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18 July 2017

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RATINGS

Government of Uruguay

	Foreign Currency	Local Currency
Gov. Bond Rating	Baa2/Stable	Baa2/Stable
Country Ceiling	A2	A2
Bank Deposit Ceiling	Baa2	A2

TABLE OF CONTENTS

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Government of Uruguay - Baa2 Stable

Annual Credit Analysis

OVERVIEW AND OUTLOOK

Uruguay's Baa2 sovereign rating is supported by a strong institutional framework that reinforces political and social stability and makes the country an attractive destination for foreign direct investment (FDI). Comparatively large fiscal reserves and external buffers, moderate central government debt burden and very strong liability management practices also support creditworthiness. The ongoing economic recovery will support the government's fiscal consolidation efforts. We expect these measures will contribute to the stabilization of the government's debt metrics.

Credit challenges include a relatively high, albeit decreased, share of foreign currency government debt and financial system dollarization. High inflation and a deterioration of fiscal balances have weighed on policy credibility.

The rating outlook is stable. Upward rating pressure could result from a significant strengthening of the government's balance sheet through a reduction of the sovereign's debt and interest burden, and if there is a reduction in vulnerabilities through a significant decrease of government debt dollarization. Addressing the structural rigidities in the economy to achieve higher potential growth would also be credit positive.

Downward rating pressure could result if consolidation measures fall short of contributing to the authorities fiscal targets, leading to an increase in debt ratios, and if there is a continued deterioration in the structural fiscal balances and a weakening of the government balance sheet. A sustained and material erosion of external and financial buffers would also be negative for the ratings.

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.

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

RATING RATIONALE

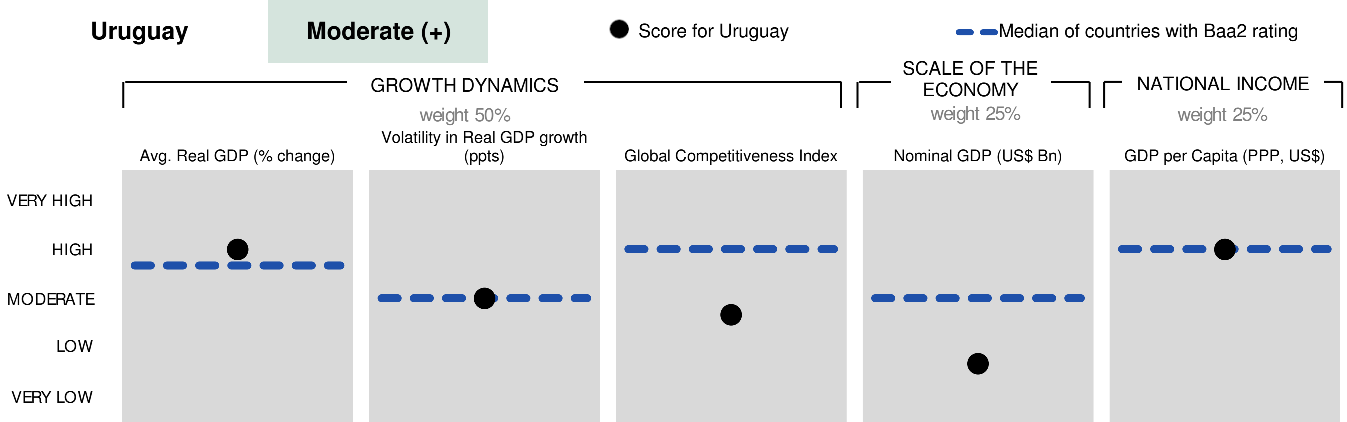
Our determination of a sovereign's government bond rating is based on the consideration of four rating factors: Economic Strength, Institutional Strength, Fiscal Strength and Susceptibility to Event Risk. When a direct and imminent threat becomes a constraint, that can only lower the preliminary rating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

Economic Strength: Moderate (+)

Factor 1 Overall Score

Scale		VH+	VH	VH-	H+	H	H-	M+	M	M-	L+	L	L-	VL+	VL	VL-	
	+							Final	Indicative								-

Factor 1 Sub-Scores



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.

Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

We set Uruguay's Economic Strength score at "Moderate (+)". This final score diverges from the indicative "Moderate" as we consider that the implied GDP growth volatility, which covers the 2007-16 period, overstates the potential volatility that the economy will display over the coming years. Uruguay's Economic Strength assessment takes into consideration moderate growth dynamics with respect to all rated sovereigns, a high level of income with GDP per capita of $22,527 in PPP terms for 2016, and a relatively small economy on a global basis ($52.4 billion in 2016). Uruguay shares the "Moderate (+)" score with other sovereigns such as Peru (A3 stable), Romania (Baa3 stable) and Slovenia (Baa3 stable).

Exhibit 1
Factor 1 Moderate (+) Peer Comparison

Peer comparison table Factor 1: Economic strength

	Uruguay Baa2/STA	M+ Median	Bangladesh Ba3/STA	Pakistan B3/STA	Peru A3/STA	Romania Baa3/STA	Russia Ba1/STA	Slovenia Baa3/POS
Final score	M+		M+	M+	M+	M+	M+	M+
Indicative score	M		M+	M+	M+	M+	M+	M-
Nominal GDP (US$ bn)	52.4	138.6	221.4	278.9	194.9	187.6	1,283.2	44.0
GDP per capita (PPP, US$)	21,527.3	24,028.8	3,601.0	5,105.6	13,189.4	22,347.9	26,489.8	31,709.9
Average real GDP (% change)	2.9	3.2	6.4	4.7	4.2	3.3	1.0	1.8
Volatility in real GDP growth (ppts)	2.4	3.4	0.6	1.4	2.8	4.4	4.6	4.0
Global Competitiveness index	4.2	4.3	3.8	3.5	4.2	4.3	4.5	4.4

Source: Moody's

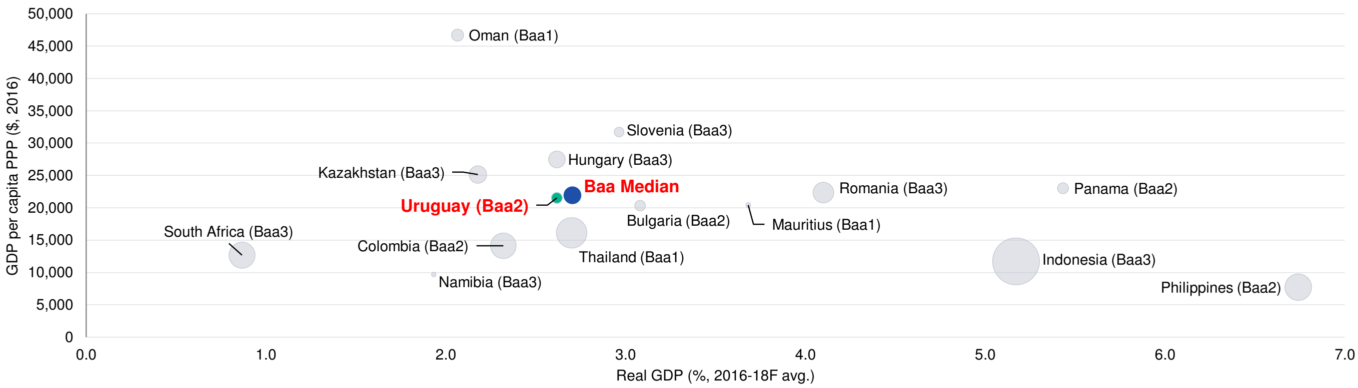
Wealth level and growth dynamics positions Uruguay near the average Baa-rated sovereign

Uruguay's economy is smaller than the median for Baa peers, ranking seventh out of 20 Baa-rated sovereigns. Its GDP is similar to that of Panama (Baa2 stable), totaling $52.4 billion in 2016. In terms of wealth levels, Uruguay is aligned with the Baa median of almost $22,000 in PPP terms. Finally, compared to peers, the expected growth performance in the 2016-18 period will be broadly in line with the average Baa sovereign (see Exhibit 2).

Exhibit 2

Uruguay's economic strength is supported by relatively high income levels and economic dynamism

Size of the bubble = Nominal GDP (US$ Bil., 2016)

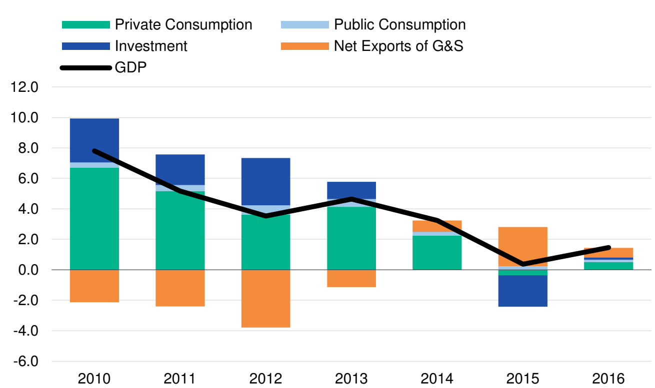


Source: Moody's

The economy is recovering faster than expected to potential growth of 3%. Uruguay's economy suffered a slowdown since 2013, with growth going as low as 0.4% in 2015. Factors explaining the slowdown are related to a decline in investment and private consumption (see Exhibit 3). Investment's contribution to growth fell as a large pulp mill project was completed in 2014. Meanwhile, a less favorable external environment also negatively impacted the economy. Following the announcement of a normalization in the US monetary policy, as well as economic recessions in neighboring Brazil and Argentina, the Uruguayan peso depreciated on average 13% in 2013-15 (18.5% in 2015), pushing inflation higher as well. These dynamics negatively impacted Uruguayan households' purchasing power, thus lowering private consumption. Given the slowdown, Uruguay's growth underperformed relative to Baa peers (see Exhibit 4).

Exhibit 3

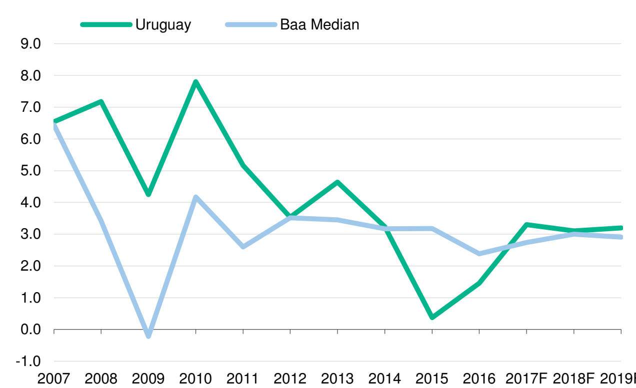
Economic slowdown driven by a fall in domestic demand
(Percentage points)



Sources: Central Bank of Uruguay, Moody's

Exhibit 4

Uruguay underperformed relative to peers in recent years
(%)



Source: Moody's

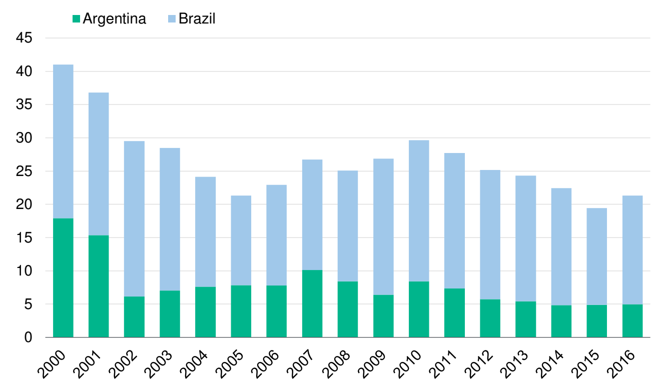
Uruguay's economic performance in 2016 exceeded our expectations a year ago (0.0-0.5%), with GDP growth of 1.5%. While still below potential, which we estimate to be about 3%, both improving domestic demand and, more recently, external demand have supported the economic recovery. The appreciation of the currency and relative stability since July 2016, along with decreasing inflation, have supported improved private consumption. Meanwhile, even though conditions in Argentina are improving but remain relatively weak, the flow of Argentine tourists to Uruguay in Q1 2017 also supported an acceleration in growth during that period. Uruguay's economy grew 4.3% y/y in the first quarter of 2017, leading us to consider that the gap with potential growth will be closed in 2017 rather than 2019 as we expected a year ago.

For 2017-19 our baseline considers that growth will remain in the 3.0-3.5% range – converging with the Baa median – with economic activity supported by improving private consumption and investment. A recovery in Brazil and Argentina would support growth in Uruguay as well, given linkages in productive chains and demand for Uruguayan exports. Moreover, these forecasts do not incorporate yet the potential upside that the construction of a third large pulp mill plant in the country could have on overall economic activity. The project, which will be led by Finland's UPM (Baa3 stable), is valued at $6 billion or 11.4% of GDP (this figure includes $1 billion related to transport infrastructure that will benefit the broader economy). Initial estimates consider that the project could add 1.5pp to growth once it begins construction, likely in Q4 2018.

Despite strong linkages with Brazil and Argentina, Uruguay has demonstrated resilience to external shocks

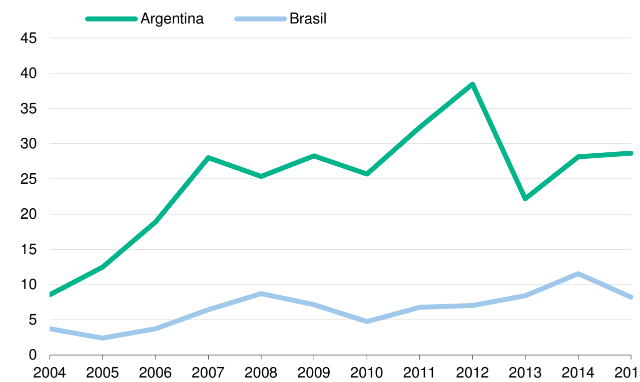
Over the past decade, Uruguay has pursued a policy of diversification in the destination of its exports. China's participation has increased from receiving less than 5% of total exports to averaging over 13% since 2013. That said, Brazil and Argentina still combine to account for just over 20% of total exports (see Exhibit 5). Both countries also are an important source of foreign direct investment (see Exhibit 6), and Argentina remains an important source of tourism inflows for Uruguay.

Exhibit 5
Exports to Argentina and Brazil
(% of total)



Sources: Central Bank of Uruguay, Moody's

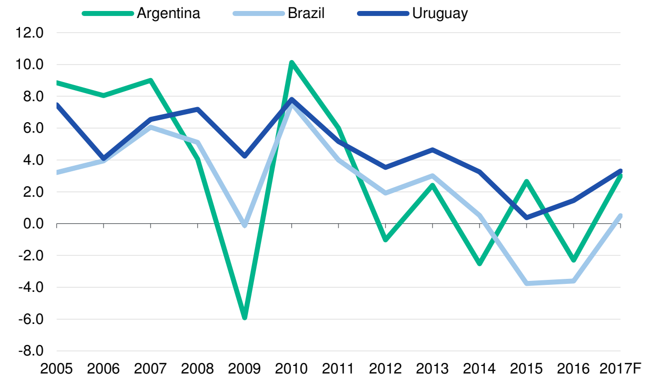
Exhibit 6
FDI inflows from Argentina and Brazil
(% of total)



Sources: Central Bank of Uruguay, Moody's

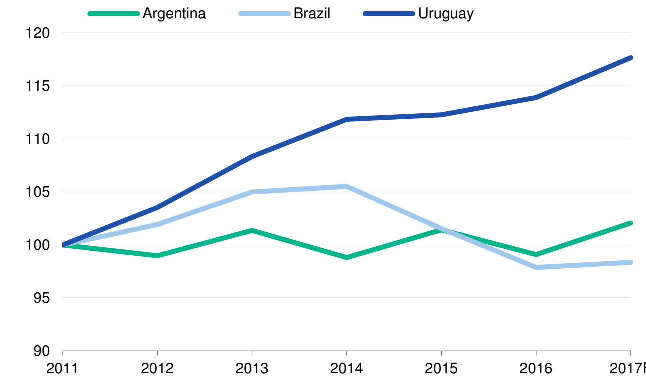
Uruguay's economic integration, therefore, has meant that its growth performance has also followed that of its neighbors in the past (see Exhibit 7). However, we now think that while Uruguay will not be fully insulated from spillover effects stemming from Argentina and Brazil, the country will likely be more resilient to this kind of external shocks going forward. This has become more evident in recent years, when both Argentina and Brazil have faced higher macroeconomic challenges (see Exhibit 8). As these economies appear to have touched the bottom of their economic cycles, their recoveries will likely bolster that of Uruguay over the coming years.

Exhibit 7
Trend in GDP growth similar to Argentina and Brazil (%)



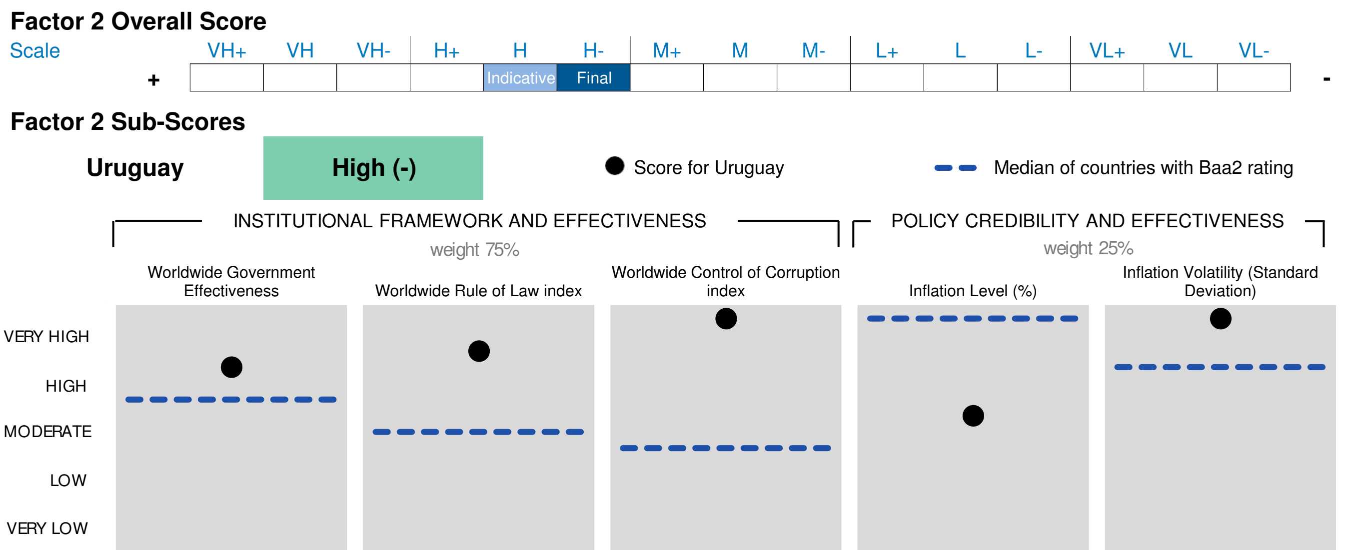
Sources: National sources, Moody's

Exhibit 8
But Uruguay has been more resilient to recent shocks (Real GDP, 2011 = 100)



Sources: National sources, Moody's

Institutional Strength: High (-)



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.
Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

Uruguay's Institutional Strength score is set at "High (-)" from an indicative "High". This assessment balances Uruguay's strong institutional framework that reinforces policy predictability with still-evolving capabilities to effectively and credibly conduct these policies. Authorities have faced challenges to meet policy goals, as exemplified by stubbornly high inflation rates that remained above the official target range and a mixed track-record of fiscal management. Uruguay shares this score for Institutional Strength with Thailand (Baa1 stable), Oman (Baa1 stable) and Hungary (Baa3 stable).

Exhibit 9
Factor 2 High (-) Peer Comparison

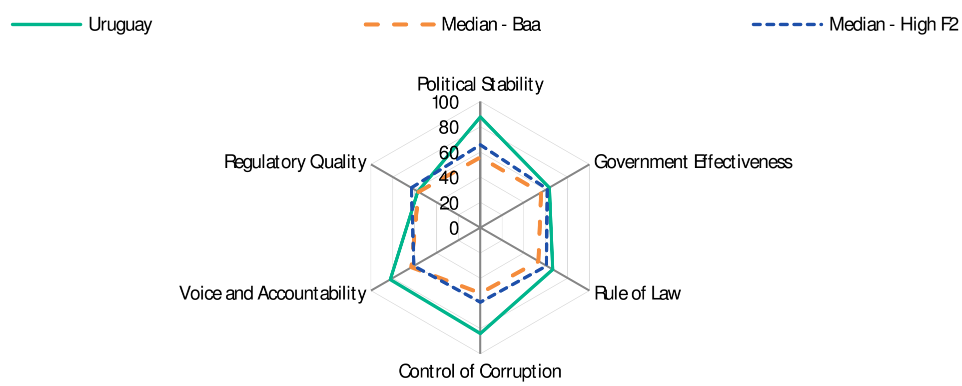
Peer comparison table Factor 2: Institutional strength	Uruguay Baa2/STA	H- Median	Croatia Ba2/STA	Georgia Ba3/STA	Hungary Baa3/STA	Oman Baa1/STA	Saudi Arabia A1/STA	Thailand Baa1/STA
Final score	H-		H-	H-	H-	H-	H-	H-
Indicative score	H		H-	H	H	H-	H-	H-
Gov. Effectiveness, percentile [1]	63.3	58.0	61.8	58.7	61.0	45.0	49.6	57.2
Rule of Law, percentile [1]	66.4	58.4	54.9	58.0	58.7	61.0	57.2	44.2
Control of Corruption, percentile [1]	83.9	58.4	58.7	68.7	55.7	58.0	54.1	34.3
Average inflation (%)	7.7	2.2	1.2	2.5	2.2	2.1	2.3	1.7
Volatility in inflation (ppts)	0.9	2.2	2.1	4.0	2.8	3.6	2.2	2.0

Source: Moody's

Strong institutional framework relative to rating peers

According to the Worldwide Governance Indicators (WGI), Uruguay scores higher than most Baa-rated peers in terms of government effectiveness, rule of law and control of corruption (see Exhibit 10). As per the 2015 WGI scores, Uruguay ranks in the 63rd percentile for government effectiveness, compared to the Baa median at the 56th percentile; for rule of law Uruguay is at 66th percentile while the Baa median is at the 53rd; and for control of corruption Uruguay is at the 84th percentile, much higher than the 52nd for the Baa median. These institutional features provide Uruguay with a supportive institutional foundation and a cohesive environment for developing and implementing economic policy. Social indicators, including those measured by the Human Development Index, also support these findings.

Exhibit 10
High government effectiveness indicators outperform 'Baa'-rated peers
(Percentile rank among Moody's rated sovereigns, 2015 or latest available)



Source: Worldwide Governance Indicators, Moody's

Monetary credibility hampered by relatively high inflation

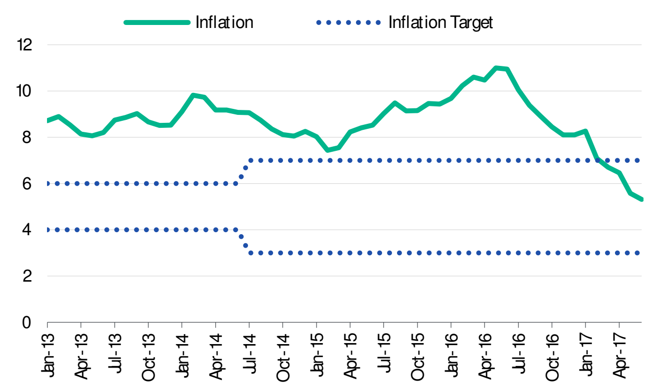
For most countries, we gauge the credibility and effectiveness of macroeconomic policymaking by looking at the evolution of inflation – both in terms of levels and volatility – because monetary policy can address inflationary pressures, while loose fiscal policy could push prices up. Uruguay has an inflation targeting regime, which aims to maintain inflation within a band. The band is set by the Macroeconomic Coordination Committee composed of the Central Bank of Uruguay (BCU) and the Ministry of Finance, and is currently 3.0-7.0%. While Uruguay's inflation metrics point to very high policy credibility and effectiveness, our analysis also considers the track record of monetary policy relative to the inflation target.

Inflation in June 2017 was 5.3%, the lowest level since 2005, marking the fourth consecutive month that inflation was within the target range. That said prior to March 2017, inflation had been consistently above the inflation targeting range since 2010. Annual inflation peaked at 11.0% in May 2016 and began to moderate in the second quarter of 2016. Several factors have contributed to lower inflation. One of them is the evolution of the exchange rate given the high pass-through the exchange rate has due to Uruguay's high levels of economic dollarization. After the Uruguayan peso depreciated 18.5% against the dollar in 2015, it appreciated 2.1% last year and has remained relatively stable at 28.4 UYU/USD between January and June 2017. Continued pressures during the first part of the year led the BCU to buy US dollars to contain the exchange rate appreciation due to concerns it could affect Uruguay's export competitiveness.

Another factor affecting inflation dynamics is monetary policy. Despite relatively weak growth – GDP increased at an average annual rate of 0.9% in 2015-16 – the Monetary Policy Committee (COPOM) maintained a somewhat restrictive policy stance in 2016. The COPOM's tighter monetary stance was evidenced by the low range set for M1' growth, the monetary aggregate that authorities monitor for monetary policy. Since August 2016, M1' growth has exceeded the COPOM's reference range, but we see that as an indication that economic activity is gaining traction and that a more stable exchange rate is increasing demand for local currency.

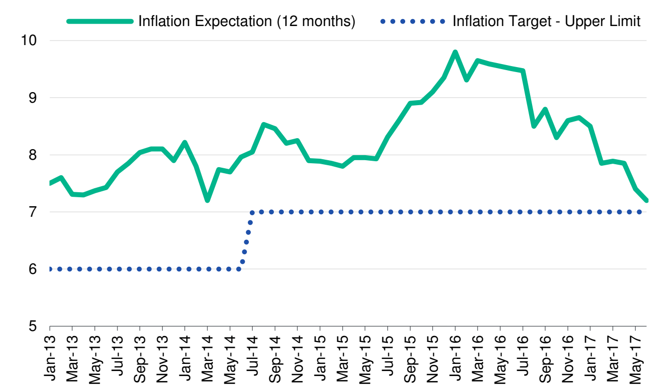
Even though Uruguay's monetary authorities have a very limited track record of effectively containing inflation within the target range (see Exhibit 11), expectations have started to converge toward the upper limit of the range (see Exhibit 12). In addition to the COPOM's tighter policy stance, the decrease in inflation expectations also reflects the effect of last year's guidelines for wage negotiation introduced by the government.

Exhibit 11
Inflation performance relative to target
(%)



Sources: National Statistics Institute, Moody's

Exhibit 12
Inflation expectations relative to target
(%)



Sources: Central Bank of Uruguay, Moody's

More effective inflation targeting by the monetary authorities and decreased inflationary pressures from the exchange rate have reduced inflation expectations. The latter, if maintained, could strengthen Uruguay's credit profile as it would denote improved policy credibility. Furthermore, it could potentially effect the country's macroeconomic and fiscal outlooks as future wage negotiations would be based on more moderate inflation estimates that could limit the real increase of the public sector's wage bill and social transfers.

A mixed track record of fiscal management has undermined fiscal policy credibility

We believe that fiscal policy credibility is a function of both the track record of fiscal performance and the institutional arrangements that anchor it. In this regard, the fiscal restraint exhibited through 2009 abated in subsequent years and gave way to a sustained weakening of structural fiscal balances reflecting expansion of social programs despite the existence of a five-year budget framework and yearly ex-post revisions to fiscal performance.

As a result of strong (above-potential) economic growth, government revenues frequently exceeded the authorities' original projections during 2005-11, allowing the authorities to accommodate increased spending without deviating from fiscal targets. Nevertheless, structural fiscal balances have deteriorated on a sustained basis since 2009, with the structural deficit peaking in 2016. Headline deficits also widened and halted the downward trend in debt metrics, despite a lengthy period of above-potential growth.

Uruguay's fiscal framework mandates that every new presidential administration that comes into office send to congress a proposed five-year budget within the first six months of its term. The budget and fiscal performance is reviewed on an annual basis in a process known as Rendicion de Cuentas, or Budget Review. Although this institutional arrangement has helped anchor fiscal policy following the 2002 crisis, we note that the framework has some drawbacks: (1) the framework is not updated on a multi-year rolling basis, rather it guides performance only during the administration's term in office; (2) the framework lacks clear fiscal rules with strong sanction mechanisms; and (3) despite yearly ex-post reviews, there is little guidance for saving excess revenues from above-potential economic growth which fosters pro-cyclical behavior.

Given the weakening of economic performance in recent years and the deterioration in the structural fiscal balance, the current administration – whose term ends in early 2020 – has used the Budget Reviews of 2016 and 2017 to push forward measures to reduce the fiscal deficit. Measures introduced last year aimed at increasing tax revenues starting in 2017 by for example increasing the rates on the income tax for higher earners. Moreover, acknowledging that further revenue measures will have a diminishing returns, authorities have also sought to contain the growth of discretionary spending in 2017 and 2018.

Although not likely to impact the fiscal results in 2017-19, authorities have also highlighted that continued increases in the "endogenous" component of government spending will create additional pressures on the fiscal accounts over the medium term. This "endogenous" component is related to pensions, which account for close to 30% of total expenditures. It is deemed endogenous because their annual increases are predetermined by constitutional arrangements that limit the ability of the government to vary their growth rate unless the law was changed.

Changes introduced in negotiation and prospects of lower inflation in future years, along with the new (more restrictive) hiring guideline for the public sector, should lead to a moderation in the wage bill's growth. For pensions, lower wage growth prospects will also contain the pace at which pension-related expenditures raise, as these are linked to median salary growth. Continued efforts to address the challenges posed by these "endogenous" components of spending will contribute to enhancing the credibility of fiscal policy.

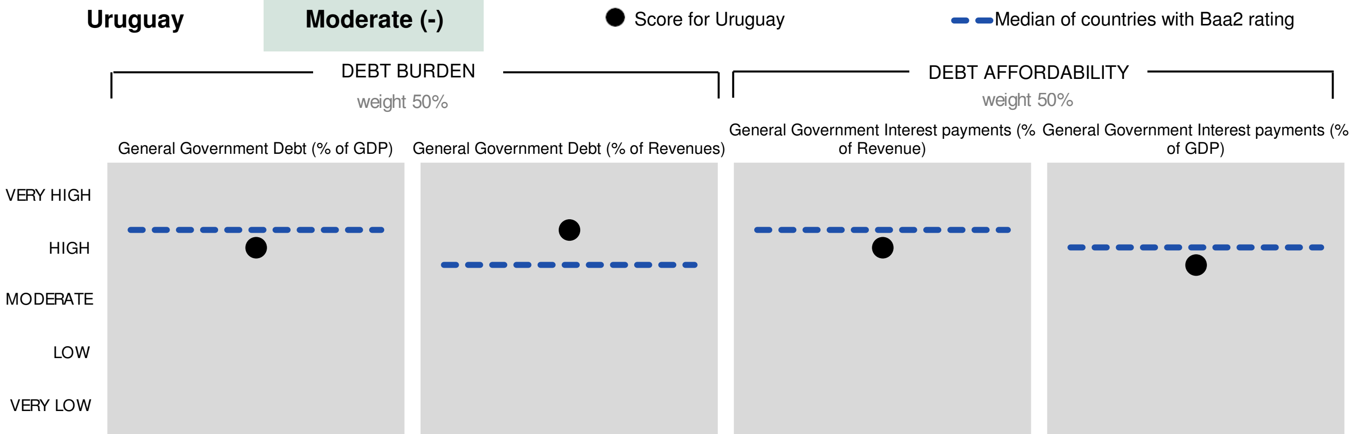
Fiscal Strength: High

Factor 3 Overall Score

Scale	VH+	VH	VH-	H+	H	H-	M+	M	M-	L+	L	L-	VL+	VL	VL-	
+									Final	Indicative						-

Factor 3 Sub-Scores

Uruguay	Moderate (-)



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.

Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

We assess Uruguay's Fiscal Strength as "Moderate (-)", adjusted from an indicative score of "Low (+)". This assessment balances its moderate government debt burden, very strong liability management practices and fiscal reserve assets, with lingering vulnerabilities from an elevated proportion of foreign currency debt. While the share of foreign currency denominated debt exceeded 50% of the total at the end of 2016, we expect that this share will fall over the coming years as the government increases its issuance of Uruguayan peso-denominated debt.

Exhibit 13

Factor 3 Moderate (-) Peer Comparison

Peer comparison table Factor 3: Fiscal strength

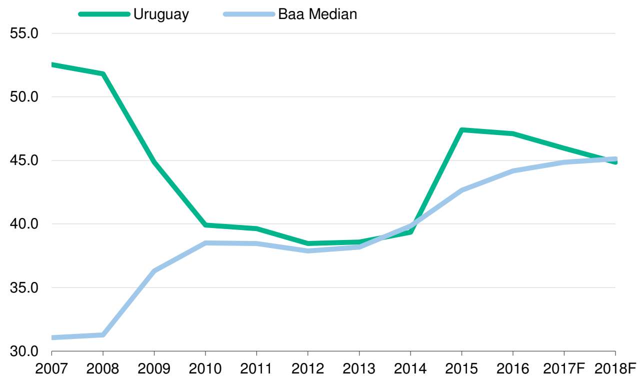
	Uruguay Baa2/STA	M- Median	Cambodia B2/STA	Cote d Ivoire Ba3/STA	Hungary Baa3/STA	Philippines Baa2/STA	Suriname B1/STA	Trinidad & Tobago Ba1/STA
Final score	M-		M-	M-	M-	M-	M-	M-
Indicative score	L+		M-	M	M-	M-	L-	M+
Gen. gov. debt/GDP	47.1	45.8	32.6	42.7	74.1	38.3	68.3	59.9
Gen. gov. debt/revenue	168.7	194.6	166.3	199.7	162.3	252.5	456.5	194.6
Gen. gov. interest payments/GDP	2.7	2.1	0.4	1.7	3.2	2.1	1.3	2.1
Gen. gov. int. payments/revenue	9.6	8.4	2.1	8.0	7.0	13.9	9.0	6.7

Source: Moody's

Following deterioration, debt burden will converge with Baa median

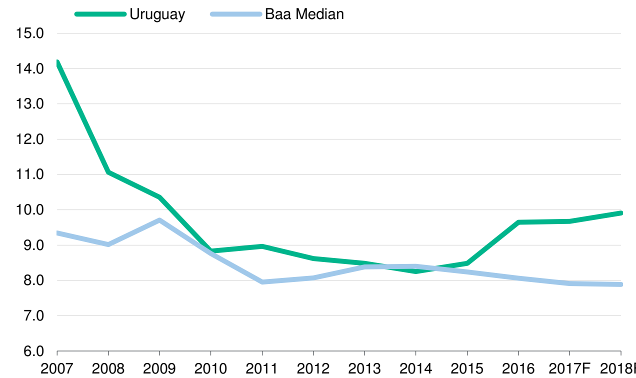
After the 2002-03 crisis, Uruguay's government debt burden fell from over 90% of GDP to 40% by 2010. However, wider structural fiscal deficits despite above-potential economic growth maintained the debt ratio around that level through 2014. The sharp depreciation of the currency in 2015, in the context of a government debt stock that was almost 50% denominated in foreign currency, and weaker economic growth led to an increase in the debt/GDP of 8.1 percentage points of GDP in one year (see Exhibit 14). This caused a divergence in Uruguay's debt ratio relative to the Baa median, both of which had been aligned prior to 2015. Under our current baseline, we expect that Uruguay's ratio will return to similar levels than the Baa median in 2017-18. In terms of the government's interest burden, we expect that the ratio of interest-to-revenues will stabilize around 10% over the coming years, about 2 percentage points higher than the Baa median (see Exhibit 15).

Exhibit 14
Debt-to-GDP compared to Baa median (%)



Source: Moody's

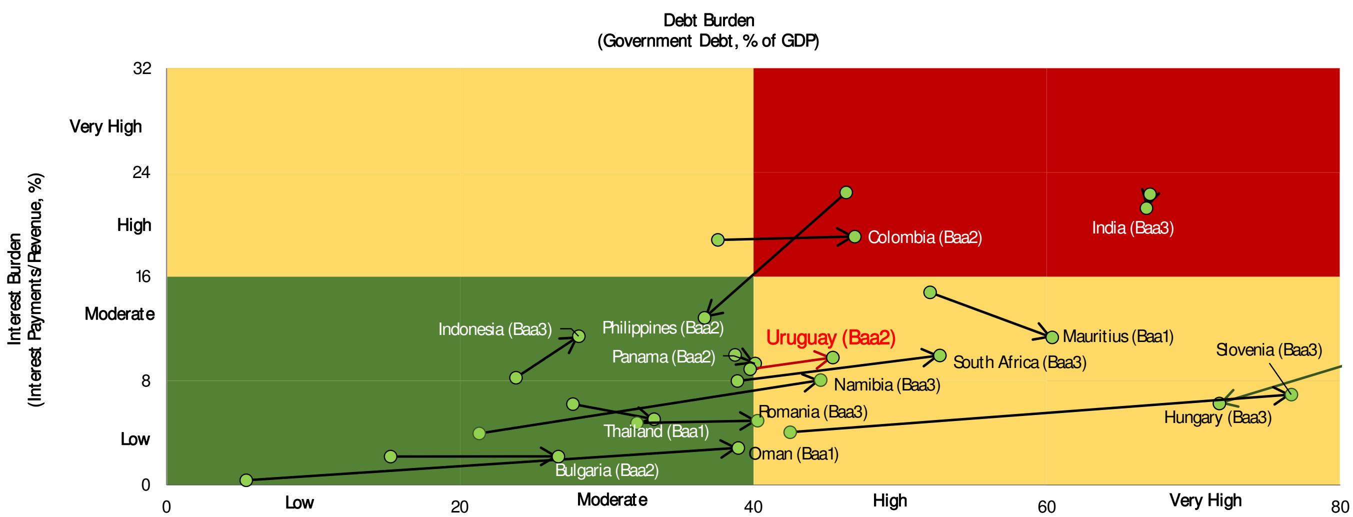
Exhibit 15
Interest-to-revenue compared to Baa median (%)



Source: Moody's

Like Uruguay, most Baa-rated peers have seen their debt metrics worsen over the course of this decade. Relative to other Baa2 sovereigns, Uruguay has worse debt metrics than Bulgaria, Philippines and Panama, but is better positioned than Colombia, Italy and Spain (see Exhibit 16). Uruguay is also better positioned than Baa1-rated Mauritius.

Exhibit 16
Baa peers debt metrics: 2010-11 vs 2017-18



Note: Omits Italy and Spain, both Baa2, as their debt/GDP ratio are close to or exceed 100%
Source: Moody's

Full implementation of fiscal consolidation key to support stabilization of debt trend

When the current administration took office in 2015, in its five-year budget authorities set a target to reduce the public sector balance from 3.5% of GDP in 2014 to 2.5% by 2019, such that the adjustment would be gradual and attainable. Importantly, the budget tracks the deficit at the "public sector" level, which includes the balances of the state-owned enterprises (SOEs) and the central bank. In order to preserve comparability, our figures exclude these entities and focus solely on the (consolidated) central government finances.

At the time the five-year budget was adopted, the authorities planned to stabilize public finances through two key measures: (1) expenditure restraint at the central government level focused on curbing wage and pension spending growth; and (2) eventually eliminating the central bank's and SOE's deficit.

While the public sector's deficit remained broadly stable in 2015 and widened to 3.9% in 2016, in the context of a very weak macroeconomic environment, the central government's deficit widened from 2.3% of GDP in 2014 to 3.7% in 2016. Given this deterioration, the government began taking more forceful measures to support fiscal consolidation at the central government level.

Following the budget review process last year, the government adopted a set of revenue and expenditure measures. Most measures became effective in 2017. On the revenue side the most important measures included: (1) income tax rates were raised for the top 10% of earners; (2) the VAT rate on non-cash purchases was reduced 2 percentage points as an incentive to formalize and capture more tax from a broader base that was more prone to evasion; (3) simplifying tax compliance. These (and other complementary) measures were estimated to bring in $350 million or 0.7% of GDP.

On the expenditure side the measures included: (1) a portion of the budgeted expenditure increase for 2016-17 was postponed; (2) a reduction in the public payroll by replacing only two employees for every three that retire, leave or are dismissed; (3) a public expenditure review committee to audit central government social expenditures to identify savings and graft. These measures would result in $150 million (0.3% of GDP) in savings.

In terms of the revenue measures that became effective at the beginning of 2017, tax income grew 7.3% in real terms through May. Income tax, which saw higher rates for higher earners, grew 23.9% in real terms, representing 18% of total tax revenue. The VAT, which represents about 45% of total tax revenues, grew 2.9% in real terms in that period despite the decrease in the arte charged on non-cash purchases. It is also noteworthy that VAT charged domestically rose 9% in real terms, but that charged on imported goods fell 0.7%. The stronger performance of revenues and expenditure restraint has contributed to a decrease in the deficit. For the central government, in the January-May period, the deficit fell 75% as revenues outpaced expenditure growth (13.6% vs 8.7% in nominal terms). Authorities expect the deficit to fall to 2.8% of GDP in 2017.

Despite improving economic performance, authorities have sought to maintain an austere fiscal position in the coming year. In this year's budget review, the government increased its economic growth projections modestly – below our current growth forecasts – which should contribute to increased revenue collection (see Exhibit 17). However, authorities have also sought to restrain discretionary expenditure growth. As proposed by the Ministry of Finance, only the education sector would have higher-than-previously committed resources assigned. Also, despite the expectation that revenues will recover as economic activity accelerates starting this year, those additional resources will be destined to cover additional spending on items such as compensation to judiciary employees and higher pension payments. The government has also stated that additional discretionary spending will have to be financed by increased taxes – with current proposals including a tax on gaming and a 1-3% increase in import tariffs.

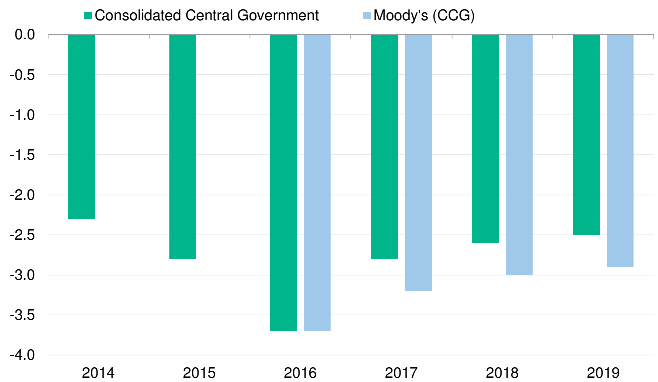
Exhibit 17
GDP growth assumptions by the government and Moody's (%)

	2016	2017	2018	2019
Original 2016-20 Budget (2015)	2.5	2.8	3.0	3.0
Budget Review (2016)	0.5	1.0	2.0	3.0
Moody's June 2016	0.5	1.9	2.2	2.5
Budget Review (2017)	1.5	2.0	2.5	3.0
Moody's Jul 2017	1.5	3.3	3.1	3.2

Sources: Ministry of Finance, Moody's

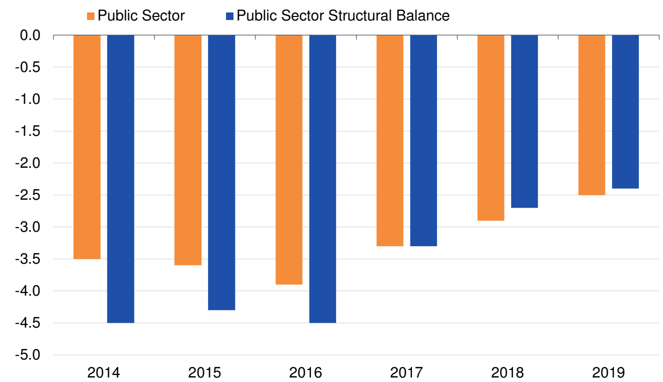
These proposals will be debated in congress over the coming months as the 2018 budget is set. Authorities project that the deficits of both the central government and the public sector will decrease to 2.5% of GDP by 2019 (see Exhibits 18 & 19), in line with the five-year budget target. Our baseline considers slower consolidation path that would nonetheless be in line with the stabilization of the government's debt trend. An upside to our baseline (i.e. debt/GDP ratio to decrease instead of stabilizing at 46%) could come if (a) the government achieves its fiscal targets and/or (b) growth outperforms our expectations, e.g., UPM plant boost economic activity or trade with its neighbors recovers more than expected.

Exhibit 18
Central government deficit projections
(% of GDP)



Sources: Ministry of Finance, Moody's

Exhibit 19
Public sector deficit projections
(% of GDP)

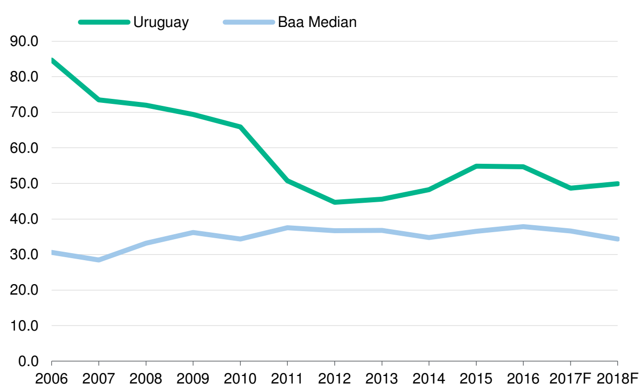


Sources: Ministry of Finance

Government debt still highly dollarized relative to peers, but fiscal buffers may limit risks

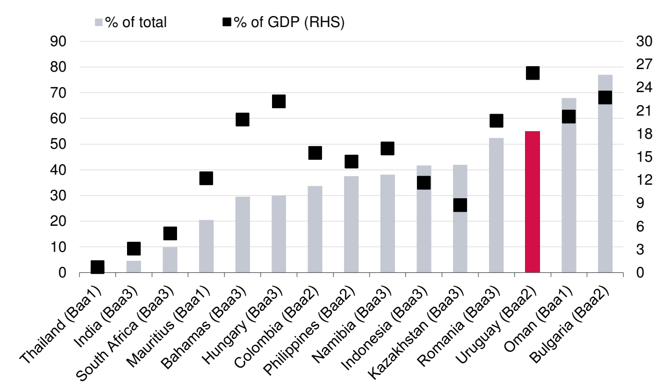
Through 2012 the government of Uruguay managed to reduce a key vulnerability in its credit profile by decreasing the proportion of its debt that was denominated in foreign currency from close to 90% in 2006 to below 50% by 2012 (see Exhibit 20). However, further progress was limited by different factors such as more favorable external financing conditions in recent years. At 55% in 2016, Uruguay's proportion of foreign currency debt is relatively high among Baa sovereigns, while Uruguay also has the highest share of foreign currency debt as a share of GDP among peers (see Exhibit 21). Consequently this feature detracts from Uruguay's overall fiscal strength, as a sharp depreciation of the currency – as in 2015 – can increase the government's debt burden more than implied by its net borrowing requirements.

Exhibit 20
FC debt still higher than Baa median
(% of total government debt)



Sources: Ministry of Finance, Moody's

Exhibit 21
FC debt of Baa sovereigns
(% of total government debt, 2016)



Sources: Moody's

Despite this weakness, Uruguay's debt management strategy has focused on reducing these vulnerabilities. The government's debt management strategy has been focused on (1) reducing the share of foreign currency-denominated debt, (2) extending average debt maturity, and (3) building up financial buffers through precautionary liquidity reserves and contingent credit lines.

The moderation of inflation in the country may contribute, if sustained over the coming years, to resume the de-dollarization of government debt in the medium-term. More stable prices, as well as the exchange rate, may make peso-denominated financial instruments more attractive. In June 2017, the government issued a 5-year peso-denominated global bond worth $1.25 billion, the sovereign's first such issuance. The bond was oversubscribed five times. High investor interest in peso-denominated would allow the government to build a local currency-curve, opening more financing opportunities for the sovereign.

In terms of assets, the government aims to hold an amount in liquid assets that is worth at least the next 12 months of debt service. In addition, the government also has credit lines with MDBs that it can use in case of emergency (see Exhibit 22). Overall, this would allow the government to manage the very unlikely case of being shut out of the market for a year and demonstrates the lessons learned from the 2002-03 episode.

Exhibit 22
Uruguay fiscal assets
(% of GDP)

Note: Other assets are contingent credit lines with MDBs
Source: Ministry of Finance

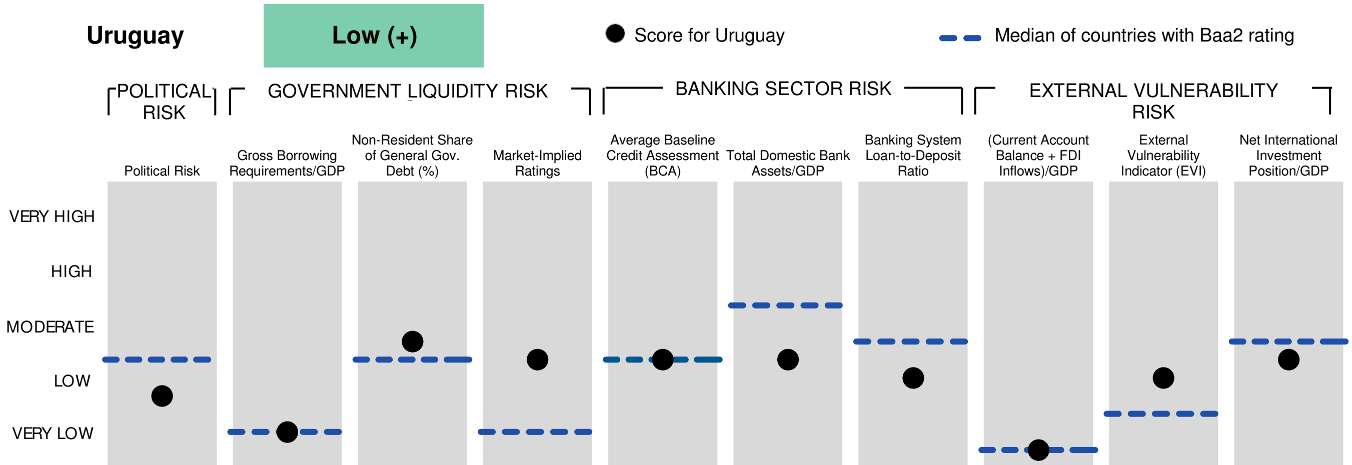
Susceptibility to Event Risk: Low

Factor 4 Overall Score

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

Factor 4 Sub-Scores

Uruguay **Low (+)**



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.

Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

Political Risk: Very Low

Exhibit 23

Factor 4 Very Low Political Risk Peer Comparison

Peer comparison table Factor 4a: Political risk	Uruguay Baa2/STA		Australia Aaa/STA	Costa Rica Ba2/NEG	Jamaica B3/STA	Panama Baa2/STA	Singapore Aaa/STA	Switzerland Aaa/STA
Final score	VL		VL	VL	VL	VL	VL	VL
Geopolitical risk	VL	--	VL	VL	VL	VL	VL	VL
Domestic political risk	VL	--	VL	VL	VL	VL	VL	VL

Source: Moody's

Political event risk is considered to be "Very Low" because of the policy continuity that has 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 and the maintenance of macroeconomic stability.

President Vazquez's administration took office on 1 March 2015, marking the president's second non-consecutive term in office. Macroeconomic policies will remain broadly similar to those pursued by the previous administration, with a continued emphasis on social development (including healthcare, education and social transfers), but a greater focus on administrative efficiency. Main policy challenges include narrowing the fiscal deficit in a context of lower output growth, reducing inflation and pursuing reforms to add dynamism to economic activity.

Government Liquidity Risk: Low (-)

Exhibit 24

Factor 4 Low (-) Government Liquidity Risk Peer Comparison

Peer comparison table Factor 4b: Government liquidity risk	Uruguay Baa2/STA	L- Median	Costa Rica Ba2/NEG	Lithuania A3/STA	Macedonia Ba3/STA	Mauritius Baa1/STA	Morocco Ba1/POS	Turkey Ba1/NEG
Final score	L-		L-	L-	L-	L-	L-	L-
Indicative score	L-		L	VL-	L-	VL-	L-	L-
Gross borrowing req./GDP	5.3	7.5	13.4	6.1	14.1	8.8	11.0	4.4
Gen. gov. ext. debt/gen.gov. debt	59.7	32.0	23.0	69.3	77.8	20.5	21.8	41.0
Market funding stress indicator	Baa3	Ba2	B1	Aa3	--	--	Ba2	Ba2

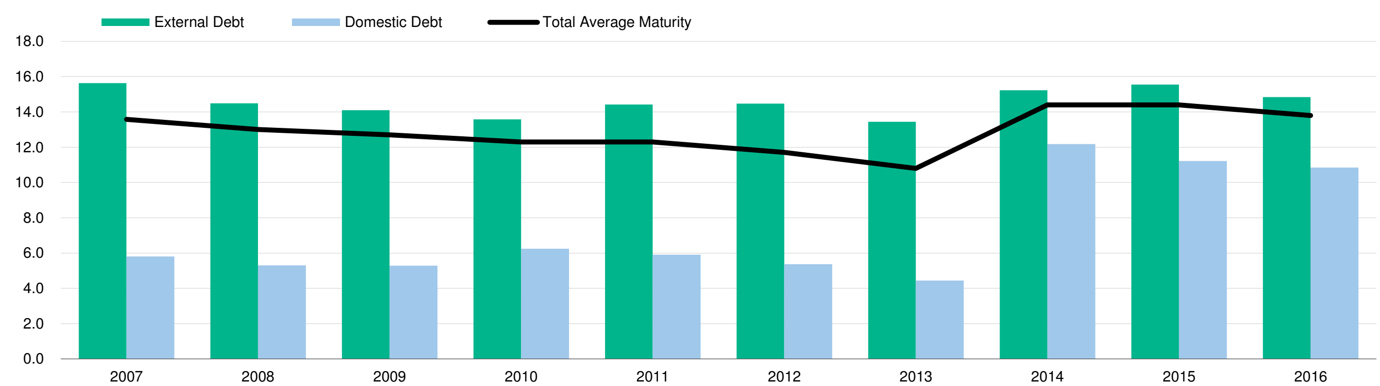
Source: Moody's

The assessment of a "Low (-)" susceptibility to government liquidity risk balances relatively low gross borrowing requirements for the government – favored by a long maturity profile -- and a relatively high proportion of external debt.

A favorable maturity profile translates into low rollover risks. To achieve this, it has maintained a very long maturity profile for its external debt that has averaged almost 15 years over the last five years, and in recent years it has been able to do the same with domestic debt (see Exhibit 25). Given Uruguay's extended debt maturity, the government faces modest refinancing requirements over the medium term given yearly principal payments of 2% of GDP on average over the next 5 years.

Exhibit 25

Debt maturity profile
(Years)

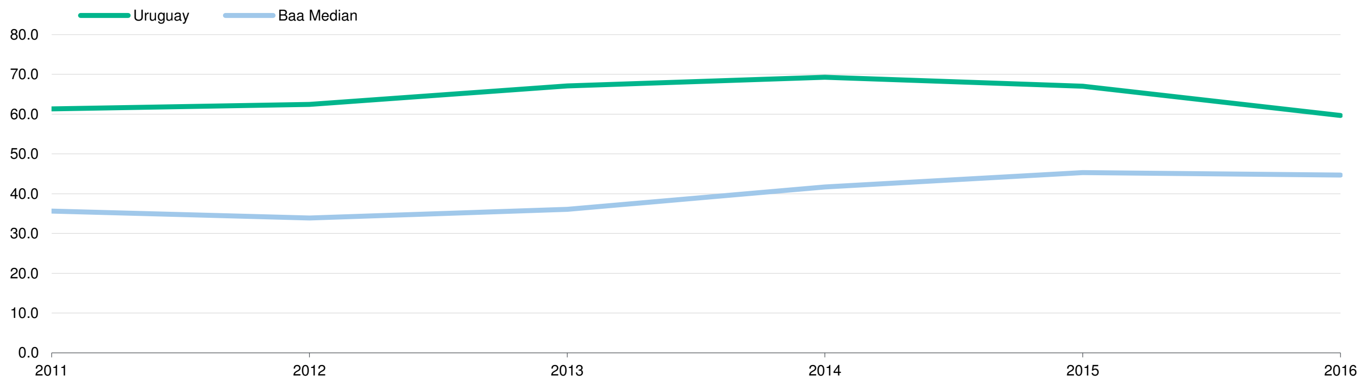


Source: Ministry of Finance

Combined with moderate fiscal deficits, the modest amounts of maturing debt result in fairly low gross financing needs. The sovereign's gross financing needs are likely to remain below 5% of GDP every year through 2019, among the lowest for sovereigns rated 'Baa' and above.

On the other hand, according to figures by the Central Bank of Uruguay, external debt has been on average about 64% of total government debt since 2011. This compares with a Baa median of about 40% (see Exhibit 26). While this may expose Uruguay to reduce investor risk appetite when there is flight to safe haven instruments, we note that the sovereign enjoys strong market access with spreads in line with Baa2-rated Colombia. Additionally, in the unlikely case that Uruguay was shut out of international markets, its liquidity policy of holding fiscal reserves (in cash) that cover over 12 months of debt service, including interest and principal that significantly reduce rollover risk derived from market closure events. The sovereign has access to contingent credit lines with multilateral development banks (WB, IADB, CAF, and FLAR) that are available on call, and that when added to cash reserves would cover 24 months of debt service.

Exhibit 26
Share of government external debt compared to Baa median
(% of total government debt)



Sources: Central Bank of Uruguay, Moody's

Banking Sector Risk: Low (+)

Exhibit 27
Factor 4 Low (+) Banking Sector Risk Peer Comparison

Peer comparison table Factor 4c: Banking sector risk	Uruguay Baa2/STA	L+ Median	Bahamas Baa3/RUR	Bolivia Ba3/NEG	Ghana B3/STA	Korea Aa2/STA	Poland A2/STA	Sri Lanka B1/NEG
Final score	L+		L+	L+	L+	L+	L+	L+
Indicative score	L+		M-	L+	VL	L	L+	M-
Baseline credit assessment (BCA)	ba1	baa3	--	b1	b3	baa2	baa3	b1
Total dom. bank assets/GDP	69.1	97.7	112.0	78.2	41.8	144.8	89.4	76.4
Loan-to-deposit ratio	87.6	94.6	100.9	65.4	68.7	118.8	116.9	88.0

Source: Moody's

We assess banking sector risk in Uruguay to be "Low (+)". This score reflects the relatively small size of the banking system, the role of public banks in terms of lending and the likelihood that the sovereign would need to support any institution.

The banking system's assets represented about 70% of GDP in 2016, of which about half were loans. Moody's rates six banks in Uruguay, which held 75% of the banking system's total deposits and almost 78% of total loans as of December 2016. The rated banks' average standalone baseline credit assessment (BCA) is baa3, and the average deposit rating is Baa2.

The system is dominated by the two government-owned banks, Banco de la República Oriental del Uruguay (BROU, Baa2 stable) and Banco Hipotecario del Uruguay (BHU, Baa2 stable), which combined control 45% of the system's total loans. The remainder of the financial system is relatively fragmented, comprising nine foreign banks and a number of specialized franchises of foreign institutions. Foreign ownership of total assets in the banking system is about 51% of the total.

Overall we consider that the government would support the public banks, but that the likelihood that it would support a private institution is low. BROU and BHU received government support during the last banking crisis in 2002, unlike their privately-owned competitors. There is also a deposit insurance scheme managed by the Deposit Guarantee Corporation (Corporación de Protección del Ahorro Bancario—COPAB) that covers deposits in all banks.

Key strengths of the banking system include: (1) good asset quality, as non-performing loans (NPLs) were a moderate 3.5% of gross loans for rated banks in 2016, up from 2.3% in 2015; (2) limited risk to the sovereign's balance sheet given the small size of the system; and (3) relatively high liquidity with the sector's loan-to-deposit ratio remaining under 90%. These strengths offset lingering concerns about the elevated level of financial dollarization, especially in terms of deposits. Foreign currency-denominated deposits account for over 75% of the total, while dollar-denominated loans remain high at approximately half of the system's lending portfolio.

External Vulnerability Risk: Very Low (+)

Exhibit 28
Factor 4 Very Low (+) External Vulnerability Risk Peer Comparison

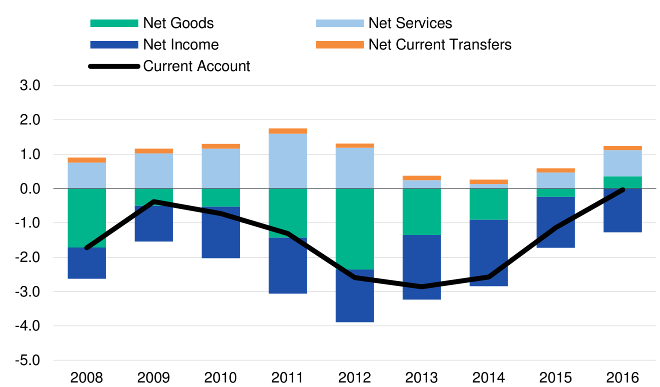
Peer comparison table Factor 4d: External vulnerability risk

	Uruguay Baa2/STA	VL+ Median	Angola B1/NEG	Bulgaria Baa2/STA	India Baa3/POS	Kenya B1/STA	Mexico A3/NEG	Tanzania B1/STA
Final score	VL+		VL+	VL+	VL+	VL+	VL+	VL+
Indicative score	L-		VL+	VL+	VL+	VL-	VL+	VL-
(Curr. acc. bal. + FDI inflows)/GDP	1.7	-0.9	-1.2	6.7	1.2	-3.2	0.4	-3.6
External vulnerability indicator	88.5	51.1	59.6	58.2	76.0	38.4	51.1	43.3

Source: Moody's

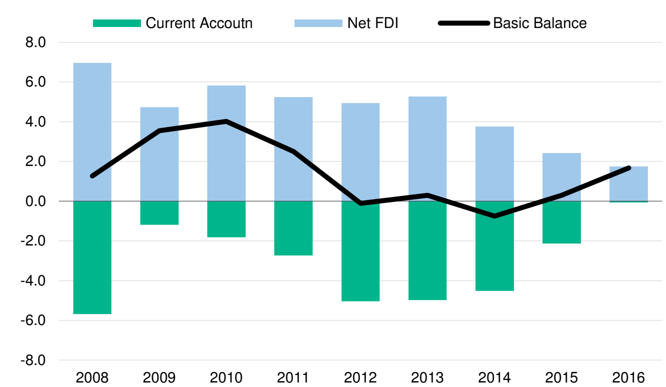
We set Uruguay's final score for external vulnerability risk to "Very Low (+)" below the indicative score of "Low (-)" to reflect the country's sizeable external buffers. Changes in Uruguay's current account deficit largely reflect oil import dynamics and movements in the services balance (see Exhibit 29). The decline in oil prices in recent years has contributed to a reduction in the negative goods balance. Meanwhile, following a few years of decline due to lower tourism inflows from Argentina, the net services surplus has recovered in 2015-16. These dynamics contributed to a significant narrowing of the current account deficit since 2012. An additional feature of Uruguay's current account is the relatively large net income deficit, due to reinvested and repatriated profits. This reflects the important role that foreign direct investment (FDI) plays in the country. With the exception of 2012 and 2014, FDI has fully covered the current account balance (see Exhibit 30).

Exhibit 29
Current accoutn components
(USD billion)



Sources: Central Bank of Uruguay, Moody's

Exhibit 30
FDI coverage of current account deficit



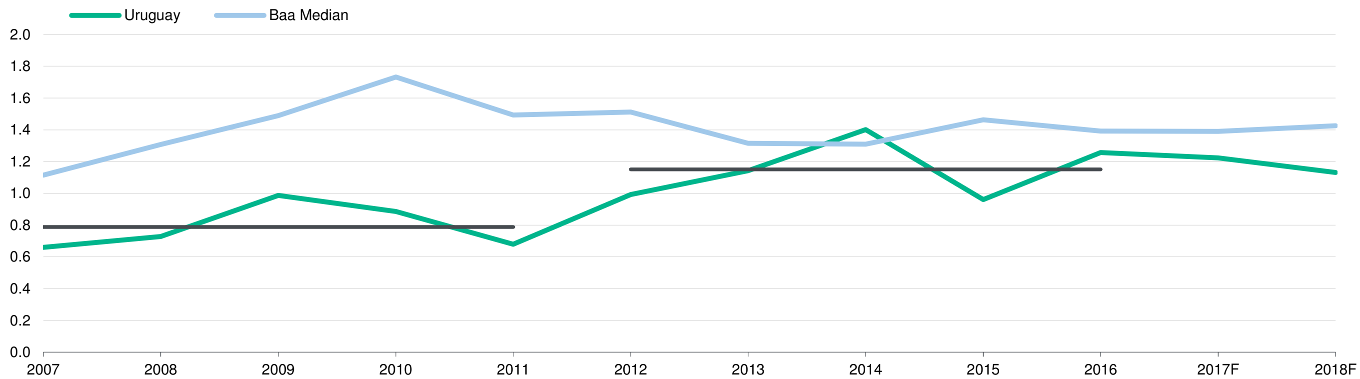
Sources: Central Bank of Uruguay, Moody's

Uruguay has also strengthened its external buffers over the past decade. The coverage provided by foreign exchange reserves held at the central bank has improved to about 1.2 times external debt service payments since 2012, compared to 0.8 times in 2007-11 (see Exhibit 31). While an improvement, we note that most Baa-rated peers have slightly stronger coverage of about 1.4 times.

Exhibit 31

Foreign exchange reserves coverage of external debt service payments

(Foreign exchange reserves/(short-term external debt and currently maturing long-term external debt), times)



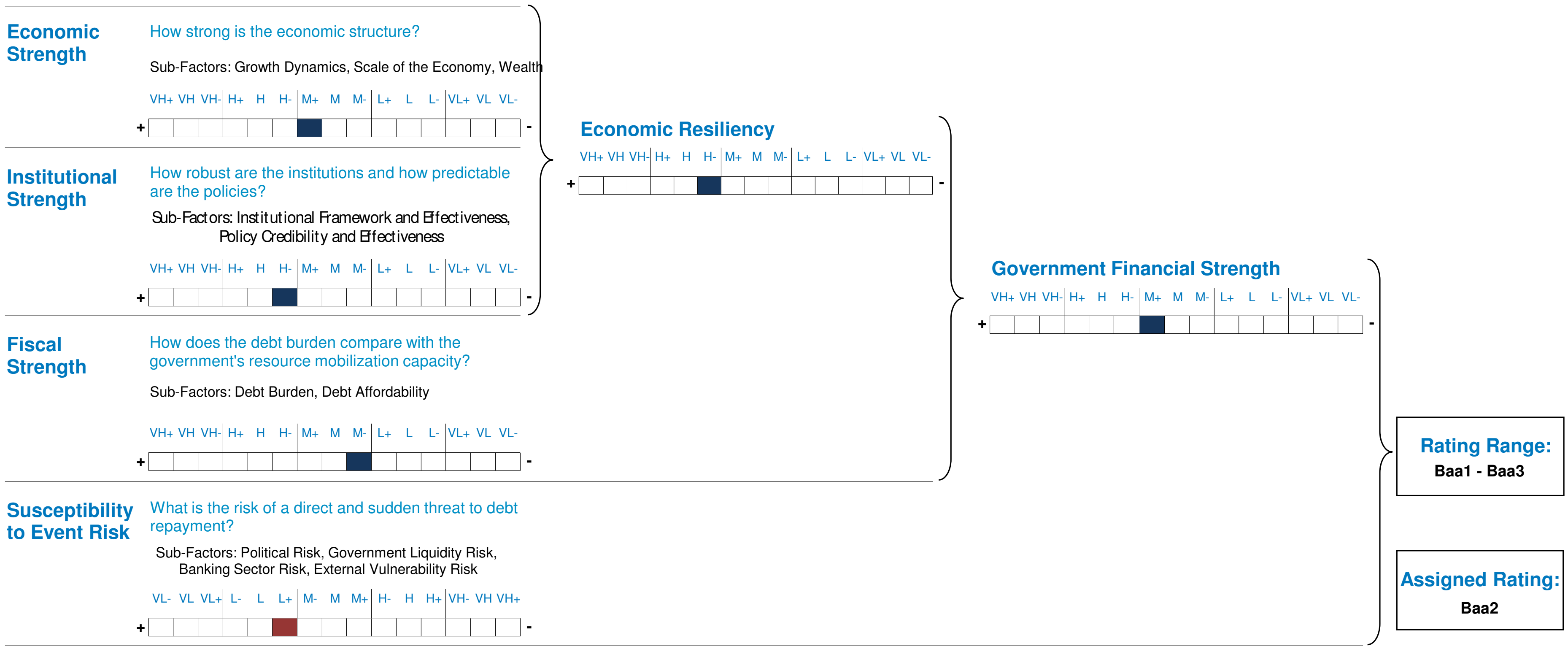
Source: Moody's

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.

Exhibit 32

Sovereign Rating Metrics: Uruguay



Source: Moody's Investors Service

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.

Exhibit 33
Uruguay Key Peers

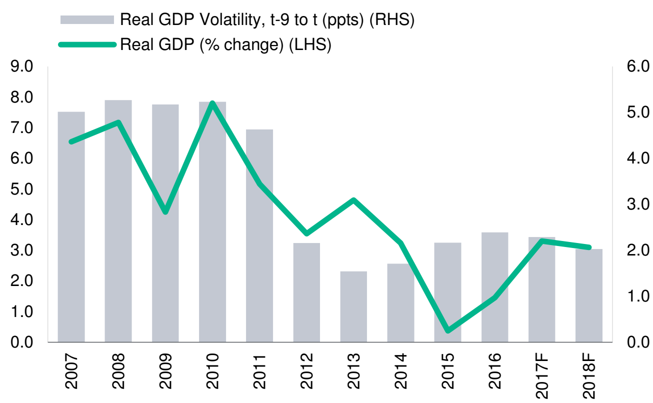
Uruguay Key Peers

	Year	Uruguay	Hungary	South Africa	Slovenia	Panama	Mauritius	Baa2 Median	Latin America and Caribbean Median
Rating/Outlook		Baa2/NEG	Baa3/STA	Baa3/NEG	Baa3/POS	Baa2/STA	Baa1/STA	Baa2	Ba3
Rating Range		Baa1 - Baa3	Baa3 - Ba2	Baa2 - Ba1	A3 - Baa2	A3 - Baa2	A2 - Baa1	Baa1 - Baa3	Ba2 - B1
Factor 1		**M+**	**M**	**M+**	**M+**	**H-**	**H-**	**H**	**L+**
Nominal GDP (US$ Bn)	2016	52.4	124.3	293.5	44.0	55.2	12.2	168.8	43.1
GDP per Capita (PPP, US$)	2016	21527.3	27481.8	12679.2	31709.9	23023.9	20421.6	21527.3	13890.1
Avg. Real GDP (% change)	2012-2021	2.9	2.2	1.7	1.8	6.0	3.7	2.6	2.2
Volatility in Real GDP growth (ppts)	2007-2016	2.4	3.0	1.9	4.0	3.2	0.9	2.3	2.4
Global Competitiveness Index	2015	4.2	4.2	4.5	4.4	4.5	4.5	4.4	4.1
Factor 2		**H-**	**H-**	**M+**	**H**	**M**	**H+**	**H-**	**L**
Government Effectiveness, percentile [1]	2015	63.3	61.0	55.7	68.7	56.4	72.5	56.4	35.8
Rule of Law, percentile [1]	2015	66.4	58.7	50.3	75.5	43.5	71.7	43.5	26.7
Control of Corruption, percentile [1]	2015	83.9	55.7	52.6	70.9	38.9	62.5	41.2	29.7
Avg. Inflation (% change)	2012-2021	7.7	2.2	5.7	1.2	2.4	2.4	2.3	3.5
Volatility in Inflation (ppts)	2007-2016	0.9	2.8	1.9	2.1	2.6	3.0	1.8	2.6
Factor 3		**M-**	**M-**	**M+**	**M+**	**H+**	**M**	**M**	**M-**
Gen. Gov. Debt/GDP	2016	47.1	74.1	51.3	79.7	39.1	59.7	42.6	44.1
Gen. Gov. Debt/Revenue	2016	168.7	162.3	141.5	182.6	186.0	284.9	219.2	211.4
Gen. Gov. Interest Payments/Revenue	2016	9.6	7.0	9.7	7.3	8.6	11.4	8.5	9.8
Gen. Gov. Interest Payments/GDP	2016	2.7	3.2	3.5	3.2	1.8	2.3	2.4	2.1
Gen. Gov. Financial Balance/GDP	2016	-3.7	-1.8	-3.7	-1.8	-1.9	-3.5	-2.4	-3.2
Factor 4		**L+**	**M-**	**M-**	**M-**	**M-**	**L+**	**M**	**M-**
Current Account Balance/GDP	2016	-0.1	4.9	-3.2	6.7	-5.6	-4.4	1.1	-3.4
Gen. Gov. External Debt/Gen. Gov. Debt	2016	59.7	47.5	29.9	68.1	78.3	20.5	53.7	60.8
External Vulnerability Indicator	2018F	88.5	125.6	89.1	--	20.7	10.3	63.8	52.5

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

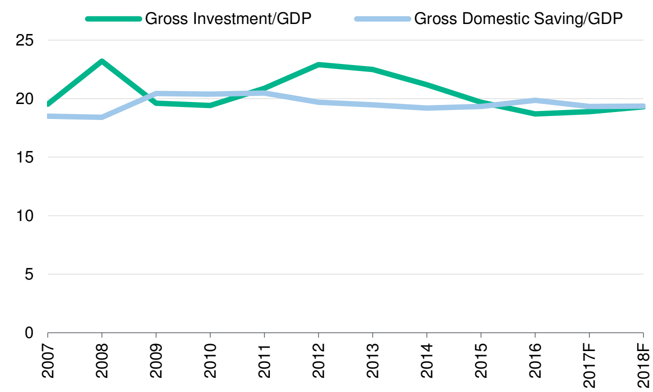
Notes: [1] Moody's calculations. Percentiles based on our rated universe.
Source: Moody's, IMF, National Sources

Exhibit 34
Economic Growth



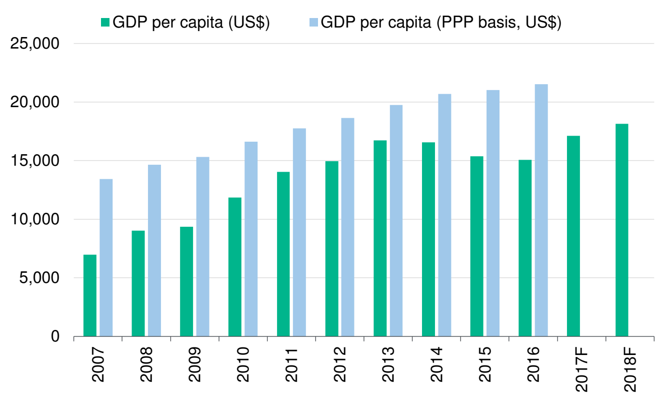
Source: Moody's Investors Service, Uruguay Ministry of Economy and Finance

Exhibit 35
Investment and Saving



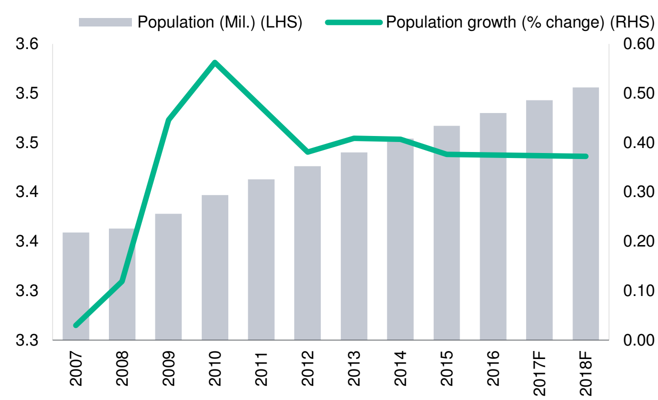
Source: Moody's Investors Service, Uruguay Ministry of Economy and Finance

Exhibit 36
National Income



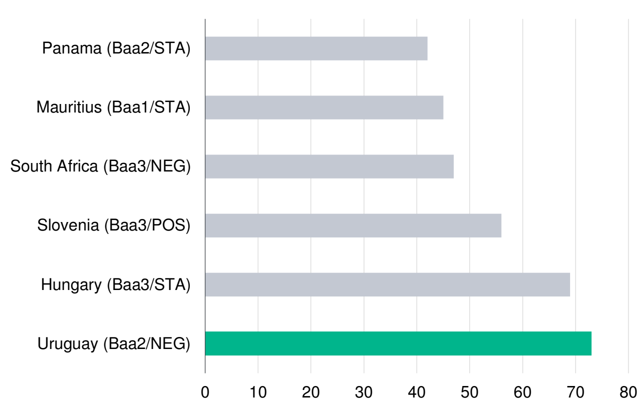
Source: Moody's Investors Service, World Bank

Exhibit 37
Population



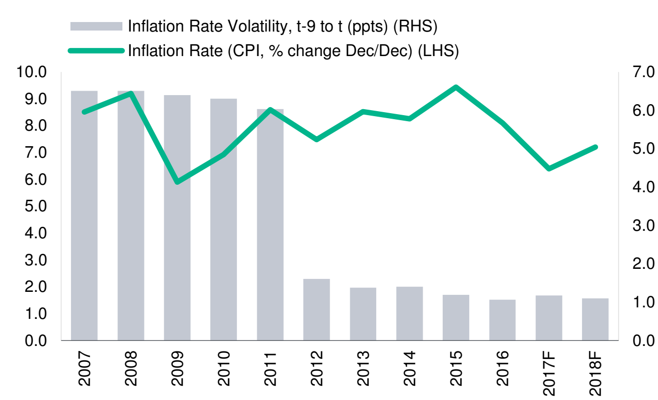
Source: Moody's Investors Service, World Bank

Exhibit 38
Global Competitiveness Index
Rank 73 out of 138 countries



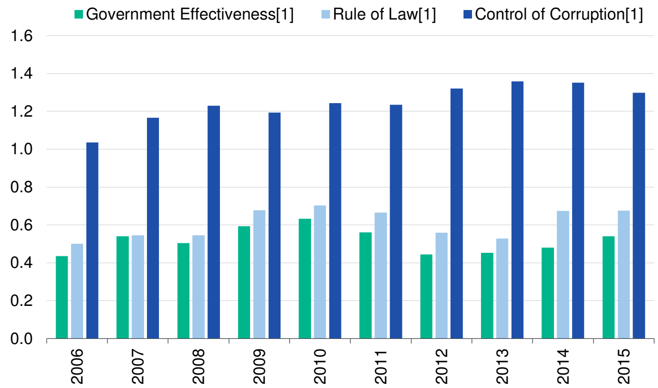
Source: World Economic Forum

Exhibit 39
Inflation and Inflation Volatility



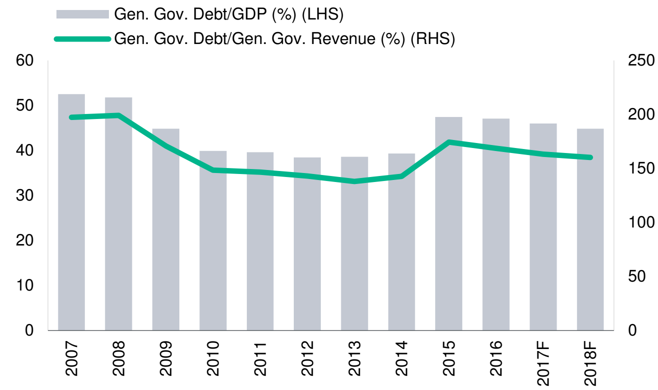
Source: Moody's Investors Service, Uruguay Ministry of Economy and Finance

Exhibit 40
Institutional Framework and Effectiveness



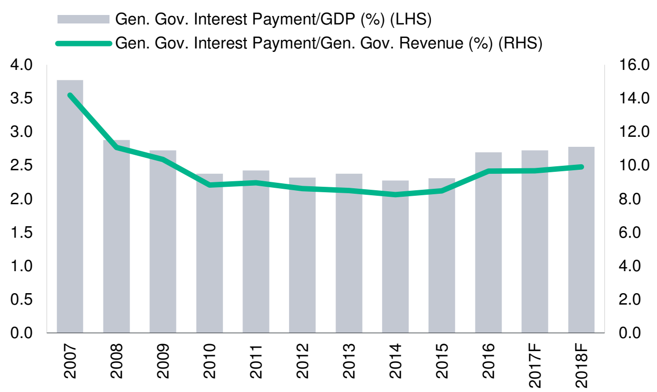
Note: [1] Composite index with values from about -2.50 to 2.50: higher values correspond to better governance
Source: Worldwide Governance Indicators

Exhibit 41
Debt Burden



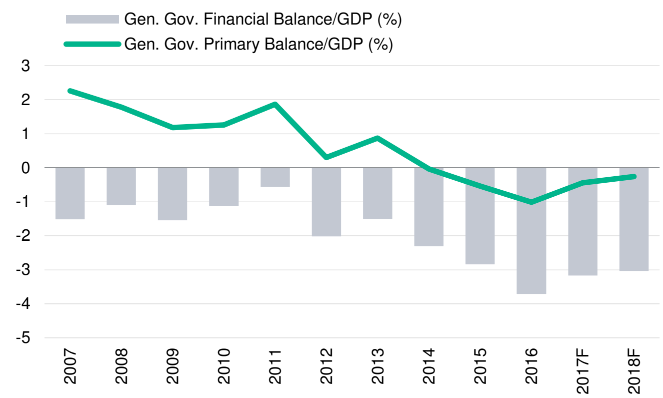
Source: Moody's Investors Service, Uruguay Ministry of Economy and Finance

Exhibit 42
Debt Affordability



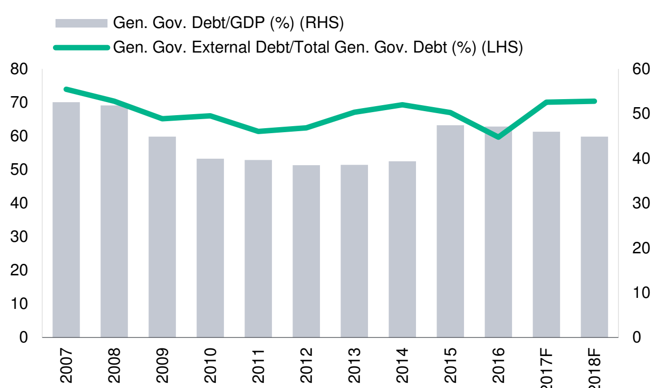
Source: Moody's Investors Service, Uruguay Ministry of Economy and Finance

Exhibit 43
Financial Balance



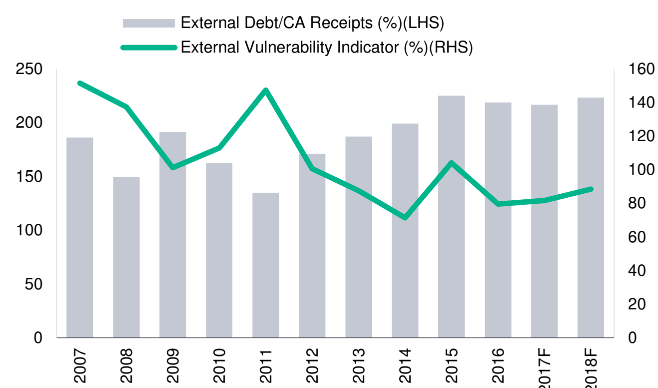
Source: Moody's Investors Service, Uruguay Ministry of Economy and Finance

Exhibit 44
Government Liquidity Risk



Source: Moody's Investors Service, Uruguay Ministry of Economy and Finance

Exhibit 45
External Vulnerability Risk



Source: Moody's Investors Service, Uruguay Ministry of Economy and Finance, BIS

Rating History

Exhibit 46
Uruguay

	Government Bonds			Foreign Currency Ceilings				
	Foreign Currency	Local Currency	Outlook	Bonds & Notes		Bank Deposit		Date
				Long-Term	Short-term	Long-Term	Short-term	
Outlook Changed	Baa2	Baa2	Stable	A2	--	Baa2	--	July-17
Outlook Changed	Baa2	Baa2	Negative	A2	--	Baa2	--	June-16
Rating Raised	Baa2	Baa2	Stable	A2	--	Baa2	--	May-14
Rating Raised	Baa3	Baa3	Positive	--	--	Baa3	--	July-12
Outlook Changed	Ba1	Ba1	Positive	--	--	--	--	January-12
Rating Raised	Ba1	Ba1	Stable	Baal	--	Ba2	--	December-10
Review for Upgrade	Ba3	Ba3	RUR+	--	--	--	--	July-10
Rating Raised	Ba3	Ba3	Stable	Ba1	--	B1	--	January-09
Review for Upgrade	B1	B1	RUR+	--	--	--	--	August-08
Rating Raised	B1	B1	Stable	Ba2	--	B2	--	December-06
Review for Upgrade	B3	B3	RUR+	--	--	Caal	--	September-06
Rating Raised	--	--	--	B1	--	--	--	May-06
Outlook Changed	B3	B3	Stable	--	--	--	--	November-04
Rating Lowered	B3	B3	Negative	B3	--	Caal	--	July-02
Rating Lowered	B1	B1	Negative	B1	--	B3	--	July-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	April-02
Outlook Changed	--	--	Negative	--	--	--	--	February-02
Rating Assigned	--	Baa3	--	--	--	--	--	October-98
Rating Raised	Baa3	--	--	Baa3	P-3	Baa3	P-3	June-97
Outlook Assigned	--	--	Stable	--	--	--	--	March-97
Rating Assigned	--	--	--	--	NP	Ba2	NP	October-95
Rating Assigned	Bal	--	--	Bal	--	--	--	October-93

Source: Moody's Investors Service

Annual Statistics

Exhibit 47

Uruguay

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017F	2018F
Economic Structure and Performance												
Nominal GDP (US$ Bil.)	23.4	30.4	31.7	40.3	48.0	51.3	57.5	57.2	53.3	52.4	59.8	63.6
Population (Mil.)	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.5
GDP per capita (US$)	6,969	9,029	9,373	11,859	14,053	14,963	16,724	16,571	15,366	15,063	17,115	18,145
GDP per capita (PPP basis, US$)	13,425	14,652	15,321	16,627	17,763	18,655	19,756	20,680	21,026	21,527	--	--
Nominal GDP (% change, local currency)	16.6	15.8	12.3	13.1	14.6	12.4	13.2	12.9	9.4	8.6	10.1	10.1
Real GDP (% change)	6.5	7.2	4.2	7.8	5.2	3.5	4.6	3.2	0.4	1.5	3.3	3.1
Inflation (CPI, % change Dec/Dec)	8.5	9.2	5.9	6.9	8.6	7.5	8.5	8.3	9.4	8.1	6.4	7.2
Gross Investment/GDP	19.5	23.2	19.6	19.4	20.9	22.9	22.5	21.2	19.7	18.7	18.9	19.3
Gross Domestic Saving/GDP	18.5	18.4	20.4	20.4	20.5	19.7	19.5	19.2	19.3	19.9	19.3	19.4
Nominal Exports of G & S (% change, US$ basis)	14.8	34.7	-6.5	23.7	19.4	4.9	1.1	0.3	-11.1	-6.5	2.0	2.7
Nominal Imports of G & S (% change, US$ basis)	13.7	50.7	-21.7	22.7	26.0	16.1	1.5	-3.6	-16.7	-13.1	5.5	4.8
Openness of the Economy[1]	59.2	65.2	53.4	51.7	53.2	55.1	49.7	49.1	45.3	41.5	37.8	36.8
Government Effectiveness[2]	0.5	0.5	0.6	0.6	0.6	0.4	0.5	0.5	0.5	--	--	--
Government Finance												
Gen. Gov. Revenue/GDP	26.6	26.0	26.3	26.9	27.0	26.9	28.0	27.6	27.2	27.9	28.2	28.0
Gen. Gov. Expenditures/GDP	28.1	27.1	27.8	28.0	27.6	28.9	29.5	29.9	30.0	31.6	31.3	31.0
Gen. Gov. Financial Balance/GDP	-1.5	-1.1	-1.5	-1.1	-0.6	-2.0	-1.5	-2.3	-2.8	-3.7	-3.2	-3.0
Gen. Gov. Primary Balance/GDP	2.3	1.8	1.2	1.3	1.9	0.3	0.9	0.0	-0.5	-1.0	-0.4	-0.3
Gen. Gov. Debt (US$ Bil.)	13.4	13.5	16.3	16.0	18.4	20.6	21.3	21.5	23.1	25.5	27.6	27.5
Gen. Gov. Debt/GDP	52.5	51.8	44.9	39.9	39.6	38.5	38.6	39.3	47.4	47.1	46.0	44.9
Gen. Gov. Debt/Gen. Gov. Revenue	197.5	199.1	170.7	148.4	146.6	143.0	138.0	142.7	174.5	168.7	163.2	160.1
Gen. Gov. Int. Pymt/Gen. Gov. Revenue	14.2	11.1	10.4	8.8	9.0	8.6	8.5	8.3	8.5	9.6	9.7	9.9
Gen. Gov. FC & FC-indexed Debt/GG Debt	74.0	72.0	69.0	66.0	51.0	45.0	46.0	48.0	55.0	55.0	48.7	49.9
External Payments and Debt												
Nominal Exchange Rate (local currency per US$, Dec)	21.5	24.4	19.6	20.1	19.9	19.4	21.4	24.3	29.9	29.3	29.0	31.3
Real Eff. Exchange Rate (% change)	0.3	9.5	2.7	11.9	2.0	3.1	6.6	-1.7	3.7	4.3	--	--
Current Account Balance (US$ Bil.)	-0.2	-1.7	-0.4	-0.8	-1.3	-2.6	-2.9	-2.6	-1.1	-0.1	-0.7	-0.8
Current Account Balance/GDP	-0.9	-5.7	-1.3	-1.9	-2.8	-5.1	-5.0	-4.5	-2.1	-0.1	-1.1	-1.2
External Debt (US$ Bil.)	14.9	15.4	18.0	18.4	18.3	24.0	26.5	28.1	28.5	26.1	26.4	27.9
Public External Debt/Total External Debt	76.6	71.7	73.0	71.5	78.7	69.3	68.0	67.4	66.5	68.7	73.3	69.3
Short-term External Debt/Total External Debt	23.9	27.4	27.8	28.1	22.2	23.1	21.9	22.6	22.3	18.2	21.0	20.5
External Debt/GDP	63.5	50.8	56.8	45.7	38.2	46.9	46.1	49.1	53.4	49.9	44.2	43.8
External Debt/CA Receipts[3]	186.2	149.5	191.3	162.4	134.9	171.1	187.0	199.1	225.0	218.7	216.8	223.4
Interest Paid on External Debt (US$ Bil.)[4]	0.8	1.0	0.7	0.8	0.9	0.7	1.0	0.9	1.1	0.7	0.8	0.8
Amortization Paid on External Debt (US$ Bil.)[4]	0.3	0.9	0.4	0.9	2.0	1.8	2.2	1.7	--	1.3	1.4	1.3
Net Foreign Direct Investment/GDP	5.3	7.0	4.8	5.8	5.2	5.0	5.3	3.8	2.4	1.8	2.2	2.6
Net International Investment Position/GDP	-8.7	-4.1	-10.1	-6.1	-10.0	-14.8	-14.7	-17.3	-19.1	-24.0	--	--
Official Forex Reserves (US$ Bil.)	4.1	6.3	7.6	7.2	9.8	13.1	15.7	17.0	15.2	13.1	12.7	13.0
Net Foreign Assets of Domestic Banks (US$ Bil.)	2.3	1.7	2.8	4.9	4.8	3.7	3.0	3.0	4.8	6.0	--	--
Monetary, External Vulnerability and Liquidity Indicators												
M2 (% change Dec/Dec)	31.0	17.3	14.9	31.0	22.1	10.3	13.7	6.4	9.0	14.4	--	--
Monetary Policy Rate (% per annum, Dec 31)[5]	--	7.8	6.3	6.5	8.8	9.0	9.3	9.3	9.3	9.3	--	--
Domestic Credit (% change Dec/Dec)	-8.0	61.1	-9.4	27.7	6.2	20.2	27.4	13.8	11.8	6.7	--	--
Domestic Credit/GDP	25.0	34.8	28.1	31.7	29.4	31.4	35.4	35.6	36.4	35.8	--	--
M2/Official Forex Reserves (X)	0.8	0.5	0.6	0.9	0.8	0.7	0.6	0.5	0.5	0.7	--	--
Total External Debt/Official Forex Reserves	361.3	243.0	235.1	257.0	187.9	184.0	168.7	165.1	187.7	200.4	208.7	214.5
Debt Service Ratio[6][4]	14.3	17.9	11.5	15.5	21.3	17.9	22.0	18.3	8.4	17.3	17.8	17.0
External Vulnerability Indicator[7]	151.5	137.2	101.3	113.0	147.3	100.7	87.5	71.4	104.0	79.5	81.7	88.5
Liquidity Ratio[8]	16.0	21.2	23.7	20.7	33.6	49.2	57.4	70.8	61.5	63.4	--	--
Total Liabilities due BIS Banks/Total Assets Held in BIS Banks	24.1	26.9	27.8	41.9	50.7	53.6	63.2	67.7	52.9	52.1	--	--
"Dollarization" Ratio[9]	79.8	81.9	71.2	68.6	67.2	66.9	68.8	72.4	75.7	72.5	--	--
"Dollarization" Vulnerability Indicator[10]	110.3	105.3	66.7	67.5	67.2	65.4	64.9	67.5	71.4	79.1	--	--

[1] Sum of Exports and Imports of Goods and Services/GDP
[2] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions
[3] Current Account Receipts
[4] Public sector only prior to 2010
[5] Authorities switched to a monetary aggregate target in July 2013
[6] (Interest + Current-Year Repayment of Principal)/Current Account Receipts
[7] (Short-Term External Debt + Currently Maturing Long-Term External Debt + Total Nonresident Deposits 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)

Sources: Moody's Investors Service, National sources, World Bank

Moody's Related Research

- **Rating Action:** Moody's changes outlook on Uruguay's Baa2 rating to stable from negative; rating affirmed, 13 July 2017
- **Credit Opinion**: Government of Uruguay, 13 July 2017
- **Issuer In-Depth**: Government of Uruguay: Lower Inflation Will Ease Medium-Term Pressures But Fiscal Consolidation Challenges Remain, 6 June 2017
- **Issuer In-Depth**: Government of Uruguay - Structural Measures Key for Additional Fiscal Deficit Reduction Going Forward, 16 February 2017
- **Sector In-Depth:** Odebrecht Case Illustrates Pervasiveness of Corruption, But Could Prompt Reform, 16 May 2017
- **Outlook**: Latin America & Caribbean - 2017 Outlook – Negative Outlook Reflects Low Growth and Rising Government Debt, 17 January 2017
- **Country Statistics**: Government of Uruguay, 13 June 2017
- **Rating Methodology**: Sovereign Bond Ratings, 22 December 2016

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Related Websites and Information Sources

- Uruguay Ministry of Economics and Finance

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REPORT NUMBER 1082212

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