Uruguay *in focus*

A quarterly bulletin issued by the Debt Management Unit of the Ministry of Economy and Finance **January 2020**

- **Mr. Luis Lacalle Pou won the national elections and will become the next Uruguayan president for the period 2020-2025. President elect Lacalle will take office on March 1st.**
- **Lacalle led a coalition of 5 opposition parties that secured 48.7% of the votes, against his opponent Mr. Daniel Martinez of Frente Amplio (the incumbent party), who got 47.5%. The incoming administration will have majority in Congress.**
- **GDP increased 0.9% in 2019Q3 YoY, while it grew 0.6% in s.a. terms.**
- **Annual inflation stood at 8.8% YoY in 2019, heavily influenced by a spike in meat prices.**
- **The current account balance posted a surplus of 0.6% of GDP in the twelve months to 2019Q3, while the trade balance registered a surplus of 6.1% of GDP.**
- **The non-financial public sector fiscal deficit reached 2.9% of GDP in 2019; excluding the extraordinary transfers to the social security trust fund, the fiscal deficit reached 4.2% of GDP.**
- **Uruguay continues to rank first in LATAM in terms of of institutional stability, lowest corruption perception and social mobility.**
- **Almost 100% of electricity generation during 2019 came from renewable energy sources.**
- **Sauid Arabia opens the beef market for Uruguayan producers.**

1) REAL SECTOR

The Uruguayan GDP increased 0.9% in 2019Q3 YoY, while it grew 0.6% quarter-on-quarter in seasonally adjusted terms.

In the third quarter of 2019, the economy expanded 0.9% in comparison to the same period last year, while it accelerated to 0.6% in seasonally adjusted terms with respect to the second quarter. Considering the first three quarters, as of 2019Q3, the economy grew 0.2% YoY.

Demand Components

From the expenditure side, gross fixed capital formation increased 0.8%, compared to -4.1% in the year to 2019Q2, and was mostly driven by the private sector. By type of asset, it stands out the increase in the imported machinery and equipment, while activity in building construction decreased. Investment growth in fixed capital stock is still slow, but there are indications that it may be bottoming out.

Consumption also firmed up, growing 1.2% YoY on the back of stronger household consumption (1.3%).

From an external demand perspective, exports expanded 9.3% in 2019Q3 with respect to the same period last year, explained by an increase in goods exports, mostly soybeans´. On the contrary, exports of services declined, mainly due to less inbound tourism from Argentinians.

Imports of goods and services also grew, yet at a softer pace than exports (1.6% YoY), and mostly explained by stronger outbound tourism abroad by Uruguayans.

Production Sectors

Higher economic activity in transport, storage and communications and the manufacturing sector, was partially offset by the decline in construction and primary activities production.

The Transport, Storage and Communications sector increased its value added by 3.5%, mostly as a consequence of the expansion of mobile data services and the storage and transport of summer crops as a result of a higher harvest in 2018/2019.

The manufacturing sector grew 2.7% YoY in 2019Q3. This was mostly explained by a rebound in the exporting branches, such as the cellulose pulp and syrups and concentrates, partially weighed down by a drop in cattle slaughter plants production and dairy industry activity. Oil refinery and beverage, which are mostly oriented to the domestic market, also saw a pickup in economic activity.

The supply of electricity, gas and water registered an expansion of 1.2% (YoY), on the back of higher generation and distribution of electrical energy from renewable sources, mostly hydroelectric. The level of activity in the subsector commerce, restaurants and hotels stayed unchanged in the third quarter of last year in YoY terms.

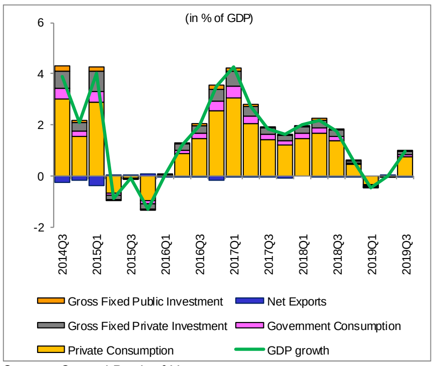
Output of primary activities diminished 7.8% in 2019Q3 YoY, due to a lower livestock production despite the expansion of the agricultural and forestry sectors. Regarding the former, it highlights the reduction in cattle raising, as a consequence of less slaughtery, live-cattle exports and milk production for industrial purposes.

In contrast, agricultural activity showed a positive performance as a result of an increase in wheat production, partially offset by a reduction in the barley crop area. Similarly, the forestry sector also grew due to a higher wood demand.

Construction activity fell 3.6% in 2019Q3 with respect to the same period of the previous year, driven by a slowdown in building construction in Montevideo city and other public sector constructions.

Finally, the Other Activities aggregate, which includes financial and insurance services, real state, social and other services of the government, education and health services, among others, increased 1% in the third quarter of 2019 in YoY terms.

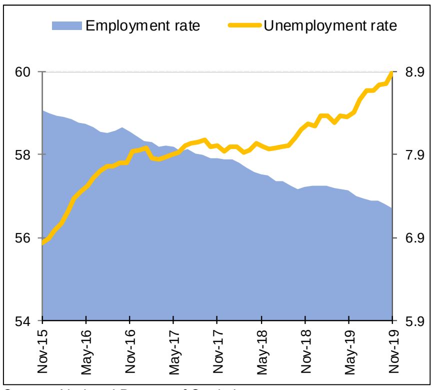
Contribution to GDP Growth by Expenditure
(On a quarterly basis)



Source: Central Bank of Uruguay

The nationwide unemployment rate stood at 9.2% in November, whereas in the last twelve months, on average, the rate was 8.9%. Likewise, the employment rate was 57.2%, representing 1.4 percentage points lower than November 2018 (58.6%). Meanwhile, the average real wages increased 1.3% on average in 2019.

Unemployment and Employment Rate
(Average of last 12 months, in %)



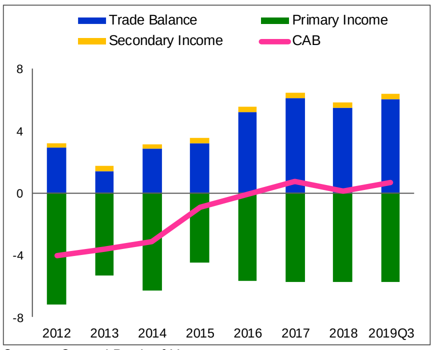
Source: National Bureau of Statistics

2) EXTERNAL SECTOR

CAB registered a surplus of 0.6% of GDP in the year ending in 2019Q3

The Current Account of the Balance of Payments (CAB) showed a positive result of 0.6% of GDP in the year ending in September of 2019, which implied an improvement of 0.7 p.p. from a year ago. This was driven by both a surplus in the trade balance of goods and services (6.1% of GDP) as well as in the Secondary Income (0.3%), partially offset by a deficit in the Primary Income category (of 5.8% of GDP).

Current Account Balance
(In % of GDP)



Source: Central Bank of Uruguay

The balance in the trade of goods improved USD 725 million —reaching USD 2.9bn— due to a better result in the general merchandise balance, as the goods under merchanting saw a small reduction in its net exports.

On the other hand, the Services balance decreased USD 506 million, or 50% in comparison to the same period last year, posting a surplus of USD 507 million. This was explained by both a reduction of exports (-7.5%) and an increase in imports (3.5%). Regarding the former, the main negative impact arose from the drop in inbound turism, mostly Argentinians, due to the unfavourable economic situation in the neighbour country and the evolution on bilateral relative prices. At the same time, the rise in import of services was determined by higher expenditures made by Uruguayans abroad.

In the year ending in 2019Q3, the Primary Income balance posted approximately a USD 3.3 billion deficit, USD 197 million smaller than a year ago. The improvement was mostly explained by accrued interests on Central Bank Reserve Assets and on public banking sector assets held abroad, as well as the private sector resident´s portfolio gains from cross-border investments.

Finally, the Secondary Income balance, which captures net current transfers, had a positive value of around 0.3% of GDP.

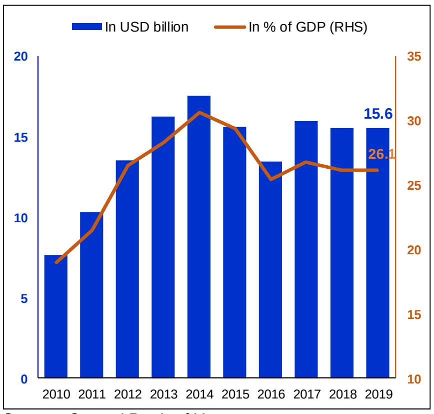
The Financial Account registered a net outflow of USD 384 million in the year ended in 2019Q3 (including the Errors and Omissions component). That outflow was explained by financial movements from the private sector, while the public sector contributrf with net capital inflows.

The drop in Central Bank Reserve Assets of USD 1,722 million in the 12 months to September 2019 happened mostly during the last quarter of the period (76% of the total reduction), and was explained by different factors. Firstly, the CBU sold USD 508 million to intervene in the exchange market to smooth exchange rate volatility. Second, Central Government deposits decline due to debt service amortizations. Finally, social security funds and private banks also withdrew some part of their deposits held in the CBU.

By end-December, international reserves of the CBU totaled USD 15.6billion, or 26.1% of GDP. This level is well above the upper bound of the

IMF reserve adequacy benchmark (which takes into account potential balance of payments drains, including short-term external liabilities). Importantly, international assets remained largely stable over the last few years, with Reserves to GDP ratio consistently surpassing 25% since 2012.

International Reserves
(End-of-period)



Source: Central Bank of Uruguay

3) FISCAL and DEBT INDICATORS

Non-Financial Public Sector deficit reached 2.9% of GDP in 2019; net debt was 51.7% of GDP by end-2019Q3

In 2019, the deficit of the Non-Financial Public Sector (NFPS) was equivalent to 2.9% of GDP. This coverage includes the following institutional sectors: the Central Government, local governments and public enterprises, and excludes the Central Bank.

It is worth noting that this result includes the fiscal impact of the international debt issuance in September 2019. consisting in the reopening of two US existing global bonds (2031 and 2055) and the repurchase of the existing Global Bonds 2022, 2024 and 2027.

Since January 2019, the Ministry of Economy and Finance and the CB use jointly the international standards of the Manual of Statistics of Public Finances of the International Monetary Fund on a cash basis.

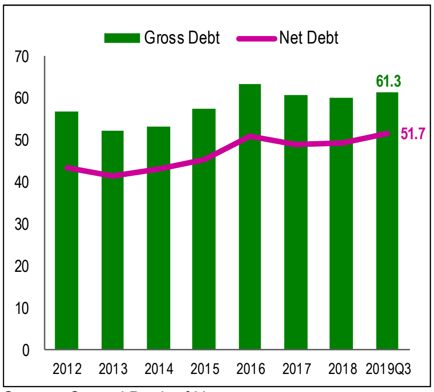
In line with the cash basis framework, the operation generated an improvement in the fiscal result of the Central Government in October for USD 168 million (approximately 0.3% of GDP).

This figure is explained by the following two components: i) the premium generated by the reopening of bonds at market prices above par, for a total of USD 158 million and ii) the net balance charged on interest, which amounted to USD 10 million. This comes from the difference between the interest accrued for USD 21 million for the reopening of the exit bonds, less the payment of USD 11 million of interest accrued on the repurchase of the securities maturing in 2022, 2024 and 2027.

The headline figure for the NFPS deficit includes the extraordinary inflows received by the public Social Security agency. These transfers followed a law introducing changes to the pension system, allowing certain workers and retirees aged fifty or above, to shift from the social security individual capitalization scheme (administered by the Pension Funds) into the public sector social security “pay-as-you-go” regime (administered by the state-owned Banco de Prevision Social). These inflows are registered as government revenues consistent with IMF statistics standards, and reduced the headline NFPS deficit by 1.3% of GDP in 2019.

In March 2019, the Central Bank started publishing gross and net debt figures excluding the Central Bank, going back to 2012Q4. The term "Non Monetary Public Sector" (NMPS) used in Central Bank debt statistics is equivalent to the category "Non Financial Public Sector" (NFPS) used by the Ministry of Economy and Finance´s when reporting headline fiscal numbers. The Non-Monetary Public Sector gross debt stood at 61.3% of GDP as of September 2019, while net debt was 51.7% of GDP.

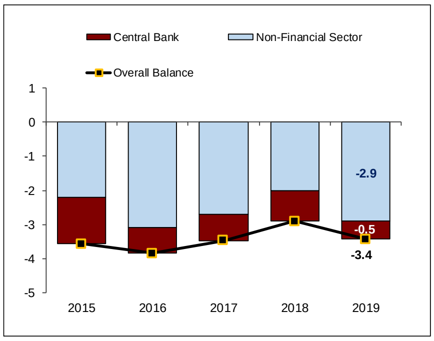
Non-Monetary Public Sector Debt
(In % of GDP, end-of-period)



Source: Central Bank of Uruguay

According to the IMF, Uruguay is currently the only country in the world that sets its fiscal targets for the overall Public Sector, i.e., the broadest perimeter of fiscal consolidation. During 2019, the fiscal deficit for the Consolidated Public Sector was 3.4% of GDP. The latter figure also includes the positive impact from the extraordinary revenues to the public sector Social Security.

Consolidated Public Sector Balance
(In % of GDP)



Regarding debt figures, the Consolidated Public Sector debt stood at 64.8% of GDP as of September 2019, while the net debt printed at 32.6% of GDP. These measures of debt net-out intra-public sector holdings of assets and liabilities at the consolidated level.

4) INFLATION & MONETARY INDICATORS

Annual inflation stood at 8.8% YoY in 2019; Central Bank lowered its target for M1´ money supply growth

The annual inflation rate in Uruguay rose to 8.79% in December 2019, from 8.40% in the previous month.

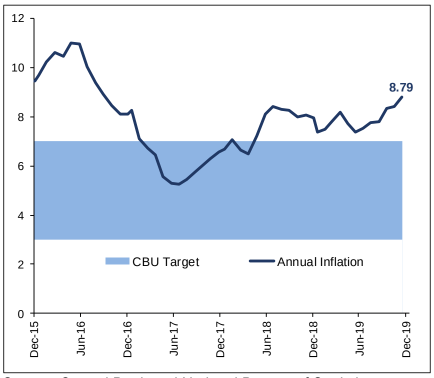
The main upward pressures came from a higher FX depreciation, as well as a strong increase in meat prices, which was almost four times higher than the average inflation. This was the result of a significant increase in Chinese demand for Uruguayan beef driven by the swine fever outbreak in this country. The weight of beef in the CPI basket is 7.3%.

In turn, part of this trend was offset by a decrease in non-tradable prices, on the back of more flexible and forward-looking wage setting guidelines implemented since 2015 by the Government, which have helped to reduce price indexation.

In terms of monetary policy, the CBU lowered its target for the growth rate of the M1´ money supply in 2020Q1 to 6.0% - 8.0% (from the previous quarter's of 7.0%–9.0%). According the latest Monetary Policy Committee quarterly statement, the target was "…necessary to maintain a moderately contractive monetary policy, consistent with the current phase of the economic cycle".

The CBU also confirmed that M1´ growth for the fourth quarter of last year stood at 7.6%, which was in line with the official target. In addition, the Macroeconomic Coordination Committee kept the inflation target for the next 24 months horizon unchanged at 3.0% - 7.0%.

Inflation
(In %, last 12 months)

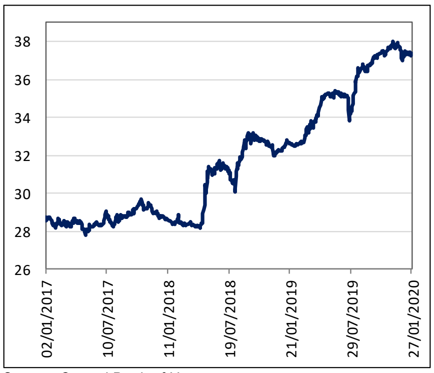


Source: Central Bank and National Bureau of Statistics

In the fourth quarter of 2019, the Uruguayan peso depreciated 4.7%, on average, against the US dollar, driving an annual depreciation of 15.3%.

However, throughout the year, the exchange rate behaved differently. Between January and the first week of August, the FX ranged between 32 and 35 Pesos per US Dollar. Then, there was an acceleration in the depreciation path driven by the result of Argentina's primary elections (PASO elections) reaching 38 Pesos per US Dollar by mid-November. From that moment onwards, it showed a slight downward trend ending the year at 37.3 Pesos per US Dollar.

Nominal Exchange Rate
(Pesos per USD)



Source: Central Bank of Uruguay

5) BANKING SYSTEM

Banks with high levels of profitability as of 2019Q3: 2.4% ROA and 20.5% ROE

As of end-September the banking system´s capital surplus which almost doubled the minimum regulatory requirement adjusted to risks (credit, market, operational and systemic risks).

Additionally, the prudential regime of supervision established by the Superintedency of Financial Institutions (SSF) mandates banks to accumulate countercyclical buffers, which allows to face the potential increase in delinquency rates during downturns without the need for additional capital integration at times of recession. The stress tests prepared by the SSF showed that the banking system would support an important recession scenario on average while maintaining a reasonably adequate equity level.

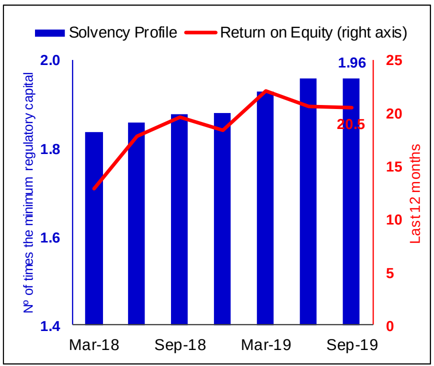
Credit delinquency stood at 3.2% by 2019Q3, slighthly increasing with respect to the previous quarter. This is comfortably covered by the provisions of the total system, which remained at 6.1% in the same period.

In parallel, the indebtedness of families with the banking system and comsumer loan companies remained at reduced levels: 27.2% of annual income by 2019Q3.

The profitability of the system shows a return on assets (ROA) of 2.4% and a return on equity (ROE) of 20.5% in the year ended in September 2019.

The financial system in Uruguay is composed by foreign banks, cooperatives, offshore banks, external financial institutions, credit administrators, foreign exchange houses and financial service companies. State-owned banks have traditionally held a significant share of the banking market.

Banking System`s Solvency Profile and Return on Equity



Source: Central Bank of Uruguay

In November, foreign currency deposits from residents in the non-financial private sector stood at USD 19.6 billion, staying almost unchanged from the previous month. In turn, non-residents' totaled USD 3.1 billion (that is 13.5% of total FC deposits).
Furthermore, residents´ local currency denominated deposits reached USD 6.6 million.

6) RECENT DEVELOPMENTS

Outcome of Presidential Elections

General elections were held in Uruguay on Sunday, 27 October 2019 to elect the President and the General Assembly.

In the first round of the presidential election, held on October 27th, Frente Amplio obtained 39.2% of the votes. Since there was no absolute majority, a ballotage was held in November. Mr. Luis Lacalle Pou (46) of Partido Nacional, became the new president of Uruguay after the second-round results. Mrs. Beatriz Argimón (58) will be the new vice president.

During the campaign, Lacalle´s Partido Nacional and other four opposition parties formed a broad coalition in order to have parliamentary majorities. These parties were: Partido Colorado, Cabildo Abierto, Partido de la Gente y Partido Independiente.

In December, Lacalle announced the new cabinet. Mrs. Azucena Arbeleche (formerly the Head of the Debt Management Unit) will lead the Ministry of Economy and Finance; Mr. Diego Labat has been appointed as Governor of the Central Bank, and Mr. Isaac Alfie (formerly Minister of Finance) will become the new Director of the Budget and Planning Office of the Presidency.

Uruguay continues to rank first in LATAM in terms of institutional stability, corruption perception and social mobility

According to the annual Democracy Index published by the Economist Intelligence Unit (EIU), in 2019, Uruguay was ranked 15th with a score of 8.38, above countries such as France (20th), Japan (22nd) or United States of America (23rd).The report evaluated 167 countries using a 0 to 10 (maximum) scale in five categories: electoral process and pluralism, functioning of government, political participation, political culture and civil liberties.

Based on their score on a range of indicators within these categories, each country is then itself categorized as one of four types of regime: “full democracies”; “flawed democracies”; “hybrid regimes” and “authoritarian regimes.” Only three Latin American countries (Uruguay, Costa Rica and Chile) were considered as a “full democracies” in 2019 according to this report. Only 13% of the countries qualified for the “full democracy” category, which implies an absolute respect for civil liberties and representative governance.

On the other hand, Uruguay is perceived as the least corrupt country in Latin America, placing position 21 out of 180 countries, according to the 2019 Corruption Perceptions Index (CPI) reported by Transparency International. The CPI ranks countries "by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys”.

The CPI generally defines corruption as “the misuse of public power for private benefit”. A country or territory’s score indicates the perceived level of public sector corruption on a scale of 0 (“highly corrupt”) to 100 (“very clean”). In 2019, Uruguay achieved 71 points.

Uruguay is also the country with the greatest social mobility in Latin America, according to the Global Social Mobility Index (GSMI) elaborated by the World Economic Forum (WEF). It ranks 35th in the global scale above Costa Rica (44th), China (45th), Chile (47th) or Mexico (60th).

The GSMI, which benchmarks 82 global economies, was designed to provide policy-makers with a means to identify areas for improving social mobility and promoting equally shared opportunities in their economies, regardless of their development.

The index focuses on drivers of relative social mobility instead of outcomes. It uses 10 pillars, which in turn are broken down into five determinants of social mobility – health, education, technology access, work opportunities, working conditions and fair wages and finally, social protection and inclusive institutions.

According to the WEF, “in absolute terms, it is the ability of a child to experience a better life than their parents”. On the other hand, relative social mobility is an assessment of the impact of socio-economic background on an individual’s outcomes in life.

Uruguay makes dramatic shift to 98% electricity generation from renewable energy

According to the local energy consultancy SEG Engineerig, during 2019, 98% of energy electricity was produced using renewable resources. Of this total, 55.6% of the generation was through hydropower, 33.6% corresponded to wind, 6% to biomass, 2.8% to solar energy and only 2% using thermal energy.

Also, will be the third consecutive year in which photovoltaic solar energy (obtained directly from solar radiation and used to produce electricity at a large scale) exceeded thermal energy in the power generation matrix.

In less than 10 years, Uruguay has slashed its carbon footprint and lowered electricity costs

In addition, during last year the state-owned utility company UTE reached recoed-levels of energy generation (14,000 gigawatt hour-GWh) and in volume of energy exports to neighboring countries (2,994 gigawatts GWh). Of the total exported, 80% was destined for Brazil and the remaining 20% was exported to Argentina.

Furthermore, UTE inaugurated in November and extra high-voltage transmission line to ensure electricity security in the north of the country, allowing for the integration of new renewable energy capacity. Over the past ten years, the company has invested more than a USD 1 billion in revamping Uruguay's electricity grid.

Another step to improve the country's energy efficiency in transport: Verne Plan

The national energy policy is now focused on achieving a transition in the transport system, using renewable sources of energy. This sector is relevant, since it accounts for 70% of imported oil and 64% of the country's CO_2 emissions. This shift will have win-win benefits, both in terms of environmental sustainability, as well as in energy sovereignty, energy cost stability and cost reductions to increase competitiveness.

The transition in transportation means the progressive electrification which, based on the relative merits of the available technologies, will be via battery-electric vehicles (BEV) for light / short distance vehicles (within cities) and via hydrogen and fuel cells vehicles (FCEV) for heavy / long distance vehicles (intercity buses and road trucks). The first is mature in technology and market, while the second is mature in technology and emerging in the market.

To move forward with the electrification of transport, the Ministry of Industry Energy and Mining (MIEM) has established the policy guidelines, and has partnered with the state-owned electric utility UTE to develop the MOVÉS Project (BEV urban buses, taxis and light duty fleets); and with the state-owned oil company ANCAP and UTE to develop the Verne Project (pilot for the production of green hydrogen by electrolysis and the use of heavy-duty FCEVs).

In anticipation of the time when hydrogen technologies reach commercial maturity and are scaled up to mass adoption, the Verne project goal is to build a pilot hydrogen ecosystem to introduce hydrogen as an energy carrier, its associated technologies, identify legal and regulatory barriers and gaps, generate local knowledge and capabilities, and inform the development of a National Hydrogen Roadmap with a hydrogen supply and demand scaling up in transportation (potential fleet of 3,600 intercity buses and 20,000 road trucks, as well as freight trains, ferries, barges, etc.), chemical feedstocks such as ammonia and methanol, export potential, etc.

An interagency MIEM - ANCAP - UTE project team was established in March 2019, along with a resolution framework made up of a letter from MIEM to ANCAP and UTE and the resolutions of the respective Board of Directors of ANCAP and UTE.

The project team has the support of the specialized consulting firm Hinicio, and a non-refundable Technical Cooperation of the Interamerican Development Bank (IDB) for technical studies on the project. You can find more information about this project by clicking here.

Uruguayan food producers gain export access to the beef market of Saudi Arabia

In January 13th, the Government of Saudi Arabia granted authorization to twenty slaughter houses in Uruguay to export bovine and sheep meat into the country.

This achievement is part of the strategy for international trade integration carried out by the Uruguayan Ministries of Foreign Affairs and Livestock, Agriculture and Fisheries. Based on traceability and electronic information systems of the local beef industry and natural conditions with a mild climate, fertile land and plenty of water. Uruguayan meat is known throughout the world for its high quality and delicious taste.

Currently, the country exports 80% of total meat production to over 100 countries in the world. The main buyers are China, the European Union and the United States, yet new high-income markets have recently been opened, such as South Korea and Japan. Uruguay also exports sheepmeat with bone to the United States since 2017.

For 30 years, Uruguay has been guaranteeing quality for all of its meat exports through the Official Certification of Quality Control

In 2019, beef exports reached USD 1.8 billion (20% of good exports), increasing 11% compared to 2018. China concentrated 35% of Uruguayan meat exports last year (driven by the swine flu in the country).

First Free Trade Zone for audiovisual services

In January, the Brazilian Companies Fasano and Quanta together with local investors announced the construction of the first specialized Free Trade Zone "Punta del Este Film Studios" for the research, production, storage, processing and distribution of audiovisual servies.

The construction, which will begin in 2020H1, will cover 25 hectares with an initial investment of USD 25 million. The royalty charged by the Government will go to promote the Uruguayan audiovisual industry..

Uruguay offers ideal conditions to develop the cinematographic business. It offers more than 12 hours of light during summertime, opposite season to the northern hemisphere (which allows productions during the boreal winter) and a moderate climate throughout the year with an average temperature of 25ºC.

Uruguay's free trade zone regime was enacted in 1987, under which foreign and national investors benefit from substantial tax and tariff incentives. Firms operating within FTZ are exempted from all taxes currently in effect, or that may be enacted in the future, for the full term of their contracts.

Institutional stability and excellent IT infrastructure of Uruguay attracts Google

After more than two years of negotiations, the US company Google announced that it will install a data center in Uruguay. It will be built in the 20-hectares free trade zone Parque de las Ciencias, located in Department of Canelones.

In October of last year, the Government of Canelones issued a resolution granting "feasibility of expanding the Zona Franca Parque de las Ciencias, incorporating an additional area of 29 hectares and 2,372 square meters into the perimeter", which is the space where the center will be built.

The company has 13 data centers: six in the United States, three in Europe, three in Asia and one in Latin America, in Chile. Data centers, such as the one that Google will install in Uruguay, are places that concentrate the resources necessary for the processing of a company's information, and have rigorous security and communication measures.

Uruguay is considered a first-class business center that has achieved remarkable technological advances. The country has exceptional connectivity and Internet penetration; 85% of households have fixed broadband access, of which 75% have fiber optic access, and is among the countries with the highest download speeds in the region.
Also, 100% of the country's public schools have connectivity. Uruguay is the only country in the world that provides free laptops to all public and secondary school students and is a global example of how to incorporate technology into education.

The institutional and political stability that Uruguay provides, together with very good infrastructure (such as the submarine cable installed in 2017 which connects Uruguay, Argentina and Brazil with the United States and a data center of the state-owned Antel company) makes it possible to provide services to foreign companies such as Google.

Two Chinese companies will resume car assembly in the country, opening the door for assembling electric cars

In November 2019, the Chinese company Lifan agreed with the firm Brilliance, the restart of activities in the car assembly plant located in Department of San José. It will manufacture 10,000 vehicles on an annual basis, with perspectives to assemble electric cars in the near future.

"Uruguay began to hit the road of electric automotive transport and we can have another milestone in that area" between Uruguay and China, pointed out Vice President, Mrs. Lucía Topoloasnky. "In these times of climate change, electric transport is a strategic issue, so we think that this cooperation has broad perspectives and we want it to be developed in the long term", said the head.

Uruguay becoming a premium olive oil production and exporting country

Although the weight in total exports is still very low, the olive industry in Uruguay is another clear example of the optimal results obtained after years of planning dedicated to foster quality and growth.

Olive oil producers enjoyed a record-setting harvest in 2019 and produced 2,775 tons of extra virgin olive oil, representing an increase of more than 360% over the last five-year average.

"Uruguay overcame the barrier of producing 1,000 tons of olive oil annually", said to MercoPress news agency Mr. Jorge Pereira, Uruguayan olive oil sommelier and consultant.

"The 2019 harvest was much higher than the previous records and even exceeded the expectations," pointed out a report compiled by Uruguay's Ministry of Livestock, Agriculture and Fisheries.

The recently signed EU-Mercosur free trade agreement will provide an additional stimulus to this nascent industry in Uruguay

"Climate conditions allowed a very good flowering and consequently a great quantity of fruit, with a good quality of oil." In addition to favorable weather, many olive trees that had been planted last decade were just now beginning to bear fruit. “The increase in cultivated area in the period of 2010 to 2019 has quintupled, and these new olive trees have entered into the production phase,” added Mr. Pereira.

According to official figures, Uruguay has some 22,500 acres of olive trees, and managed to export close to 1,000 tons of olive oil, at an estimated value of US$ 2.5 million.

Brazil and China offer the best export markets for Uruguayan olive farmers, as both countries are willing to pay substantially more, i.e. Brazil pays around three times compared with Spain, and China pays around four times compared to the US.

DEBT MANAGEMENT UNIT
INVESTOR RELATIONS CONTACT INFORMATION

Antonio Juambeltz

Rodrigo Saráchaga

Inés Cal

☎ +598 2 1712 ext. 2957

E-mail: debtinfo@mef.gub.uy

Website: deuda.mef.gub.uy

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Latest available as of:
ECONOMIC STRUCTURE AND ACTIVITY													
Population (million)	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.5	3.5	2019Q3
Nominal GDP (local currency, billions)	636	715	808	926	1,041	1,178	1,331	1,456	1,589	1,707	1,831	1,930	2019Q3
Nominal GDP (USD, millions)	30,350	31,712	40,258	47,991	51,238	57,482	57,278	53,273	52,825	59,578	59,570	56,712	2019Q3
GDP per Capita (nominal USD)	9,025	9,388	11,852	14,063	14,954	16,709	16,584	15,365	15,179	17,055	16,991	16,176	2019Q3
Unemployment (% of labor force, average of last 12 months)	7.9	7.8	7.0	6.3	6.3	6.5	6.6	7.5	7.9	7.9	8.4	8.9	2019M11
Real GDP (% change, YoY)[(1)]	7.2	4.2	7.8	5.2	3.5	4.6	3.2	0.4	1.7	2.6	1.6	0.9	2019Q3
By Sector													
Agricultural, livestock & other primary activities	2.1	4.4	0.2	11.1	-0.9	2.0	-0.2	-1.8	3.1	-6.3	5.7	-7.8	2019Q3
Manufacturing	8.1	5.2	2.6	2.0	-3.9	1.2	4.2	4.9	0.7	-3.5	1.9	2.7	2019Q3
Electricity, gas and water	-51.1	11.6	89.3	-24.2	-21.9	54.7	15.7	-6.7	9.6	1.2	2.2	1.2	2019Q3
Construction	2.6	2.7	2.4	2.4	16.3	0.9	0.7	-6.1	-2.6	-2.1	-2.8	-3.6	2019Q3
Commerce, restaurants and hotels	11.9	0.9	11.6	7.0	5.6	8.0	-0.6	-4.0	-2.8	6.2	-1.3	0.0	2019Q3
Transportation, storage and communications	30.7	14.9	15.0	10.7	10.0	6.9	7.4	4.8	8.1	9.4	6.8	3.5	2019Q3
Other activities[(2)]	7.4	1.4	4.3	2.6	3.5	4.2	3.1	1.0	-0.1	-0.9	0.3	1.0	2019Q3
By Expenditure													
Gross fixed capital formation	19.3	-5.8	16.0	7.0	18.2	3.8	2.4	-9.2	-1.6	-15.7	-2.7	0.8	2019Q3
o/w public sector	21.4	7.8	-4.7	-9.9	0.5	13.6	28.7	-12.2	10.9	-28.9	3.8	-13.6	2019Q3
o/w private sector	18.7	-9.8	23.2	11.5	21.9	2.1	-2.8	-8.5	-4.8	-11.9	-4.2	4.4	2019Q3
Consumption	9.1	2.7	8.6	6.7	5.1	5.5	2.9	-0.2	0.4	3.9	1.4	1.2	2019Q3
Exports (goods and services)	8.5	4.5	7.2	5.8	3.6	-0.1	3.5	-0.6	-0.2	6.9	-4.8	9.3	2019Q3
Imports (goods and services)	24.4	-8.7	13.6	12.4	13.6	2.8	0.8	-7.3	-6.2	0.5	-2.0	1.6	2019Q3
Share of Nominal GDP by economic activity (in %) [(3)]													
Agriculture, livestock and fishing	9.2	7.9	7.2	8.8	8.1	7.6	6.7	6.1	5.9	5.1	5.6		2018
Mining	0.3	0.5	0.5	0.4	0.4	0.5	0.5	0.4	0.5	0.4	0.4		2018
Manufacturing	14.9	14.8	13.5	12.7	12.2	11.3	12.1	13.2	12.8	11.7	11.7		2018
Electricity, gas and water	0.8	1.4	3.1	1.9	1.0	2.2	2.3	2.2	2.7	2.7	2.5		2018
Construction	6.8	7.4	7.4	7.6	9.2	9.7	9.8	9.6	9.6	9.9	9.9		2018
Commerce, restaurants and hotels	14.4	14.0	13.7	13.8	13.9	13.7	13.4	13.0	13.0	13.9	13.7		2018
Transportation, storage and communications	7.5	7.2	7.1	6.7	6.5	6.0	5.7	5.6	5.4	5.5	5.4		2018
Financial and insurance services	4.3	4.3	4.3	4.3	4.4	4.4	4.5	4.6	4.8	4.8	5.1		2018
Real estate and business services	13.9	14.4	15.0	15.1	15.8	16.1	16.3	16.8	16.7	16.7	16.4		2018
Social and other services of the Government	4.9	5.2	5.1	5.1	5.0	5.0	5.1	5.0	5.1	5.1	5.2		2018
Education and health services	8.8	9.5	9.4	9.6	9.9	10.1	10.4	10.6	11.0	11.2	11.1		2018
Others	3.8	3.7	3.8	3.8	3.7	3.7	3.7	3.7	3.7	3.8	3.9		2018
Share of Nominal GDP by expenditure (in %) [(3) (4)]													
Gross fixed capital formation	20.6	18.7	19.1	19.1	22.2	21.8	21.4	19.8	19.0	16.5	16.5		2018
Consumption	81.6	79.6	79.6	79.5	80.3	80.5	80.8	80.7	80.7	81.7	81.4		2018
Exports (goods and services)	30.2	27.1	26.3	26.4	25.9	23.4	23.5	22.5	21.4	21.4	21.0		2018
Imports (goods and services)	35.0	26.3	25.4	26.8	29.1	26.4	25.5	22.9	19.9	18.3	19.0		2018

(1) Lastest available data corresponds to quarterly data. In the case of complete years, figures are on an annual basis.

(2) It includes financial and insurance services, real state and business services, social and other services of the Government, education, health services and other activities of community, social and personal services and private households with domestic service. It does not include the adjustment of financial intermediary services indirectly measured.

(3) Published once a year by the Central Bank.

(4) Shares in nominal GDP do not add up to a 100%, given that the investment figure excludes change in inventories.

Sources: *Central Bank of Uruguay and National Institute of Statistics*

BALANCE OF PAYMENTS [1]

In USD million

	2012	2013	2014	2015	2016	2017	2018	Latest available (last 12 months) as of 2019Q3
Current Account	**-2,069**	**-2,087**	**-1,814**	**-491**	**-69**	**420**	**77**	**368**
Goods and Services	1,506	811	1,619	1,720	2,733	3,651	3,282	3,444
Goods	305	1,077	1,985	1,307	1,911	2,391	2,429	2,937
Exports	13,055	13,277	13,769	11,145	10,374	11,059	11,535	11,549
Merchandise goods	11,030	11,360	11,443	10,013	9,126	10,042	10,008	10,174
Goods under merchanting (net)	2,025	1,917	2,326	1,132	1,248	1,017	1,527	1,375
Imports	12,750	12,200	11,783	9,838	8,463	8,668	9,107	8,612
Services	1,201	-266	-366	413	822	1,260	854	507
Exports	5,049	4,823	4,617	4,487	4,157	5,021	4,863	4,562
o/w Tourism	2,296	2,089	1,917	1,970	2,071	2,559	2,350	2,059
Imports	3,849	5,089	4,984	4,074	3,335	3,761	4,009	4,055
Primary Income	-3,700	-3,077	-3,614	-2,388	-2,985	-3,423	-3,412	-3,268
Net repatriated profits and dividends	-1,150	-2,492	-2,588	-3,049	-2,464	-2,275	-2,409	-2,588
Net reinvested earnings	-2,214	-6	-346	1,377	84	-693	-488	-372
Net interest paid	-336	-579	-680	-716	-604	-454	-515	-308
Secondary Income	125	180	181	176	183	192	206	192
Capital Account	**49**	**204**	**15**	**175**	**17**	**5**	**44**	**16**
Financial Account	**-1,445**	**-1,194**	**-1,582**	**-739**	**-602**	**1,586**	**-144**	**444**
Foreign Direct Investment	-2,175	-2,792	-2,512	-815	735	2,236	1,107	157
Net assets accumulated abroad by residents	3,869	-2,034	1,319	1,605	905	4,888	2,280	1,159
Net claims accumulated by non residents in the economy	6,044	758	3,830	2,420	171	2,653	1,173	1,001
Portfolio Investment	-278	-1,766	-347	986	2,036	-1,912	-1,636	1,279
Net assets accumulated abroad by residents	1,340	696	855	1,786	641	-1,194	-938	1,670
Net claims accumulated by non residents in the economy	1,618	2,462	1,202	800	-1,395	718	699	391
Financial Derivatives	185	32	33	-303	39	-259	51	136
Net creditor contracts	222	88	60	-295	60	-249	77	145
Net debtor contracts	37	56	26	7	21	10	26	9
Other Investment	-2,464	351	-128	1,070	-1,223	-927	742	594
Net assets accumulated abroad by residents	-425	1,262	761	1,196	-2,816	-1,307	531	644
Net claims accumulated by non residents in the economy	2,039	911	889	127	-1,594	-380	-211	50
Change in Central Bank Reserve Assets	3,287	2,981	1,372	-1,677	-2,189	2,449	-408	-1,722
Errors and Omissions	**575**	**689**	**217**	**-423**	**-550**	**1,162**	**-266**	**60**

In % of GDP

	2012	2013	2014	2015	2016	2017	2018	Latest available (last 12 months) as of 2019Q3
Current Account	**-4.0**	**-3.6**	**-3.2**	**-0.9**	**-0.1**	**0.7**	**0.1**	**0.6**
Goods and Services	2.9	1.4	2.8	3.2	5.2	6.1	5.5	6.1
Goods	0.6	1.9	3.5	2.5	3.6	4.0	4.1	5.2
Exports	25.5	23.1	24.0	20.9	19.6	18.6	19.4	20.4
Merchandise goods	21.5	19.8	20.0	18.8	17.3	16.9	16.8	17.9
Goods under merchanting (net)	4.0	3.3	4.1	2.1	2.4	1.7	2.6	2.4
Imports	24.9	21.2	20.6	18.5	16.0	14.5	15.3	15.2
Services	2.3	-0.5	-0.6	0.8	1.6	2.1	1.4	0.9
Exports	9.9	8.4	8.1	8.4	7.9	8.4	8.2	8.0
o/w Tourism	4.5	3.6	3.3	3.7	3.9	4.3	3.9	3.6
Imports	7.5	8.9	8.7	7.6	6.3	6.3	6.7	7.1
Primary Income	-7.2	-5.4	-6.3	-4.5	-5.7	-5.7	-5.7	-5.8
Net repatriated profits and dividends	-2.2	-4.3	-4.5	-5.7	-4.7	-3.8	-4.0	-4.6
Net reinvested earnings	-4.3	0.0	-0.6	2.6	0.2	-1.2	-0.8	-0.7
Net interest paid	-0.7	-1.0	-1.2	-1.3	-1.1	-0.8	-0.9	-0.5
Secondary Income	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Capital Account	**0.1**	**0.4**	**0.0**	**0.3**	**0.0**	**0.0**	**0.1**	**0.0**
Financial Account	**-2.8**	**-2.1**	**-2.8**	**-1.4**	**-1.1**	**2.7**	**-0.2**	**0.8**
Foreign Direct Investment	-4.2	-4.9	-4.4	-1.5	1.4	3.8	1.9	0.3
Net assets accumulated abroad by residents	7.6	-3.5	2.3	3.0	1.7	8.2	3.8	2.0
Net claims accumulated by non residents in the economy	11.8	1.3	6.7	4.5	0.3	4.5	2.0	1.8
Portfolio Investment	-0.5	-3.1	-0.6	1.9	3.9	-3.2	-2.7	2.3
Net assets accumulated abroad by residents	2.6	1.2	1.5	3.4	1.2	-2.0	-1.6	2.9
Net claims accumulated by non residents in the economy	3.2	4.3	2.1	1.5	-2.6	1.2	1.2	0.7
Financial Derivatives	0.4	0.1	0.1	-0.6	0.1	-0.4	0.1	0.2
Net creditor contracts	0.4	0.2	0.1	-0.6	0.1	-0.4	0.1	0.3
Net debtor contracts	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	-4.8	0.6	-0.2	2.0	-2.3	-1.6	1.2	1.0
Net assets accumulated abroad by residents	-0.8	2.2	1.3	2.2	-5.3	-2.2	0.9	1.1
Net claims accumulated by non residents in the economy	4.0	1.6	1.6	0.2	-3.0	-0.6	-0.4	0.1
Change in Central Bank Reserve Assets	6.4	5.2	2.4	-3.1	-4.1	4.1	-0.7	-3.0
Errors and Omissions	**1.1**	**1.2**	**0.4**	**-0.8**	**-1.0**	**2.0**	**-0.4**	**0.1**

(1) In accordance with the Sixth Edition of the IMF´s Balance of Payments and International Investment Position Manual (BPM6), whereby:
(i) Current Account Balance (CAB), Capital Account Balance (KAB), Errors and Omissions (E&O) and Financial Account Balance (FAB) satisfy: CAB + KAB + E&O = FAB
(ii) "Goods under merchanting" are those goods that are bought by a resident and then sold to a non-resident, without undergoing any process of substantial transformation nor entering into the resident economy.
(iii) Regarding the Financial Account, a positive (negative) sign over the balance of an underlined entry means that net acquired assets abroad by residents were higher (smaller) than net financial liabilities accumulated by non-residents within the economy, implying a capital outflow (inflow) for that concept.
(iv) "Change in Central Bank Reserve Assets" stands for the variation of gross international reserve assets less valuation adjustments.
(v) Revised series under new methodology starts in 2012.
Source: *Central Bank of Uruguay*

Uruguay	**Economic Indicators**

Monetary Indicators and Relative Prices [1]	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	Latest available as of:
Consumer inflation (% change, YoY)	9.2	5.9	6.9	8.6	7.5	8.5	8.3	9.4	8.1	6.6	8.0	8.8	2019M12
Producer inflation (% change, YoY)	6.4	10.5	8.4	11.1	5.9	6.3	10.6	6.6	-1.9	5.4	10.0	20.1	2019M12
Nominal exchange rate (UYU per USD, eop)	24.35	19.63	20.09	19.90	19.40	21.39	24.33	29.87	29.26	28.76	32.39	37.34	2019M12
Nominal exchange rate (UYU per USD, 12-month average)	20.96	22.53	20.07	19.30	20.32	20.50	23.23	27.33	30.08	28.65	30.74	35.28	2019M12
Nominal exchange rate (% change, 12-month average)	-10.6	7.5	-10.9	-3.8	5.3	0.9	13.3	17.6	10.1	-4.8	7.3	14.8	2019M12
Real Effective Exchange Rate, REER (index base 100 = 2017, eop)	151.4	135.9	135.3	126.2	111.9	109.0	108.1	108.8	99.7	101.2	91.9	97.7	2019M11
REER (% change, YoY, if + = real depreciation)	-7.4	-10.2	-0.4	-6.8	-11.3	-2.6	-0.9	0.7	-8.4	1.6	-9.2	4.9	2019M11
Terms of trade, ToT (index base 2005 = 100, eop)	116.3	106.8	119.5	118.1	119.9	122.2	132.9	128.5	132.3	131.6	124.0	132.3	2019M10
ToT (% change, YoY)	20.1	-8.2	11.8	-1.1	1.5	2.0	8.7	-3.3	3.0	-0.5	-5.8	9.0	2019M10
Nominal wages (% change, YoY)	15.4	12.2	11.2	13.6	12.7	12.3	12.3	9.9	11.7	9.0	8.4	8.6	2019M12
Real wages (% change, YoY)	4.3	5.6	3.4	4.0	5.2	3.3	3.5	0.4	3.3	1.3	0.2	-0.3	2019M12
Monetary base (% change, YoY)	29.3	6.5	16.2	17.3	21.9	17.4	1.4	7.2	9.7	3.6	10.4	8.5	2019M12
M1 (% change,YoY)	17.5	11.9	28.1	19.2	9.2	13.1	1.0	5.2	6.6	10.3	6.5	4.9	2019M12
M1' (% change, YoY)	17.9	15.2	30.0	20.8	11.2	15.0	3.7	5.6	8.4	15.0	8.9	5.1	2019M12
M2 (% change, YoY)	17.3	14.9	31.0	22.1	10.3	13.7	6.4	9.0	17.6	13.3	10.5	5.7	2019M12
Overnight interbank interest rate (%, eop)	5.0	7.1	6.5	8.8	9.0	5.3	20.0	18.0	3.5	8.6	5.0	-	2019M12
Average short-term interest rate for local currency deposits (%)	5.4	4.9	4.8	5.5	5.2	5.1	8.5	7.9	6.0	5.3	5.3	5.7	2019M11
Total bank deposits by private non-financial sector (% of GDP)	42.2	48.3	44.5	43.0	45.3	44.0	46.9	52.4	53.4	47.7	47.6	52.0	2019M11
o/w in local currency (% of total)	17.6	21.6	24.2	26.2	26.1	24.7	22.3	19.1	22.7	26.7	26.4	22.4	2019M11
in foreign currency (% of total)	82.4	78.4	75.8	73.8	73.9	75.3	77.7	80.9	77.3	73.3	73.6	77.6	2019M11
Total bank deposits by private non-residents in non-financial sector (% of GDP) [2]	8.1	9.3	7.7	6.7	7.2	6.8	7.4	8.6	6.7	4.7	4.7	5.5	2019M11
Total bank credit to resident private non-financial sector (% of GDP)	22.9	22.7	21.4	21.6	23.9	24.0	25.1	26.9	28.3	25.5	25.6	25.4	2019M11
o/w in local currency (% of total)	45.5	47.5	48.0	45.9	47.2	45.4	44.0	43.7	45.9	48.7	48.5	48.5	2019M11
in foreign currency (% of total)	54.5	52.5	52.0	54.1	52.8	54.6	56.0	56.3	54.1	51.3	51.5	51.5	2019M11
Total bank credit to non-resident non-financial sector (% of GDP)	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	2019M11

(1) Stocks are measured end-of-period (eop).
(2) Assumes all non-residents deposits are in foreign currency.
Sources: *Central Bank of Uruguay and National Institute of Statistics*

Public Finances	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	Latest available as of:
							(as % of GDP)						
Non-Financial Public Sector													
Overall Balance	-1.4	-1.5	-0.4	-0.4	-2.4	-1.9	-2.8	-2.2	-3.1	-2.7	-2.0	-2.9	2019M12
Primary balance of Central Government	1.8	1.2	1.3	1.9	0.3	0.9	0.0	-0.5	-1.0	-0.3	0.7	-0.4	2019M12
Revenues	26.0	26.3	26.9	27.0	26.9	28.0	27.6	27.2	27.8	28.8	30.5	29.9	2019M12
o/w transfers to Social Security Trust Fund [1]											1.3	1.3	2019M12
Primary expenditures	24.2	25.1	25.6	25.2	26.6	27.1	27.6	27.7	28.8	29.1	29.8	30.3	2019M12
Primary balance of local governments	0.1	0.3	0.0	0.1	-0.1	-0.1	-0.2	0.1	0.1	0.1	0.0	-0.1	2019M12
Primary balance of public enterprises	-0.7	-0.4	0.4	-0.1	-0.5	-0.5	-0.3	0.8	0.4	0.2	0.0	0.0	2019M12
Primary balance of the state-owned insurance bank	0.2	0.2	0.4	0.2	0.2	0.2	0.0	-0.3	0.0	-0.1	-0.2	0.0	2019M12
Interests payments	2.9	2.7	2.4	2.4	2.2	2.3	2.3	2.3	2.6	2.6	2.6	2.4	2019M12
Consolidated Public Sector													
Overall balance	-1.6	-1.6	-1.1	-0.9	-2.7	-2.3	-3.5	-3.6	-3.8	-3.5	-2.9	-3.4	2019M12
Primary balance	1.4	1.1	1.9	1.9	-0.2	0.4	-0.6	0.0	-0.5	-0.2	0.5	-0.6	2019M12
o/w transfers to Social Security Trust Fund [1]											1.3	1.3	2019M12
Interests	3.0	2.8	2.9	2.8	2.5	2.7	2.8	3.6	3.3	3.3	3.4	2.9	2019M12
o/w Central Bank´s	0.0	0.0	0.6	0.5	0.3	0.4	0.6	1.3	0.7	0.7	0.8	0.5	2019M12

(1) Since October 2018, following the so-called "Cincuentones Law", the public sector social security fund has been receiving the accumulated savings of workers and retirees aged fifty or above who chose to switch from the social security individual capitalization scheme into the "pay-as-you-go" regime. These inflows are recorded as public revenues, consistent with IMF methodology, and are held into a trust fund. For further details, refer to footnote 2 in the January 2019 Sovereign Debt Report by clicking here.
Source: *Ministry of Economy and Finance of Uruguay*

Public Debt [1]	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	Latest available as of:
							(as % of GDP, unless otherwise indicated)						
Non-Monetary Public Sector [2]													
Gross debt					56.9	52.3	53.2	57.6	63.2	60.7	60.2	61.3	2019Q3
o/w in foreign currency (% of total)					44.8	42.5	46.0	50.1	49.1	43.2	47.9	50.4	2019Q3
held by non-residents (% of total)					51.4	53.2	55.4	55.5	49.2	47.2	49.9	52.5	2019Q3
Net debt					43.4	41.3	43.0	45.2	50.8	49.1	49.2	51.7	2019Q3
Consolidated Public Sector													
Gross debt	58.5	72.7	59.6	56.6	61.1	57.9	58.8	59.2	63.4	65.2	64.5	64.8	2019Q3
o/w in foreign currency (% of total)	67.8	64.0	55.1	47.7	42.3	39.9	43.7	53.5	52.5	41.4	46.9	50.6	2019Q3
held by non-residents (% of total)	60.5	55.4	53.4	51.7	51.9	52.8	54.7	57.3	51.1	46.0	47.9	51.0	2019Q3
Net debt	27.2	35.2	31.0	27.9	27.1	23.0	21.8	23.4	30.5	31.8	31.8	32.6	2019Q3

(1) Stocks measured end-of-period.
(2) Starting June 2019, the Central Bank started publishing debt figures for the Non Monetary Public Sector (NMPS), going back to 2012Q4. The NMPS coverage includes the following institutional sectors: the Central Government (which includes the Social Security public fund), local governments, public enterprises and the state-owned insurance bank. Reported data nets out any cross-holdings of assets and liabilities for institutions within this perimeter of consolidation. The term "Non Monetary Public Sector" (NMPS) used in published Central Bank statistics is equivalent to the category "Non Financial Public Sector" (NFPS) as used in Ministry of Economy and Finance´s publications.

Source: *Central Bank of Uruguay*