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CREDIT ANALYSIS

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Uruguay, Government of

RATINGS

Uruguay

	Foreign Currency	Local Currency
Gov. Bond Rating	Baa3	Baa3
Country Ceiling	Baa1	Baa1
Bank Deposit Ceiling	Baa3	Baa1

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This Credit Analysis provides an in-depth discussion of credit rating(s) for Uruguay, Government of and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website.

Overview and Outlook

Uruguay's sovereign rating of Baa3 carries a positive outlook to reflect a steady improvement in the government's credit profile that has led to a gradual convergence of its fiscal metrics with Baa peer medians, in addition to significant strengthening of the government's balance sheet and reduced vulnerabilities to regional shocks.

The government's credit resiliency is supported by a debt structure with a maturity profile that exceeds that of most Baa-rated countries and gross financing needs that are among the lowest for sovereigns rated by Moody's.

Ample government liquidity buffers place Uruguay in a strong position relative to similarly-rated countries as the authorities are capable of managing stress scenarios, including those involving events that could restrict market access.

Uruguay's income level is above the median for Baa peers and its institutional strength indicators are comparable to those of higher-rated countries. Even though the economy's performance has been characterized by high growth with annual rates on the order of 6% for nearly a decade, we anticipate growth rates will decline moving closer to Uruguay's 4% potential growth in the coming years.

The country's exposure to regional risks has declined as a result of increased economic and financial diversification. Still, credit risks derived from Uruguay's commodity dependence and a relatively high degree of dollarization continue to pose non-negligible risks.

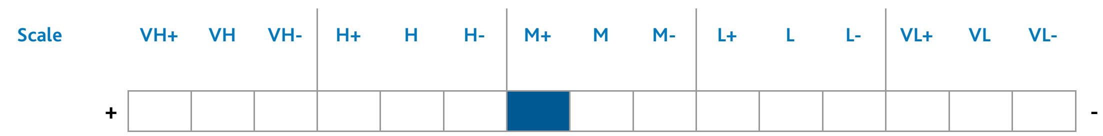
This Credit Analysis elaborates on Uruguay's credit profile in terms of Economic Strength, Institutional Strength, Fiscal Strength and Susceptibility to Event Risk, which are the four main analytic factors in Moody's Sovereign Bond Rating Methodology.

Rating Rationale

Our determination of a sovereign's government bond rating is based on the consideration of four rating factors: Economic Strength, Institutional Strength, Fiscal Strength and Susceptibility to Event Risk. When a direct and imminent threat becomes a constraint, that can only lower the preliminary rating range. For more information please see our Sovereign Bond Rating Methodology.

Economic Strength: Moderate (+)

Factor 1



Economic strength evaluates the economic structure, primarily reflected in economic growth, the scale of the economy and wealth, as well as in structural factors that point to a country's long-term economic robustness and shock-absorption capacity. Economic strength is adjusted in case excessive credit growth is present and the risks of a boom-bust cycle are building. This 'Credit Boom' adjustment factor can only lower the overall score of economic strength.

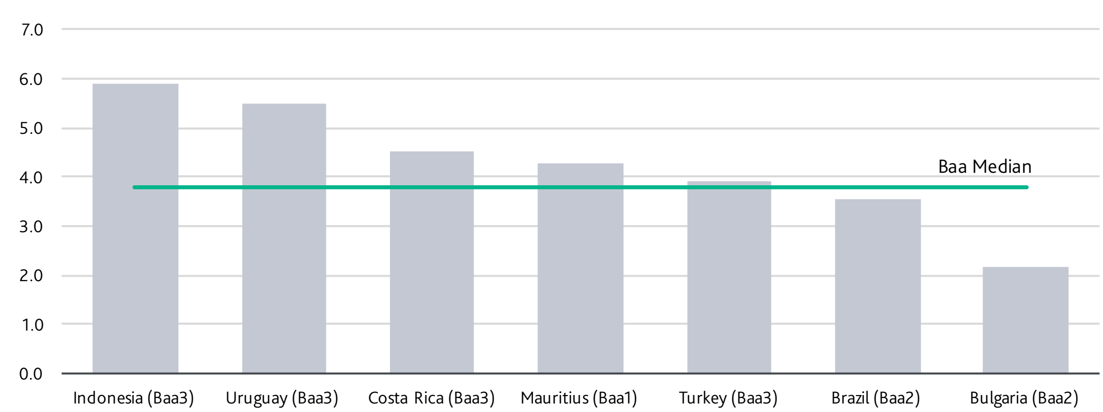
A Dynamic Investment-Driven Economy

Uruguay has a small relatively open economy. With GDP of $56 billion, Uruguay's economy is significantly smaller than the average Baa country's ($190 billion median). Uruguay's economy is comparable in size to Baa-rated Azerbaijan (Baa3; $76 billion) Bulgaria (Baa2; $53 billion) and Lithuania (Baa1; $46 billion). Uruguay's per-capita GDP of $15,865 (PPP basis) is slightly higher than the $14,457 Baa median after having reported average annual growth of 5.5% during the last eight years (see Exhibit 1).

EXHIBIT 1

Uruguay Amongst Top Economic Performers in Baa-rated Group

(2006-2013 average real GDP growth, %)



Source: National Sources, Moody's

For research publications that reference Credit Ratings, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated Credit Rating Action information and rating history.

The period of above-trend growth extended from 2004 to 2011,[1] reporting average annual real GDP growth of 6.0%, which compares favorably with median growth of 4.5% for Baa peer group. Even though Uruguay's growth pattern did not exhibit the boom-bust pattern that was observed in some emerging economies in previous years, growth volatility has been as GDP reported annual rates that have fluctuated between .2% and 9% during the last eight years. During this seven-year period, Uruguay's economic performance reflected a combination of factors that included: (i) a bounce-back effect following the 2002-2003 financial crisis, (ii) favorable global external economic and financial conditions, and (iii) the one-off impact of large investment projects.[2]

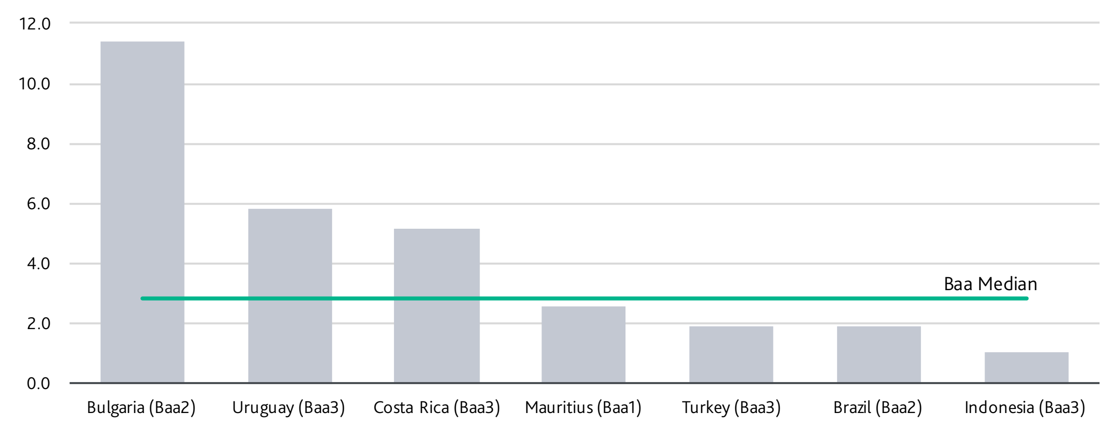
Even though favorable external conditions, a major contributing factor of Uruguay's high-growth streak has been has been – and remains to date – a virtually uninterrupted increase in the country's investment ratio. After gross fixed investment reported an average of 16.4% of GDP during 2000-2007, the investment ratio has increased steadily going to 23.6% in 2013 converging with the Baa-rated median. Government promotion efforts based on fiscal incentives have been effective in attracting domestic and foreign investments in new sectors contributing to reshape Uruguay's economic structure.

Foreign direct investment (FDI) has played an important supporting role. Having been directed mostly to export-oriented projects, it has significantly enhanced the country's export potential. We anticipate high FDI levels will likely to remain, an important source of non-debt financing for the balance of payments. With annual FDI inflows coming to some 5.4% of GDP during 2009-2013, Uruguay's ratio has been equivalent to more than twice the median of Baa-rated countries (see Exhibit 2).

EXHIBIT 2

Uruguay FDI Net Inflows Have Exceeded Those to Baa Peers

(2006-2013 average net FDI flows, % of GDP)



Source: National Sources, Moody's

From our perspective, the previous 6%-plus growth rate overstated Uruguay's underlying potential. During the last two years, the economy has been reporting lower growth of 3.7% in 2012 and 4.4% in 2013. Recent growth rates have been more in line with Uruguay potential growth rate, which the IMF has estimated to be in the order of 4%.

1 The impact of the global financial crisis was relatively mild and short-lived. Uruguay avoided a recession as the economy contracted during the first quarter alone, reporting annual growth of 2.4% for the year.

2 In 2008, the start of operations at Botnia's pulp mill spiked GDP growth to over 8%.

In our opinion, a shift towards lower growth will set the tone for the coming years defining a lower reference level for sustained GDP growth during the coming years. We think this to be a credit positive development on consideration that it represents a move toward a less-volatile growth path.

However, given lower reference level for GDP growth, adverse shocks associated to less favorable external conditions can push economic growth below potential. This is likely to be the case during 2014 when we expect growth of less than 3% as a result of domestic factors associated with monetary tightening by the central bank, as well as the impact of deteriorating economic conditions in Argentina and persistent below-trend growth in Brazil given 2% annual rates – even though economic and financial ties between Uruguay and Argentina are significantly lower than in the past, Argentina still poses downside risks for growth this year.

Increased Diversification Despite the Small Scale of the Economy

The Uruguayan economy has a dual character with both primary sector activities and services playing important roles. Traditional primary sector activities involve livestock/beef farming, while financial services and tourism complete the picture.

A potential shortcoming of small economies, like Uruguay's – GDP of some $56 billion – is that a scale limits the degree of diversification that can be achieved. In spite of this, the country has been able to make important strides in this respect.

Significant developments in the primary sector have involved the emergence of (i) an agribusiness complex, and (ii) an export-oriented dairy sector. The agribusiness sector has gain a strategic complementary role with those of neighboring Brazil and Argentina, which has led to a three-fold increase in grain production that currently stands at about 6 million tons and exports of more than $1 billion. Meanwhile, driven by foreign investment from New Zealand the dairy sector now posts sales of more than $500 million annually.

Additionally, a globally competitive pulp industry has emerged. Finnish paper producer Botnia launched a pulp mill project in 2005 with an initial investment of $1.5 billion and capacity of 1.1 million tons of pulp. The project was completed in 2007 and the mill has been in operation since 2008 making Uruguay a major player in the pulp market with annual exports of around $700 million. A second pulp mill project – Montes de Plata – involving total investment of $2 billion and of similar dimensions will start operations in 2014. This joint venture by Swedish-Finnish Stora Enso and Chilean Arauco is expected to have a 1.3 million tons production capacity and annual exports of $750 million equivalent to nearly 2% of GDP

Medium-Term Potential Growth Supported By Stronger Economic Fundamentals

The favorable evolution of total factor productivity supports the view that Uruguay's potential growth has increased and stands behind the country's favorable medium-term economic prospects.

An examination of Uruguay's growth performance (see Exhibit 3) reveals that higher total factor productivity (TFP) has been a key element supporting GDP growth. The breakdown of GDP growth into the contribution derived from production factors (capital, labor) and the productivity component shows that the upward shift of TFP was the main driver of growth in recent years. TFP increased by 2.8% annually during 2005-2012, compared with average productivity growth of 1.4% during the 1990s and -1.9% from 2000 to 2004.

EXHIBIT 3

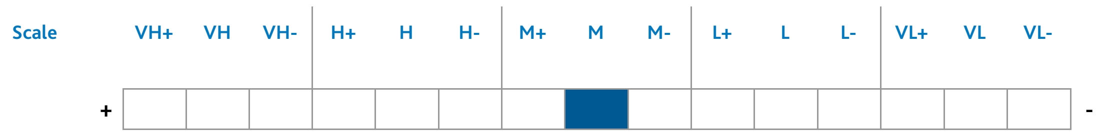
Contribution to GDP growth by factors, 1990-2012

Period	GDP growth	Capital	Labor Quantity	Labor Quality	Total Factor Productivity
1990-1999	3.3%	0.7%	0.9%	0.3%	1.4%
2000-2004	-1.6%	0.2%	-0.1%	0.2%	-1.9%
2005-2012	5.9%	0.9%	1.8%	0.3%	2.8%

Source: Ministry of Finance

Institutional Strength: Moderate

Factor 2



Institutional strength evaluates whether the country's institutional features are conducive to supporting a country's ability and willingness to repay its debt. A related aspect of institutional strength is the capacity of the government to conduct sound economic policies that foster economic growth and prosperity. Institutional strength is adjusted for the track record of default. This adjustment can only lower the overall score of institutional strength.

Uruguay's Moderate Institutional Strength assessment by Moody's balances a strong institutional framework that reinforces policy predictability with still evolving capabilities to effectively and credibly conduct these policies. The country has become an attractive destination for foreign investors, supporting long-term economic prospects. Moreover, as exemplified by stubbornly-high inflation rates that remain above the official target range, the government faces challenges to meet some of its policy goals. Other sovereigns that share a similar assessment of Moderate Institutional Strength include Bulgaria (Baa2), Colombia (Baa3), Costa Rica (Baa3), and Turkey (Baa3).

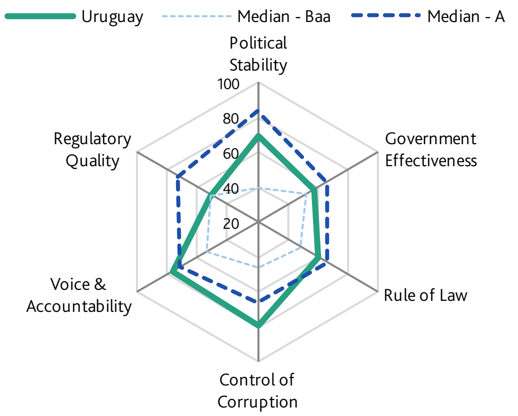
A Robust Institutional Framework that Enhances Policy Predictability…

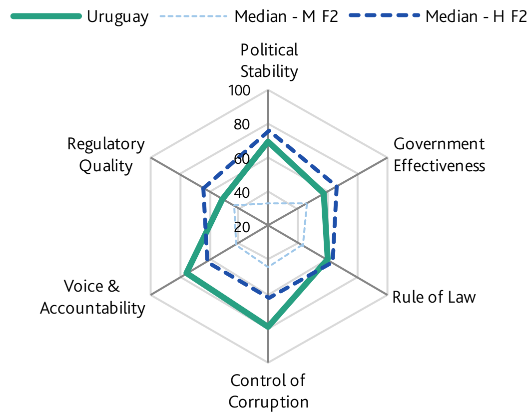
Uruguay's strong institutional framework enhances the sovereign's credit profile as it underpins policy continuity. Over the past decade, different administrations from across the political spectrum have enacted consistent policies that have led to macroeconomic stability. This social and political consensus is an important factor that reinforces policy predictability. Based on measures such as the World Bank's Governance Indicators, Uruguay ranks higher than the median for Baa-rated peers and appears to be more in line with A-rated sovereigns (see Exhibit 4. Comparing Uruguay with sovereigns with an Institutional Strength assessment of Moderate (M F2) and High (H F2) tells a similar story, with Uruguay's metrics tracking closely the higher assessed peers.

EXHIBIT 4

Uruguay's World Bank Indicators Point to Strong Institutional Framework Relative to Peers

(Percentile rank within Moody's Sovereign rated universe)





Source: World Bank 2012 Governance Indicators, Moody's

Uruguay's metrics are particularly strong in those that aim to measure political stability, the government's accountability and control of corruption. These contribute to make the country an attractive destination for foreign direct investment (FDI), explaining the high levels of FDI recorded over the past few years.

These characteristics are also replicated in other international surveys (see Exhibit 5), that show overall that Uruguay is a politically and socially stable country. Moreover, while authorities have enacted reforms opening to private investment and the country is already relatively highly competitive based on the Global Competitiveness Index, Uruguay's ranks in the Economic Freedom and Doing Business surveys indicate that there is still scope for potential enhancements that could benefit longer term growth.

EXHIBIT 5

Uruguay: Institutional Quality Indicators

	Score (Range)	Rank (Sample Size)	Change in Rank from Previous Survey
Political Stability and Absence of Violence/Terrorism Index 2012 (WB)	0.71 (-2.5 - 2.5)	66 (215)	-18
Global Democracy Index 2013 (EIU)	8.17 (0 - 10)	18 (167)	-1
Corruption Perception Index 2013 (Transparency International)	77 (0 - 100)	19 (177)	+1
Economic Freedom Index 2013 (Heritage Foundation)	62.94 (0 - 100)	88 (189)	-3
Doing Business 2014 (WB)	4.1 (1 - 7)	85 (148)	-11
Global Competitiveness index 2013-2014 (WEF)	69.3 (0 - 100)	38 (178)	-3

Source: Moody's, World Bank, The Economist Intelligence Unit, Transparency International, The Heritage Foundation, and The World Economic Forum

…Although Challenges Remain on Policy Credibility and Effectiveness

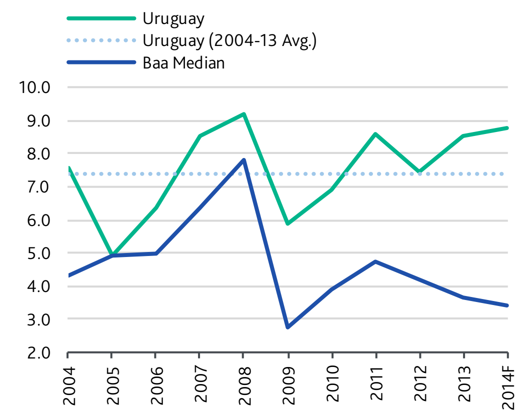
While we consider Uruguay's institutional framework and effectiveness to be high based on its World Bank Governance Indicators scores, we assess policy effectiveness and credibility, as measured by inflation performance and inflation volatility, to be low relative to peers.

Inflation in Uruguay has historically been high, with consumer prices averaging increases of 7.4% per year over the past decade, compared to 4.8% for the median of Baa-rated sovereigns over the same time period (see exhibit 6). Uruguay's persistently high inflation rates have been driven by (i) a high pass-through from fuel costs as the Uruguayan economy reliance on imported oil makes domestic inflation highly vulnerable to the global level of energy prices, (ii) pro-cyclical government spending, and (iii) the prevalence of indexation mechanisms, particularly those involving wage negotiations – a common practice in Uruguay is for wage contracts to incorporate indexation clauses that explicitly incorporate last year's inflation into annual renegotiations.

EXHIBIT 6

Inflation in Uruguay Is Higher Than Peers...

(% y/y)

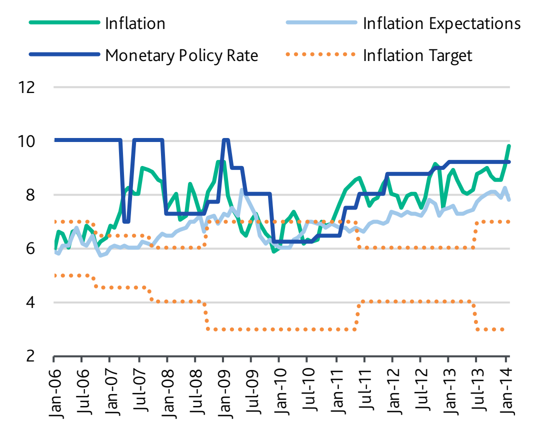


Source: Moody's

EXHIBIT 7

And Exceeds Policy Targets

(% y/y)



Source: Central Bank of Uruguay, Moody's

In addition to consumer prices reporting high annual rates, both actual inflation and inflation expectations have consistently been above the central bank's targeted range, reflecting weak policy effectiveness and low policy credibility (see exhibit 7). Monetary policy management in Uruguay is challenged by the high dollarization of the economy and low levels of financial intermediation. Nonetheless, the authorities' seeming tolerance for high inflation and lack of ability to bringing inflation back into the targeted range has undermined policy credibility, contributing to define a relatively high reference level for long-term inflationary expectations by economic agents – the last central bank survey reports inflation is expected to reach 8.6% in 2014 and 8.8% in 2015.

In June 2013, the central bank announced a series of measures aimed at gaining greater control over inflation. The authorities indicated they would target the money supply instead of the overnight interest rate and made known they would gradually reduce the pace of monetary expansion to 8% by mid-2015, down from an average of 12% in H1 2013. The authorities highlighted that targeting the money supply will be a more effective tool for controlling inflation in Uruguay.

After a initial transition period in which domestic interest rates reported high volatility as market participants adjusted to the new policy framework, domestic financial conditions eventually stabilized and interest rates settled at a higher level. Still, to date, the outcome has not been that successful on consideration of the still-high inflation rates that have been reported.

Additionally, the central bank has also announced that it would widen the inflation target band to 3-7% from 4-6% starting in July 2014[3] and extend the policy horizon to 24 months from 18 months previously. From our perspective, both measures are intended to define less ambitious – albeit more realistic – goals in terms of what the monetary authorities intend to accomplish in order to help restore policy credibility. While this may prove helpful in this respect, we think credibility will only be restored if inflation is successfully brought down into the revised range.

At present, despite the tightened monetary stance and the deceleration of economic activity, we do not see inflation coming down within the new targeted range during 2014-2015. Inflation reached 9.8% in February, its highest level since 2004, due in good part to the re-adjustment of public utilities rates following a drop in the latter months of last year.

The government has been increasingly resorting to heterodox measures to maintain the inflation rate below the 10% mark,[4] including reducing public utility rates and striking price agreements with the private sector. The practice of adjusting utility tariffs was used in 2012 and repeated last year once again. In mid-March of this year, the government signed a sixty day agreement with supermarkets and food suppliers to keep prices unchanged on 300 basic food items effective 1 April. The government also introduced VAT rate reductions and exemptions on gas and electricity tariffs. Inflationary pressures should ease temporarily as a result of these measures, but are likely to return if the underlying causes of inflation, including pro-cyclical government spending and high wage indexation, are left unaddressed

Lastly, we note that, beyond its negative macroeconomic repercussions, high inflation can impact the fiscal accounts via mounting subsidies to public utilities – the counterpart of the reduction in rates – and growing wage and pension bills. Increased inflation-related fiscal costs could eventually weigh on the performance of the government accounts undermining the fiscal stance.

Fiscal Strength: Moderate (-)

Factor 3

Scale		VH+	VH	VH-	H+	H	H-	M+	M	M-	L+	L	L-	VL+	VL	VL-	
	+									■							-

Fiscal strength captures the overall health of government finances, incorporating the assessment of relative debt burdens and debt affordability as well as the structure of government debt. Some governments have a greater ability to carry a higher debt burden at affordable rates than others. Fiscal strength is adjusted for the debt trend, the share of foreign currency debt in government debt, other public sector debt and for cases in which public sector financial assets or sovereign wealth funds are present. Depending on the adjustment factor the overall score of fiscal strength can be lowered or increased.

A steady decline in government debt ratios was supported by a robust fiscal performance associated with moderate government deficits. The authorities' commitment to fiscal discipline has resulted in government deficits on the order of 1% to 1.5% of GDP with the fiscal accounts reporting a 2% of GDP deficit only once in 2012. This relatively conservative fiscal stance has been in line with the

3 Brazil is the only other country in the region with a 4 percentage point band. However, the Central Bank of Brazil has been successful in maintaining inflation within the targeted range.

4 Beyond the psychological effect of reaching double-digit inflation, the 10% mark is significant because it would trigger bi-yearly re-negotiation of wage contracts.

guidelines that were incorporated into the multi-year budget framework that was approved when the current administration took office in 2010.

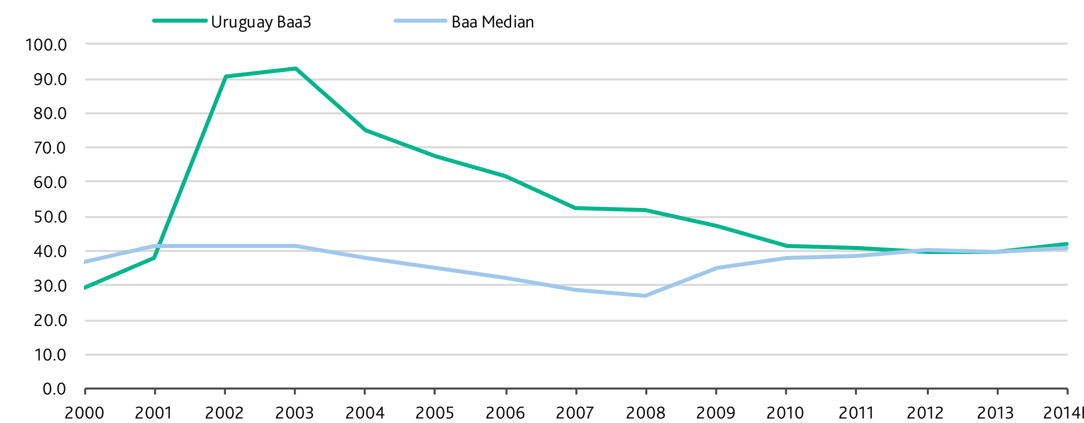
As a result of strong (above-potential) economic growth, government revenues frequently exceeded the authorities' original projections during 2005-2011 allowing the authorities to accommodate increased spending without deviating from the fiscal targets. More recently, the revenue performance has become less dynamic as that the economic scenario has been associated with lower GDP growth since 2012. Given this, preserving moderate fiscal deficits in the coming years will require closer monitoring of government spending in order to compensate for what we anticipate will be a much less dynamic revenue performance.

Overall, the evolution of government debt ratios has been in line with the targets that were set at the beginning of this administration in the five-year medium-term fiscal framework – government debt were set to decline to less than 50% of GDP. Low deficits in a context of strong GDP growth supported a declining trend in the government debt ratio during previous years. Government debt declined significantly moving to 41.3% of GDP in 2010 from a record high of 93% in 2003. Since then, the debt ratio has continued to decline, but only at a modest pace. As exhibit 8 shows, the ratio has gradually converged with the Baa-median coming to some 40% during the last three years reaching 39.8% in 2013. While a declining trend has been also observed in other government debt metrics, the interest burden – ratio of interest payments to government revenues – remains relatively high when compared to similarly-rated countries. Reporting levels of 11% to 12%, the government's interest burden currently exceeds the Baa median – 2011-2013 average: 7.9% – and we anticipate it will increase further reaching 13.3% during 2014.[5]

EXHIBIT 8

Government Debt Has Converged With Baa Median

(General government debt, % of GDP)



Source: National Sources, Moody's

Looking ahead, we anticipate the debt-to-GDP ratio is likely to report only minor changes given moderate growth and our anticipation that pressures from the spending side will be forthcoming while energy-related contingencies remain present.

[5] Fiscal numbers refer to the central government as the country does not report general government data. Regional or provincial governments (*intendencias*) have a limited presence. The revenues of the public pension system are sizeable at 6%-7% of GDP. If we take into account pension system revenues, the interest-to-revenue ratio comes to 9%.

Regarding the outlook for government expenditures, even though the government submitted legislation that removed an indexation mechanism that required public sector wages to be revised twice during the year when annual inflation – as measured by consumer prices – reached the 10% mark,[6] spending pressures will likely build in the coming years as a result of the government's decision to expand coverage on its national health program. The changes introduced are structural in nature as the reform will lead to an important increase in the number of beneficiaries. Even though the process will be gradual, as the number of people that will qualify for coverage will continue to increase until 2016, the fiscal cost associated to it are structural in nature as their impact on the level of government spending will be permanent.

Uruguay's fiscal account are exposed to weather-related energy contingencies given the country's high dependence on imported oil and the impact international oil prices on the domestic cost of electricity. This condition becomes particularly relevant during period of draught because a significant decline in rainfall forces a change from hydroelectric to more costly fuel oil generation. Even though the government has created a so-called energy fund to deal with these type of events, when conditions are "extreme" – as it was the case during 2012 – fund resources are insufficient and the government directly absorbs part of the increased costs via higher transfers to UDE, the public utility. Even though the fiscal costs of this weather-related event were equivalent to nearly 1% of GDP during 2012, the government reported a deficit of only 2% of GDP. This fiscal contingency will continue to be present until the country completes the transformation of its energy matrix – which we anticipate could take an additional three to five years – and, consequently, from time to time, it could impact the government accounts.

2014 Fiscal Outlook is for a Mild Deterioration of the Budget Deficit

Given that 2014 is a political year with general elections set for October, we do not anticipate the government will carry out a fiscal adjustment this year. As a result of this, and with pressures on the fiscal accounts arising from (i) our estimate of a weak revenue performance, (ii) increased capital spending as the outgoing Mujica administration moves to complete various projects in the telecommunications sector, and (iii) increased social spending due to expanded coverage of the national health system, we expect the government deficit is set to increase reaching 2.9% of GDP in 2014 compared to 1.6% in 2013.

In spite of this, we do not think the deterioration in the near-term fiscal performance will compromise Uruguay's relative credit standing as the country's fiscal metrics will continue to be broadly aligned with those reported by the Baa peer group. Moreover, we do not foresee the 2014 fiscal numbers will have a negative impact in terms of debt sustainability. As we have indicated, we currently anticipate government debt ratios will report modest reductions – if any – during the coming years with the government's interest burden remaining above the corresponding Baa median.

The fiscal accounts should benefit from a reduction in one-off type expenditure (i.e., investments) in 2015 as various projects are set to be completed this year. Still, we expect the next administration will incorporate corrective spending and revenue measures into its multi-year budget framework in order to align its fiscal stance with a more conservative economic growth scenario and to deal with a higher permanent level of social spending.

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[6] The elimination of the indexation clause for public sector wages impacted private sector wages indirectly on account of a "demonstration effect" that caused private sector wage negotiations to closely replicate the terms set by the public sector.

Government's Liability Management Program has Improved Debt Profile

The government's debt management strategy has been focused on (i) reducing the share of foreign currency-denominated debt, (ii) extending average debt maturity, and (iii) building up financial buffers through precautionary liquidity reserves and contingent credit lines.

A relatively high share of foreign currency-denominated (FC) debt represented the weakest feature of Uruguay's sovereign credit profile not that far back. Less than a decade ago, foreign currency-denominated debt accounted for close to 90% of total government debt, a condition that severely exposed the government's balance sheet to exchange rate risks. Over the years, the authorities addressed this situation through a combination of liability management operations (LMOs) that have involved debt exchanges and increased local currency debt issuance in the domestic market. The approached has proven effective supporting a significant reduction in the share of foreign currency debt which currently stands at 46%, exceeding the self-imposed target defined at the beginning of this administration of lowering the corresponding share to 55% by December 2014.[7]

Even though Uruguay's foreign currency-denominated debt remains high in relative terms given a Baa median of 27% for the foreign currency share, the authorities have indicated they have no intention of lowering FC debt significantly below its current level. Still, they have also noted that they will continue to undertake LMOs whenever market conditions are attractive enough in terms of yields and maturity.

In our opinion, the potential credit risks that can be derived from the current currency composition of government debt are adequately covered by the maturity profile. Accordingly, we consider these risks to be consistent with the Baa2-Ba1 range defined by Moody's sovereign bond methodology.

Through liability management operations, the government has been able to gradually but consistently extend average debt maturity. At present, government debt maturity has been standing at about 11 years since 2007, which is among the highest for sovereigns rated by Moody's – few governments have debt maturities exceeding 10 years. In this respect, Uruguay is part of a select group of countries, ranking among the top in the company of Peru (12 years), the Philippines and India (10 years) – the government intends is to maintain average debt maturity at more than 11 years.[8]

Financial Buffers: Precautionary Liquid Reserves + Contingency Lines

Precautionary contingent credit lines have become an integral part of Uruguay's sovereign credit profile providing an additional financial buffer that further reduces credit risk complementing the government's own cash reserves. During nearly a decade, government precautionary cash reserves have been large enough to be cover 12 to 18 months of debt service (principal + interest). In line with this, government cash reserves reached $3.1 billion, or 6.5% of GDP, at year-end 2013, an amount large enough to cover debt service for more than 18 months or, alternatively maturing principal payments for the next four years.[9]

The authorities have added an extra layer of financial buffers through contingent credit lines with multi-lateral development banks (WB, IADB, CAF, and FLAR). In all four instances, the involve fast-disbursement contingent credit lines that are equivalent to close to 6% of GDP.

7 Since 2008, the government has issued only local-currency denominated debt with two exceptions: (a) the USD$500 million 2025 Global bond issued in September 2009 and (b) a JPY 40billion Samurai bond issued in May 2011.

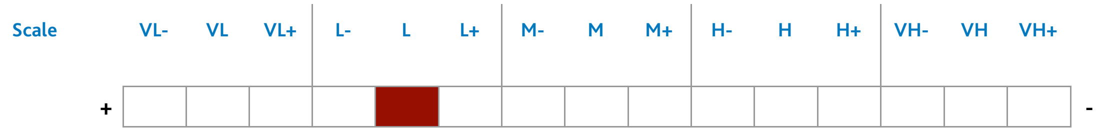
8 The government intends is to maintain average debt maturity at more than 11 years.

9 Alternatively, cash reserves were equivalent to the government's total gross financing needs for 2012 and 2013.

Large precautionary cash reserves coupled with these contingent lines given in a context of low gross financing requirements, implies that the Uruguayan government should be able to handle market closure events lasting 12 to 24 months, en element that represents an important supporting factor of Uruguay's Baa3 rating.

Susceptibility to Event Risk: Low

Factor 4



Susceptibility to Event Risk evaluates a country's vulnerability to the risk that sudden events may severely strain public finances, thus increasing the country's probability of default. Such risks include political, government liquidity, banking sector and external vulnerability risks. Susceptibility of Event Risk is a constraint which can only lower the preliminary rating range as given by combining the first three factors.

Overall Susceptibility to Event Risk is assessed as 'Low'. Other sovereigns with a 'Low' score include Mexico (Baa1 stable), Brazil (Baa2 stable) and Namibia (Baa3 stable). The assessment is based on our view of: (1) political risks, both domestic and geopolitical; (2) government liquidity risk; (3) banking sector risks that could result in the crystallization of contingent liabilities on the sovereign's balance sheet and (4) external vulnerability, reflecting balance of payments risks and susceptibility to 'sudden stops'.

Proven Track-Record of Policy Continuity Underpins Very Low Domestic Political Risk

Political event risk is considered to be 'very low' on account of the policy continuity and predictability have been maintained by different governments throughout the political spectrum. Credit risks resulting from political events are very low given that successive administrations have repeatedly endorsed principles that have led to conservative economic policies.

The next general election is scheduled for October 2014. Regardless of the result, we believe that the next government will remain supportive of business through a welcoming investment environment, given the continued pragmatic stance of policymakers. However, because of the proximity of elections and simmering tensions within the government, we expect little progress on the reform front. The risk of reform paralysis through the end of President Mujica's term of office in March 2015 will have little-to-no impact on the sovereign's credit profile.

Low Borrowing Requirements Supports Very Low Government Liquidity Risk

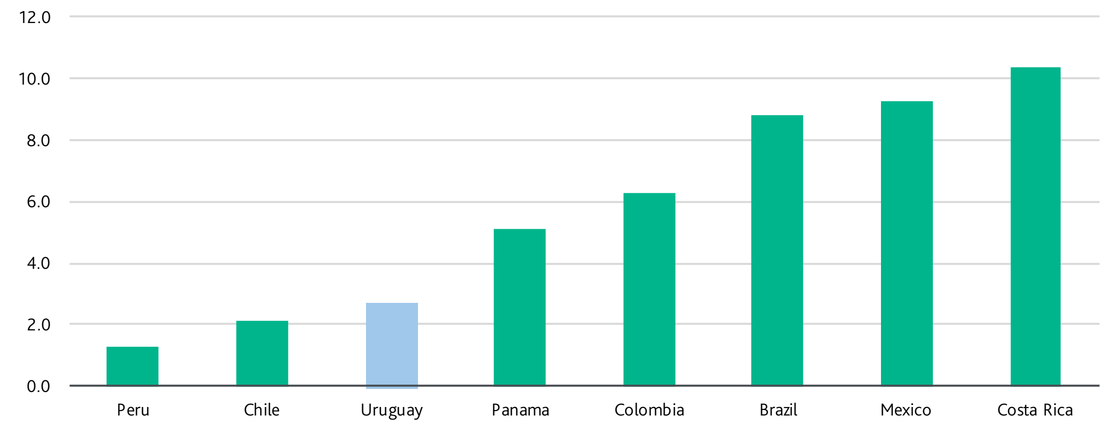
A favorable maturity profile translates into modest rollover risks. Given Uruguay's extended debt maturity, the government faces modest refinancing requirements over the medium term given principal payment of some 1.5% of GDP over the next 5 years.

Moderate fiscal deficits and modest amounts of maturing debt results in fairly low gross financing needs. At an estimated 3% of GDP in 2014, Uruguay's gross financing needs make the sovereign part of a reduced number of emerging economies where government gross financing needs are less than 5% of GDP, somewhat similar to Chile (2.1%) and below Panama (5.1%) and Colombia (6.2%) – all Baa-rated countries (see Exhibit 9). Based on the targets set in the multi-year fiscal framework our expectation we anticipate gross financing needs will remain moderate coming at less than 3% of GDP over the next three to five years.

EXHIBIT 9

2014 Government Gross Financing Needs in Latin America

(% of GDP)



Source: National Sources, Moody's

Despite Elevated Financial Dollarization, Banking Sector Risk is Low

Banking sector risk is deemed to be 'low'. Key strengths of the banking system include: (1) very high asset quality, with non-performing loans (NPLs) contained at under 2% of gross loans; (2) limited risk to the sovereign's balance sheet given the small size of the system[10]; and (3) relatively high liquidity with the sector's loan-to-deposit ration remaining under 100%.

These strengths more than offset lingering concerns about the elevated level of financial dollarization, especially in terms of deposits. Foreign currency-denominated deposits account for 72% of the total, while dollar-denominated loans remain high, albeit decreasing, at approximately half of the system's lending portfolio.

Resilience of the Banking System to Financial Stress Scenarios

Analyzing Uruguay's financial susceptibility to event risk requires consideration of shocks coming from the banking system that could affect the government's credit standing. In the case of Uruguay, the relatively small scale of the banking system along with sizeable capital and liquidity buffers significantly mitigate potential credit risks to the sovereign.

Total banking system assets are equivalent to less than 30% of GDP at present, about a third of the amount 10 years ago, which implies modest absolute risks in the event of a systemic bank crisis. The overall quality of the loan portfolio has been outstanding with NPLs constituting only 1% of the total loan portfolio since 2007, and loan-loss provisions equivalent to almost six times NPLs. Capital adequacy ratios exceed 15%, while liquidity ratios are in excess of 50%.

A relatively small banking system that is over-capitalized, holds excessive liquidity, and is over-provisioned does not pose a significant credit threat to the sovereign. Moreover, stress tests carried by the banking authorities provide evidence of the banking system's financial resilience.

[10] Total banking system assets are equivalent to less than 30% of GDP.

As Buffers Continue to Rise, External Vulnerability Risk is Very Low

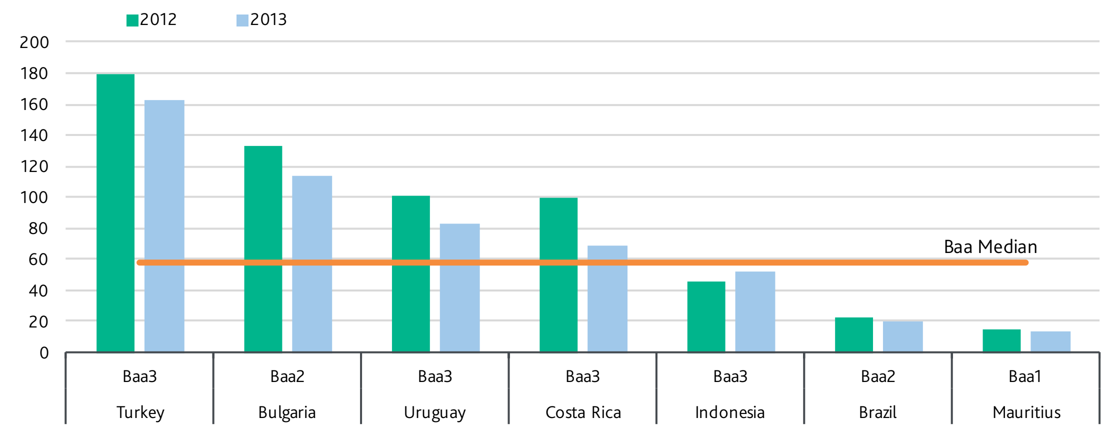
Uruguay's External Vulnerability Indicator[11] (EVI)'s decline over the past few years reflects the country's rising external buffers as well as improved liability management on the part of the government. Foreign exchange reserves more than doubled between 2007 and 2013. Meanwhile, authorities have performed debt exchanges in recent years to smooth out the maturity profile of external public debt.

Whereas in 2007 foreign exchange reserves only covered 59% of total external debt servicing (when the EVI equaled 170%), last year reserves exceeded total external amortization and interest payments by 20% (the EVI was 83%). Although in 2014 we expect that the coverage will fall to 103% due to a spike in private sector amortizations, over the coming years the EVI should fall towards levels closer to the Baa median, which has hovered around 60% since 2011 (see Exhibit 10).

EXHIBIT 10

External Vulnerability Indicator Converging Towards Baa Median

(%)



Source: National Sources, Moody's

The Argentina Factor: Latent Vulnerabilities but Significantly Reduced Exposure

Regional shocks, particularly those originating in Argentina, have had an impact on Uruguay's economic and financial performance over the years. At present, the country is not nearly as vulnerable as it used to be. Despite its neighbor's looming presence, Uruguay's vulnerabilities to Argentina-based event risks are much lower now because the links between the two countries are significantly weaker.

Overall, the trade relevance of Argentina for Uruguay is not nearly as significant as it is perceived to be, and it has been declining over time. While merchandise exports to Argentina accounted for 18% of the total in 2000, the corresponding share had plunged to 5% last year. An important structural change has involved a shift in the country's export pattern towards China and away from Argentina with exports to the Chinese market accounting for more than 22% at present (see Exhibit 11).[12] Meanwhile, Brazil's share has remained close to 20% over the past 14 years.

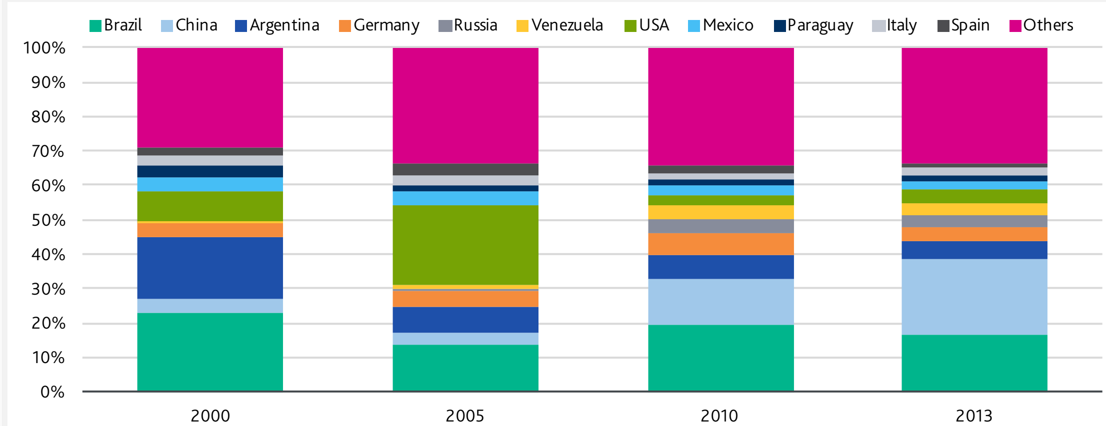
[11] (Short-Term External Debt + Currently Maturing Long-Term External Debt + Total Nonresident Deposits Over One Year)/Official Foreign Exchange Reserves

[12] Throughout the 1990s the share of exports to Argentina exceeded 15%; Argentina also accounts for a large share of tourism revenues - 45% at present - albeit lower than in the previous decade.

EXHIBIT 11

Export Destinations: Moving Away From Argentina and Closer China

(% of total exports)



Source: IMF Direction of Trade Statistics (IMFDOT) via Haver, Moody's

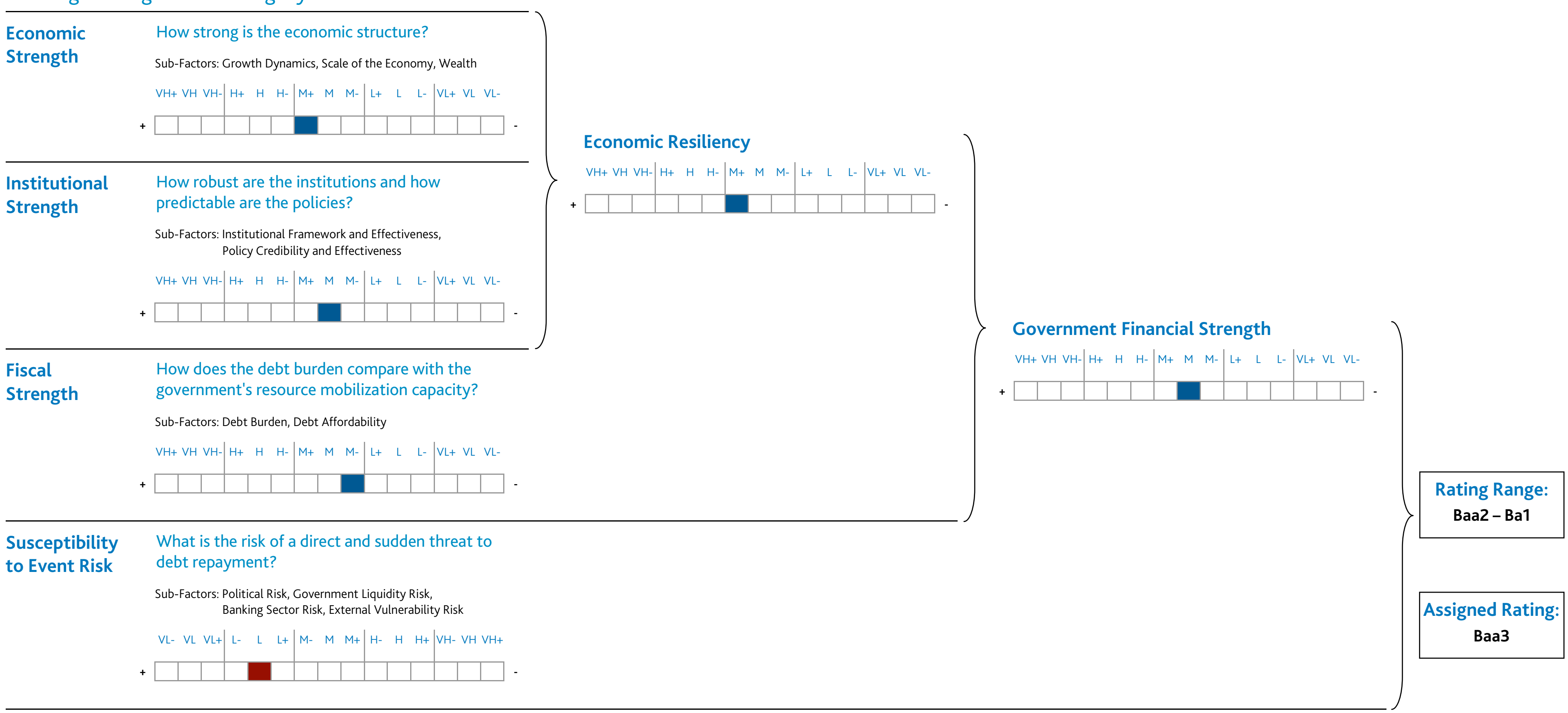
Regarding inter-regional trade diversification, although Mercosur (Brazil, Argentina, and Paraguay) continues to account for the largest share of Uruguay's exports, its relative importance has declined over the years. While nearly half of Uruguay's exports went to Mercosur at the beginning of the previous decade, less than one-third of merchandise exports are sent within the region at present.

Concerning financial event risk, the exposure to Argentina comes mostly through the banking system, via non-resident deposits. Similar to the case of economic contagion via trade channels, financial links to Argentina are notably weaker at present. The role of non-resident Argentinean deposits during Uruguay's 2002 financial crisis was significant. At that time, Argentinean deposits accounted for almost 40% of total deposits in Uruguayan banks exposing the financial system to the risk of a sudden deposit withdrawal – non-resident deposits plunged from $6.1 billion to $1.3 billion during 2002. Conditions are dramatically different now as non-resident deposits make up less than 15% of the total.

Rating Range

Combining the scores for individual factors provides an indicative rating range. While the 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 rating range. 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 indicative rating range. For more information please see our Sovereign Bond Rating Methodology.

Sovereign Rating Metrics: Uruguay



Comparatives

This section compares credit relevant information regarding Uruguay with other sovereigns rated by Moody's Investors Service. It focuses on a comparison with sovereigns within the same rating range and shows the relevant credit metrics and factor scores.

Uruguay's Moderate (+) Economic Strength balances relatively high income per capita and growth rates relative to peers with the smaller size of its economy. Peers with Economic Strength assessed as High include Colombia and Turkey, whose output exceeds that of Uruguay by multiples, while Panama's growth rate more than doubles Uruguay's expected economic performance. In terms of Institutional Strength, Uruguay gets stronger marks on the World Bank Governance Indicators in most criteria, pointing to a solid institutional framework; however, Uruguay's higher inflation rate and greater volatility than for peers indicate a lower level of policy effectiveness, which puts the final assessment of Moderate Factor 2 in line with most peers. For Fiscal Strength, Uruguay's metrics are aligned with those of its peers, but the final assessment is reduced by the high level foreign currency-denominated debt that leads to a negative adjustment of the score. Moreover, Uruguay's Susceptibility to Event Risk is deemed to be lower than for its peers, thanks to a stable political system, very low vulnerability to government liquidity and external risk and low banking sector risk.

EXHIBIT 12

Uruguay Key Peers

	Year	Uruguay	Colombia	Guatemala	Turkey	Latvia	Panama	Baa3 Median	LatAm & Caribbean Median
Rating/Outlook		Baa3/POS	Baa3/POS	Ba1/STA	Baa3/STA	Baa2/POS	Baa2/STA	Baa3	Ba2
Rating Range		Baa2-Ba1	Baa2-Ba1	Ba2-B1	Baa1-Baa3	Baa1-Baa3	A3-Baa2	Baa2-Ba1	Baa3-Ba2
Factor 1		**M+**	**H-**	**L**	**H**	**L+**	**H-**	**H-**	**M-**
Nominal GDP (US$ Bn)	2013	55.0	377.8	53.3	804.2	31.0	40.8	204.0	35.3
GDP per Capita (PPP, US$)	2012	15,865	10,671	5,153	14,812	18,058	15,449	11,608	11,747
Avg. Real GDP (% change)	2009-2018	4.7	4.2	3.1	3.6	0.9	7.7	4.3	3.1
Volatility in Real GDP growth (ppts)	2004-2013	2.5	1.7	1.6	4.6	8.8	2.8	3.1	2.6
Global Competitiveness Index, percentile [1]	2013	30.7	41.2	29.8	63.1	56.1	66.6	52.2	27.2
Factor 2		**M**	**M**	**L**	**M**	**VH-**	**M**	**M**	**M**
Government Effectiveness, percentile [1]	2012	58.2	45.6	13.3	55.9	65.3	52.7	47.6	36.2
Rule of Law, percentile [1]	2012	61.4	33.8	6.2	51.1	69.2	40.1	50.7	30.7
Control of Corruption, percentile [1]	2012	80.3	31.4	19.6	56.6	55.9	34.6	49.6	35.4
Avg. Inflation (% change)	2009-2018	7.7	3.4	4.9	7.3	3.4	4.6	6.0	4.9
Volatility in Inflation (ppts)	2004-2013	4.0	1.6	2.7	5.5	4.6	2.5	3.3	2.7
Factor 3		**M-**	**M+**	**M+**	**H-**	**M+**	**H+**	**M+**	**M+**
Gen. Gov. Debt/GDP	2013	39.8	32.6	24.8	34.7	42.5	40.6	38.3	38.2
Gen. Gov. Debt/Revenues	2013	186.8	201.2	203.5	91.6	122.1	166.9	197.1	166.9
Gen. Gov. Interest Payments/Revenue	2013	11.5	13.1	12.5	8.5	4.3	8.3	12.0	9.1
Gen. Gov. Interest Payments/GDP	2013	2.5	2.1	1.5	3.2	1.5	2.0	2.6	2.1
Gen. Gov. Financial Balance/GDP	2013	-1.6	-2.3	-2.2	-1.8	-1.4	-3.0	-2.3	-2.4
Factor 4		**L**	**M**	**M-**	**M+**	**M+**	**M-**	**M-**	**M-**
Current Account Balance/GDP	2013	-4.1	-3.5	-3.2	-8.1	-1.6	-11.3	-1.8	-3.6
Gen. Gov. External Debt/Gen. Gov. Debt	2013	33.7	38.4	58.5	--	--	26.9	33.7	53.8
External Vulnerability Indicator	2014F	62.8	58.0	30.6	178.7	305.1	8.4	62.9	58.1

Notes:

[1] Moody's calculations. Percentiles based on our rated universe.

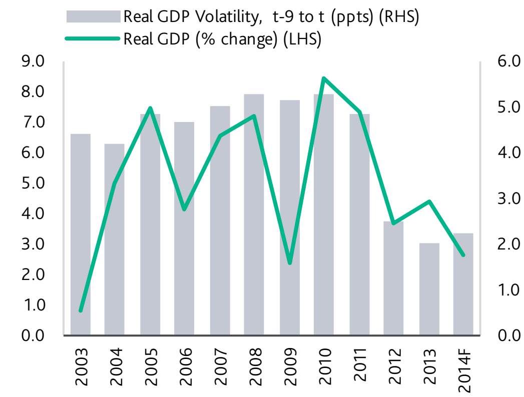
Source: Moody's, IMF, World Bank, National Sources

Appendices

Chart Pack

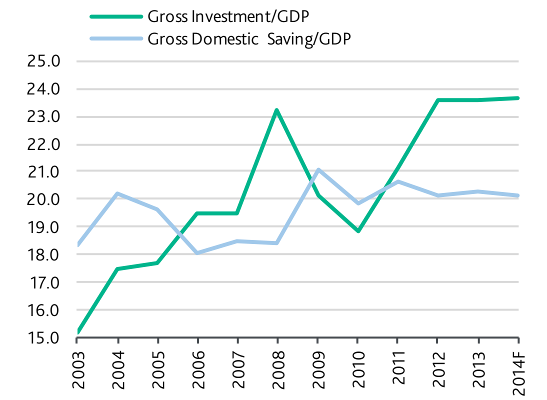
Uruguay

EXHIBIT 13
Economic Growth



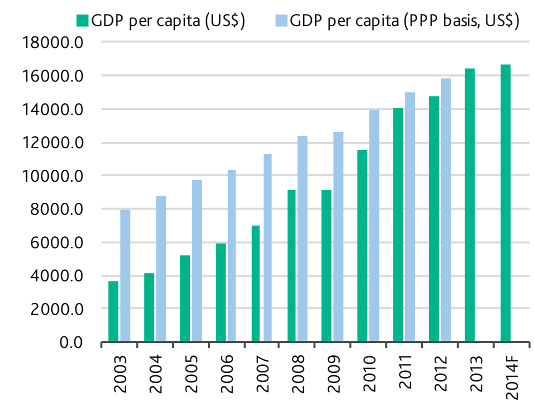
Source: Moody's, National Sources

EXHIBIT 14
Investment and Saving



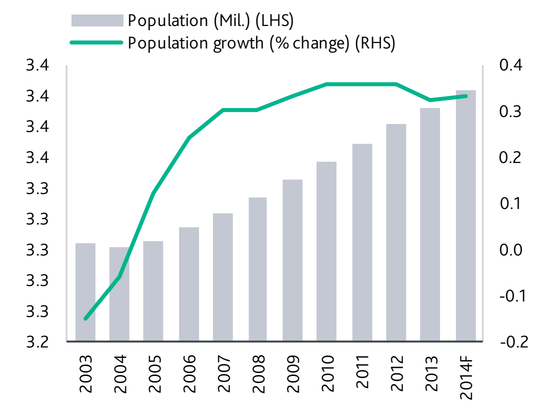
Source: Moody's, National Sources

EXHIBIT 15
National Income



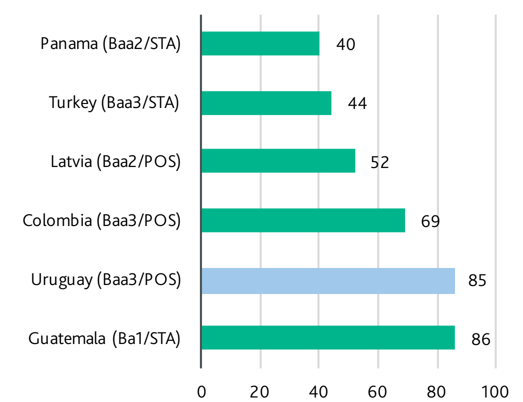
Source: Moody's, National Sources, IMF

EXHIBIT 16
Population



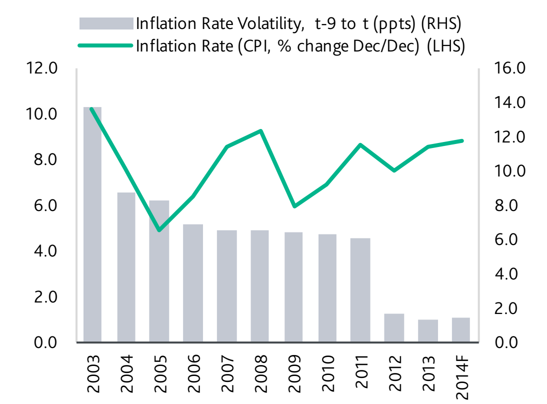
Source: Moody's, IMF

EXHIBIT 17
Global Competitiveness Index
Rank 85 out of 148 countries



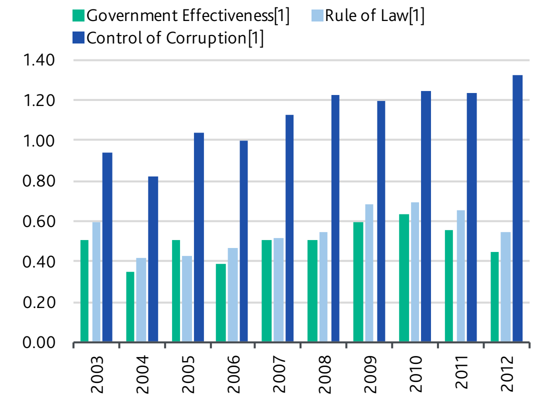
Source: World Economic Forum

EXHIBIT 18
Inflation and Inflation Volatility



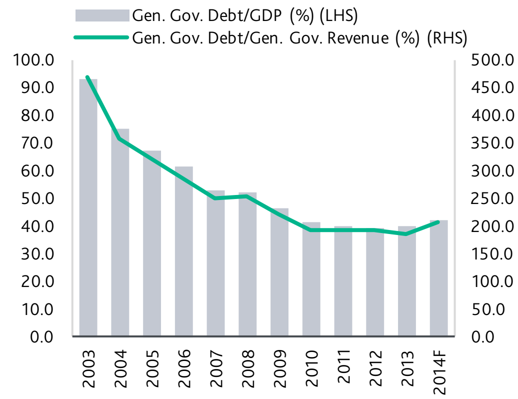
Source: Moody's, National Sources

EXHIBIT 19
Institutional Framework and Effectiveness



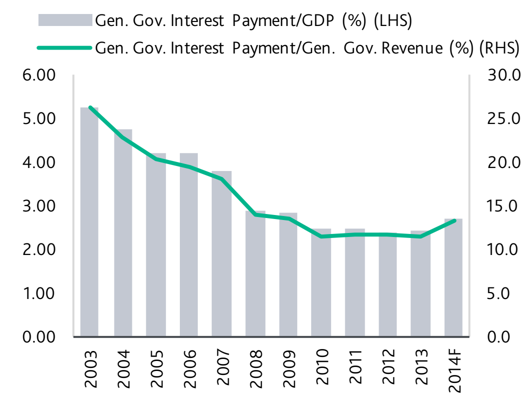
Notes: [1] Composite index with values from about -2.50 to 2.50: higher values correspond to better governance.
Source: World Bank Governance Indicators

EXHIBIT 20
Debt Burden



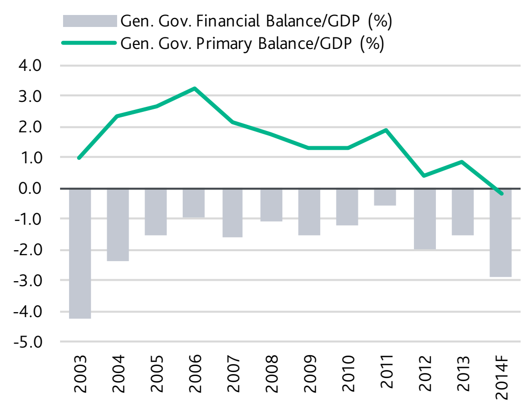
Source: Moody's, National Sources

EXHIBIT 21
Debt Affordability



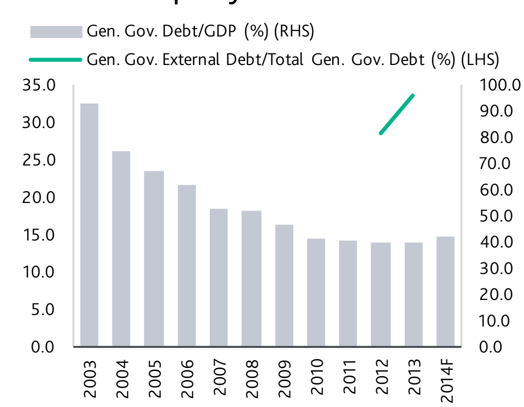
Source: Moody's, National Sources

EXHIBIT 22
Financial Balance



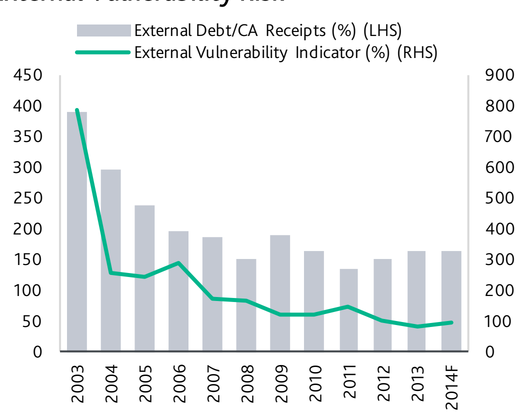
Source: Moody's, National Sources

EXHIBIT 23
Government Liquidity Risk



Source: Moody's, National Sources

EXHIBIT 24
External Vulnerability Risk



Source: Moody's, National Sources

Rating History

Uruguay

	Government Bonds			Foreign Currency Ceilings				
	Foreign Currency	Local Currency	Outlook	Bonds & Notes		Bank Deposit		Date
Rating Raised	Baa3	Baa3	Positive	--	--	Baa3	--	Jul-12
Outlook Changed	Ba1	Ba1	Positive	--	--	--	--	Jan-12
Rating Raised	Ba1	Ba1	Stable	Baa1	--	Ba2	--	Dec-10
Review for Upgrade	Ba3	Ba3	RUR+	--	--	--	--	Jul-10
Rating Raised	Ba3	Ba3	Stable	Ba1	--	B1	--	Jan-09
Review for Upgrade	B1	B1	RUR+	--	--	--	--	Aug-08
Rating Raised	B1	B1	Stable	Ba2	--	B2	--	Dec-06
Review for Upgrade	B3	B3	RUR+	--	--	Caa1	--	Sep-06
Rating Raised	--	--	--	B1	--	--	--	May-06
Outlook Changed	B3	B3	Stable	--	--	--	--	Nov-04
Rating Lowered	B3	B3	Negative	B3	--	Caa1	--	Jul-02
Rating Lowered	B1	B1	Negative	B1	--	B3	--	Jul-02
Review for Downgrade	Ba2	Ba2	RUR-	Ba2	--	Ba3	--	May-02
Rating Lowered	Ba2	Ba2	Negative	Ba2	NP	Ba3	NP	May-02
Review for Downgrade	Baa3	Baa3	RUR-	Baa3	P-3	Baa3	P-3	Apr-02
Outlook Changed	--	--	Negative	--	--	--	--	Feb-02
Rating Assigned	--	Baa3	--	--	--	--	--	Oct-98
Rating Raised	Baa3	--	--	Baa3	P-3	Baa3	P-3	Jun-97
Outlook Assigned	--	--	Stable	--	--	--	--	Mar-97
Rating Assigned	--	--	--	--	NP	Ba2	NP	Oct-95
Rating Assigned	Ba1	--	--	Ba1	--	--	--	Oct-93

Annual Statistics

Uruguay

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F	2015F
Economic Structure and Performance												
Nominal GDP (US$, Bil.)	13.7	17.4	19.6	23.4	30.4	30.5	38.9	47.2	50.0	55.7	56.6	57.0
Population (Mil.)	3.3	3.3	3.3	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4
GDP per capita (US$)	4,145	5,252	5,908	7,043	9,108	9,107	11,582	14,021	14,789	16,423	16,630	16,681
GDP per capita (PPP basis, US$)	8,762	9,695	10,375	11,315	12,326	12,658	13,910	15,055	15,865	16,588	--	--
Nominal GDP (% change, local currency)	15.6	8.2	10.9	16.6	15.8	8.1	13.5	17.0	11.3	12.3	11.4	10.7
Real GDP (% change)	5.0	7.5	4.1	6.5	7.2	2.4	8.4	7.3	3.7	4.4	2.6	3.2
Inflation (CPI, % change Dec/Dec)	7.6	4.9	6.4	8.5	9.2	5.9	6.9	8.6	7.5	8.5	8.8	7.5
Gross Investment/GDP	17.5	17.7	19.5	19.5	23.2	20.1	18.9	21.1	23.6	23.6	23.7	23.6
Gross Domestic Saving/GDP	20.2	19.6	18.1	18.5	18.4	21.1	19.8	20.6	20.2	20.3	20.1	20.4
Nominal Exports of G & S (% change, US$ basis)	33.0	20.1	12.4	14.8	34.7	-6.5	23.5	19.8	5.0	0.3	2.0	3.6
Nominal Imports of G & S (% change, US$ basis)	37.1	23.0	25.4	13.7	50.7	-22.0	23.2	26.6	16.3	1.1	2.9	2.3
Openness of the Economy [1]	61.5	58.9	62.0	59.2	65.2	55.4	53.5	54.2	56.7	51.3	51.7	52.9
Government Effectiveness [2]	0.35	0.51	0.39	0.51	0.51	0.60	0.64	0.56	0.44	--	--	--
Government Finance												
Gen. Gov. Revenue/GDP [3]	20.9	20.9	21.6	21.0	20.6	21.1	21.5	20.9	20.4	21.3	20.3	20.4
Gen. Gov. Expenditures/GDP [3]	23.3	22.4	22.6	22.6	21.7	22.6	22.7	21.5	22.4	22.9	23.2	22.4
Gen. Gov. Financial Balance/GDP [3]	-2.4	-1.6	-1.0	-1.6	-1.1	-1.5	-1.2	-0.6	-2.0	-1.6	-2.9	-2.0
Gen. Gov. Primary Balance/GDP [3]	2.4	2.7	3.2	2.1	1.8	1.3	1.3	1.9	0.4	0.9	-0.2	0.7
Gen. Gov. Debt (US$ Bil.) [3]	11.17	11.88	11.90	13.43	13.54	16.33	16.05	18.45	20.64	21.26	22.82	22.87
Gen. Gov. Debt/GDP [3]	74.9	67.4	61.6	52.5	51.8	46.6	41.3	40.2	39.4	39.8	42.2	42.1
Gen. Gov. Debt/Gen. Gov. Revenue [3]	358.9	322.7	284.6	250.4	252.1	221.3	192.4	192.8	193.0	186.8	208.1	206.2
Gen. Gov. Int. Pymt/Gen. Gov. Revenue [3]	22.7	20.2	19.5	18.0	14.0	13.4	11.4	11.8	11.6	11.5	13.3	13.1
Gen. Gov. FC & FC-indexed Debt/GG Debt [3]	89.0	89.0	85.0	74.0	72.0	69.0	66.0	51.0	45.0	46.0	45.0	45.5
External Payments and Debt												
Nominal Exchange Rate (local currency per US$, Dec)	26.35	24.10	24.40	21.50	24.35	19.63	20.09	19.90	19.40	21.39	23.53	25.88
Real Eff. Exchange Rate (% change)	-0.5	13.3	2.3	1.7	11.3	4.5	13.4	4.2	5.2	8.5	--	--
Current Account Balance (US$ Bil.)	0.00	0.04	-0.39	-0.22	-1.73	-0.38	-0.73	-1.37	-2.71	-3.12	-2.91	-2.85
Current Account Balance/GDP	0.0	0.2	-2.0	-0.9	-5.7	-1.3	-1.9	-2.9	-5.4	-5.6	-5.1	-5.0
External Debt (US$ Bil.)	14.08	13.72	12.98	14.86	15.42	17.97	18.43	18.34	21.12	22.88	23.45	24.03
Public Sector External Debt/Total External Debt	74.7	76.5	74.3	76.6	71.7	73.0	71.5	78.7	78.9	78.9	78.7	78.8
Short-term External Debt/Total External Debt	23.9	22.1	24.3	23.9	27.4	27.8	28.1	21.1	22.9	22.8	22.9	22.7
External Debt/GDP	94.5	77.8	67.2	58.2	59.0	51.3	47.5	40.0	40.3	42.9	43.4	44.2
External Debt/CA Receipts [4]	296.0	236.1	194.3	186.2	149.5	190.8	162.0	135.1	151.4	162.4	161.8	160.5
Interest Paid on External Debt (US$ Bil.) [5]	0.49	0.58	0.65	0.67	0.60	0.53	0.58	0.60	0.53	0.76	0.78	0.78
Amortizations Paid on External Debt (US$ Bil.) [5]	0.82	1.11	4.21	0.36	0.75	0.44	1.24	2.24	2.32	2.07	6.17	1.42
Net Foreign Direct Investment/GDP	2.3	4.7	7.6	5.3	7.0	5.0	6.0	5.3	5.4	5.0	5.3	5.3
Net International Investment Position/GDP	-11.2	-7.9	-4.0	-9.0	-6.7	-10.5	-6.4	-10.2	-14.5	--	--	--
Official Forex Reserves (US$ Bil.)	2.51	3.07	3.08	4.11	6.35	7.64	7.17	9.77	13.06	15.72	16.51	17.33
Net Foreign Assets of Domestic Banks (US$ Bil.)	1.83	1.97	2.16	2.34	1.72	2.79	4.91	4.76	3.65	--	--	--

Uruguay

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F	2015F
Monetary, Vulnerability and Liquidity Indicators												
M2 (% change, Dec/Dec)	-3.0	0.0	11.6	3.8	28.6	-2.6	22.1	18.0	10.0	--	--	--
Monetary Policy Rate (% per annum, Dec 31)	6.00	4.60	3.45	7.25	7.75	6.25	6.50	8.75	9.25	--	--	--
Domestic Credit (% change Dec/Dec)	-20.7	-18.2	-8.4	-8.0	61.1	-9.4	27.7	6.2	20.2	--	--	--
Domestic Credit/GDP	50.8	38.4	31.7	25.0	34.8	29.2	32.8	29.8	32.2	--	--	--
M2/Official Forex Reserves (X)	2.9	2.6	2.9	2.5	1.9	1.9	2.4	2.1	1.7	--	--	--
Total External Debt/Official Forex Reserves	561.6	447.1	420.8	361.3	243.0	235.1	257.0	187.9	161.7	145.5	142.0	138.6
Debt Service Ratio [5] [6]	27.6	29.2	72.9	12.9	13.1	10.2	16.0	20.9	20.4	20.1	47.9	14.7
External Vulnerability Indicator [7]	255.6	240.8	288.6	170.4	164.5	120.0	122.1	148.5	101.0	82.9	97.3	64.8
Liquidity Ratio [8]	21.5	17.6	20.5	19.2	25.0	26.5	25.9	40.6	47.9	--	--	--
Total Liab. due BIS Banks/Total Assets Held in BIS Banks	26.5	24.7	20.1	24.1	26.9	27.8	41.9	50.7	48.1	--	--	--
"Dollarization" Ratio [9]	90.0	86.6	84.8	79.8	81.9	78.1	75.3	72.4	72.2	73.7	--	--
"Dollarization" Vulnerability Indicator [10]	133.3	118.4	120.1	110.3	105.3	94.7	92.4	85.0	83.1	--	--	--

Notes:

[1] Sum of Exports and Imports of Goods and Services/GDP

[2] Composite index with values from -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions

[3] Central government

[4] Current Account Receipts

[5] Excludes private sector before 2010

[6] (Interest + Current-Year Repayment of Principal)/Current Account Receipts

[7] (Short-Term External Debt + Currently Maturing Long-Term External Debt + Non Resident Deposits due over one year)/Official Foreign Exchange Reserves

[8] Liabilities to BIS Banks Falling Due Within One Year/Total Assets Held in BIS Banks.

[9] Total Foreign Currency Deposits in the Domestic Banking System/Total Deposits in the Domestic Banking System

[10] Total Foreign Currency Deposits in the Domestic Banking System/(Official Foreign Exchange Reserves + Foreign Assets of Domestic Banks)

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