Uruguay

Full Rating Report

Ratings

Foreign Currency	
Long-Term IDR	BB+
Short-Term IDR	B
Local Currency	
Long-Term IDR	BBB−
Country Ceiling	BBB

Outlooks

Long-Term Foreign-Currency IDR	Positive
Long-Term Local-Currency IDR	Positive

Financial Data

Uruguay	
(USDbn)	**2011**
GDP	46.7
GDP per head (USD 000)	13.9
Population (m)	3.3
International reserves	10.3
Net external debt (% GDP)	-18.6
Central government total debt (% GDP)	47.9
CG foreign-currency debt	11.1
CG domestically issued debt (UYUbn)	212.4

Related Research

Global Economic Outlook (March 2012)

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Key Rating Drivers

Ratings Affirmed: Fitch Ratings affirmed Uruguay's Foreign and Local-Currency IDRs at 'BB+' and 'BBB−' respectively with a Positive Outlook on 23 April 2012. This reflects reduced external and fiscal vulnerabilities underpinned by stronger international liquidity and improved currency composition of government debt. Sustained growth and economic diversification buttressed by robust foreign direct investment (FDI) flows are also factors. High GDP per capita, strong social indicators and a sound institutional framework anchor Uruguay's creditworthiness.

Stronger External Balance Sheet: Large inflows of FDI and the government's pre-financing strategy in 2011 have resulted in strong foreign reserve accumulation, increasing the resilience of the country to external shocks. The sovereign, though, remains a net external debtor at 22% of CXR. Partly balancing this credit weakness, the government has continued to accumulate FX liquid assets to cover future debt amortization. The sovereign has secured contingency credit lines with multilaterals in case conditions in global markets deteriorate.

Improving Public Finances: Uruguay's fiscal position has improved in recent years, with relatively low government deficits in comparison to the 'BB' median. Nevertheless, central government debt levels, both in gross and net terms, still remain higher than peers. Favourable debt dynamics supported by continued growth and modest fiscal deficits could bring government debt down to levels comparable with low investment grade sovereigns over the forecast period.

Better Debt Profile: Proactive and adept liability management has led to a noticeable improvement in government debt composition. At the same time, the share of public debt denominated in foreign currency has fallen from 66% in 2010 to 51% in 2011, thus reducing currency risk. Government debt has a manageable repayment schedule, with the third-longest debt duration among sovereigns rated by Fitch

Growth and Inflation: Uruguay's growth performance and outlook remain favourable. Its five-year average GDP growth increased to 6.1% in 2011, considerably higher than the median for the 'BB' rating category. Inflation, averaging 8.1% in 2011, is higher than for peers, reflecting vigorous domestic demand and limited monetary policy tools given the high levels of financial dollarisation, early development of local markets and low levels of financial intermediation.

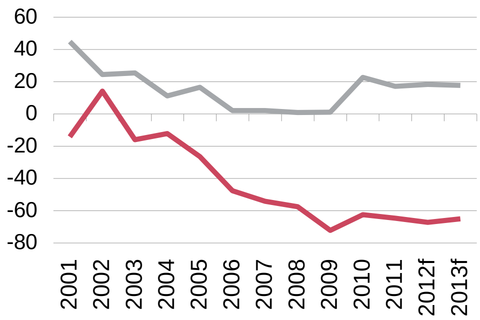
What Could Trigger a Rating Action

Improving Debt Ratios: Further progress on reducing government indebtedness as well as strengthening external credit metrics, given commodity dependence and relatively high financial dollarisation, would support an upgrade to investment grade.

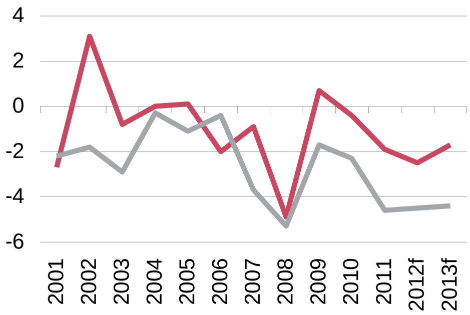
Increased Instability: A material deterioration in the government debt burden and composition or increased macroeconomic instability could weigh on Uruguay's credit profile.

Peer Comparison

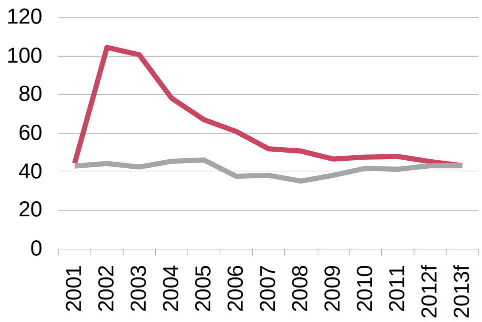
Net External Debt
% of CXR



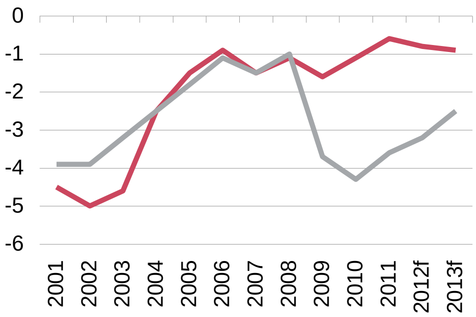
Current Account Balance
% of GDP



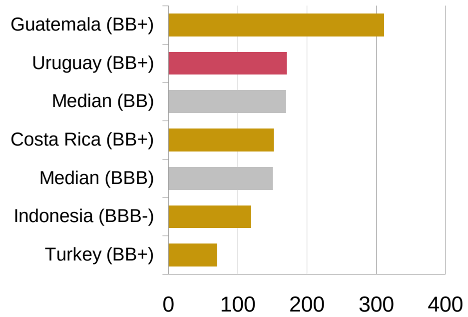
General Government Debt
% of GDP



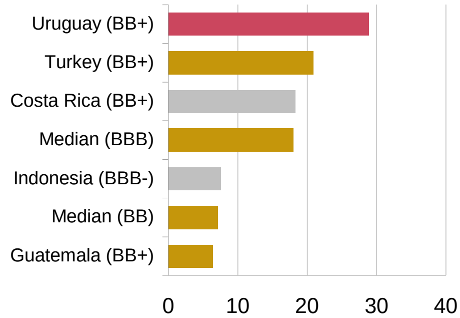
General Government Balance
% of GDP



International Liquidity Ratio, 2011
%



GDP per capita Income, 2011e
At market exchange rates, USA=100



Uruguay
Medians

Related Criteria

New Sovereign Rating Model (October 2011)
Sovereign Rating Methodology (August 2011)

Peer Group

Rating	Country
BBB−	Azerbaijan
	Bulgaria
	Colombia
	Croatia
	Republic of Cyprus
	Iceland
	India
	Indonesia
	Latvia
	Morocco
	Namibia
	Romania
	Tunisia
BB+	Uruguay
	Costa Rica
	Guatemala
	Hungary
	Macedonia
	Philippines
	Portugal
	Turkey
BB	El Salvador

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
14 Jul 2011	BB+	BBB−
27 Jul 2010	BB	BB+
27 Jul 2007	BB−	BB
07 Mar 2005	B+	BB−
29 Mar 2004	B	B+
17 Jun 2003	B−	B
19 May 2003	D	B
10 Apr 2003	C	CCC−
12 Mar 2003	CCC−	CCC−
07 Jan 2003	B−	B
30 Jul 2002	B	B
28 May 2002	B+	BB−
13 Mar 2002	BB+	BBB−
19 May 2000	BBB−	BBB+
23 Jan 1997	BBB−	NR
26 Oct 1995	BB+	NR

Rating Factors

Summary: Strengths and Weaknesses

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

Note: Relative to 'BB' category/sovereigns rated 'BB+', 'BB' and 'BB−'.
Source: Fitch

Strengths

- Uruguay's economy continues to show robust growth rates, above medians in the 'BB' and 'BBB' categories, bringing the unemployment rate to record lows.
- External financing needs are lower than for peers. More robust FDI inflows provide financing for the country's current account deficit without increasing external indebtedness.
- While the sovereign remains a net external debtor, international liquidity has improved relative to peers and higher-rated sovereigns. The sovereign has in place a policy to maintain foreign-currency (FC) denominated liquid assets to cover at least 12 months of debt amortisation and has secured precautionary credit lines with multilaterals, further reducing the country's vulnerability to external shocks.
- Uruguay's creditworthiness is supported by comparatively high GDP per capita, strong social indicators and a relatively strong institutional framework, fostering policy continuity.
- Debt management initiatives have improved debt composition, extending maturities, reducing exchange rate and refinancing risks. Moreover, favourable debt dynamics supported by continued growth and relatively low fiscal deficits are likely to bring general debt down to levels comparable with peers and higher-rated sovereigns.

Weaknesses

- Uruguay's general government (GG) debt burden remains above the median for the 'BB' rating category.
- Spending rigidities and moderate fiscal savings could limit the central government's capacity to compensate for weaker public companies' results and to stimulate the economy if needed, without affecting the fiscal consolidation process.
- Financial dollarisation remains above that of peers, although exchange rate risks are contained thanks to effective prudential regulation and improving external liquidity.
- Monetary authorities' track record in maintaining inflation within the target rate is relatively poor; the five-year average inflation remains above the median for its peers. Bringing inflation down is particularly challenging due to weak monetary transmission channels.
- Although external liquidity has recently surpassed that of peers, higher levels would be positive in light of the high financial dollarisation, the presence of non-resident deposits and moderate commodity dependence.

Local-Currency Rating

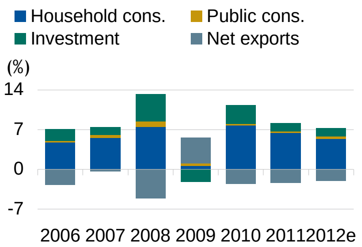
Uruguay's Long-Term Local-Currency IDR is one notch above the Long-Term Foreign-Currency IDR due to: the comparatively low level of debt denominated in local currency; increased macroeconomic stability, allowing the government to extend maturities in local-currency-denominated debt; and the ability of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

Country Ceiling

Uruguay's Country Ceiling of 'BBB' reflects the absence of capital controls or current account restrictions that could lead to transfer and convertibility risks. The country's vulnerability to significant balance-of-payment pressures is reduced by the presence of an offshore banking system, exchange rate flexibility, strong supervision and high levels of international reserves.

Figure 1

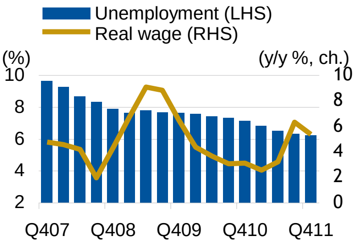
Contribution to Growth



Source: INE and Fitch

Figure 2

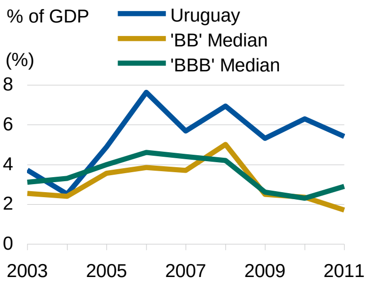
Labour Market



Source: INE and Fitch

Figure 3

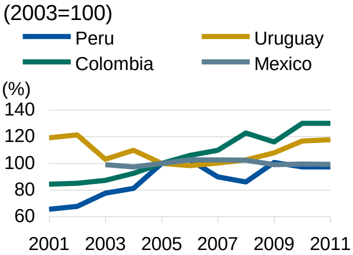
FDI Inflows



Source: Fitch

Figure 4

Terms of Trade



Source: Fitch

Outlook and Key Issues

Strong Economic Performance and Sound Medium-Term Prospects

Uruguay posted another year of high economic growth in 2011. Fuelled by strong domestic demand, GDP expanded by 5.7%, and has averaged 6.1% growth in the last five years, well above median in the 'BB' and 'BBB' categories. This has been possible thanks to a healthy diversification of the economy, and the emergence of the transport and logistics sector, supported by its highly skilled labour force. Higher activity levels have brought unemployment rates to record lows and generated important gains in real wages, with average household income in real terms growing by 44% between 2004 and 2011.

Foreign investors continue to arrive in Uruguay, attracted by its strong structural features, large natural endowments, and its free-trade access to the growing Mercosur market. In fact, FDI inflows have averaged 5.4% of GDP between 2003 and 2011, the third-highest rate in Latin America (after Chile and Panama), and above medians in the 'BB' and 'BBB' categories. While the FDI share going to construction and agribusiness represents half of total inflows, the rest supports manufacture, retail, hospitality and communications, with important spillover effects and productivity gains to the overall economy.

Fitch expects Uruguay's economy to expand by 4.0% in 2012 due to lower economic activity across its main trade partners, particularly Argentina and countries in the eurozone, which will take its toll on the export sector. Economic activity should gain traction again in 2013 for 5.6% annual GDP growth thanks to more favourable external conditions. The economy is also expected to receive a boost from the H213 opening of Montes del Plata, a cellulose pulp mill and the largest private investment in Uruguayan history. The project is currently under construction and should contribute almost 1.3% to GDP in the first year of operation (pro-rated between 2013 and 2014).

Other investment initiatives, including oil and iron exploration, and large infrastructure projects through Public Private Partnerships (PPPs), are expected to materialise only in the medium term, but could substantially improve GDP growth in Uruguay. In fact, the IMF has recently estimated potential GDP growth in the 4.6%-5.3% range[1], above the 4% estimated by the government for 2012-2015. Private consumption, suppressed by the banking crisis of 2003 and the global financial crisis of 2008, could also fuel domestic demand on the back of favourable labour market conditions and increased credit availability. Improving terms of trade, which have lagged the strong performance in other countries in the region, could make certain export-oriented sectors more attractive in the short to medium term, helping to reduce the negative contribution of net exports to economic growth.

Reduced External Vulnerabilities

Moderate current account deficits, favourable export dynamics and improvements in external liquidity have increased Uruguay's resilience to external shocks. Moreover, proactive and prudent external financing initiatives have further reduced external financing risks.

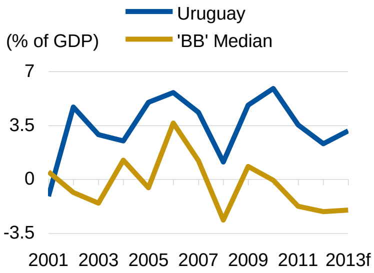
In 2011, Uruguay showed a moderate current account deficit equivalent to 1.9% of GDP that was easily covered by strong FDI inflows, resulting in a sizeable accumulation of foreign reserves (up 35% yoy). Fitch estimates that the current account deficit in 2012 will be above 2011 levels after better results in the income and service balances only partially compensate for a larger trade deficit. The current account deficit should decrease in 2013 thanks to better results in the balance of trade. In particular, Montes del Plata should start operations in the

[1] The 2011 IMF study used different methods to estimate potential output under various time periods. Fitch chose the results for the period between 2003 and Q111 as longer periods would ignore a structural breakpoint in Q202 that coincided with the financial crisis. Potential GDP growth for 1990-2002 using multivariate filters averaged 2.6%.

second half of the year, and its negative impact on the trade balance (imports of capital goods) should turn positive thanks to its pulp exports.

Figure 5

Current Account + FDI



Source: Fitch

Uruguay's external liquidity position has recently surpassed those of its peers in the 'BB' rating category, and could improve further during the forecast period thanks to FDI inflows as large projects continue to materialise and the first PPP initiatives attract foreign investments. Moreover, in order to shield the economy from an unexpected loss of financial markets access, the authorities in Uruguay set up in 2009 a policy to maintain liquid assets denominated in FC to cover at least 12 months of debt amortisation. By the end of 2011, the central government had over USD2.5bn in liquid assets, while debt amortisation in 2012 is only USD626m. Such accumulation of foreign assets, which partially explains the increase in gross debt during 2011, further reduces the real exposure of GG debt to a sudden depreciation of the currency. At the same time, the government has negotiated contingent credit lines with multilateral credit agencies for over USD1.4bn in case conditions in global markets deteriorate.

Figure 6

Contingent Credit Lines

	(USDm)
CAF	400
World Bank	260
FLAR	470
IADB[a]	300
Total	**1,430**

[a] Currently under negotiation

Source: Debt Management Unit

Adverse external conditions could deteriorate Uruguay's export prospects. A more severe impact on export revenues could come from weaker economic activity in China (8.3% of total good exports), Brazil (20.3%) and European countries (14.0%), affecting export activity and commodity prices, particularly that of soy. Nevertheless, trade automatic stabilisers should shield the current account in such an event, as occurred in 2009 when exports fell by 9% and imports by 24%, delivering the first current account surplus in four years.

Figure 7

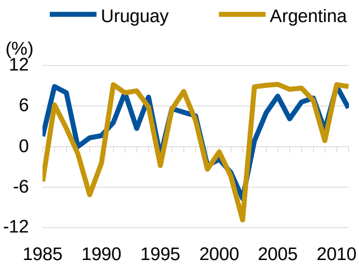
External Finances: Sources and Uses (USDbn)

	2010	2011	2012f	2013f
Uses	**1.0**	**3.9**	**2.1**	**1.8**
Current account balance	0.2	0.9	1.3	1.0
MLT amortisation	0.8	3.0	0.8	0.8
Sovereign	0.5	2.4	0.5	0.5
Non-sovereign	0.3	0.6	0.3	0.3
Sources	**1.0**	**3.9**	**2.1**	**1.8**
Gross MLT borrowing	1.4	4.6	1.1	1.1
Sovereign	0.7	4.6	0.6	0.6
Non-sovereign	0.7	0.0	0.5	0.5
Net FDI	1.6	2.5	2.5	2.8
Other credit flows nes	-1.0	-1.2	-0.7	-0.7
Net E&O	-1.4	0.4	0.0	0.0
Change in fx reserves	0.4	-2.4	-0.8	-1.4

Source: Fitch

Figure 8

GDP Growth



Source: Fitch

Limited Impact of Argentina's Policy Making

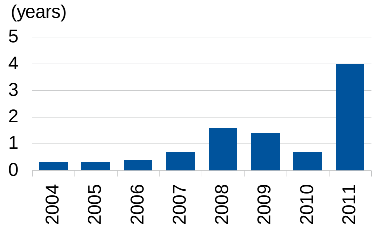
Trade links with Argentina, particularly for goods, have considerably diminished in recent years, and are substantially lower than in the last decade. Goods shipped to Argentina in 2011 represented only 7.3% of Uruguay's total exports (USD588m), down from 17.8% in 2000. Lower reliance on the Argentine market should help Uruguay reduce the impact of a 2011 decision by the Argentine government to limit purchases of foreign goods with various non-tariff measures. Nevertheless, the impact in terms of economic activity should not be minimised given the type of products shipped (high added value), how easy it would be for Uruguay to place them in other markets, and longstanding economic links. In February 2012, such restrictions were extended to imports of services (starting in April 2012). In 2011, Uruguay's exports of services reached USD3.4bn, 32% higher than in 2010, but included tourism services (almost six out of 10 tourists arriving in Uruguay come from Argentina). Non-tourism services reached USD1.2bn in 2011.

The financial system also shows a considerable reduction of exposure to Argentina. Non-residents deposits in Uruguay's financial system (traditionally mostly from Argentina) represented only 15.4% of total deposits by December 2011, equivalent to USD3.1bn, down from 41.1% in 2001. Moreover, there are strict rules limiting banks' activities with non-resident

Figure 9

CG Liquid Assets

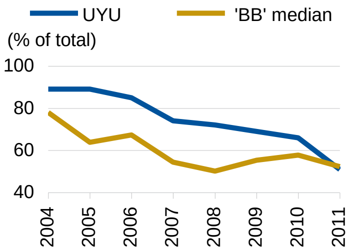
Assets/Amortization due in 1 year



Source: Debt Management Unit

Figure 10

Public Debt in FC Currency

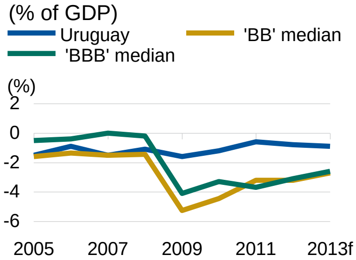


Source: Debt Management Unit and Fitch

Figure 11

GG Balance

(% of GDP)

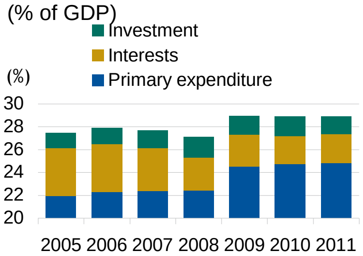


Source: Fitch

Figure 12

Gen Gov't Expenditures

(% of GDP)



Source: INE and Fitch

deposits, including a prohibition on lending such resources to residents, and higher reserve requirements. There is no evidence that capital controls implemented in Argentina in Q411 have affected Uruguayan bank deposits.

Improved Debt Profile

The government continues to take a proactive debt management approach, to extend public debt maturities, reduce the outstanding amount of FC-denominated public debt, reduce interest rate risk, and support the local bond market by providing benchmarks for other issuers. Favourable debt management operations, together with primary surpluses and strong economic performances in recent years, have improved Uruguay's debt profile, but without significant reductions in outstanding gross debt. By 2011, GG debt was equivalent to 47.9% of GDP, slightly above 2010 levels, and above the median in the 'BB' category, in both gross and net terms[2]. On the upside, the average maturity of public debt remains comfortable at 10.3 years, with a light repayment schedule in the short term.

In December 2011, the government conducted the largest liability management transaction of the year, which included the issuance of a USD1.3bn inflation-linked bond due in 2028, a USD1bn buyback operation of Euro and Dollar short- and medium-term debt, and the exchange of inflation-linked bonds due in 2018 for new bonds due in 2028. This transaction alone allowed for the increase in UYU-denominated debt from 43% to 49% of total debt (up from 34% in 2010), further reducing the dollarisation of public debt and improving debt dynamics.

Slow Journey Towards Fiscal Consolidation Continues

Contrary to the median countries in the 'BB' and 'BBB' categories, Uruguay's fiscal position did not dramatically deteriorate during the financial crisis, and has continued to improve in recent years. The overall resilience of the Uruguayan economy to adverse external conditions, combined with its low revenue volatility, explains this strong performance. Starting from a deficit equivalent to 1.2% of GDP in 2010, the current administration pursues a 0.1% annual reduction in the size of consolidated public-sector deficit that should result in a consolidated public deficit of 0.8% of GDP by the end of the presidential period in 2014. Fitch foresees that such targets are reachable unless, in the case of deteriorating external conditions, the government decides to implement aggressive countercyclical fiscal policies.

Fitch considers that Uruguay's fiscal consolidation has been relatively slow, particularly in light of the strong economic performance and the increase in tax collection observed recently. This results from the government's commitment to social inclusion and income distribution, while pursuing overall prudent and responsible fiscal management, the same as in the previous Frente Amplio (FA) administration. On the upside, the increase in social investments (health, education and the safety net) should continue to strengthen some of the structural factors where Uruguay scores above the median in the 'BB' and 'BBB' categories. Nevertheless, such policies reduce the manoeuvre capacity to maintain high levels of expenditure in the downturn phase of the business cycle, particularly in the absence of fiscal savings.

Fiscal results for 2011 were particularly strong. The target for the annual consolidated public deficit was revised up from 1.1% to 1.6% of GDP as better general government[3] results were expected to be overshadowed by lower results in state-owned companies facing higher costs of imported oil, particularly in the absence of higher energy tariffs for final users[4]. Year-end results, however, were stronger than expected, and resulted in deficits of 0.8% and 0.6% of GDP at the consolidated public sector and general government levels, respectively.

[2] Fitch's GG debt calculation includes debt issued to the BCU (5.3% of GDP) for capitalisation purposes and debt held by public institutions (2.4% of GDP).

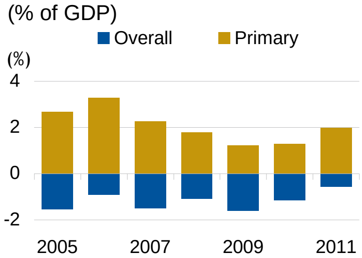
[3] Central Government plus social security system.

[4] Tariffs increases for electricity consumption in the 4%-9% range were enacted in January 2012.

Figure 13

Gen Government Balance

(% of GDP)

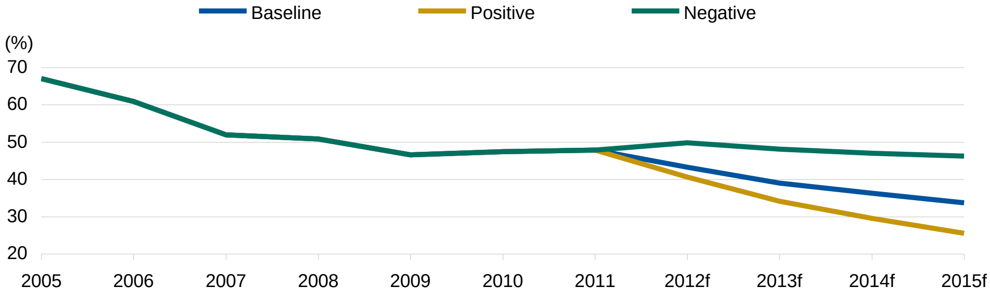


Source: Ministerio de Economía and Fitch

Figure 14

Debt Dynamics

GG debt/GDP



Source: Fitch

The overperformance in 2011 ignited discussions on the use of USD140m in excess revenues (0.3% of GDP) after the government had already raised the financing requirements to cover its deficit. Instead of reducing indebtedness, the government has signalled that excess revenues will finance additional social programmes. New legislation currently under discussion could eliminate sales taxes for low-income groups and reduce by 2% the 22% sales tax rate for consumers making debit-card payments in an attempt to alleviate poverty, increase financial penetration and reduce the size of the informal economy.

Figure 15

Public Finances: Sources and Uses (% of GDP)

	2010	2011	2012e	2013f
Uses	**4.4**	**6.6**	**2.7**	**1.9**
Budget balance	1.2	0.6	0.8	0.9
Amortisation	2.8	5.8	1.2	1.0
Other	0.4	0.2	0.7	0.0
Sources	**4.4**	**6.6**	**2.7**	**1.9**
Gross borrowing	1.9	10.3	2.7	1.7
Other	0.4	0.3	0.2	0.2
Uses of assets (+ indicates reduction)	2.1	-3.9	-0.2	0.0

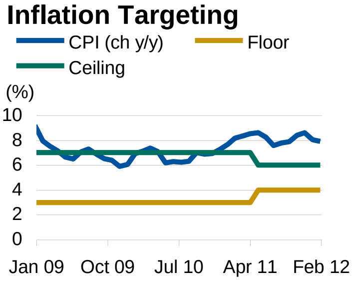
Source: Fitch

Inflation Remains Above Targets

Consumer inflation has accelerated since late 2010, and by end-2011 it had reached 8.6%, before falling slightly in the following months. While pass-through effects from a faster depreciation of the local peso and higher commodity prices abroad added some inflationary pressure in H211, the dynamism of the local economy remains the main inflationary driver. For instance, inflation of non-tradable goods exceeded 10% in 2011, setting a 3.5%-4% floor for overall inflation before accounting for the impact of tradable goods and public services tariffs.

Figure 16

Inflation Targeting



Source: INE and Fitch

Inflation has remained in single-digit territory since late 2004, and shows relatively low volatility once the adjustment period after the 2002/2003 crisis is excluded. In spite of this, monetary authorities' track record of maintaining inflation within the announced band is relatively weak, with inflation exceeding the band ceiling in over 60% of the observations since inflation targets were first announced[5]. Such performance has not resulted in a major credibility loss for the Central Bank as Uruguayans' inflation tolerance seems to be higher than in IT economies, perhaps as a result of previous and more recent experiences with high inflation (annual inflation in the 1990s averaged 49%). Recent monetary policy decisions were announced at times when

[5] Uruguay's transition to Inflation Targeting (IT) began in 2005, although it cannot be labelled as a full-fledged inflation targeting regime.

inflation exceeded 8% and threatened to approach double-digit territory, a condition that would automatically ignite a series of contract adjustments, including wages in the public sector[6].

Conducting monetary policy in a highly dollarised economy, with relatively low financial intermediation, shallow local capital markets, some degree of wage indexation and a weak credit transmission channel presents challenges for monetary authorities in Uruguay. Fighting inflation with monetary tools alone could end up affecting the exchange rate, and Uruguay's competitiveness, hampering economic growth. Under these circumstances, inflation expectations become fundamental in price and wage formation (real wages are growing faster than productivity gains), and explain recent monetary policy actions and a more "hawkish" tone in recent policy minutes. Fitch forecasts inflation to average 7.2% and 6.5% in 2012 and 2013, respectively.

Political Stability and Challenges Ahead

President José Mujica has completed his second year in office without major surprises, but also without major advances in an initially ambitious reforming agenda despite a legislative majority and a constructive relationship with the opposition. The existence of two main groups with wide ideological differences and execution capacity within his FA coalition was in evidence again in 2011. While the coalition continues to vote as a group, negotiations are more difficult and complex than in the preceding FA administration, extending the drafting period and diminishing the scope for new pieces of legislation.

On the upside, the government has been able to continue with the economic policy mix that has resulted in high growth, improved macroeconomic stability, a strengthening of the social safety network, and increased foreign investment in the country. Attitudes to foreign investment remain generally positive, although the government wants to be more selective in the type of incentives offered to new initiatives.

There are medium-term challenges, mostly related to apparent changes in Uruguayan society. The abundance streaming from higher economic growth, lower unemployment and higher real wages has clearly benefited an enlarging middle class. Lower-income groups, on the other hand, have mostly seen their income level improved by increasing government transfers, but without evidence of a real social and economic transformation. This situation should be aggravated by Uruguay's demographic trends, which show high birth rates among low-income tiers while middle and upper tiers barely cover their replacement rates. Some deterioration in structural factors, including public education, safety and the highly skilled labour force, requires urgent attention in order to maintain the country's strong features over the long term.

[6] The monetary policy rate was increased 75bp to 8.75% in December 2011, and 225bp in overall 2011.

Forecast Summary

	2007	2008	2009	2010	2011	2012f	2013f
Macroeconomic indicators and policy							
Real GDP growth (%)	6.5	7.2	2.4	8.9	5.7	4.0	5.6
Unemployment (%)	9.2	7.6	7.3	6.7	6.0	6.3	6.2
Consumer prices (annual average % change)	8.1	7.9	7.1	6.7	8.1	7.2	6.5
Short-term interest rate (%)[a]	4.1	9.8	8.6	6.3	7.8	8.4	7.6
General government balance (% of GDP)	-1.5	-1.1	-1.6	-1.1	-0.6	-0.8	-0.9
General government debt (% of GDP)	51.9	50.8	46.5	47.5	47.9	45.2	43.1
UYU per USD (annual average)	23.5	20.9	22.6	20.1	19.3	19.8	19.6
Real effective exchange rate (2000=100)	80.5	89.7	93.6	106.2	102.9	108.0	106.7
External finance							
Current account balance (USDbn)	-0.2	-1.5	0.2	-0.2	-0.9	-1.3	-1.0
Current account balance (% of GDP)	-0.9	-4.9	0.7	-0.4	-1.9	-2.5	-1.7
Current account balance plus net FDI (% of GDP)	4.7	2.1	6.0	5.9	3.5	2.3	3.1
Net external debt (USDbn)	-4.3	-6.0	-6.7	-7.0	-8.7	-9.5	-10.8
Net external debt (% of GDP)	-18.5	-19.6	-21.9	-17.8	-18.6	-18.6	-18.8
Net external debt (% of CXR)	-54.2	-57.7	-72.2	-62.5	-64.8	-67.4	-65.2
Official international reserves including gold (USDbn)	4.1	6.4	8.0	7.7	10.3	11.1	12.5
Official international reserves (months of CXP cover)	6.0	6.5	10.7	8.1	8.6	8.7	8.5
External interest service (% of CXR)	11.0	6.6	8.8	7.5	4.5	4.6	4.3
Gross external financing requirement (% int. reserves)	27.5	56.0	9.4	14.9	31.7	25.3	20.2
Memo: Global forecast summary							
Real GDP growth (%)							
US	1.9	-0.3	-3.5	3.0	1.7	2.2	2.6
Japan	2.2	-1.0	-5.5	4.4	-0.7	1.9	1.5
Euro area	3.0	0.4	-4.2	1.8	1.6	0.4	1.2
World	4.3	1.5	-2.4	3.9	2.7	2.4	3.0
Commodities							
Oil (USD/barrel)	72.7	97.7	61.9	79.6	111.0	115.0	105.0

[a] BCU Call rate (annual average)
Source: Fitch

Comparative Analysis: Macroeconomic Performance and Policies

Uruguay

	2011						
	Indonesia 'BBB−'	Costa Rica 'BB+'	Guatemala 'BB+'	Turkey 'BB+'	Uruguay 'BB+'	'BB' median	'BBB' median
Real GDP (5yr average % change)	5.9	3.7	3.3	3.6	6.1	3.6	2.9
Volatility of GDP (10yr rolling SD)	0.7	2.8	1.6	4.4	4.8	2.5	3.2
Consumer prices (5yr average)	6.1	8.3	6.0	8.1	7.6	7.1	5.2
Volatility of CPI (10yr rolling SD)	3.1	3.0	2.7	12.8	4.3	2.9	2.6
Years since double-digit inflation	5.0	3.0	3.0	3.0	7.0	n.a.	n.a.
Unemployment rate	6.6	7.0	-	10.0	6.0	10.0	7.7
Type of exchange rate regime	Managed float	Crawling band	Managed float	Free float	Managed float	n.a.	n.a.
Dollarisation ratio	13.8	44.8	-	29.0	73.5	49.8	23.7
REER volatility (10yr rolling SD)	10.0	5.1	3.5	8.3	11.2	5.9	5.5

Source: Fitch

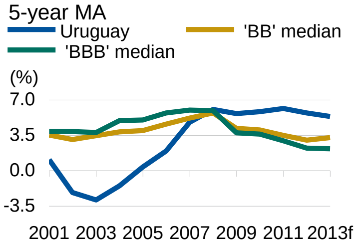
Strengths

- Uruguay's five-year growth has outperformed that of peers. The country has shown improved resilience against external shocks, and is now posting faster GDP growth rates than the 'BB' and 'BBB' medians.
- Unemployment figures in Uruguay have reached historical lows thanks to economic dynamism across most industries, including labour-intensive sectors such as tourism and IT development. As a result, the unemployment rate remains below those of other countries in Uruguay's rating category.
- Official intervention in the FX market remains minimal, and only to smooth transaction volumes through time. The 2002-2003 overshooting has been followed by a consistent appreciation of the local peso, which has not dramatically affected export competitiveness thanks to favourable commodity prices and productivity gains.

Figure 17

Real GDP Growth

5-year MA



Source: Fitch

Weaknesses

- Inflation, GDP growth and exchange rate volatility remain above the 'BB'-range median, all dragged up by the impact of the 2002-2003 crisis.
- Price inflation remains above the median in the 'BB' range in response to strong consumer demand, high commodity prices and higher labour costs.
- Dollarisation remains high compared with peer levels despite substantial progress in lowering credit dollarisation for sectors with income earned in local currency (mainly families). Nevertheless, in recent years authorities have allowed the exchange rate to adjust, and thus partly to absorb external shocks without negatively affecting the domestic financial system.

Commentary

Monetary policy is likely to continue facing the challenges of high dollarisation, a small domestic capital market and limited financial intermediation. These factors partially constrain policy effectiveness to bring inflation rates to the target set by the authorities due to a weak interest rate transmission channel. Nevertheless, the authorities have tried to contain inflationary expectations, as the BCU has increased interest rates, and the government decided to avoid passing increased energy costs on to consumers without affecting central government finances.

Comparative Analysis: Structural Features

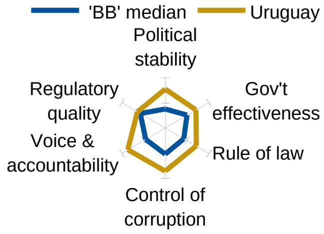
Uruguay

	2011						
	Indonesia 'BBB−'	Costa Rica 'BB+'	Guatemala 'BB+'	Turkey 'BB+'	Uruguay 'BB+'	'BB' median	'BBB' median
GNI per capita PPP (USD, latest)	4,200	11,270	4,650	15,170	13,990	6,305	11,885
GDP per capita (USD, mkt. exchange rates)	3,604	8,659	3,183	9,878	13,814	4,303	8,763
Human development index (percentile, latest)	33.3	63.4	30.1	50.5	74.7	49.4	64.5
Ease of doing business (percentile, latest)	29.7	34.1	47.3	61.6	51.1	48.7	73.2
Trade openness (CXR and CXP % GDP)	27.3	41.3	40.2	30.0	29.7	47.9	49.7
Gross domestic savings (% GDP)	36.5	16.7	3.6	16.1	19.2	15.4	22.9
Gross national savings (% GNP)	34.0	16.4	13.9	11.1	18.1	16.6	23.0
Gross domestic investment (% GDP)	32.8	21.3	15.7	21.1	19.4	20.8	24.0
Private credit (% GDP)	28.4	46.7	23.4	47.8	23.5	33.0	60.4
BSR indicators	D3	D1	n.a.	C3	D1	n.a.	n.a.
Bank system CAR	16.1	14.4	15.3	16.0	14.4	16.0	15.1
Foreign bank ownership (% assets)	30.0	30.1	9.4	16.0	54.4	54.4	46.3
Public bank ownership (% assets)	44.0	64.9	1.6	32.0	45.6	32.0	15.0
Default record (year cured)[a]	2002	1990	1989	1982	2003	n.a.	n.a.

[a] Uruguay concluded an exchange offer for all foreign-currency bond debt on 22 May 2003.
Source: Fitch and World Bank

Figure 18

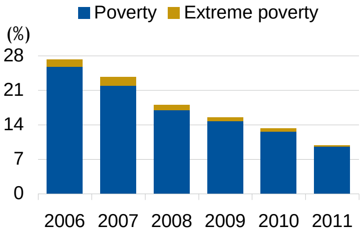
Governance Indicator, 2010



Source: The World Bank, Fitch

Figure 19

Poverty
(% of total population)



Source: INE and Fitch

Strengths

- Uruguay's institutional strength stands out among rating and regional peers, reducing the risk of social and political instability. In addition, institutions are generally regarded as transparent and relatively free of corruption.
- Social risks are reduced thanks to the country's high GDP per capita; superior social indicators, as measured by the United Nations' Human Development Index; declining poverty and unemployment; and relatively low income inequality. Further improvements are materialising as the current government prioritises housing, education, security, infrastructure and safety net enhancements.
- Domestic savings have increased in recent years thanks to improved economic conditions, and are now stronger than the median in the 'BB' rating category. Investment has also recovered and is now more in line with peers.

Weaknesses

- Uruguay ranks 90th (out of 183 economies) in the 2012 Ease of Doing Business survey published by the World Bank. Despite some improvements in the "starting a business" and "getting credit" categories, Uruguay underperforms on bureaucratic difficulties faced by entrepreneurs to obtain licences, register property and pay taxes. Further reforms are needed for the economy to take advantage of its highly educated population, low corruption perception and political stability.

Commentary

The banking sector is classified 'D' or "Low Quality," according to Fitch's Banking System Indicator (BSI). The system's Macro Prudential Indicator (MPI), however, is '1', which indicates that it has "low" potential vulnerability to systemic stress. The Uruguayan financial system is highly liquid and well capitalised. Asset quality remains strong, with non-performing loans representing less than 2.0% of credit portfolios, which are highly provisioned for losses. The rapid increase in lending to households has not resulted in over-borrowing, with households' indebtedness relative to disposable income barely exceeding 15%.

The financial system is not dependent on foreign capital, and loan exposure to non-residents is very low. However, public banks continue to dominate the scene, with two institutions accounting for 45% of total assets. The local securities market is small and almost entirely confined to public debt.

Comparative Analysis: External Finances

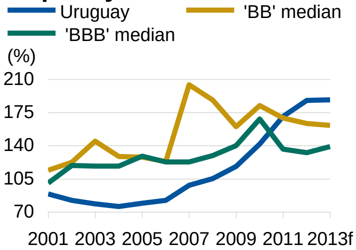
Uruguay

	2011					Last 10 years	
	Indonesia ‘BBB−‘	Costa Rica ‘BB+’	Guatemala ‘BB+’	Turkey ‘BB+’	Uruguay ‘BB+’	‘BB’ median	‘BBB’ median
GXD (% CXR)	95.6	55.8	49.6	178.2	163.5	100.3	91.9
GXD (% GDP)	26.2	21.6	19.4	44.5	47.0	39.7	44.6
NXD (% CXR)	37.0	-21.2	36.2	98.6	-64.8	12.5	15.3
NXD (% GDP)	10.1	-8.2	14.1	24.6	-18.6	5.1	7.1
GSXD (% GXD)	59.3	30.4	70.2	37.7	63.1	53.4	34.0
NSXD (% CXR)	9.2	-20.0	31.8	20.6	21.4	8.8	-12.5
NSXD (% GDP)	2.5	-7.7	12.4	5.1	6.2	3.7	-6.2
SNFA (USDbn)	-9.3	3.2	-5.8	-38.8	-2.9	-1.0	4.5
SNFA (% GDP)	-1.1	7.7	-12.4	-5.1	-6.2	-3.6	6.8
Ext. debt service ratio (% CXR)	19.7	10.1	8.3	30.9	16.1	11.8	14.1
Ext. interest service ratio (% CXR)	5.2	2.2	2.7	4.6	4.5	3.6	4.0
Liquidity ratio (latest)	108.1	152.9	288.1	72.4	173.2	167.9	143.0
Current account balance (% GDP)	0.2	-5.2	-2.2	-10.2	-1.9	-2.0	-1.8
CAB plus net FDI (% GDP)	1.6	0.1	-0.6	-8.4	3.5	1.5	0.7
Commodity dependence (% CXR, latest)	53.6	25.6	31.0	15.6	53.6	25.8	21.0
Sovereign net FX debt (% GDP)	-0.5	-5.3	-0.8	3.0	1.6	2.1	-5.3

Source: Fitch

Figure 20

Liquidity Ratio



Source: Fitch

Strengths

- Current account deficits are in line with peers’, despite Uruguay’s net oil importer status. Current account deficits are adequately financed by surpluses in the financial account, mainly FDI. Imports’ composition is good evidence of a capital accumulation process.
- The liquidity ratio continues to strengthen thanks to an important build-up in foreign assets by the Central Bank and local banking institutions in recent years. The liquidity ratio is now larger than the median in the ‘BB’ rating category and could strengthen further over the forecast period, which would be positive in light of Uruguay’s high dollarisation and commodity dependence compared with peers.
- Uruguay’s overall net external creditor position is robust relative to the median in the ‘BB’ rating category, driven by the net external creditor position of banks.
- The sovereign maintains FC liquid assets (USD1.8bn at end-2011) to cover 12-18 months of debt service. Moreover, the government has secured precautionary credit lines with multilaterals (USD1.5bn) to shield the economy against financial volatility that could affect Uruguay’s access to the financial markets.

Weaknesses

- Uruguay’s gross external debt remains considerably higher than that of peers in both GDP and current external receipts (CXR) terms. However, 14.6% of gross external debt consists of foreign-currency deposits from non-residents in the local financial system.
- Net sovereign external debt was 26% of CXR, among the highest in the ‘BB’ rating category. Nevertheless, the sovereign shows an extremely light repayment schedule relative to its peers, with the third-highest debt duration among sovereigns rated by Fitch.
- External debt service measured in terms of CXR has decreased substantially in recent years, but remains above that of peers.

Commentary

High dependence on the cattle and agriculture industries (18.4% and 24.7% of the country’s total goods exports, respectively) exposes Uruguay to price fluctuations in the commodity markets. Soybeans, barely produced in Uruguay in 2001, became in 2011 the second-largest contributor to export revenues thanks to large inflows of FDI into the sector, with further developments expected in the coming years. However, a correction in commodity prices could be compensated for by a similar move for oil and energy imports, which in 2011 represented 23.5% of total goods imports, mitigating any negative impact.

Comparative Analysis: Public Finances

Uruguay

	2011					Last 10 years	
	Indonesia 'BBB−'	Costa Rica 'BB+'	Guatemala 'BB+'	Turkey 'BB+'	Uruguay 'BB+'	'BB' median	'BBB' median
Budget balance (% GDP)	-1.2	-4.1	-2.8	-1.3	-0.6	-2.3	-2.6
Primary balance (% GDP)	0.0	-2.0	-1.2	1.5	1.9	0.1	-0.2
Revenues and grants (% GDP)	17.0	14.6	11.3	36.4	27.8	26.0	33.1
Volatility of revenues/GDP ratio	9.1	1.0	6.7	5.5	0.7	6.2	6.3
Interest payments (% revenue)	6.7	14.9	14.9	9.4	9.0	10.4	6.8
Debt (% revenue)	146.1	210.5	219.3	113.2	172.4	163.1	117.8
Debt (% GDP)	24.9	30.8	24.7	41.2	47.9	40.1	35.5
Net debt (% GDP)	22.0	28.9	18.9	37.7	39.9	34.5	29.9
FC debt (% total debt)	50.4	21.4	55.1	35.5	49.5	64.7	39.5
CG debt maturities (% GDP)	1.9	6.7	1.3	7.6	2.1	4.8	5.4
Average duration of CG debt (years)	0.0	3.5	-	2.6	10.3	3.4	5.4

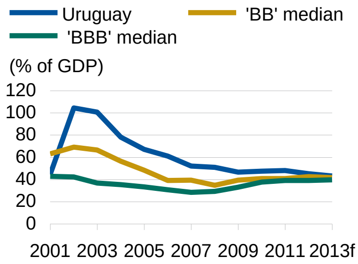
[a] GG if not otherwise specified
Source: Fitch

Strengths

- The central government's fiscal balances have outperformed those of peers in recent years thanks to strong economic activity and moderate increases in total expenditure. Government revenue has also shown greater resilience than that of peers, as reflected by low revenue volatility.
- Interest payments as a percentage of government revenue are lower than the 10-year 'BB' median.
- Proactive and adept liability management has led to a rapid improvement in debt composition in terms of currency, reducing exchange rate risk. Moreover, central government debt maturities remain below those of category peers and higher-rated sovereigns, while the average duration of central government debt stood at 10.3 years in 2011, substantially above the 'BB' and 'BBB' range medians.

Figure 21

General Government Debt



Source: Fitch

Weaknesses

- Uruguay's debt burden remains above the 10-year 'BB' median, and even increased in gross terms in 2011 as a result of pre-financing operations. General government debt excluding the BCU capitalisation (USD2.4bn) was equivalent to 42.6% of GDP at end-2011 (34.8% of GDP in net terms), still above the 'BB' median.
- Despite the room for faster fiscal consolidation provided by strong economic growth, advances have been relatively slow due to increases in social investment. Additional expenditure in health, education and security would reinforce Uruguay's already strong structural features, but would also increase spending rigidities.

Commentary

In the absence of a fiscal rule, Uruguay fiscal anchor comes from the multi-annual budget framework, which, after congressional approval, defines at the beginning of a new presidential period the trajectory of fiscal balances. Progress towards these goals is revised every year, with authorities explaining any deviation and announcing measures to pursue convergence. In addition, since 2006 the Indebtedness Limit Law has set a cap on net public debt increases for any given year, further strengthening the fiscal framework in place.

The favourable economic cycle during the forecast period could further support the strengthening of public finances and the reduction in central government deficits. This would lead not only to a faster reduction in the government's debt burden, but also to an increase in the flexibility of fiscal policy to deal with external shocks.

Figure 22
Fiscal Accounts Summary

(% of GDP)	2008	2009	2010	2011	2012f	2013f
General government						
Revenue	**26.0**	**27.3**	**27.5**	**27.8**	**27.6**	**28.0**
Expenditure	**27.1**	**28.9**	**28.6**	**28.3**	**28.4**	**28.9**
O/w interest payments	2.9	2.8	2.4	2.5	2.1	2.1
Primary balance	1.8	1.2	1.3	1.9	1.3	1.2
Overall balance	**-1.1**	**-1.6**	**-1.1**	**-0.6**	**-0.8**	**-0.9**
General government debt	**50.8**	**46.5**	**47.5**	**47.9**	**45.2**	**43.1**
% of general government revenue	195.3	170.5	172.6	172.4	163.9	153.9
General government deposits	7.2	9.4	4.9	6.6	6.3	5.7
Net general government debt	36.5	44.1	42.5	39.9	39.2	37.6
Central government						
Revenue	**20.6**	**21.0**	**21.2**	**21.1**	**20.7**	**20.8**
O/w grants	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure and net lending	**21.7**	**22.6**	**22.4**	**21.7**	**21.5**	**22.0**
O/w current expenditure and transfers	17.0	18.1	18.2	17.7	17.9	18.3
- Interest	2.9	2.8	2.4	2.5	2.1	2.1
O/w capital expenditure	1.8	1.6	1.7	1.5	1.5	1.6
Current balance	3.6	2.9	3.0	3.4	2.8	2.5
Primary balance	6.5	5.8	5.4	5.9	4.9	4.6
Overall balance	**-1.1**	**-1.5**	**-1.2**	**-0.6**	**-0.8**	**-1.2**
Central government debt	50.8	46.5	47.5	47.9	45.2	43.1
% of central government revenues	247.2	221.0	223.9	226.6	218.5	207.1
Central government debt (UYUbn)	**323.2**	**320.1**	**375.2**	**431.8**	**455.5**	**486.9**
By residency of holder						
Domestic	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
By place of issue						
Domestic	83.4	104.5	153.4	205.0	223.1	249.1
Foreign	239.8	215.6	221.8	226.8	232.4	237.8
By currency denomination						
Local currency	90.5	99.2	127.6	211.6	231.4	260.5
Foreign currency	232.7	220.9	247.6	220.2	224.1	226.4
In USD equivalent (eop exchange rate)	9.6	11.3	12.3	11.1	11.4	11.6
By maturity						
Less than 12 months (residual maturity)	28.1	8.2	22.3	19.2	12.6	8.2
Average maturity (years)	13.0	12.7	12.3	-	-	-
Average duration (years)	9.9	10.3	10.4	-	-	-
Memo						
Non-financial public-sector balance (% GDP)	-1.5	-1.8	-0.6	-	-	-
Net non-financial public-sector debt (% GDP)	-	-	-	-	-	-
Nominal GDP (UYUbn)	636.2	688.3	790.6	902.2	1,007.0	1,130.3

Source: Ministry of Finance and Fitch estimates and forecasts

Figure 23

External Debt and Assets

(USDbn)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross external debt	**10.7**	**13.7**	**14.8**	**15.6**	**13.8**	**16.0**	**16.7**	**20.1**	**20.2**	**21.9**
% of GDP	87.4	122.2	112.0	89.8	70.6	68.3	54.8	66.0	51.3	47.0
% of CXR	332.2	403.6	311.2	269.3	207.0	200.4	161.4	217.6	180.6	163.5
By maturity										
Medium- and long-term	7.1	8.4	9.8	9.8	8.9	10.5	10.1	12.7	13.1	13.6
Short -term	3.6	5.3	5.0	5.7	4.9	5.5	6.5	7.4	7.1	8.4
% of total debt	33.7	38.7	33.9	36.9	35.5	34.2	39.1	37.0	35.3	38.1
By debtor										
Monetary authorities	**2.6**	**3.0**	**3.2**	**2.5**	**0.1**	**0.3**	**0.3**	**0.5**	**0.4**	**0.3**
General government	**5.0**	**5.8**	**7.0**	**7.7**	**9.3**	**11.0**	**10.7**	**12.8**	**13.1**	**13.5**
O/w central government	-	-	-	-	-	-	-	-	-	-
Banks	**3.0**	**4.6**	**4.5**	**4.9**	**3.7**	**3.9**	**4.7**	**5.2**	**5.3**	**6.6**
Other sectors	**0.1**	**0.3**	**0.1**	**0.4**	**0.7**	**0.9**	**1.0**	**1.6**	**1.4**	**1.5**
Gross external assets (non-equity)	**10.3**	**14.2**	**15.4**	**17.1**	**17.0**	**20.3**	**22.6**	**26.8**	**27.2**	**30.7**
International reserves, incl. gold	0.8	2.1	2.5	3.1	3.1	4.1	6.4	8.0	7.7	10.3
Other sovereign assets nes	0.6	0.4	0.2	0.5	0.2	1.2	0.8	0.7	0.7	0.7
Deposit money banks' foreign assets	3.7	3.8	3.8	4.0	4.4	4.6	4.8	6.2	8.6	9.1
Other sector foreign assets	5.3	5.9	6.1	6.4	7.6	8.6	8.9	10.0	8.5	9.0
Net external debt	**0.5**	**-0.5**	**-0.6**	**-1.5**	**-3.2**	**-4.3**	**-6.0**	**-6.7**	**-7.0**	**-8.7**
% of GDP	3.7	-4.9	-4.4	-8.9	-16.3	-18.5	-19.6	-21.9	-17.8	-18.6
% of CXR	14.1	-16.0	-12.2	-26.6	-47.7	-54.2	-57.7	-72.2	-62.5	-64.8
Net sovereign external debt	6.2	6.4	7.5	6.7	6.2	6.0	3.8	4.7	5.2	2.9
% of GDP	50.5	57.2	56.7	38.3	31.4	25.5	12.6	15.4	13.1	6.2
Net bank external debt	-0.5	-1.4	-2.0	-2.2	-2.4	-2.5	-1.9	-2.9	-5.1	-4.0
Net other external debt	-4.7	-5.1	-5.6	-5.6	-6.5	-7.0	-7.1	-7.0	-5.6	-6.0
Net international investment position	**-0.5**	**0.5**	**0.6**	**1.5**	**3.2**	**4.3**	**6.0**	**6.7**	**7.0**	**8.7**
% of GDP	-3.7	4.9	4.4	8.9	16.3	18.5	19.6	21.9	17.8	18.6
Sovereign net foreign assets	**-6.2**	**-6.4**	**-7.5**	**-6.7**	**-6.2**	**-6.0**	**-3.8**	**-4.7**	**-5.2**	**-2.9**
% of GDP	-50.5	-57.2	-56.7	-38.3	-31.4	-25.5	-12.6	-15.4	-13.1	-6.2
Debt service (principal & interest)	1.8	2.6	1.9	2.4	3.2	1.5	1.5	1.6	1.9	2.2
Debt service (% of CXR)	55.5	76.0	40.7	41.9	47.3	18.9	14.6	17.6	16.8	16.1
Interest (% of CXR)	20.4	18.3	15.6	14.5	13.8	11.0	6.6	8.8	7.5	4.5
Liquidity ratio (%)	82.1	71.4	80.6	84.8	79.5	115.7	124.5	135.6	151.8	173.2
Net sovereign FX debt (% of GDP)	72.8	71.8	56.6	42.8	35.3	24.4	10.5	10.5	11.8	1.6
Memo										
Nominal GDP	12.3	11.2	13.2	17.4	19.6	23.4	30.4	30.5	39.4	46.7
Gross sovereign external debt										
Inter-company loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-

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

Figure 24

Debt Service Schedule on Medium- and Long-Term Debt at Date

(USDbn)	2010	2011	2012	2013	2014	2015	2016+
Sovereign	1.1	1.2	0.7	0.5	0.4	0.9	14.9
Multilateral	0.0	0.0	0.1	0.1	0.0	0.0	0.1
O/w IMF	0.3	0.4	0.0	0.0	0.0	0.3	10.4
Other	0.4	0.4	0.3	0.1	0.1	0.3	2.2
External bond debt	1.0	1.2	0.9	0.9	0.9	0.8	7.2
Domestic bond debt	2.0	2.4	1.6	1.4	1.3	1.7	22.1
Interest	0.3	0.4	0.3	0.3	0.3	0.3	2.3
Total sovereign debt service	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Ministry of Finance, Central Bank and Fitch

Figure 25

Balance of Payments

(USDbn)	2008	2009	2010	2011	2012f	2013f
Current account balance	**-1.5**	**0.2**	**-0.2**	**-0.9**	**-1.3**	**-1.0**
% of GDP	-4.9	0.7	-0.4	-1.9	-2.5	-1.7
% of CXR	-14.3	2.2	-1.4	-6.5	-9.2	-6.0
Trade balance	**-1.7**	**-0.3**	**-0.3**	**-1.1**	**-1.8**	**-1.0**
Exports, fob	7.1	6.4	8.1	9.3	9.7	12.1
Imports, fob	8.8	6.7	8.3	10.4	11.6	13.2
Services, net	**0.8**	**1.0**	**1.1**	**1.4**	**1.4**	**1.4**
Services, credit	2.3	2.1	2.5	3.4	3.5	3.6
Services, debit	1.5	1.1	1.4	2.0	2.0	2.2
Income, net	**-0.7**	**-0.7**	**-1.1**	**-1.4**	**-1.0**	**-1.5**
Income, credit	0.8	0.5	0.5	0.5	0.7	0.6
Income, debit	1.5	1.2	1.6	1.9	1.7	2.2
O/w: Interest payments	0.7	0.8	0.8	0.6	0.6	0.7
Current transfers, net	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Memo						
Non-debt-creating inflows (net)	1.6	1.2	2.5	2.5	2.5	2.8
O/w equity FDI	1.6	1.2	2.5	2.5	2.5	2.8
O/w portfolio equity	0.0	0.0	0.0	0.0	0.0	0.0
O/w other	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves (-=increase)	-2.2	-1.6	0.4	-2.7	-0.8	-1.4
Gross external financing requirement	2.3	0.6	1.2	2.4	2.6	2.2
Stock of international reserves, incl. gold	6.4	8.0	7.7	10.3	11.1	12.5

Source: IMF and Fitch estimates and forecasts

The ratings above were solicited by, or on behalf of, the issuer, and therefore,
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