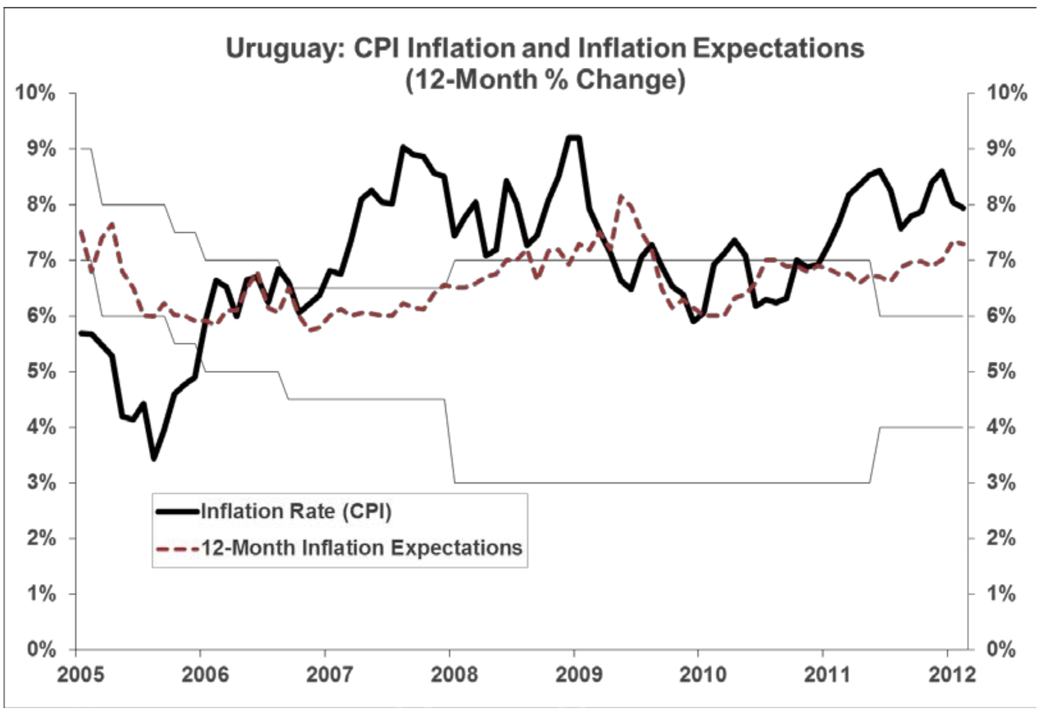
Large FDI inflows and technological advances have contributed to a structural transformation of the agriculture sector. Uruguay has benefited from its comparative advantage in traditional sectors such as beef and dairy products while rapidly expanding into new markets, particularly soy, rice, and other cereals. The development of the pulp and paper industry is also broadening the export base. As a result of higher volumes, product diversification and rising commodity prices, merchandise exports increased on average by 16.4% per year from 2003 to 2012.

Strong economic growth has contributed to significant improvements in labor market conditions. In 2012, the employment rate averaged 59.7%, well above pre-2002 levels, and unemployment remained close to record lows at 6.1%. Robust job growth has been accompanied by gains in real wages. Salaries recovered to pre-2002 levels in 2010 and have continued expanding. Shortages of skilled labor are emerging, however, highlighting the need to upgrade workforce education and training. In addition, recent changes to the collective bargaining process and the increasing prevalence of wage indexation could weaken competitiveness for some sectors and increase the macroeconomic costs of adjustment in the event of an external shock.

Higher levels of investment bode well for growth in the coming years. Investment averaged just 14% of GDP in the 1990s and declined to 12.6% in 2003. Since then, investment has significantly increased, averaging 20% of GDP from 2008 to 2012. However, transport and energy infrastructure has not kept up with the economy's expansion. In order to narrow the infrastructure deficit, Congress passed legislation in June 2011 to facilitate the creation of public-private partnerships (PPPs), with a focus on roads, railways, ports and prisons. Adequate design and regulation will be necessary to limit the buildup of contingent liabilities on the public sector balance sheet.

Sustained economic growth also requires a substantial expansion of energy infrastructure. Uruguay imports over half of its energy consumption. Domestic electricity generation is primarily supplied by hydro-production. However, in periods of inadequate rainfall, as in 2012, Uruguay had to import expensive substitutes. To meet the economy's growing energy needs, the government is planning significant public and private investment in energy-related infrastructure, including a connection to Brazil's electricity grid, a series of wind parks and the expansion of biomass power. The objective is to gradually reduce dependency on imported petroleum, diversify suppliers and limit fiscal exposure.

Monetary Policy and Financial Stability

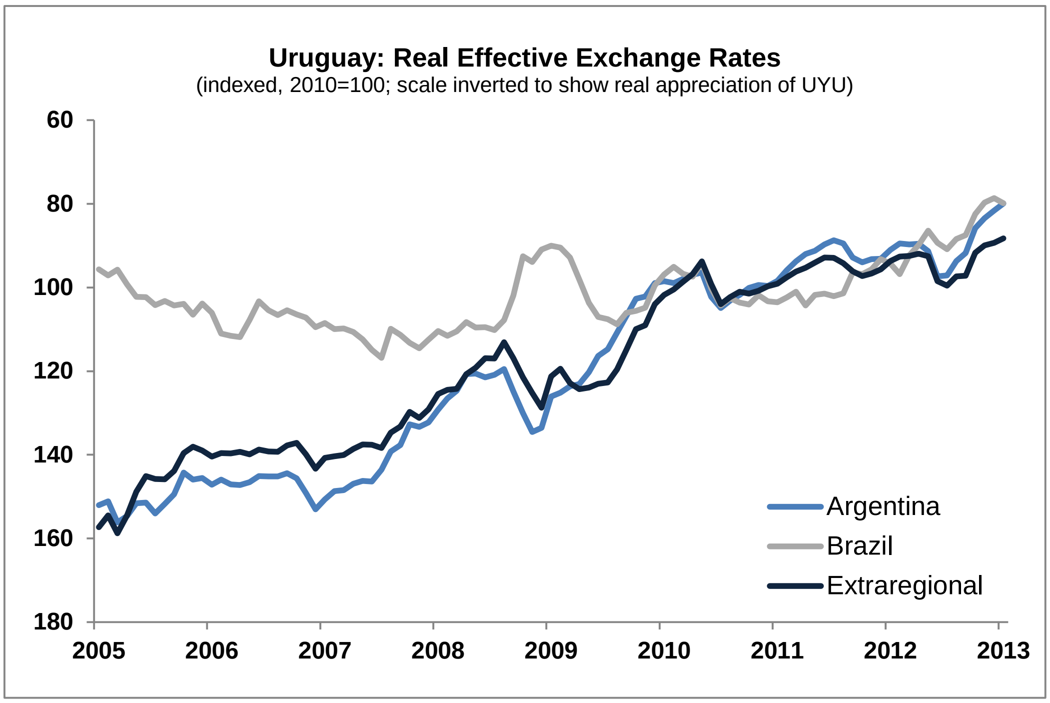


Sources: INE, BCU, DBRS

For the last six years annual inflation has remained near or above the upper limit of the Central Bank of Uruguay (BCU) target range, currently at 6%. In April 2013, annual CPI inflation was 8.1%, with price pressures driven by domestic and international factors. Strong real wage growth and low unemployment has fueled domestic consumption, pushing up prices of non-tradable goods and services. Prices in the tradable sector also increased, despite peso appreciation, reflecting the rise in international food and energy prices. To counter inflationary pressures, the BCU raised the monetary policy rate 275 basis points in 2011 and 2012 and increased bank reserve requirements. Nevertheless, 12-month inflation expectations have remained above the upper limit of the target range.

The Uruguayan economy is highly dollarized, and this has two main implications for monetary policy. First, dollarization blunts the effectiveness of monetary policy. The BCU has no control over dollar interest rates and, therefore, has less ability to affect aggregate saving and demand through changes in the local money supply. Second, dollarization creates currency mismatches and balance sheet vulnerabilities that carry exchange rate and liquidity risks. Measures that enhance the credibility of monetary policy could facilitate de-dollarization and increase policy flexibility.

However, greater exchange rate flexibility has been a significant improvement in Uruguay's macroeconomic policy mix. During the global economic downturn in 2009, the BCU intervened in the foreign exchange market to mitigate excessive volatility but allowed the nominal exchange rate to respond to evolving external conditions. The exchange rate depreciated by 26% against the dollar from August 2008 to December 2008, cushioning the impact of the external shock on the real economy and helping preserve competitiveness. In 2009 and 2010, the currency strengthened, returning to pre-crisis levels. While Uruguay has experienced a sustained real appreciation vis-a-vis extraregional trading partners, its external competitiveness within the Mercosur bloc was relatively stable prior to 2012 (the understatement of Argentina's CPI data overstates the extent of real appreciation vis-a-vis Argentina).



Source: BCU, DBRS

Sterilized intervention in the foreign exchange market has led to an increase in international reserves, but has had a financial cost. From 2003 to February 2013, reserves increased from $2.1 billion to $13.2 billion. Excluding obligations with the financial system and the public sector, BCU reserves increased from $165 million to $7.2 billion (14.4% of GDP). Sterilization has also increased central bank debt, which carries a higher interest payment than low-yielding dollar reserves. The stock of Monetary Regulation Bills increased from $235 million in 2003 to $8.0 billion (16.0% of GDP) in 2012.

The Uruguayan financial system remains small in size but emerged from the global financial crisis in a healthy position to support economic growth. The banking system is liquid and highly capitalized with a very low level of non-performing loans. Lending decelerated in 2009 but the improving economic outlook in 2010 reactivated credit growth. Nominal credit expanded by 20.3% in 2011 and 17.3% in 2012, driven by both commercial and consumer lending. Nevertheless, financial intermediation in Uruguay is low. Total credit amounted to only 28% of GDP in 2012, reflecting the limited utilization of financial services by Uruguayan firms and households since the 2002 crisis. Household debt, though rising, totaled just 10.5% of GDP in

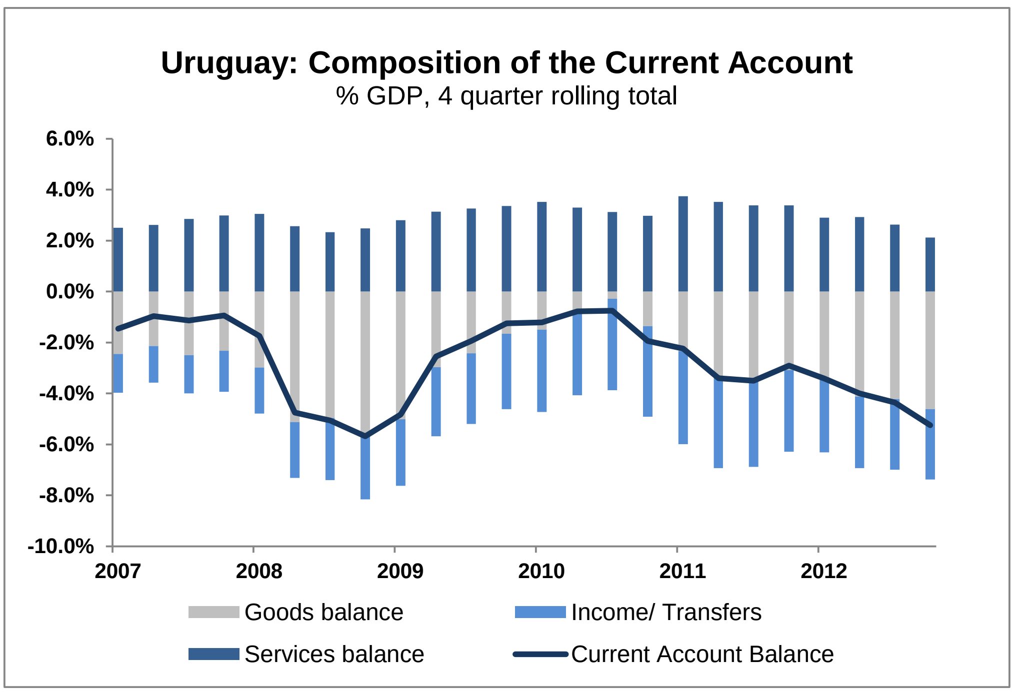
2012. Local currency lending by private banks is growing rapidly, up 33.5% in 2012, but from a very low base of 4.4% of GDP.

Due to a series of reforms and prudential measures that have been implemented over the last decade, the financial system is better prepared to withstand external shocks. Prudential measures include higher reserve requirements on foreign currency deposits, higher capital requirements on foreign currency credit, and strengthened surveillance of systemic macro-financial risks. The presence of two large Spanish banks poses a potential risk of negative spillovers if the Euro area crisis intensifies. However, the local subsidiaries benefit from strong balance sheets, rely on local funding and face limitations on net lending to parent banks, all of which reduce downside risks to the domestic banking system.

Non-resident deposits, which were a source of vulnerability in the past, also remain at low levels. At the onset of the Argentine crisis in 2001, non-resident deposits accounted for 41% of total deposits. The crisis spread to Uruguay when Argentines withdrew their money from Uruguayan banks, causing a run by both resident and non-resident depositors. Since then, the level of non-resident deposits has remained stable at roughly 15%, with banks holding matching liquid foreign currency assets.

Balance of Payments

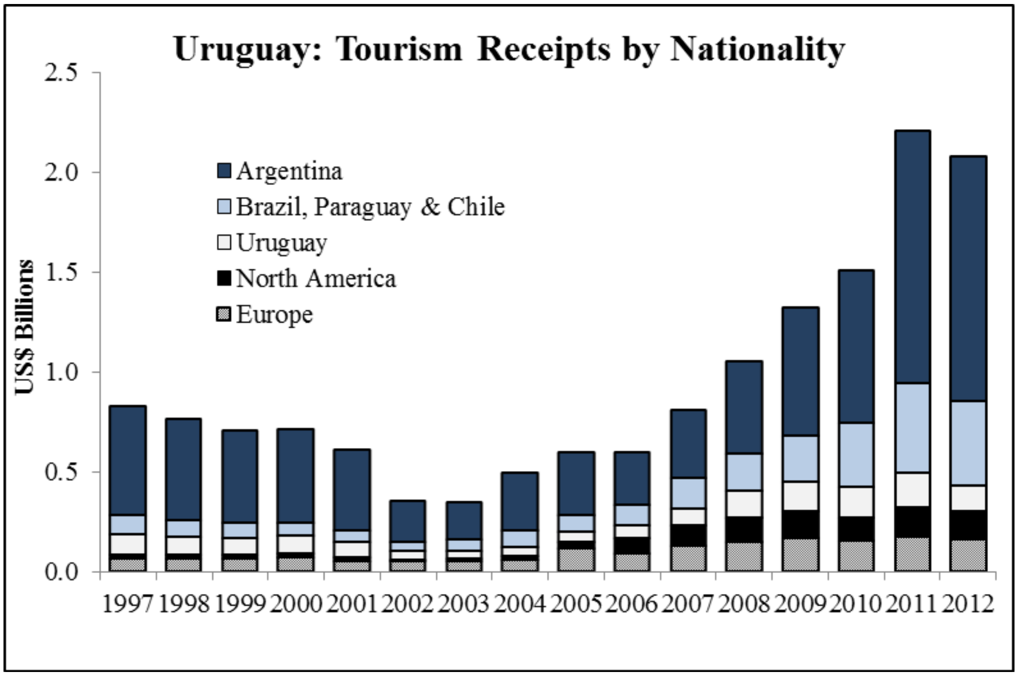
Uruguay's balance of payments remains quite strong, with reserves growing by over $5 billion since end-2010. Capital inflows have compensated for a modest deterioration in Uruguay's current account, which fell to -5.3 percent of GDP as of December 2012 (on a rolling 4-quarter basis), down from -2.9 percent a year earlier. The current account deficit remains fully financed by net foreign direct investment (FDI), though FDI has also moderated slightly over the same period, from 6.2 percent of GDP one year ago to 5.4 percent of GDP as of December 2012.



Source: BCU, Haver Analytics, DBRS

The deterioration in the current account during 2012 reflects a substantial moderation in export growth, offset to a degree by a broad-based slowdown in imports. Growth in goods exports (measured on a BOP basis) has slowed to 7.9% y/y in the first three quarters 2012, against goods imports of 13.6% over the same period. Measured in trade value terms, exports grew 9.9 percent in 2012, slowing from 17.7 percent growth in 2011. Manufactured products accounted for all of the slowdown, partially offset by a 66 percent increase in primary agricultural exports (up from 4 percent growth in 2011). Since 2000, most of the growth in Uruguay's exports has come from primary products, agribusiness, wood & pulp products, fertilizers and other chemicals. Geographic diversification of exports has helped to better insulate Uruguay from economic developments in neighboring countries.

Services exports also showed some moderation in 2012. Receipts from tourism were down slightly in the first three quarters of 2012, falling 0.8 percent. Excluding Argentina, the number of visitors from all regions declined in 2012. This largely reflects the significant slowdown in neighboring economies and in the global economy. Tourism from Argentina appears to have been supported in part by efforts of Argentine residents to get around Argentina's FX restrictions. Overall, tourism continues to depend heavily on demand from Argentina, which accounted for 61% of tourism income in the first three quarters of 2012. An economic downturn in Argentina or further efforts by the Argentine government to restrict spending by Argentine residents abroad would likely have strong negative effects on growth for the industry.



Source: BCU, Haver Analytics, DBRS

High inflows of FDI have provided the economy with a stable source of external financing and continue to help diversify the export sector. Attracted by Uruguay's stable regulatory and policy framework and predictable macroeconomic policies, foreign investment is flowing into a variety of sectors, including agriculture, construction and manufacturing. Recent investment into the mining sector has the potential to create an additional $1-2 billion in annual export revenue. As Uruguay integrates into the world economy, it is positioning itself to benefit from productivity spillovers and industry innovation, enabling the economy to expand at a faster rate.

Along with high levels of FDI, portfolio and other investment flows have been substantial in recent years. Inflows into public sector debt securities, in particular, have averaged $300 million per quarter over the past seven quarters. Portfolio investment reached nearly $2 billion in 2011 but slowed to $0.7 billion in the first three quarters of 2012. Reserves have continued to grow at a rapid pace, rising $3.2 billion during 2012 alone, as policymakers attempt to alleviate upward pressure on the peso.

Political Environment

Last election:	October 25, 2009
Next election:	October 2014
Party in power:	Coalition – Broad Front (Frente Amplio, FA)
Senate:	FA holds 17 of 31 seats
Chamber of Deputies:	FA holds 50 of 99 seats
President:	José Mujica – Frente Amplio

Since the 1984 general elections ended Uruguay's civic-military dictatorship, national elections (held every five years) have resulted in peaceful political transitions. Power has alternated between the National Party, Colorado Party, and the Broad Front (a leftist coalition). The combination of a proportional representation system that encourages coalitions within the legislature, a centrist electorate and relatively infrequent elections provides a strong sense of stability and encourages a focus on medium- and long-term policy goals. *Transparency International* ranks Uruguay just behind Chile as the least corrupt in Latin America.

The basic pillars of macroeconomic and social policy enjoy broad support across the political spectrum in Uruguay. Since winning the presidential elections in October 2009, José Mujica of the Frente Amplio (Broad Front) has focused the legislative agenda around development of the country's infrastructure, strengthening the education system and improving public security. While the Frente Amplio coalition has narrow majorities in both the upper and lower houses, President Mujica at times faces opposition to policy initiatives due to the divergent political agendas of parties inside the coalition.

Selected Indicators: Oriental Republic of Uruguay

For the year ended December 31 ($ billions unless otherwise noted)	2007	2008	2009	2010	2011	2012
Public Debt						
Public Sector Debt	17.4	17.7	23.0	23.9	27.0	31.0
% GDP	74.0%	58.2%	78.5%	61.5%	58.2%	62.1%
Non-Financial Public Sector Debt	14.7	14.9	18.3	17.8	20.8	23.4
% GDP	62.5%	48.9%	62.4%	45.9%	44.8%	46.8%
Net Public Sector Debt	9.7	8.3	11.2	12.3	13.2	13.6
% GDP	41.2%	27.2%	38.2%	31.7%	28.3%	27.2%
Domestic Debt						
Public Sector	6.0	6.6	9.8	10.7	12.5	12.5
% GDP	25.5%	21.8%	33.7%	27.5%	26.9%	25.0%
External Debt						
Public Sector	11.4	11.1	13.1	13.2	14.4	16.6
% GDP	48.5%	36.4%	44.9%	33.9%	31.1%	33.2%
Private Sector	3.5	4.4	4.9	5.2	3.9	4.5
% GDP	14.8%	14.4%	16.6%	13.5%	8.4%	8.9%
Total External Debt	14.9	15.4	18.0	18.4	18.3	21.1
% GDP	63.3%	50.8%	61.4%	47.4%	39.5%	42.2%
Fiscal Balances (% GDP)						
Revenues	28.6%	26.9%	29.0%	30.2%	29.0%	28.5%
Expenditures	29.1%	28.6%	31.1%	31.0%	29.7%	31.0%
Interest Payments	3.8%	2.9%	2.9%	2.5%	2.4%	2.3%
Interest Payments (% Revenues)	12.5%	10.9%	10.0%	10.1%	10.1%	8.1%
Non-Financial Public Sector Primary Balan	3.3%	1.2%	0.8%	1.7%	1.7%	-0.2%
Non-Financial Public Sector Balance	-0.5%	-1.7%	-2.1%	-0.8%	-0.7%	-2.5%
Balance of Payments & Liquidity						
Current Account Balance	-0.2	-1.7	-0.4	-0.8	-1.4	-2.6
% GDP	-0.9%	-5.7%	-1.3%	-1.9%	-2.9%	-5.3%
Trade Balance	0.2	-1.0	0.5	0.6	0.1	-1.3
Net Foreign Direct Investment (% GDP)	5.3%	7.0%	5.2%	6.0%	5.4%	5.4%
International Reserves	4.1	6.4	8.0	7.7	10.3	13.6
International Investment Position	-2.0	-2.0	-3.2	-2.5	-4.5	N/A
% GDP	-8.6%	-6.7%	-10.9%	-6.4%	-9.6%	N/A
External Assets	20.3	22.6	26.9	28.8	29.3	N/A
External Liabilities	22.4	24.6	30.1	31.2	33.8	N/A

Source: Central Bank of Uruguay, Ministry of Economy and Finance, National Statistics Institute, DBRS.
Note: Public sector includes the central government, public companies, local governments and the Central Bank of Uruguay. Non-financial public sector includes the central government, public companies and local governments. Net public sector debt is gross public sector liabilities minus liquid financial assets.

Oriental Republic of Uruguay

Report Date:
May 7, 2013

Ratings

Issuer	Debt Rated	Rating	Trend
Uruguay, Oriental Republic of	Long-Term Foreign Currency Debt – Issuer Rating	BBB (low)	Stable
Uruguay, Oriental Republic of	Long-Term Local Currency Debt – Issuer Rating	BBB (low)	Stable
Uruguay, Oriental Republic of	Short-Term Foreign Currency Debt – Issuer Rating	R-2 M	Stable
Uruguay, Oriental Republic of	Short-Term Local Currency Debt – Issuer Rating	R-2 M	Stable

Ratings History

Issuer	Debt Rated	Current	2012	2011	2010
Uruguay,Oriental Republic of	Long-Term Foreign Currency Debt – Issuer Rating	BBB (low)	BB (high)	BB	BB
Uruguay,Oriental Republic of	Long-Term Local Currency Debt – Issuer Rating	BBB (low)	BB (high)	BB	BB
Uruguay,Oriental Republic of	Short-Term Foreign Currency Debt – Issuer Rating	R-2 M	R-3	NA	NA
Uruguay,Oriental Republic of	Short-Term Local Currency Debt – Issuer Rating	R-2 M	R-3	NA	NA

Notes:
All figures are in US Dollars unless otherwise noted.

This rating is endorsed by DBRS Ratings Limited for the use in the European Union.