Uruguay

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB-
Short-Term IDR	F3

Local Currency

Long-Term IDR	BBB
Country Ceiling	BBB+

Outlooks

Foreign-Currency Long-Term IDR	Stable
Local-Currency Long-Term IDR	Stable

Financial Data

Uruguay

(USDbn)	2015
GDP	54.2
GDP per head (USD 000)	15.8
Population (m)	3.4
International reserves	16.6
Net external debt (% GDP)	-15.7
Central government total debt (% GDP)	51.6
CG foreign-currency debt	11.3
CG domestically issued debt (UYUbn)	324.1

Related Research

Global Economic Outlook (July 2015)

2015 Outlook: Latin America Sovereigns (December 2014)

2015 Latin American Government Financing Needs (February 2015)

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Key Rating Drivers

Ratings Affirmed: Uruguay's creditworthiness is supported by its strong institutional quality, social stability underpinned by high income and human development, and buffers that have enabled solid growth performance despite external challenges. These factors are balanced by persistently high inflation, relatively high government debt and a rigid spending profile that narrow the scope for counter-cyclical policies.

Aiming for Gradual Consolidation: The new administration has aimed for a gradual reduction in the fiscal deficit over five years. The strategy involves strengthening the balances of state-owned companies and their fiscal contributions, without tax hikes, as spending could face pressure from prior social reforms and pledges for further social spending hikes. Consolidation could face challenges from slower growth, a rigid spending profile and political resistance to efforts perceived to weaken social protections.

Prudent Debt Management: Fitch Ratings forecasts debt will rise from 48% of GDP in 2014, but could stabilise at around 53% by 2017 on the gradual consolidation path envisioned by the authorities. Refinancing risks in the context of expected US monetary normalisation are mitigated by prudent debt management, which has produced one of the lowest financing needs in the 'BBB' category and built important buffers in terms of liquidity, market access and credit lines with multilaterals.

Structurally High Inflation: Inflation reached 9.0% in July, prompting the authorities to implement price freezes. Monetary policy has shouldered the burden of reining in inflationary pressures to balance expansive salary and fiscal policies. New wage guidelines that would replace real wage increases with nominal increases could help moderate inflation slowly, although their adoption faces risks from union opposition.

Growth Cooling: A difficult regional backdrop, weaker soft commodity export prices and the absence of major new investments in the near term suggest growth could moderate in 2015-2016; slack in the labour market has also increased. The government's growth agenda includes infrastructure investment and coordination of public agencies in support of competitiveness, but challenges include fiscal constraints and the slow progress of the PPP framework.

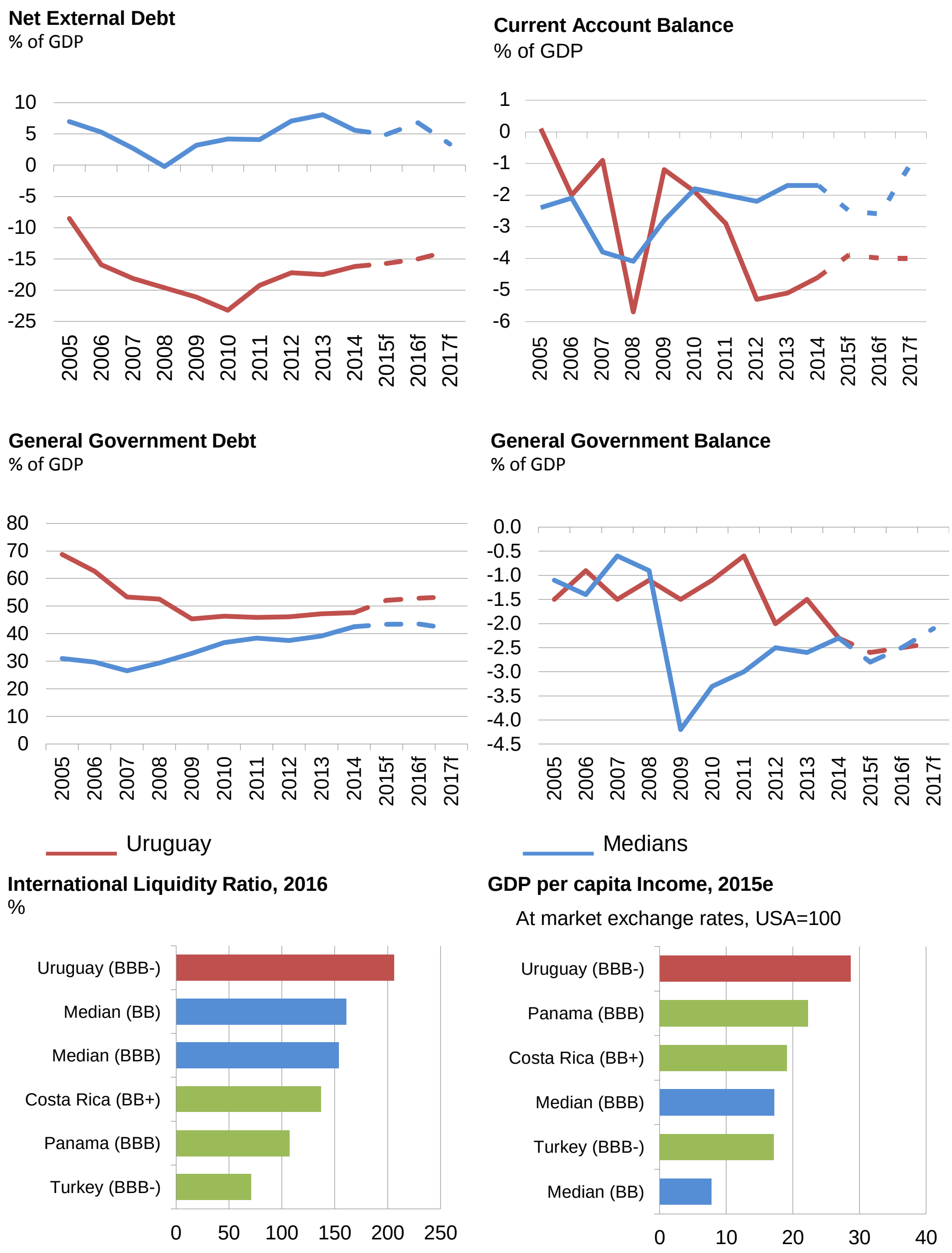
External Buffers in Action: External buffers bolster resilience to shocks and should facilitate adjustment to a less favourable external context. The flexible exchange rate has been a first line of defence, reflecting prudent management of currency risks in the context of dollarisation. The current account deficit has fallen on lower oil prices and remains well covered by FDI. Strong reserve levels provide solid coverage of potential vulnerabilities from high shares of foreign-currency deposits and non-resident holdings of local public debt securities.

Rating Sensitivities

Lower Inflation, Consolidation: Improvements in the macroeconomic policy framework that result in an improved trajectory for inflation and inflation expectations, fiscal consolidation consistent with a more favourable trajectory for public debt, and new investments or productivity gains that lift medium-term growth prospects would be positive for the rating.

Fiscal Slippage, Erosion of Buffers: Weakening in the fiscal position that puts public debt on a sustained upward trajectory, or increased macroeconomic instability and erosion of external buffers, could be negative for the rating.

Peer Comparison



Related Criteria

Sovereign Rating Criteria (August 2014)
Country Ceilings (August 2015)

Peer Group

Rating	Country
BBB	Brazil
	Colombia
	Panama
	South Africa
BBB-	**Uruguay**
	Aruba
	Azerbaijan
	Bahrain
	Bulgaria
	India
	Indonesia
	Morocco
	Namibia
	Philippines
	Romania
	Russia
	Turkey
BB+	Costa Rica
	Hungary
	Macedonia
	Portugal

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
7 Mar 13	BBB−	BBB
14 Jul 11	BB+	BBB−
27 Jul 10	BB	BB+
27 Jul 07	BB−	BB
07 Mar 05	B+	BB−
29 Mar 04	B	B+
17 Jun 03	B−	B
19 May 03	D	B
10 Apr 03	C	CCC−
12 Mar 03	CCC−	CCC−
07 Jan 03	B−	B
30 Jul 02	B	B
28 May 02	B+	BB−
13 Mar 02	BB+	BBB−
19 May 00	BBB−	BBB+
23 Jan 97	BBB−	NR
26 Oct 95	BB+	NR

Rating Factors

Summary: Strengths and Weaknesses

Rating factor	Macroeconomic	Public finances	External finances	Structural issues
Status	Weakness	Weakness	Neutral	Strength
Trend	Stable	Stable	Stable	Stable

Note: Relative to ‘BBB’ category
Source: Fitch

Strengths

- Uruguay’s strong structural factors in terms of high GDP per capita, social development and institutional quality underpin creditworthiness and support policy continuity.
- The sovereign maintains a strong international liquidity position despite remaining a net external debtor, and external financing risks to banks and corporates are mitigated by these sectors’ net external creditor positions. Reserve levels are strong and presently mitigate risks related to high financial dollarisation and the material participation of non-resident investors in the local debt market (37% of central government domestic debt securities through May).
- Proactive public debt management has reduced currency and refinancing risks. The average debt maturity of 15.5 years is one of the highest among ‘BBB’-rated sovereigns. Refinancing risks are further mitigated by liquid central government assets held to cover at least 12 months of debt amortisations, demonstrated access to external markets and precautionary credit lines with multilaterals.
- Uruguay’s growth has outpaced ‘BBB’ peers over the past decade, driven by increased investment and productivity gains, but is expected to converge to the median in the coming years as these drivers cool off.

Weaknesses

- Five-year average inflation is the highest in the ‘BBB’ category, at an estimated 8.4% through 2015. High financial dollarisation, low levels of financial intermediation and lack of coordination from fiscal policy hinder the efficacy of monetary policy. Prevalent backward-looking wage indexation mechanisms have also been identified as a key contributor.
- A rigid spending profile and low level of fiscal savings limit the flexibility of fiscal policy to respond to shocks, although revenue volatility is lower than in rating peers. Current expenditure commitments pose challenges to fiscal consolidation.
- Uruguay’s gross and net general government (GG) debt ratios are above the medians for the ‘BBB’ rating category and are projected to diverge moderately in the coming years. The share of FC debt has been reduced, but remains higher than the ‘BBB’ median.
- Commodity dependence in Uruguay is higher than ‘BBB’ peers, which is partly mitigated by a diversified soft commodity export base.

Local Currency Rating

Uruguay’s Long-Term Local-Currency IDR is one notch above the Long-Term Foreign-Currency IDR due to: increased macroeconomic stability, allowing the government to extend maturities in local-currency-denominated debt; and the ability of the government to raise tax revenue in local currency.

Country Ceiling

Uruguay’s Country Ceiling of ‘BBB+’ reflects the absence of capital controls or current account restrictions that could lead to transfer and convertibility risks. The country’s vulnerability to significant balance-of-payment pressures is reduced by increased exchange rate flexibility, strong bank supervision and a high external liquidity position.

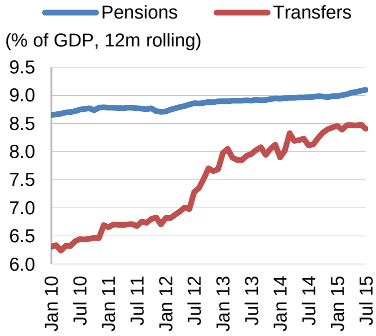
Figure 1

Strengths and Weaknesses: Comparative Analysis

2015	Uruguay BBB−	BBB Median[a]	BB Median[a]	Panama BBB	Turkey BBB−	Costa Rica BB+
Macroeconomic performance and policies						
Real GDP (5yr average % change)	3.9	3.1	4.3	8.3	4.2	4.0
Volatility of GDP (10yr rolling SD)	1.8	2.6	2.2	2.6	4.1	2.7
Consumer prices (5yr average)	8.5	3.3	4.7	3.9	7.8	4.7
Volatility of CPI (10yr rolling SD)	0.9	1.7	2.8	2.2	1.4	3.3
Unemployment rate (%)	7.6	6.8	9.5	4.5	10.3	9.5
Type of exchange rate regime	Managed float	n.a.	n.a.	Dollarised	Float	Managed float
Dollarisation ratio (% of bank deposits)	76.7	34.0	40.7	100.0	0.0	39.8
REER volatility (10yr rolling SD)	4.3	4.9	4.9	2.3	7.4	4.1
Structural features						
GDP per capita (USD, mkt. exchange rates)	15,789	10,200	4,473	12,414	9,465	10,643
GNI per capita (PPP, USD, latest)	20,220	17,065	9,470	19,290	18,760	13,570
GDP (USDbn)	54.2	n.a.	n.a.	49.6	733.3	53.4
Human development index (percentile, latest)	73.6	63.4	52.1	65.5	63.4	63.9
Governance indicator (percentile, latest)[b]	74.0	53.7	46.6	53.7	50.1	70.6
Broad money (% GDP)	46.7	67.4	52.1	77.9	64.5	53.7
Default record (year cured)[c]	2003	n.a.	n.a.	1996	1982	1990
Ease of doing business (percentile, latest)	57.0	71.3	55.4	72.9	71.3	56.4
Trade openness (CXR and CXP % GDP)	26.6	40.0	52.2	67.8	33.8	30.1
Gross domestic savings (% GDP)	18.6	21.6	19.3	27.5	15.9	15.9
Gross domestic investment (% GDP)	20.9	22.3	22.1	25.5	20.2	20.0
Private credit (% GDP)	26.2	62.6	49.2	86.4	70.2	58.8
Bank systemic risk indicators[d]	bb/1	n.a.	n.a.	bbb/1	bbb/2	bb/1
Bank system capital ratio (% assets)	16.0	15.3	14.8	15.0	0.0	13.5
Foreign bank ownership (% assets)	54.7	35.0	32.2	49.1	0.0	32.2
Public bank ownership (% assets)	45.3	30.4	24.4	14.0	0.0	51.8
External finances						
Current account balance + net FDI (% GDP)	0.2	0.2	-0.3	-0.8	-3.4	0.2
Current account balance (% GDP)	-3.9	-2.3	-2.4	-10.5	-4.6	-3.8
Net external debt (% GDP)	-15.7	6.9	7.0	27.4	35.6	3.4
Gross external debt (% CXR)	223.8	138.3	107.6	260.3	201.5	135.6
Gross sovereign external debt (% GXD)	67.2	25.9	51.8	16.9	27.1	35.5
Sovereign net foreign assets (% GDP)	-4.7	0.9	-2.7	-16.4	1.6	3.0
Ext. interest service ratio (% CXR)	6.5	4.9	2.6	8.7	6.1	7.3
Ext. debt service ratio (% CXR)	14.5	13.3	8.9	19.9	25.0	28.4
Foreign exchange reserves (months of CXP)	12.9	5.3	4.0	1.9	6.3	5.5
Liquidity ratio (latest)[e]	207.0	154.1	162.9	107.2	70.9	137.2
Reserve currency flexibility	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	55.2	21.1	19.4	6.3	18.7	12.8
Sovereign net foreign currency debt (% GDP)	-9.5	-7.4	1.4	29.3	-6.3	-1.1
Public finances[f]						
Budget balance (% GDP)	-2.6	-2.6	-3.6	-3.9	-1.8	-6.0
Primary balance (% GDP)	-0.3	-0.5	-1.7	-1.8	0.8	-3.0
Gross debt (% revenue)	188.2	172.0	166.9	193.4	88.1	265.3
Gross debt (% GDP)	52.1	43.1	41.6	40.6	32.2	37.8
Net debt (% GDP)	45.3	35.2	32.9	22.0	29.7	35.9
Foreign currency debt (% total debt)	40.6	33.6	50.7	100.0	39.1	35.9
Interest payments (% revenue)	8.6	8.3	7.9	9.6	8.7	20.7
Revenues and grants (% GDP)	27.7	28.6	26.3	21.0	36.5	14.2
Volatility of revenues/GDP ratio	0.6	5.9	5.5	5.8	7.1	0.6
Central govt. debt maturities (% GDP)	1.9	5.5	3.7	3.3	6.3	5.8

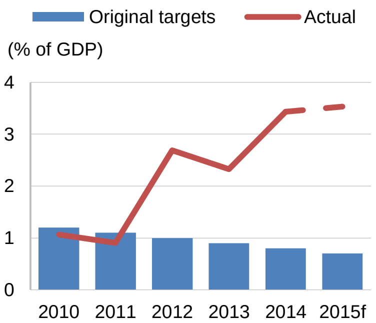
[a] Medians based on three-year centred averages
[b] Composite of six World Bank Governance Indicators used in the Sovereign Rating Model; Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence
[c] Uruguay concluded an exchange offer for all foreign-currency bond debt on 22 May 2003
[d] Bank systemic indicator, which equates to a weighted average Viability Rating; and macro prudential indicator, with 1 'low' systemic risk through to 3 'high'
[e] Ratio of liquid external assets, defined as the stock of official FX reserves including gold at the end of the previous calendar year plus banks' liquid external assets, to liquid external liabilities, defined as scheduled external debt service in the current year, plus the stock of short-term external debt and all non-resident holdings of marketable medium- and long-term local-currency debt at the end of the previous calendar year
[f] General government unless stated
Note: Acronyms used: Consumer price inflation (CPI), gross domestic product (GDP), current external receipts (CXR), current external payments (CXP), gross national income (GNI), purchasing power parity (PPP), standard deviation (SD), foreign direct investment (FDI)
Source: Fitch

Figure 2
Spending Drivers



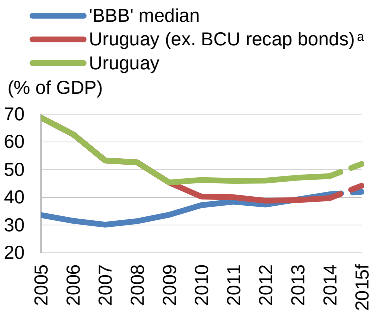
Source: MEF, adj. for calendar effects

Figure 3
Public Sector Deficits
2010-2014 budget cycle



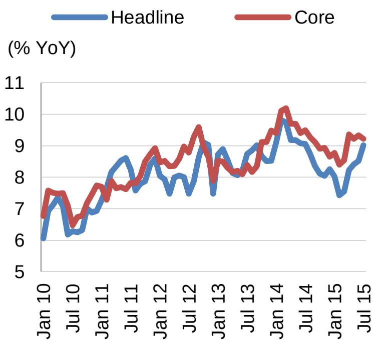
Source: MEF, 2010-14 Budget

Figure 4
General Government Debt



[a] Bonds issued to central bank for recapitalisation, not in official statistics.
Source: Fitch

Figure 5
Consumer Price Inflation



Source: INE, CINVE

Key Credit Developments

Slower Growth, Spending Pressures Challenge Fiscal Consolidation

Following a rise in the public sector deficit to 3.4% of GDP in 2014, the new administration of President Tabaré Vázquez has set a goal to lower it to 2.5% by 2019. This consolidation is expected to involve stronger outturns by public companies and an improvement in the central government primary balance from 0% of GDP to 0.7%. Hikes to fuel and utility tariffs in 2015 could improve the bottom lines of public companies and their fiscal contributions in a context of cheaper fuel inputs. However, Fitch forecasts the primary deficit could reach 0.3% of GDP in 2015 on social spending pressures, after reaching 0.2% in the 12 months through July.

The consolidation strategy will become clearer as Congress considers the 2015-2019 budget later this year. It will be challenged by slower growth and a rigid spending profile heavy in social programmes. The authorities have pledged higher spending on education, dependent care and security without tax hikes, as prior reforms to expand public healthcare and pension coverage could continue to pressure spending. Capex represents 5% of central government spending (half the 'BBB' median) and 8% of total public spending, constraining its potential as a source of consolidation. The authorities have also pledged to spend USD8bn on infrastructure through 2019, in line with the previous administration as a share of GDP at around 3% per year.

Fitch assumes the administration will take the steps necessary to stem further deterioration of fiscal balances. However, consolidation efforts perceived to pose risks to employment and social protections could face political resistance from left-leaning factions within the ruling coalition. Strike activity has risen in the context of the formulation of the budget, namely among teachers. Uruguay's deficit targets are not binding and were largely exceeded in the last budget cycle. A law limiting annual increases in public net debt has not yet proven to be a strong policy anchor, given use of waivers in recent years and a hike to the limit in 2015[1].

Fitch projects the debt burden will rise to 52.1% of GDP in 2015 from 47.7% in 2014 due to a primary deficit, peso depreciation and extra borrowing for pre-financing and to fund cancellation of the state oil company's debt with Venezuela's PSVSA. The gradual consolidation envisioned by the authorities could stabilise debt at around 53% of GDP by 2017. High reliance on foreign financing (over 70% of debt is issued abroad and 10% locally but held by non-residents) poses risks of higher funding costs from US monetary normalisation, but prudent debt management mitigates refinancing risks. Financing needs averaging 1.8% of GDP in 2015-17 are among the lowest in the 'BBB' category, and other key buffers include a 12-month pre-funding policy for debt repayments, demonstrated capital market access and credit lines with multilaterals.

Seeking to Improve Macro Policy Coordination

Headline inflation rose to 9.0% in July from 7.4% in February under the pressure of peso depreciation and expiration of some tax exemptions, as lower global fuel prices have not been passed through to consumers. This prompted authorities to negotiate price freezes with retail and wholesale merchants in July, for the third time since 2012. High inflation has not emerged as a source of popular concern due to prevalent indexation, but it narrows scope for counter-cyclical monetary policy, adds to competitiveness challenges, and hinders de-dollarisation.

Monetary policy has shouldered the burden of attempting to rein in inflationary pressures in recent years, balancing expansive fiscal and salary policies. Interest rates on central bank monetary regulation notes have stood at around 14% (5% in real terms), and money supply growth has moderated in line with targets. High dollarisation and low financial intermediation continue to hinder transmission of tight monetary policy to domestic demand, although advances have been made in improving access to savings instruments beyond low-yielding bank deposits to improve transmission channels.

[1] The limit was raised from 5.5bn inflation-indexed units (1.3% of GDP) to 9bn (1.9%) in 2015, retroactive for 2014, and can be exceeded by an extra 100% for extraordinary circumstances.

Figure 6

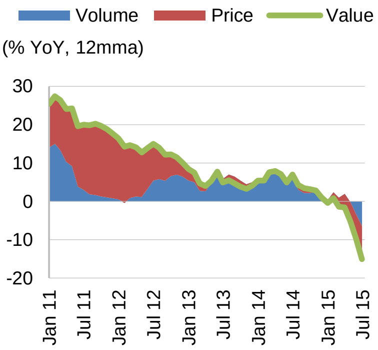
Private Wage Increases

(% yoy)	Yr 1	Yr 2	Yr 3
2013-15 actual[a]	12.3	12.2	11.8
New guidelines:			
Strong sectors	10.0	9.0	8.0
Normal sectors	8.5	7.5	7.0
Weak sectors	8.0	6.5	6.0

[a] yoy through June for reference (contracts staggered)
Source: MEF

Figure 7

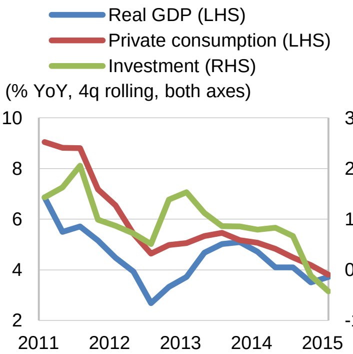
Export Growth



Source: BCU

Figure 8

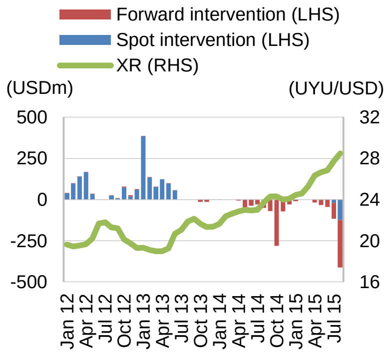
Real GDP Growth



Source: BCU

Figure 9

XR and Intervention



Source: BCU

Indexation of wages to inflation, and of social benefits to wages, has been a key contributor to inflation inertia. New guidelines for upcoming three-year wage contracts replace real increases (ensured via ex-post inflation adjustments) with nominal increases varying in three categories based on sectors' strength. Ex-post inflation adjustments would still be triggered to offset any real income losses by the end of the second year, and the lowest wages would see larger hikes as a redistributive measure. The guidelines could have a slow impact on inflation, given the staggered expiration of most existing contracts through mid-2016. Guaranteed real wage hikes have helped avoid popular discontent from the country's high inflation, and the proposed changes have faced opposition by powerful union groups, posing risks to their adoption.

Resilient, But Not Immune to Difficult External Backdrop

Export diversification into new, less correlated agricultural products and markets over the past decade has improved Uruguay's resilience to external shocks. Nevertheless, the economy is facing headwinds from coinciding negative development in key export markets (Brazil, Venezuela, EU, Russia) and prices (dairy, pulp, soy). Exports fell 18% in 2015 through July on lower prices and volumes, despite a boost from the first full year of production at the Montes del Plata pulp mill. Lower prices for imported oil have not provided broad-based economic support, as savings have accrued to state utilities instead of being passed on to consumers.

Despite external headwinds, Uruguay's economy has outperformed peers in the region. Fitch projects growth will slow from 3.5% in 2014 to 2.5% in 2015 (which includes a boost officially estimated at 1pp from Montes del Plata) and remain at around this level for the next few years. Investment is likely to wane somewhat as a growth driver going forward given the absence of large investments in the near term[2]. A project to tap iron deposits is on hold in the context of low prices, and oil exploration projects remain in early stages but have seen some advances. The slowdown in growth has recently been reflected in greater slack in the labour market.

Amidst this less favourable backdrop, growth prospects will depend increasingly on productivity gains. The government is working to set up a National Competitiveness System to better coordinate public agencies in support of productivity-enhancing projects. The government's USD12.4bn infrastructure investment plan could support prospects if successfully executed, although fiscal constraints and the PPP framework's slow progress in producing successful projects so far could pose challenges. The government's main policy priorities in education and health could further bolster human capital strengths, although potential benefits to productivity would likely materialise over a longer horizon.

External Buffers Facilitate Adjustment

A flexible exchange rate has been the first line of defence to a challenging external backdrop despite financial dollarisation, reflecting prudent management of currency mismatches in the public and private sectors. FX intervention by the central bank in the spot and forward markets has aimed to avoid volatility, and the peso depreciated 15% in 2015 through August. The weakening of the peso has exposed vulnerabilities in the balance sheet of state-owned oil company ANCAP, and the government is working to reduce and de-dollarise its debt.

The current account deficit has continued to fall in 2015 (3.7% of GDP in the four quarters through 1Q15), despite lower prices for agricultural exports, on the large reduction in the oil import bill. Diversification of the electricity matrix has also eased demand for oil and could limit upward pressure on the oil import bill if prices rise. FDI inflows have moderated somewhat following completion of Montes del Plata, but continue to provide ample external financing coverage. International reserve holdings remain strong, at USD17.1bn through late-August, and provide solid coverage of foreign-currency deposits and non-resident holdings of local public debt securities. External risks to Uruguay's banks and corporates are mitigated by these sectors' positions as net external creditors.

[2] Construction of a regasification plant stalled this year due to financial problems with the contractor (Brazil's OAS) and withdrawal of the French-Japanese financing consortium.

Fitch uses stylised projections for a sovereign's gross general government debt/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

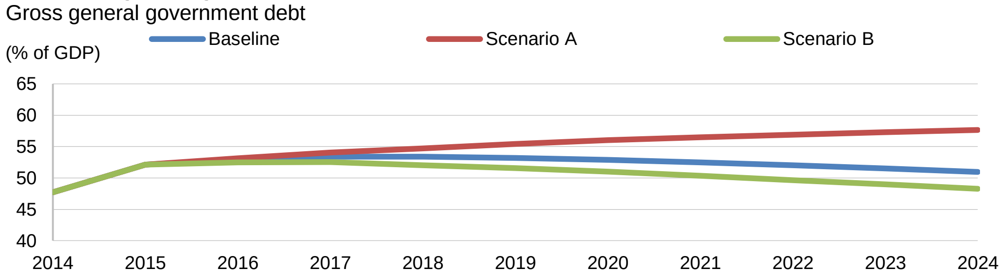
Public Debt Dynamics

Fitch's projects government debt will reach 52% of GDP in 2015 on a primary deficit, peso depreciation and extra borrowing to finance cancellation of ANCAP's debt with Venezuela's PVDSA. The authorities' targeted consolidation could stabilise debt at 53% by 2017. Failure to achieve this consolidation and peso depreciation pose the main risks to debt dynamics. Debt levels are less sensitive to inflation due to indexation of most peso debt to the CPI.

Debt Dynamics: Fitch's Baseline Assumptions

	2014	2015	2016	2017	2018	2019	2024
Gross general government debt (% GDP)	47.7	52.1	52.9	53.4	53.4	53.2	51.0
Primary balance (% of GDP)	0.0	-0.3	0.0	0.2	0.5	0.7	0.7
Real GDP growth (%)	3.5	2.5	2.3	2.6	2.8	3.0	3.0
Avg. nominal effective interest rate (%)	5.4	5.4	5.5	5.5	5.5	5.6	5.8
UYU/USD (annual avg.)	23.2	27.4	30.1	31.9	33.5	35.0	41.0
GDP deflator (%)	9.6	8.3	8.8	8.1	7.3	6.5	6.3

Sensitivity Analysis
Gross general government debt



Source: Fitch

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Scenario A	Achievement of only half the fiscal consolidation envisioned by 2019 (a 0.35% of GDP primary surplus), growth stabilises at 2%.
Scenario B	Achievement of fiscal targets and stabilisation of growth at 3.5% of GDP; convergence of inflation and GDP deflator to 5% by 2020, consistent with slower peso depreciation and lower marginal nominal interest rates.

Forecast Summary

	2011	2012	2013	2014	2015f	2016f	2017f
Macroeconomic indicators and policy							
Real GDP growth (%)	5.2	3.3	5.1	3.5	2.5	2.3	2.6
Unemployment (%)	6.3	6.5	6.6	6.6	7.6	7.8	7.8
Consumer prices (annual average % change)	8.1	8.1	8.6	8.9	8.7	8.7	8.1
Short-term interest rate (30-day LRMs, annual avg.) (%)	8.8	9.4	11.4	14.4	14.4	14.4	14.0
General government balance (% of GDP)	-0.6	-2.0	-1.5	-2.3	-2.6	-2.5	-2.4
General government debt (% of GDP)	45.9	46.1	47.2	47.7	52.1	52.9	53.4
UYU per USD (annual average)	19.31	20.31	20.48	23.25	27.37	30.10	31.85
Real effective exchange rate (2000 = 100)	112.1	115.6	123.3	121.2	122.2	122.2	124.6
Real private sector credit growth (%)	8.8	4.8	16.8	7.2	-0.2	-1.6	-0.1
External finance							
Current account balance (% of GDP)	-2.9	-5.3	-5.1	-4.6	-3.9	-4.0	-4.0
Current account balance plus net FDI (% of GDP)	2.3	-0.3	0.1	0.2	0.2	0.2	0.2
Net external debt (% of GDP)	-19.2	-17.2	-17.5	-16.2	-15.7	-15.0	-13.7
Net external debt (% of CXR)	-67.8	-63.6	-71.4	-66.5	-63.6	-60.4	-55.7
Official international reserves including gold (USDbn)	10.3	13.6	16.3	17.6	16.6	16.8	16.9
Official international reserves (months of CXP cover)	8.3	9.8	11.5	12.6	12.9	12.7	12.4
External interest service (% of CXR)	6.1	6.0	5.9	6.0	6.5	6.7	6.7
Gross external financing requirement (% int. reserves)	38.5	36.1	32.8	27.4	18.0	19.4	21.9
Real GDP growth (%)							
US	1.6	2.3	2.2	2.4	2.2	2.5	2.5
China	9.3	7.7	7.7	7.4	6.8	6.5	6.0
Eurozone	1.7	-0.8	-0.5	0.9	1.6	1.7	1.6
World	3.3	2.5	2.5	2.6	2.5	2.9	2.8
Oil (USD/barrel)	111.0	112.0	108.8	98.9	65.0	75.0	80.0

Source: Fitch

Fiscal Accounts Summary

(% of GDP)	2012	2013	2014	2015f	2016f	2017f
General government						
Revenue	**26.8**	**28.0**	**27.5**	**27.7**	**28.0**	**28.2**
Expenditure	**28.9**	**29.5**	**29.8**	**30.3**	**30.5**	**30.6**
O/w interest payments	2.3	2.4	2.3	2.4	2.5	2.6
Primary balance	0.3	0.9	0.0	-0.3	0.0	0.2
Overall balance	**-2.0**	**-1.5**	**-2.3**	**-2.6**	**-2.5**	**-2.4**
General government debt	**46.1**	**47.2**	**47.7**	**52.1**	**52.9**	**53.4**
% of general government revenue	171.6	168.7	173.8	188.2	189.3	189.5
General government deposits	6.6	4.6	5.8	6.4	6.5	6.4
Net general government debt	39.8	42.3	41.6	45.3	46.3	46.9
Central government						
Revenue	**19.9**	**20.7**	**19.8**	**19.9**	**19.9**	**19.9**
O/w grants	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure and net lending	**21.8**	**22.2**	**22.1**	**22.4**	**22.5**	**22.3**
O/w current expenditure and transfers	18.1	18.4	18.4	18.7	18.7	18.7
- Interest	2.3	2.4	2.3	2.4	2.5	2.3
O/w capital expenditure	1.4	1.4	1.4	1.3	1.3	1.3
Current balance	-0.5	-0.1	-0.9	-1.1	-1.3	-1.0
Primary balance	0.4	0.9	0.0	-0.1	-0.1	-0.1
Overall balance	**-1.9**	**-1.5**	**-2.3**	**-2.4**	**-2.6**	**-2.4**
Central government debt	45.6	46.7	47.1	51.6	52.4	52.9
% of central government revenues	229.5	226.1	238.4	258.6	262.8	265.2
Central government debt (UYUbn)	**476.3**	**550.3**	**629.9**	**764.6**	**864.2**	**967.4**
By residency of holder						
Domestic	197.7	207.5	224.6	281.0	322.5	365.6
Foreign	278.5	342.9	405.2	483.7	541.7	601.8
By currency denomination						
Local currency	295.7	340.8	378.1	433.6	487.3	543.0
Foreign currency	180.5	209.5	251.7	331.0	376.8	424.4
In USD equivalent (eop exchange rate)	9.3	9.8	10.3	11.3	12.2	13.0
Average maturity (years)	11.7	10.8	14.4	15.0	-	-
Memo						
Nominal GDP (UYUbn)	1,043.6	1,178.2	1,336.0	1,482.4	1,648.7	1,828.7

Source: Ministry of Finance and Fitch estimates and forecasts

External Debt and Assets

(USDbn)	2010	2011	2012	2013	2014	2015f
Gross external debt	**19.4**	**19.9**	**24.5**	**26.6**	**28.7**	**29.9**
% of GDP	48.3	41.6	47.7	46.2	49.9	55.2
% of CXR	171.3	147.2	176.1	188.8	204.6	223.8
By maturity						
Medium- and long-term	12.3	13.4	16.3	18.1	20.5	21.5
Short-term	7.1	6.5	8.2	8.5	8.2	8.4
% of total debt	36.5	32.7	33.4	31.9	28.5	28.2
By debtor						
Sovereign	**13.0**	**14.1**	**16.9**	**18.2**	**19.4**	**20.1**
Monetary authorities	0.5	0.3	0.6	0.6	0.5	0.5
General government	12.5	13.8	16.3	17.6	18.9	19.6
O/w central government	11.2	12.0	14.4	16.0	16.7	16.6
Banks	**5.3**	**4.0**	**4.7**	**5.0**	**5.4**	**5.6**
Other sectors	**1.2**	**1.9**	**2.9**	**3.4**	**3.8**	**4.2**
Gross external assets (non-equity)	**28.8**	**29.1**	**33.4**	**36.6**	**38.0**	**38.4**
International reserves, incl. gold	7.7	10.3	13.6	16.3	17.6	16.6
Other sovereign assets nes	0.7	0.5	0.8	0.9	0.9	0.9
Deposit money banks' foreign assets	10.4	8.9	8.5	8.3	8.6	9.8
Other sector foreign assets	10.1	9.5	10.4	11.2	10.8	11.0
Net external debt	**-9.3**	**-9.2**	**-8.8**	**-10.1**	**-9.3**	**-8.5**
% of GDP	-23.2	-19.2	-17.2	-17.5	-16.2	-15.7
Net sovereign external debt	4.6	3.3	2.5	1.0	0.9	2.5
Net bank external debt	-5.1	-4.9	-3.8	-3.2	-3.2	-4.2
Net other external debt	-8.9	-7.6	-7.5	-7.8	-7.0	-6.8
Net international investment position	**9.3**	**9.2**	**8.8**	**10.1**	**9.3**	**8.5**
% of GDP	23.2	19.2	17.2	17.5	16.2	15.7
Sovereign net foreign assets	**-4.6**	**-3.3**	**-2.5**	**-1.0**	**-0.9**	**-2.5**
% of GDP	-11.5	-6.9	-4.9	-1.7	-1.5	-4.7
Debt service (principal & interest)	**1.9**	**2.4**	**1.8**	**2.4**	**2.7**	**1.9**
Debt service (% of CXR)	16.5	17.6	13.2	16.7	18.9	14.5
Interest (% of CXR)	7.3	6.1	6.0	5.9	6.0	6.5
Liquidity ratio (%)	150.4	167.4	219.7	175.5	176.9	207.0
Net sovereign FX debt (% of GDP)	7.6	-1.7	-8.2	-11.1	-12.3	-9.5
Memo						
Nominal GDP	40.3	48.0	51.4	57.5	57.5	54.2
Inter-company loans	0.7	1.2	1.3	1.5	1.4	1.4

Source: Central Bank, IMF, World Bank and Fitch estimates and forecasts

External Debt Service Schedule on Medium- and Long-Term Debt at 30 June 2015

(USDm)	2014	2015	2016	2017	2018	2019	2020+
Sovereign: Total debt service	**1,813**	**1,084**	**973**	**1,328**	**1,427**	**897**	**25,093**
Amortisation	1,024	280	194	560	674	175	14,877
Official bilateral	6	5	6	6	6	4	34
Multilateral	107	114	121	246	103	106	1,366
O/w IMF	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Bonds placed in foreign markets	911	160	68	308	565	65	13,477
Interest	789	804	779	768	753	722	10,216
Non-sovereign public sector							

Source: Ministry of Finance and Fitch

Balance of Payments

(USDbn)	2012	2013	2014	2015f	2016f	2017f
Current account balance	**-2.7**	**-2.9**	**-2.6**	**-2.1**	**-2.2**	**-2.3**
% of GDP	-5.3	-5.1	-4.6	-3.9	-4.0	-4.0
% of CXR	-19.5	-20.9	-18.9	-15.6	-16.2	-16.2
Trade balance	**-2.4**	**-1.4**	**-0.9**	**-0.7**	**-0.8**	**-0.7**
Exports, fob	9.9	10.3	10.4	9.5	9.7	9.9
Imports, fob	12.3	11.6	11.3	10.2	10.4	10.6
Services, net	**1.1**	**0.1**	**0.0**	**0.3**	**0.3**	**0.4**
Services, credit	3.5	3.4	3.2	3.3	3.4	3.7
Services, debit	2.4	3.2	3.2	3.1	3.1	3.3
Income, net	**-1.5**	**-1.8**	**-1.8**	**-1.8**	**-1.9**	**-2.0**
Income, credit	0.4	0.3	0.2	0.4	0.4	0.3
Income, debit	1.9	2.1	2.1	2.2	2.3	2.4
O/w: Interest payments	0.8	0.8	0.8	0.9	0.9	1.0
Current transfers, net	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Capital and financial accounts						
Non-debt-creating inflows (net)	2.4	2.7	2.8	2.2	2.3	2.4
O/w equity FDI	2.4	2.7	2.8	2.2	2.3	2.4
O/w portfolio equity	0.0	0.0	0.0	0.0	0.0	0.0
O/w other flows	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves	-3.3	-2.9	-1.4	1.0	-0.2	-0.2
Gross external financing requirement	3.7	4.5	4.5	3.2	3.2	3.7
Stock of international reserves, incl. gold	13.6	16.3	17.6	16.6	16.8	16.9

Source: IMF and Fitch estimates and forecasts

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