



Key Highlights

- **Covid-19 update:** after having effectively contained the Covid-19 virus for most of 2020, Uruguay has been facing the first wave since November 2020. In January, the Government announced the purchase of 3.75 million vaccines, aiming to inoculate 80% of the population. As of February 7th, 2021, there are 5,845 active cases in Uruguay, and 490 people have died from the illness.
- **Real GDP growth** snapped back in 2020Q3, expanding 7.3% over the previous quarter, seasonally adjusted. The economic authorities forecast a contraction of 5.8% in 2020, and a rebound in growth of 3.5% in 2021.
- In December 2020, Congress passed the 2020 – 2024 Budget Law, laying the foundations for changes on fiscal policy decision-making and execution, in order to stabilize the debt burden over GDP and foster sustainable finances over the medium term. During 2020, the government met all three targets of the new fiscal rule.
- In December 2020, the Central Bank released a revision of National Accounts statistics, using an updated methodology and resetting 2016 as the new base year. Compared with previous estimates, nominal GDP is 8.6% on average higher during the period 2016-2019.
- Annual inflation continued its downward trend in the first month of 2021, printing 8.9% YoY.

1. Covid-19 Update

On January 23rd, 2021, the Government announced the purchase of 3.75 million vaccines against COVID-19: 2 million from Pfizer-BioNTech and 1.75 million from Sinovac, with the aim of inoculating 2.8 million people (approximately 80% of the total population of Uruguay). The vaccination plan will aim to vaccinate 600,000 people per month but the inoculation will not be mandatory.

The number of fatalities have increased recently, from 59 deaths between March and October 2020 to 377 deaths between November 2020 and January 2021. The acceleration in the spread of the virus so far has not put at risk the ability of the health system to cope with the emergency, but it has led the government to implement new measures to contain the spread of the virus. In that sense, in December national authorities announced the closure of national borders between December 21, 2020 and January 10, 2021. On January 6th, 2021, this measure was extended for another 20 days.

On the other hand, Uruguay stood out in handling the pandemic, ranking 12th out of 98 countries analyzed by the Australian think tank Lowy Institute. The institution tracked six measures of Covid-19 in 98 countries for which data was available. The period examined spans the 36 weeks that followed every country's hundredth confirmed case of Covid-19, using data available to 9th January 2021. The score obtained by Uruguay was 75.8 over 100, ranking first in Latin America and twelfth globally.

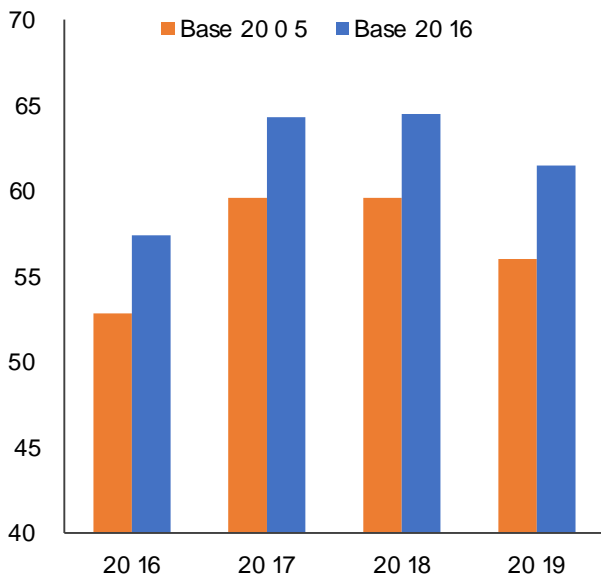
II. Real Sector

National Accounts Revision

In December 2020, the Central Bank of Uruguay (CBU) published a new series of National Accounts, changing the base year from 2005 to 2016 and updating the methodology of GDP calculations to meet international standards. The revised series starts from the first quarter of 2016. In 2016, nominal GDP was 8.6% higher than the previous estimate, while it was 7.9% in 2017, 8.3% in 2018 and 9.7% in 2019 (Figure 1). These differences are due to a higher coverage of relevant activities that bring in new sources of information. Regarding the new real GDP growth rates, they also showed some differences with respect to year base 2005. In 2017 and 2018, GDP growth rates were 1% and 1.1% lower, respectively, than with the old base, while in 2019, it was 0.1% higher (Figure 2).

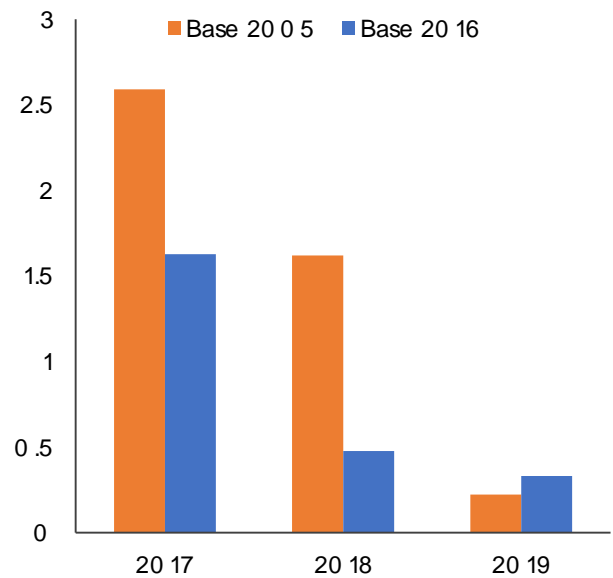
Finally, the GDP re-basing also changed the weighting of the structure of GDP by sectors, increasing the share of primary activities due to new information on the structure and distribution of costs. Likewise, regarding the composition of GDP by expenditure, there is a greater weighting of exports and imports of goods and services to the detriment of final consumption spending, mainly due to the expanded coverage.

Figure 1: Nominal GDP
(In billion, USD)



Source: Central Bank of Uruguay

Figure 2: Real GDP
(Annual change, in %)



Source: Central Bank of Uruguay

Economic Activity during the third quarter of 2020

In the third quarter of 2020, the Uruguayan economy contracted 5.9% YoY in real terms, weighed down by the lingering effects of the Covid-19 outbreak in the country, as it continued to hamper social mobility and disturb the normal operation of the productive sector. Nevertheless, the economy grew 7.8% in seasonally adjusted terms with respect to the previous quarter (Figure 3) due to the gradual relaxation of sanitary measures adopted since mid-March when the first Covid-19 positive cases were detected. This growth marks the beginning of the recovery after the important contraction observed in 2020Q2.

1.1 Demand Components

From the expenditure side, in 2020Q3 all components contracted YoY in real terms, with the exception of gross fixed capital formation, which remained relatively unchanged with respect to 2019Q3. Regarding domestic demand, final real consumption decreased 6.6% YoY, explained by both a drop in households and government spending of 5.9% and 9.4%, respectively.

From an external demand perspective, exports contracted 19.2% YoY in 2020Q3, explained by a reduction in goods as well as services. Regarding the former, it was explained mainly by a decrease in soybean, wood and textile exports. As in 2020Q2, exports of services declined mainly due to less inbound tourism in the context of closed borders.

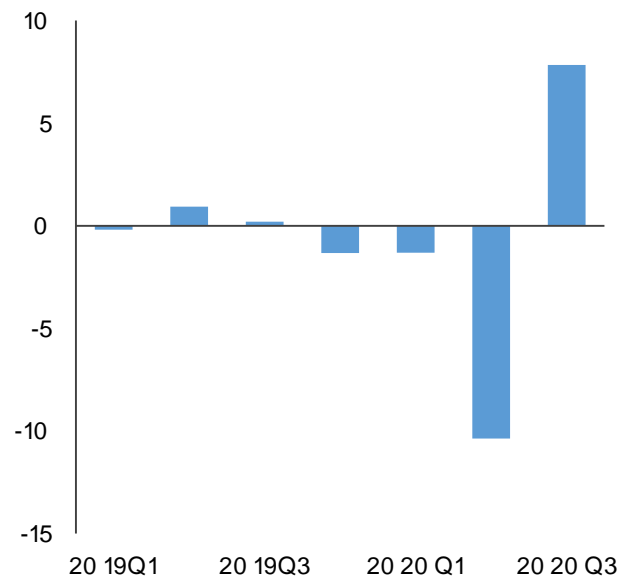
Imports of goods and services plummeted 13.8% YoY in the third quarter of 2020. The contraction observed in imports of services was due to the reduction of Uruguayan expenditure abroad. Furthermore, there were fewer imports of intermediate and final consumption goods.

1.2 Production Sectors

Although at a lower rate than that observed in 2020Q2, economic activity declined in every sector on a YoY basis in the third quarter of 2020. Transport, storage, and communications was the only exception.

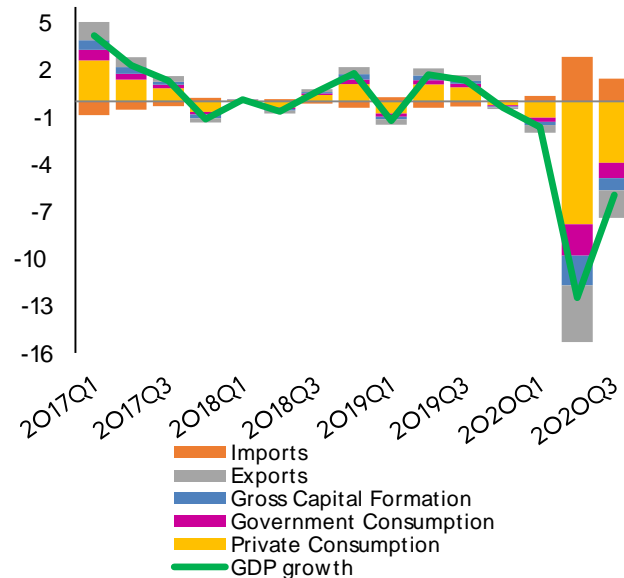
Activity in commerce, restaurants, and hotels exhibited the biggest drop in 2020Q3 in YoY terms, recording a decline of 13.3%. The reduction in the demand of resident households as well as tourists, affected the restaurant and hotel activity. However, a better performance is observed in relation to the previous quarter.

Figure 3: GDP quarterly change in real terms
(Seasonally adjusted, in %)



Source: Central Bank of Uruguay

Figure 4: Contribution to GDP Growth by Expenditure
(YoY, quarterly)



Source: Central Bank of Uruguay

Construction activity fell 7.7% in the third quarter of 2020 concerning the same period of the previous year. The slowdown in road works and investment from public enterprises, more than offset the positive contribution from infrastructure work related to the Central Railway project and UPM's new pulp mill.

Output of primary activities contracted 0.4% in 2020Q3 (YoY), particularly explained by less forestry activity because of a contraction in demand for industrial purposes. The manufacturing sector declined 4.2% YoY in real terms in the third quarter of 2020, showing an improvement in most of the activity branches compared to the previous quarter. This was explained by a negative contribution from the meat processing industry, oil refinery output, manufacture of products derived from wood and textile industries, partially offset by an increase in the manufacture of metal products.

Conversely, the transport and storage sector increased its output by 4.1%, on the wake of the expansion in the communication activity partially offset by a contraction in transport and storage. The stronger dynamism in communications was explained by the higher demand for mobile data services due to the Covid-19 sanitary crisis as well as the increase in exported information technology services. On the other hand, regarding transport and storage, it highlights the negative performance of transport of passengers due to restrictions on mobility.

1.3 Outlook

Leading indicators, such as fuel demand and new car sales, suggest that economic continued to recover during fourth quarter of 2020. In the same way, gross tax collection increased by 1% YoY in real terms in 2020Q4. The Ceres think-tank's leading activity index (ILC) suggests that economic activity has continued to expand: after decreasing 0.3% in November, the monthly leading indicator grew 0.7% and 1.1% in December 2020 and January 2021, respectively.

While an incipient recovery seems underway, the Covid-19 outbreak negatively impacted Uruguay's economic growth in 2020. According to the latest economic expectation survey carried out by the Central Bank, the median projection for GDP growth rate is -5.5% this year, recovering to 3.0% in 2021 and 2.5% in 2022.

On February 8th, the economic authorities updated the economic growth figures for the current year incorporating also the new GDP figures. In this line, the Minister Ms. Azucena Arbeleche hold a live webinar "*Macroeconomic Balance and Outlook for 2021*", forecasting an economic expansion of 3.5% for the current year. Ms. Arbeleche pointed out that real GDP will reach pre-pandemic levels by 2020Q3.

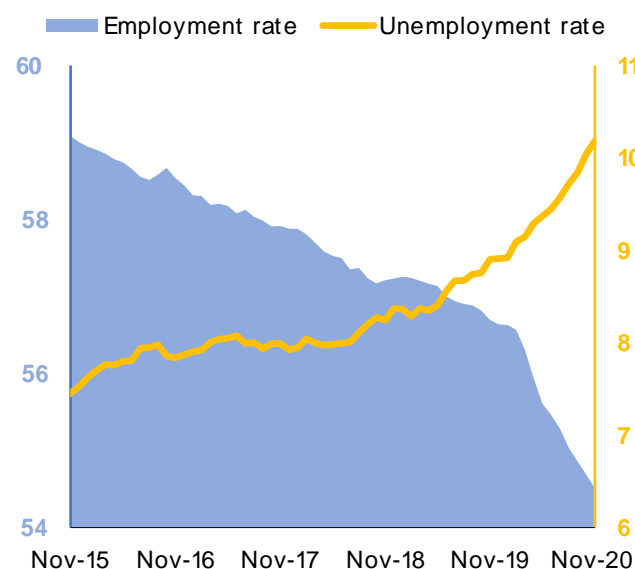
1.4 Labor Market

The unemployment rate reached 10.9% in November, coming down 0.3 p.p. from its print in the previous month. On average during the last 12 months, the unemployment rate stood at 10.2% (Figure 5). In addition, the employment rate was 55% in November whereas the activity rate (that is, the share of the population that is employed or are looking for a job over working-age people) stood at 61.7%.

The deterioration in labor market dynamics has been reflected in the increase in the number of unemployment insurance beneficiaries at the Social Security Bank (Banco de Previsión Social, BPS), which peaked at 189,963 workers in April, right after the Covid-19 outbreak in Uruguay. However, that number significantly declined in the following months as a result of the effective containment strategy deployed by the Government and the re-normalization of economic activity. Nonetheless, as the number of Covid-19 cases surged in November, the downward trend in the number of beneficiaries was interrupted, plateauing at around 80 thousand people (Figure 6). Taken all together, these figures reflect a slight improvement in the labor market conditions compared to hardest hit months of the pandemic in mid-2020.

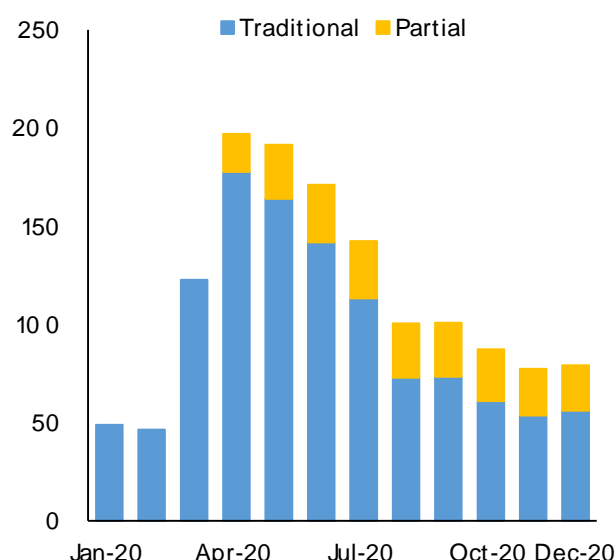
Meanwhile, the nominal wages index grew 7.58% in December in YoY terms, while the real wage decreased 1.52% in December over a year ago.

Figure 5: Unemployment and Employment Rate
(Average of last 12 months, in %)



Source: Central Bank of Uruguay

Figure 6: Unemployment insurance
(Number of beneficiaries, in thousands, by type of regime)



Source: Central Bank of Uruguay

III. External Sector

In the year ended in September 2020, the Current Account balance (CAB) showed a positive result of USD 119 million (0.2% of GDP), broken down into a surplus in the balance of Trade of Goods and Services as well as in the Secondary Income category (of 4.5% and 0.3% of GDP, respectively), partially offset by a deficit in the Primary Income category (of 4.6% of GDP).¹

The CAB declined 0.9 p.p. of GDP from the year ended in September 2019, going from 1.1% of GDP to 0.2% (Figure 7), which was explained by two offsetting behaviors. On the one hand, the balance of the Trade of Goods and Services deteriorated around USD 1.3 billion due to the Covid-19 pandemic, whereas the deficit of the Primary Income fell 739 million in the year ended in September 2020 from the year ended in September 2019.

Focusing on the tourism activity, exports of tourist services plummeted 37% in the year ended in September 2020 from the same period through September 2019. As expected, it was the result of both the lower inflow of Argentine tourists registered in the first quarter of the year, and the widespread effect of the pandemic. Meanwhile, tourism expenditure of Uruguayans abroad slumped 48%, due to the effect of the pandemic.² The Primary Income deficit dropped USD 739 million in the twelve months through September 2020 from the same period through September 2019, mainly due to a reduction in the net accrued dividends on FDI by foreign companies.

The Financial Account Balance (FAB) registered a net outflow of USD 532 million in the year ended in September 2020 (Figure 8). Portfolio and Other Investments categories recorded a positive net acquisition of financial assets by residents abroad, whereas FDI and Financial Derivatives showed an opposite result. Particularly, it stands out the FDI result, of which the positive net change in claims held by non-residents in

¹Given the publication of the revised GDP data under the new base year, the Central Bank carried out a data harmonization process of the Balance of Payments and the International Investment Position with the National Accounts, re-estimating the former series since March 2012. Besides, they also incorporate an improvement in the quarterly estimates for the current year, as a result of reducing the frequency of the survey of large companies from an annual to a quarterly basis for a sub-sample of them.

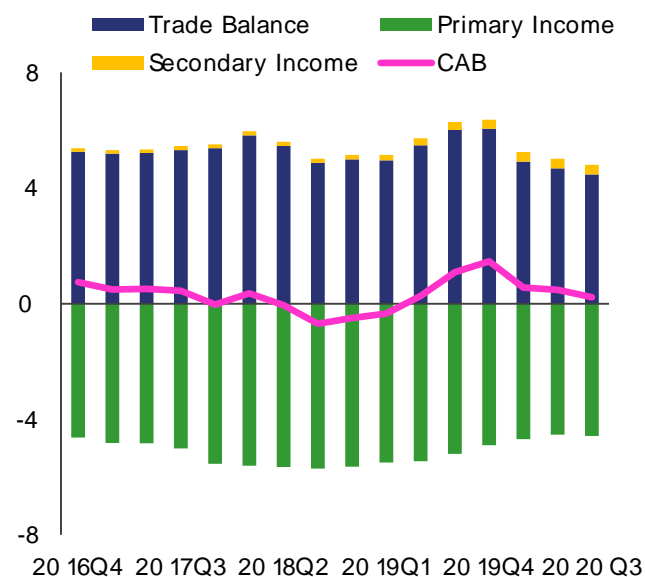
²Notwithstanding, given the different seasonality between incoming tourism flows (which is mainly concentrated in the first quarter of the year) and outbound tourism (which has a relatively uniform distribution throughout the year), the effect of the pandemic on service flows will be seen with greater intensity at the end of the first quarter of 2021, since the pandemic in Uruguay began in mid-March 2020.

the economy (capital inflows) soared around USD 1.5 billion in the twelve months to September 2020 from the same period to September 2019.

Central Bank reserve assets increased USD 2.4 billion over this period, which was the result of a higher amount of dollar deposits of the banking system in the Central Bank and Central Bank's interventions in the exchange rate market (dollar purchases), among others.

Figure 7: Current Account Balance

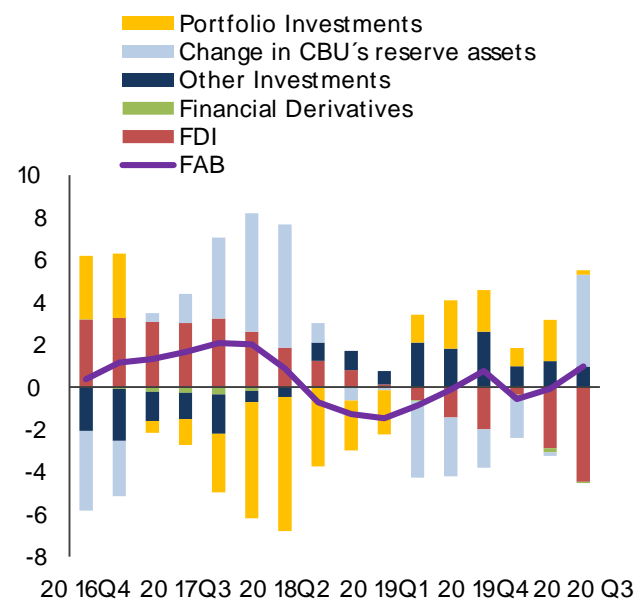
(In % of GDP, last 4 quarters)



Source: Central Bank of Uruguay

Figure 8: Financial Account Balance

(Net capital outflows, in % of GDP, last 4 quarters)



Source: Central Bank of Uruguay

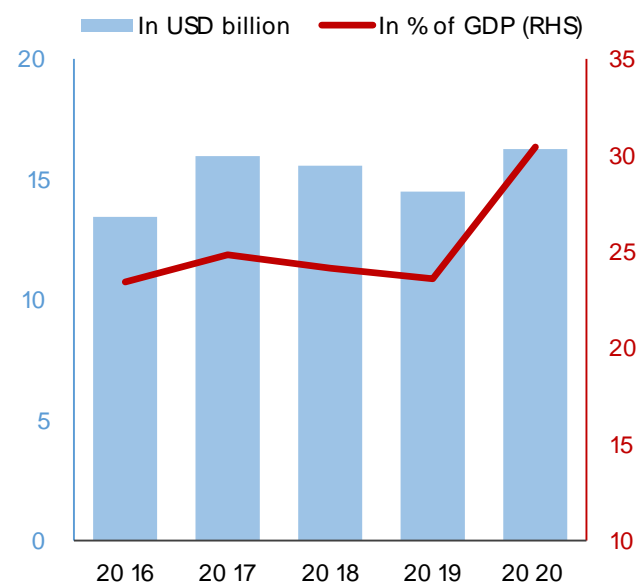
By end-2020, international reserves of the Central Bank of Uruguay totaled USD 16.3 billion (approximately 30.4% of GDP) (Figure 9). This level is well above the upper bound of the IMF reserve adequacy benchmark (which takes into account the potential balance of payments drains, including short-term external liabilities).

IV. Fiscal and Debt Indicators

In 2020, the Central Government headline result represented -5.1% of GDP, of which the primary balance printed -2.4% of GDP, while interest payments accounted for -2.7% of GDP. Total inflows into the Social Security Trust Fund (SSTF) were 0.7% of GDP over this same period.³ Therefore, the government's annual fiscal deficit adjusted for the "Cincuentones effect" was 5.8% as of December 2020 (Figure 10). These figures take into account the updated National Accounts with base year 2016.

Figure 9: International Reserves

(End-of-period)



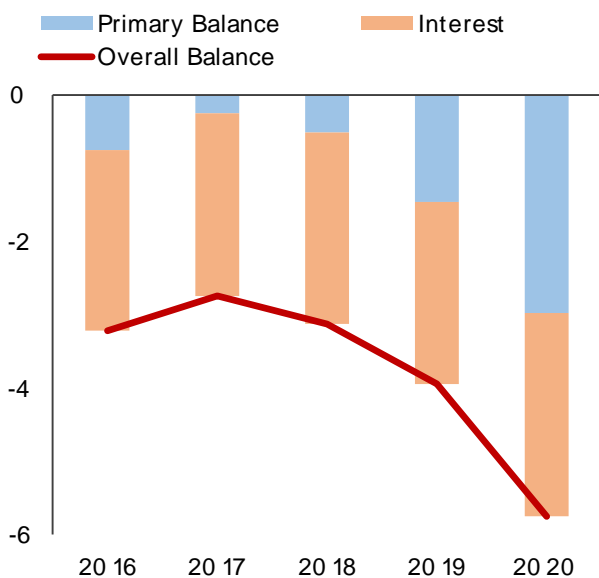
Source: Central Bank of Uruguay

³ 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 Previsión Social). These extraordinary inflows are registered as government revenues consistent with IMF statistics standards. However, the underlying fiscal stance is best measured excluding it, as it provides a more accurate idea of the government's gross financial needs (given that these resources are allocated and ring-fenced in a Trustee).

Fiscal projections for 2020 established in the budget were all met. Specifically, i) the deficit of the Central Government was 6.3% of GDP compared with 6.6% over GDP established in the Budget (even accounting for revised national accounts); ii) the structural fiscal deficit dropped 0.4 percentage points (vs. 0.2pp); iii) the increase in real primary public expenditure was 0.4% (vs 0.7%); iv) the increase in the Central Government's net indebtedness was USD 3.1 billion (vs. the legal limit of USD 3.5 billion).

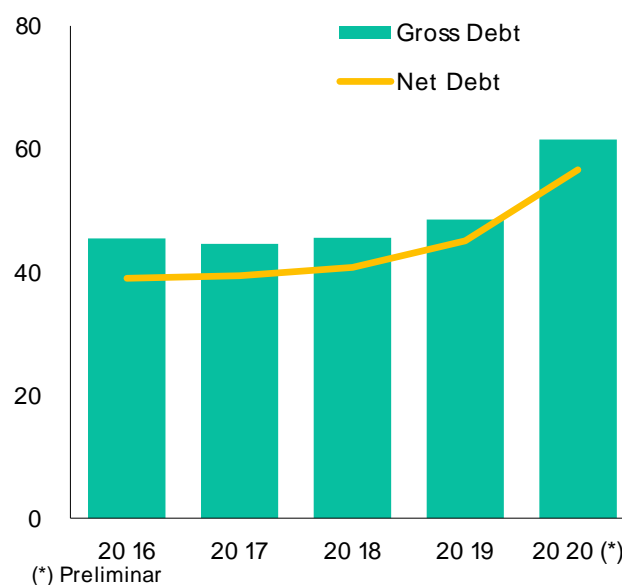
In turn, gross debt of the Central Government stood at 61.5% of GDP as of end-2020, while net debt was 56.6% of GDP (Figure 11). These figures are as per registered by the DMU, i.e. they include all loans and financial market securities contracted/issued by the Central Government and Central Government securities held by the public SSTF, and exclude non-market Central Government securities issued to capitalize the Central Bank in previous years. Government debt securities held by the Social Security Trust Fund were equivalent to 2.2% of GDP by the end of 2020 (measured in nominal face value).

Figure 10: Central Government Balance
(In % of GDP, 12-month period, excluding extraordinary inflows of funds to SSTF)



Source: Central Bank of Uruguay

Figure 11: Central Government Debt
(In % of GDP, end of period)



Source: Debt Management Unit and Central Bank of Uruguay

Considering the broadest measure of the Consolidated Public Sector (Central Government, local governments, public enterprises, the state-owned insurance bank and the Central Bank), and netting out cross-holdings of assets and liabilities by institutions within this perimeter of consolidation, the debt stock stood at 73% of GDP in end-September 2020, while the net debt printed at 34.6% of GDP.

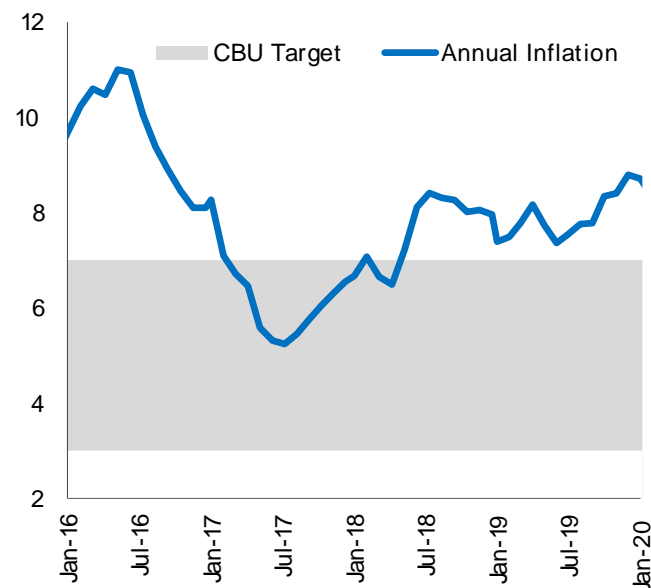
For 2021, the Government estimates an improvement in the performance of the Central Government balance, closing the year with a deficit of 4.1% of GDP, of which approximately 1% of GDP will correspond to expenses associated with the Covid-19. Taking into consideration the global public sector, the deficit is projected to fall to 4.3% of GDP by 2021, compared to 6% of GDP in 2020.

V. Inflation & Monetary Indicators

In January 2021, annual inflation stood at 8.89%, receding for the fourth consecutive month, according to data published by the National Institute of Statistics. Compared with the previous month, it decreased 0.52%, which is the lowest level since last March 2020. Private wages growing below inflation and the economic slack weighed on services prices. As of December 2020, annual inflation closed at 9.41%.

In the last meeting, held on December 23rd, the Monetary Policy Committee (COPOM for its acronym in Spanish) decided to maintain the Monetary Policy Rate (MPR) for overnight deposits at 4.5%. According to the meeting minutes, this level of MPR reflects the decision to keep an expansionary monetary policy stance, with the purpose of supporting economic activity in the face of the pandemic caused by Covid-19, as well as the decline in inflation expectations for the 24-month monetary policy horizon.

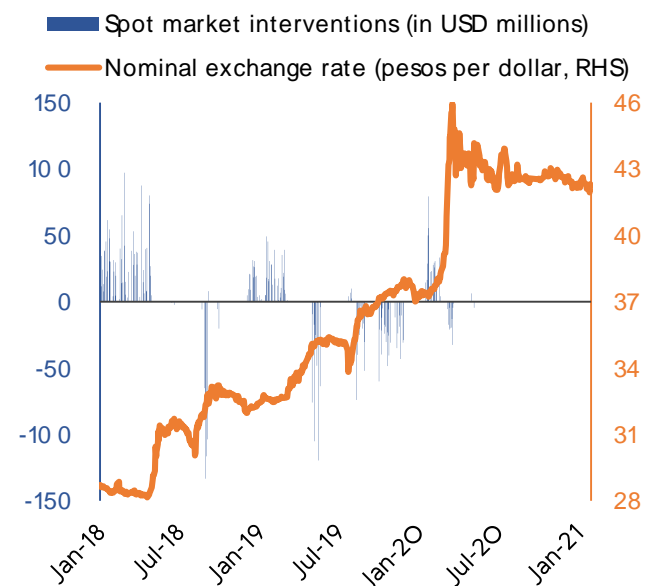
Figure 12: Inflation
(In %, YoY)



Source: Central Bank of Uruguay

Furthermore, and in the context of the process of de-dollarization and reconstruction of the peso market, the CBU decided to reduce the reserve requirements in national currency. “This permanent reduction of reserve requirements is in line with the best practices in matters of Monetary Policy, which suggest that it is not advisable to make intensive use of reserve requirements as a policy variable, but rather to give the banking system greater stability in this aspect”, stated the CBU.

Figure 13: Exchange Rate and Central Bank FX Intervention
(In billion, USD)



Source: Central Bank of Uruguay

At the onset of the outbreak of Covid-19 in Uruguay in mid-March, the exchange rate increased sharply and reached almost 46 Pesos per US Dollar. After that, it exhibited a downward trend, to stabilize around 42.5 pesos per US Dollar since July.

In July, the Central Bank announced the possibility of purchasing monetary regulation bills with US Dollars, which caused a reversion in the FX trend reaching almost 44 pesos per US Dollar by mid-July, though it proved temporary.

In the fourth quarter of the year, the Uruguayan peso appreciated 0.6% on average against the US dollar, in line with fundamentals given global trends and stronger capital inflows to Uruguay. End-of-period exchange rate stood at 42.340 Pesos per US Dollar, while the 12-month average printed 42.057.

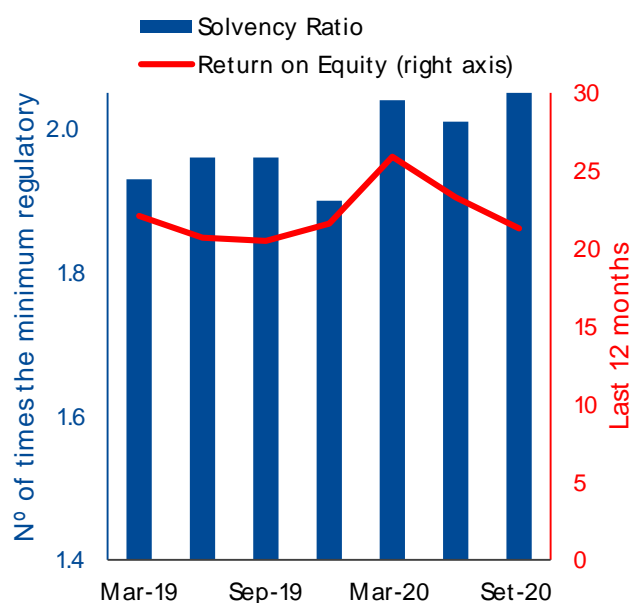
VI. Banking System

The solvency situation of financial institutions as of September 2020 continued to show strength, with capital that doubles the minimum regulatory requirement. This ratio has been increasing gradually since 2016.

In turn, the stress tests published by the Superintendence of Financial Services (SSF) show that the banking system would withstand, on average, a significant recession scenario while maintaining a reasonably adequate equity level. To carry out these tests, the regulatory requirement takes into account credit, market, operational and systemic risks. Additionally, the statistical forecasting regime and the countercyclical capital buffer established by the SSF foresees that the banks create a fund at the peak of the economic cycle that allows cushioning losses at times of downturn in the cycle.

The profitability of banks showed a return on assets of 2.4% and a return on equity of 21.3% in the rolling year closed in September 2020 (Figure 14).

Figure 14: Banking System's Solvency Profile and Return on Equity



Source: Central Bank of Uruguay

VII. Recent Developments

VII.1 The Budget Law for 2020 - 2024 passed in December by Congress entails a revamped fiscal policy framework, including a new fiscal rule.

On August, 31, 2020, the Government submitted the five-year budget bill for the 2020-2024 period to Congress, which approved it on December 10, 2020. The budget lays the foundations for changes on fiscal policy decision-making and execution, in order to stabilize the debt burden over GDP and foster sustainable finances over the medium term. Commitment to meeting fiscal targets is anchored in a new fiscal framework and an austere five-year budget based on expenditure restraint. The budget establishes a fiscal rule based on structural balance targets, to account for business cycle fluctuations and one-off/temporary spending and revenue items, together with a cap on real growth in primary expenditure in line with potential real economic growth. Additionally, a Fiscal Advisory Council and a Committee of Experts will provide the projected GDP numbers and other macroeconomic assumptions underlying the calculation of the structural fiscal result and assess the overall implementation of the rule.

The budget also establishes a limit to the central government net indebtedness, defined as gross debt issuance (bonds and loans) after giving effect to amortizations and adjusting for the variation in financial assets in U.S. dollars.

Social Security Reform

On November 5, 2020 the Committee of Experts on Social Security (CESS), which was created in July 2020 with the enactment of the Urgent Consideration Law (Law No. 19,889), began working on a diagnosis of the Uruguayan social security system to present recommendations for its reform to the government. Pursuant to the Urgent Consideration Law, the CESS was given 90 days from the date of its creation to prepare such diagnosis and an additional 90 days to present a set of reform proposals, for which it may establish an open dialogue process with the civil society.

The CESS is comprised of fifteen members appointed by the Executive Power. The composition of the commission reflects the diversity of views regarding social security issues, both from social organizations and political parties. On January 29, 2021, the CESS unanimously agreed to approve the work plan presented by the presidency of the CESS and requested a 45-day extension (until March 20, 2021) for the presentation of the diagnostic report of the pension system.

VII.2 Once again, Uruguay ranked 1st in the 2020 editions of the Economist Intelligence Unit's Democracy Index and the Corruption Perceptions Index 2020

Uruguay lead once more the Corruption Perceptions Index 2020 (CPI) of Transparency International with the lowest perceived corruption in the region, and a global ranking of 21 out of 176 countries. The CPI scores and ranks countries based on how corrupt a country's public sector is perceived to be by experts and business executives, and is the most widely used indicator of corruption worldwide.

Finally, the last edition of the EIU Democracy Index provides a snapshot of the state of democracy worldwide, focusing on the impact of the Covid-19 on democracy and freedom around the world. "It looks at how the pandemic resulted in the withdrawal of civil liberties on a massive scale and fuelled an existing trend of intolerance and censorship of dissenting opinion", pointed out the institution. According to the EIU, Uruguay was classified again as a "full democracy" in 2020, placing in the 15th position over 167 countries. Uruguay's position in terms of democratic quality is above countries like the United States, United Kingdom, France or Japan.

VII.3 Uruguay powers ahead with a hydrogen roadmap

The Uruguayan Government is advancing in the de-carbonization of transport and industry sector, harnessing an electricity matrix that is practically 100% renewable. In this line, the Ministry of Industry and Energy is designing a hydrogen plan, "Uruguay H2", first to use locally in heavy transport and in a second phase for exporting. It will also involve the participation of the Ministry of Economy and Finance and the state-owned companies Ancap and UTE.

By end of March 2021, authorities are planning to invite investors to produce "green" hydrogen for local use in heavy transport, under the so-called "Piloto Uruguay H2". Green hydrogen arises from using renewable energy (mainly wind and solar) to produce it through the electrolysis of water. The pilot plan, which would require an investment of around USD 8 million for private companies, will consist in installing an electrolyzer and also import trucks or buses. It would include some tax exemptions, an attractive cost of energy for operators (taking advantage of the surplus generation) and eventually provide benefits in the location of the plant for the logistics of storage, compression, and load.

Going forward, the government will assess a more ambitious project for exporting H2 to the port of Rotterdam (Holland), the gateway to Europe. A pre-feasibility study has already been carried out, in addition to talks at the Foreign Ministry level so that Germany, which has a firm intention to import green hydrogen by subsidizing it, consider including Uruguay as a future supplier. "The idea is to be able to align everything, so that with some subsidy from Germany, some financing from Japan (with which there is a memorandum of understanding to develop pilots) and the export test to Rotterdam, Uruguay is located at the top of the list of countries" explained to local media the minister of Industry and Energy, Mr. Omar Paganini. "It is a learning curve that must be traveled and in which Uruguay wants to be", pointed out Paganini.

VII.4 Global insertion of tech and modern services are highlighted by the international media

Uruguay stands out in the region as one of the countries that has successfully inserted itself in the international industry of modern services such as IT and software. It has specific policies that favor the development of the global services sector, with incentives available to all companies and with emphasis on the development of human capital.

In this context, the prestigious newspaper Financial Times published in December 2020 the article "*Thriving tech scene allows Uruguay to shine during pandemic*" highlighting the country's capacity to be able to insert itself into the global world of services even in the midst of the global pandemic. "Google and Apple heaped praise on GeneXus after the Montevideo-based software company spearheaded a push to develop a sophisticated Covid-19 advice app, with early success meaning Uruguay was one of the first countries to be chosen by the US groups to pilot contact tracing technology", stressed the newspaper.

As a reflection of this significant dynamism in the tech sector, the newspaper highlights the appearance of the first unicorn which provides services globally. “Yet Uruguay’s small size has been a factor in its success, forcing businesses to look early on beyond its national borders for growth. This has been the case for *dLocal*, which has nearly doubled in size each year since its 2016 launch and is now valued at USD 1.2 billion. It began expanding abroad almost immediately and now operates in 20 emerging markets across Latin America, Asia and Africa, providing services to companies like Amazon, Spotify, Uber and Booking.com”, added.

The screenshot shows a WSJ PRO Private Equity article. The header includes navigation links for Home, News, Data & Interactives, Sectors, and Newsletters, along with a search bar. Below the header is an advertisement banner for TEMASEK with the slogan 'Committed Resilient Together' and 'Temasek Review 2020'. The main article title is 'Uruguayan Payments Company dLocal Valued at \$1.2 Billion in General Atlantic-Led Deal'. The sub-headline reads: 'The \$200 million investment makes dLocal one of the best funded venture-backed technology companies in Latin America'. The author is Yuliya Chernova, dated Sept. 15, 2020 6:00 am ET. The article text states: 'Payments company dLocal Group Ltd. became one of Latin America's best funded venture-backed companies through a new deal that valued the business at \$1.2 billion. Montevideo, Uruguay-based dLocal, which helps international companies process payments in emerging markets, raised \$200 million in a growth-equity financing round led by General Atlantic, with Lee Fixel's firm Addition participating.'

“Uruguay has outstanding benefits that favor the development of an IT industry, such as its highly qualified, committed, and competitive human resources to provide high value-added services; an important export trajectory; a favorable regulatory framework with important fiscal incentives for ICT exports (income tax exemption); a coordinated start-up and innovation ecosystem; and the most modern technological infrastructure in Latin America”, points out a recent report released in November 2020 by the investment-export agency Uruguay XXI. Technology companies can take advantage of all these factors to set up a global operation in Uruguay that covers the entire ICT value chain. This can span from Commercial and/or Logistics Offices, to Services Operations, up to R&D Centers and testing of new technologies.

“Likewise, they will be immersed in a dynamic innovation ecosystem that offers attractive partnership and investment (M&A) opportunities”, highlights the report. Some of the largest operations in Uruguay are Tata Consultancy Services, Sabre, Mercado Libre, Globant, Netsuite, Verifone and Totus, among others.

According to FT, “analysts attribute Uruguay’s tech success to several factors, among them concerted efforts by far-sighted governments to promote entrepreneurship and innovation that date back more than half a century”. In this line, “in the 1960s Uruguay became the first country in the region, by a long way, to introduce computer science degrees – just two years after MIT. More recently, it became the first country in the world to implement a one-laptop-per-child program in public schools in 2007”, added.

VII.5 Ford Company returns to Uruguay, with an investment of USD 50 million

After more than three decades American company Ford returns to Uruguay to assemble van vehicles destined to supply the South American market. With an investment of USD 50 million and the creation of 200 direct jobs the model. The van *Transit* will be assembled from 2021 in a partnership between Ford and local company Nordex, specialized in the production of heavy trucks and automobiles for several manufacturers.

“Uruguay is a country with very important legal security for this type of undertaking when it comes to investing. There are rules of the game that are maintained and that is the most important thing”, pointed out Mr. Leonel Delmónico executive of Nordex company.

Transit van already offered in Brazil between 2008 and 2014 imported from Turkey. The new generation of the model debuted in US exactly in the last year of commercialization in Brazil.

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	2016	2017	2018	2019	2020	
Economic structure and activity⁽¹⁾						(Latest available) As of:
Population (million)	3.5	3.5	3.5	3.5	3.5	2020
Nominal GDP (local currency, billions)	1,726	1,842	1,982	2,169	2,212	2020Q3
Nominal GDP (USD, millions)	57,386	64,285	64,486	61,460	54,268	2020Q3
GDP per Capita (nominal USD)	16,489	18,403	18,393	17,467	15,369	2020Q3
Real GDP (% change, YoY)⁽²⁾		1.6	0.5	0.3	-5.9	2020Q3
<i>By Sector</i>						
Agriculture, fishing and mining		-8.2	4.5	1.3	-0.4	2020Q3
Manufacturing		-4.2	5.8	-2.2	-4.2	2020Q3
Electricity, gas and water		-3.7	3.9	13.1	-6.4	2020Q3
Construction		-8.6	-4.4	2.3	-7.7	2020Q3
Commerce, restaurants and hotels		6.6	-6.5	3.3	-13.1	2020Q3
Transportation, storage and information and communications		11.1	-1.0	1.3	4.1	2020Q3
Financial services		3.1	0.3	1.0	-7.0	2020Q3
Professional services and leasing		5.6	0.9	0.6	-9.7	2020Q3
Public administration activities		-1.0	0.8	1.0	-3.6	2020Q3
Health, education, real state activities and other services		2.2	1.8	-1.7	-6.5	2020Q3
<i>By Expenditure</i>						
Final Consumption Spending		3.2	2.2	0.4	-6.6	2020Q3
<i>o/w private sector</i>		3.6	2.1	0.5	-5.9	2020Q3
<i>o/w public sector</i>		1.3	2.6	0.2	-9.4	2020Q3
Gross fixed capital formation		0.4	-9.0	-1.7	0.1	2020Q3
Exports (goods and services)		4.9	-1.7	6.3	-19.2	2020Q3
Imports (goods and services)		7.1	0.0	1.5	-13.8	2020Q3
Share of Nominal GDP by economic activity (in %)⁽³⁾						
Agriculture, fishing and mining	7.0	5.6	6.1	7.0		2019
Manufacturing	11.0	10.1	10.8	10.4		2019
Electricity, gas and water	2.7	3.0	2.8	2.6		2019
Construction	4.9	4.5	4.3	4.4		2019
Commerce, restaurants and hotels	13.4	13.3	12.3	12.5		2019
Transportation, storage and information and communications	8.4	9.0	8.6	8.9		2019
Financial services	5.1	5.1	5.1	4.8		2019
Professional services and leasing	6.9	7.3	7.2	7.4		2019
Government activities	4.8	4.9	4.9	4.9		2019
Health, education, real state activities and other services	24.9	25.9	26.3	25.7		2019
Share of Nominal GDP by expenditure (in %)^{(3) (4)}						
Final Consumption Spending	77.2	78.7	80.1	78.9		2019
Gross fixed capital formation	17.0	16.3	15.0	14.7		2019
Exports (goods and services)	27.0	26.1	26.4	28.0		2019
Imports (goods and services)	21.6	20.7	21.4	21.7		2019

(1) Figures are presented starting in 2016, given that the new GDP figures released by the Central Bank under the re-based national accounts statistics are only available from that year onwards.

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

(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) (2)}

	in USD million				
	2016	2017	2018	2019	Latest available 2020Q3*
Current Account	428	-18	-318	900	119
Goods and Services	3,019	3,460	3,222	3,719	2,425
Goods	2,050	1,976	2,292	3,127	1,980
Exports	10,612	11,122	11,628	11,790	9,892
Merchandise goods	9,158	10,057	10,019	10,170	8,764
Goods under merchandising (net)	1,455	1,065	1,609	1,620	1,128
Imports	8,562	9,146	9,336	8,663	7,911
Services	969	1,484	930	592	445
Exports	4,848	5,676	5,410	5,260	4,315
o/w Tourism	2,285	2,823	2,620	2,245	1,438
Imports	3,879	4,192	4,480	4,668	3,870
Primary Income	-2,661	-3,564	-3,638	-3,010	-2,486
Net employments' remunerations	0	3	3	3	3
Net repatriated profits and dividends	-2,577	-2,443	-2,473	-3,439	-1,898
Net reinvested earnings	523	-666	-669	696	-129
Net interest paid	-606	-457	-499	-270	-462
Secondary Income	70	86	99	190	179
Capital Account	50	20	46	-375	-401
Financial Account	209	1,336	-825	471	532
Foreign Direct Investment	1,828	2,079	518	-1,226	-2,423
Change in assets held abroad by residents	1,307	4,718	2,273	59	-187
Change in claims held by non-residents in the economy	-520	2,640	1,755	1,286	2,235
Portfolio Investment	1,721	-1,770	-1,517	1,205	115
Change in assets held abroad by residents	441	-1,052	-818	2,483	2,201
Change in claims held by non-residents in the economy	-1,281	718	699	1,277	2,086
Financial Derivatives	6	-220	0	20	-36
Net creditor contracts	26	-209	26	39	22
Net debtor contracts	21	10	26	19	58
Other Investment	-1,185	-1,202	582	1,583	525
Change in assets held abroad by residents	-2,354	-1,404	663	1,434	1,436
Change in claims held by non-residents in the economy	-1,169	-202	81	-149	911
Change in Central Bank Reserve Assets	-2,161	2,449	-408	-1,111	2,351
Errors and Omissions	-269	1,334	-553	-53	815

	in % of GDP				
	2016	2017	2018	2019	Latest available 2020Q3*
Current Account	0.7	0.0	-0.5	1.5	0.2
Goods and Services	5.3	5.4	5.0	6.1	4.5
Goods	3.6	3.1	3.6	5.1	3.6
Exports	18.5	17.3	18.0	19.2	18.2
Merchandise goods	16.0	15.6	15.5	16.5	16.1
Goods under merchandising (net)	2.5	1.7	2.5	2.6	2.1
Imports	14.9	14.2	14.5	14.1	14.6
Services	1.7	2.3	1.4	1.0	0.8
Exports	8.4	8.8	8.4	8.6	8.0
o/w Tourism	4.0	4.4	4.1	3.7	2.7
Imports	6.8	6.5	6.9	7.6	7.1
Primary Income	-4.6	-5.5	-5.6	-4.9	-4.6
Net employments' remunerations	0.0	0.0	0.0	0.0	0.0
Net repatriated profits and dividends	-4.5	-3.8	-3.8	-5.6	-3.5
Net reinvested earnings	0.9	-1.0	-1.0	1.1	-0.2
Net interest paid	-1.1	-0.7	-0.8	-0.4	-0.9
Secondary Income	0.1	0.1	0.2	0.3	0.3
Capital Account	0.1	0.0	0.1	-0.6	-0.7
Financial Account	0.4	2.1	-1.3	0.8	1.0
Foreign Direct Investment	3.2	3.2	0.8	-2.0	-4.5
Change in assets held abroad by residents	2.3	7.3	3.5	0.1	-0.3
Change in claims held by non-residents in the economy	-0.9	4.1	2.7	2.1	4.1
Portfolio Investment	3.0	-2.8	-2.4	2.0	0.2
Change in assets held abroad by residents	0.8	-1.6	-1.3	4.0	4.1
Change in claims held by non-residents in the economy	-2.2	1.1	1.1	2.1	3.8
Financial Derivatives	0.0	-0.3	0.0	0.0	-0.1
Net creditor contracts	0.0	-0.3	0.0	0.1	0.0
Net debtor contracts	0.0	0.0	0.0	0.0	0.1
Other Investment	-2.1	-1.9	0.9	2.6	1.0
Change in assets held abroad by residents	-4.1	-2.2	1.0	2.3	2.6
Change in claims held by non-residents in the economy	-2.0	-0.3	0.1	-0.2	1.7
Change in Central Bank Reserve Assets	-3.8	3.8	-0.6	-1.8	4.3
Errors and Omissions	-0.5	2.1	-0.9	-0.1	1.5

(*) Last four quarters.

(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 merchandising" 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.

(2) Figures are presented starting in 2016, given that the new GDP figures released by the Central Bank under the re-based national accounts statistics are only available from that year onwards.

Source: Central Bank of Uruguay

Uruguay

Economic Indicators

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Monetary Indicators and Relative Prices ⁽¹⁾	(Latest available)												As of:
Consumer inflation (% change, YoY)	6.9	8.6	7.5	8.5	8.3	9.4	8.1	6.6	8.0	8.8	9.4	8.9	2021M01
Producer inflation (% change, YoY)	8.4	11.1	5.9	6.3	10.6	6.6	-1.9	5.4	10.0	20.1	3.6	7.1	2021M01
Nominal exchange rate (UYU per USD, eop)	20.09	19.90	19.40	21.39	24.33	29.87	29.26	28.76	32.39	37.34	42.34	42.28	2021M01
Nominal exchange rate (UYU per USD, average)	20.07	19.30	20.32	20.50	23.23	27.33	30.08	28.65	30.74	35.28	42.06	42.47	2021M01
Nominal exchange rate (% change, average, YoY)	-10.9	-3.8	5.3	0.9	13.3	17.6	10.1	-4.8	7.3	14.8	19.2	19.0	2021M01
Real Effective Exchange Rate, REER (index base 100 = 2010, eop)	100.0	93.2	82.7	80.6	79.9	80.4	73.4	74.6	67.7	72.8	73.8	-	2020M12
REER (% change, YoY, if + = real depreciation)	0.0	-6.8	-11.3	-2.6	-0.9	0.7	-8.7	1.6	-9.2	7.6	1.3	-	2020M12
Terms of trade, ToT (index base 100 = 2010, eop)	100.0	98.9	100.4	102.3	111.3	107.6	110.8	110.2	103.8	108.5	119.4	-	2020M11
ToT (% change, YoY)	11.8	-1.1	1.5	2.0	8.7	-3.3	3.0	-0.5	-5.8	4.5	8.3	-	2020M11
Monetary base (% change, YoY)	16.2	17.3	21.9	17.4	1.4	7.2	9.7	3.6	10.4	7.7	5.8	-	2020M12
M1' (% change, YoY)	30.0	20.8	11.2	15.0	3.7	5.6	8.4	15.0	8.9	5.1	18.4	-	2020M12
International Reserves (% of GDP) ⁽²⁾							23.4	24.8	24.1	23.6	30.4	-	2020M12
Interest rate on Central Bank's 30-day bills (annual, in %, average) ⁽³⁾	6.7	7.4	8.9	10.5	14.0	13.0	12.0	9.5	8.2	7.9	7.0	4.6	2021M01
Interest rate on Central Bank's 1-year bills (annual, in %, average) ⁽³⁾	10.0	9.2	9.9	11.0	15.1	14.0	14.5	10.8	10.0	10.3	9.8	7.0	2021M01
Monetary Policy Interest Rate (overnight reference, annual, in %, eop) ⁽⁴⁾	6.5	8.75	9.0	9.25	N/A	N/A	N/A	N/A	N/A	N/A	4.5	4.5	2021M01
Overnight interbank interest rate (annual, in %, eop) ⁽⁵⁾	6.5	8.8	8.9	5.3	20.0	18.0	3.5	8.6	5.0	9.0	4.5	4.4	2021M01
Interest rate on local currency deposits (annual, in %, average) ⁽⁶⁾	4.8	5.5	5.2	5.1	8.5	7.9	6.0	5.3	5.3	6.5	4.2	-	2020M12
Total bank deposits by private non-financial sector (% of GDP)							49.2	44.2	44.0	47.5	60.4	-	2020M12
By currency (% of total) ⁽⁷⁾ :													
Local currency	24.2	26.2	26.1	24.7	22.3	19.1	22.7	26.7	26.4	23.8	22.7	-	2020M12
Foreign currency	75.8	73.8	73.9	75.3	77.7	80.9	77.3	73.3	73.6	76.2	77.3	-	2020M12
By residency (% of total):													
Residents	82.7	84.4	84.2	84.5	84.3	83.7	87.4	90.2	90.2	89.6	89.7	-	2020M12
Non-residents	17.3	15.6	15.8	15.5	15.7	16.3	12.6	9.8	9.8	10.4	10.3	-	2020M12
Interest rate on local currency loans (annual, in %, average) ⁽⁶⁾	22.7	21.9	20.7	22.0	21.5	23.2	24.7	24.6	23.8	23.6	20.2	-	2020M12
Total bank credit to private non-financial sector (% of GDP) ⁽⁸⁾							26.4	23.9	23.8	24.1	27.6	-	2020M12
By currency (% of total) ⁽⁵⁾ :													
Local currency	47.5	45.2	46.6	44.9	43.4	43.2	45.4	48.2	48.1	49.0	49.2	-	2020M12
Foreign currency	52.5	54.8	53.4	55.1	56.6	56.8	54.6	51.8	51.9	51.0	50.8	-	2020M12
By residency (% of total):													
Residents	99.1	98.6	98.8	98.9	98.9	99.0	99.0	99.0	99.3	99.1	98.6	-	2020M12
Non-residents	0.9	1.4	1.2	1.1	1.1	1.0	1.0	1.0	0.7	0.9	1.4	-	2020M12
Total bank credit to non-financial sector (% real change, YoY)	10.4	12.8	5.5	14.1	10.7	9.2	-7.8	-5.5	3.3	3.5	2.6	-	2020M12

(1) Stocks are measured end-of-period (eop).

(2) Figures of ratios of GDP are presented starting in 2016, given that the new GDP figures released by the Central Bank under the re-based national accounts statistics are only available from that year onwards.

(3) Weighted average of the cut-off rates in Central Bank's auctions.

(4) From July of 2013 to September 3rd of 2020, the Monetary Policy instrument was based on the control of the Monetary Aggregate M1'. Since September 4th of 2020, the Central Bank of Uruguay return to the interest rate as policy instrument.

(5) Last positive rate in December each year.

(6) Weighted average across all maturities.

(7) Assumes all deposits from, and loans to, non-residents are in foreign currency.

(8) Assumes loans to non-residents non-financial sector is private only.

Sources: Central Bank of Uruguay and National Institute of Statistics

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Labor Market Indicators	(Latest available)											As of:
Activity rate (% of working age population) ⁽¹⁾	63.4	64.1	64.0	63.6	64.7	63.8	63.4	62.9	62.5	62.2	60.7	2020M11
Employment rate (% of working age population)	59.0	60.1	59.9	59.4	60.4	59.0	58.4	57.9	57.2	56.6	54.5	2020M11
Unemployment rate (% of labor force) ⁽²⁾	7.0	6.3	6.3	6.5	6.6	7.5	7.9	7.9	8.4	8.9	10.2	2020M11
Unemployment insurance (number of beneficiaries, in thousands)	25.5	26.2	31.1	35.4	38.5	45.2	44.4	42.5	43.8	45.4	78.5	2020M12
Nominal wages (index base 100 = 2009, eop)	100.0	113.6	128.0	143.7	161.3	177.3	198.1	216.0	234.1	254.1	273.4	2020M12
Nominal wages (% change, YoY)	10.7	12.9	13.1	11.4	12.8	10.4	11.4	10.5	7.8	9.4	7.9	2020M12
Real wages (index base 100 = 2009, eop)	100.0	104.0	109.4	113.0	116.9	117.4	121.2	122.9	123.1	122.8	120.9	2020M12
Real wages (% change, YoY)	3.3	4.0	4.2	3.0	3.4	1.6	1.6	2.9	0.2	1.3	-1.7	2020M12

(1) According to Uruguay's legislation, the working age population is defined as people who are 14 or more years old.

(2) Labor force is defined as the sum of employed people and the unemployed who are looking for a job. The latter includes people who might be receiving the unemployment insurance benefit.

Source: National Institute of Statistics and Social Security Bank

Uruguay

Economic Indicators

	2016	2017	2018	2019	2020	As of:
Public Finances⁽¹⁾	<i>(in % of GDP)</i>					
Central Government						
Revenues	25.6	26.7	28.2	27.3	27.1	2020M12
Primary expenditures	26.4	27.0	27.6	27.7	29.5	2020M12
Primary balance	-0.7	-0.2	0.7	-0.4	-2.4	2020M12
Interests payments ⁽²⁾	2.5	2.5	2.6	2.4	2.7	2020M12
Headline Central Government balance	-3.2	-2.7	-1.9	-2.8	-5.1	2020M12
<i>Impact of extraordinary inflows to the Social Security Trust Fund ("Cincuentones Effect")</i>	.	.	1.2	1.2	0.7	2020M12
<i>Extraordinary transfers to Social Security Trust Fund⁽³⁾⁽⁴⁾</i>	.	.	1.2	1.1	0.6	2020M12
<i>Interest payments to the SSTF on its holdings of Central Government Debt</i>	.	.	0.0	0.1	0.1	2020M12
Central Government balance excluding Cincuentones effect	.	.	-3.1	-3.9	-5.8	2020M12
Rest of Non-Monetary Public Sector						
Local governments balance	0.1	0.1	0.0	-0.1	0.0	2020M12
Non-financial public enterprises balance	0.3	0.0	-0.2	-0.3	0.0	2020M12
State-owned insurance bank balance	0.2	0.2	0.2	0.4	0.3	2020M12
Headline Rest of NMPS balance	0.5	0.2	0.1	0.0	0.3	2020M12
Central Bank						
Primary balance	-0.1	-0.1	-0.1	-0.1	0.0	2020M12
Interests payments	0.6	0.6	0.7	0.4	0.5	2020M12
Headline Central Bank balance	-0.7	-0.7	-0.8	-0.5	-0.5	2020M12
Consolidated Public Sector						
Primary balance	-0.3	-0.2	0.5	-0.6	-2.2	2020M12
Interests payments	3.0	3.0	3.2	2.7	3.0	2020M12
Headline Overall balance	-3.4	-3.2	-2.7	-3.2	-5.3	2020M12
Overall balance excluding Cincuentones effect	-3.4	-3.2	-3.9	-4.4	-6.0	2020M12

(1) Figures are presented starting in 2016, given that the new GDP figures released by the Central Bank under the re-based national accounts statistics are only available from that year onwards.

(2) Includes interests from Capitalization Bonds held by the Central Bank.

(3) 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](#).

(4) Inflows include both the transfers of the accumulated savings of workers and retirees who chose to fully switch to the defined-benefit sector social security scheme and the interests gained from the management of the Fund.

Source: Ministry of Economy and Finance of Uruguay

	2016	2017	2018	2019	2020	As of:
Public Debt⁽¹⁾⁽²⁾	<i>(in % of GDP, unless otherwise indicated)</i>					(Latest available)
Central Government⁽³⁾⁽⁴⁾						
Gross debt	45.5	44.6	45.6	48.5	61.5	2020Q4
<i>o/w in foreign currency (% of total)</i>	55.1	49.2	56.1	56.1	54.5	2020Q4
<i>held by non-residents (% of total)</i>	56.9	55.1	56.7	58.8	60.1	2020Q4
Net debt	39.0	39.4	40.8	45.1	56.6	2020Q4
<i>Memo Item: Social Security Trust Fund's holdings of Central Government debt</i>	.	.	0.9	1.7	2.2	2020Q4

Source: Ministry of Economy and Finance

	2016	2017	2018	2019	2020	As of:
Consolidated Public Sector⁽⁵⁾						
Gross debt	58.4	60.4	59.6	60.5	73.0	2020Q3
<i>o/w in foreign currency (% of total)</i>	52.5	41.4	46.9	53.5	51.0	2020Q3
<i>held by non-residents (% of total)</i>	51.1	46.0	47.9	52.0	53.4	2020Q3
Net debt	28.1	29.5	29.4	30.4	34.6	2020Q3

Source: Central Bank of Uruguay

(1) Figures are presented starting in 2016, given that the new GDP figures released by the Central Bank under the re-based national accounts statistics are only available from that year onwards.

(2) Stocks measured end-of-period.

(3) Debt figures as compiled by the Debt Management Unit which include all loans and financial market securities contracted/issued by the Central Government in domestic and foreign currency, in both local and international markets, and held or disbursed by private, multilateral, and/or other domestic or foreign public sector entities. They include Central Government securities held by the public Social Security Trust Fund, and exclude non-market Central Government securities issued to capitalize the Central Bank in previous years.

(4) Figures are reported through end-2020 using projected GDP figure for 2020Q4; official GDP figures for 2020Q4 will be released by the Central Bank in March 2021.

(5) Reported data nets out cross-holdings of assets and liabilities by institutions within the public sector, which consists of the Central Government (including the Social Security public fund), local governments, public enterprises, the state-owned insurance bank and the Central Bank.