Uruguay

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB-
Short-Term IDR	F3

Local Currency

Long-Term IDR	BBB
Country Ceiling	BBB+

Outlooks

Foreign-Currency Long-Term Rating	Stable
Local-Currency Long-Term Rating	Stable

Financial Data

Uruguay

(USDbn)	2015
GDP	53.5
GDP per head (USD 000)	15.6
Population (m)	3.4
International reserves	15.6
Net external debt (% GDP)	-14.9
Central government total debt (% GDP)	56.9
CG foreign-currency debt	13.1
CG domestically issued debt (UYUbn)	305.2

Related Research

Global Economic Outlook (March 2016)

2016 Outlook: Latin America Sovereigns (December 2015)

Analysts

Todd Martinez
+ 1 212 908 0897
todd.martinez@fitchratings.com

Erich Arispe
+1 212 908 9165
erich.arispe@fitchratings.com

Key Rating Drivers

Ratings Affirmed: Uruguay's creditworthiness is supported by strong structural features in terms of social and institutional development, established external buffers and low fiscal financing risks. These factors are balanced by persistently high inflation, relatively high government debt and a rigid spending profile driving growth in fiscal deficits above budget targets in recent years, narrowing scope for counter-cyclical policies.

External Flexibility: The exchange rate has served as a first line of defence to external shocks in the past year. Reserves have fallen on central bank FX intervention to smooth depreciation, but this has coincided with reduced non-resident local debt holdings and imports, thereby maintaining sound reserve coverage and international liquidity metrics. The current account deficit is moderating, as lower oil import prices have offset weaker agricultural export prices.

Growth Slowdown: Growth decelerated below trend to an estimated 1.4% in 2015, from 5% on average in 2010-2014, on weaker external demand (recession in Brazil), moderation in the investment cycle and weaker labour market conditions. Fitch projects these factors will contribute to another year of sluggish growth of 0.9% in 2016. Medium-term growth is likely to be below the high rates seen over the past decade.

Double-Digit Inflation: Uruguay's inflation rate remains one of the highest among investment-grade sovereigns and surpassed 10% in recent months despite contractive monetary policy on pass-through from peso depreciation and utility rate hikes. High inflation increases challenges facing new wage guidelines that seek to scale back inflation indexation mechanisms.

Fiscal Deterioration: The central government deficit continued on an upward path to 2.8%, from 2.3% in 2014 and 1.3% in 2010-2013, on rigid social spending drivers (pensions and healthcare) and cyclical weakness in tax revenues. The new five-year budget focuses consolidation efforts on public companies, but fewer measures have been outlined at the central government level to achieve the 2019 deficit target of 1.9% of GDP.

Public Debt Jumps: Peso depreciation and pre-financing drove a jump in general government debt to an estimated 57% of GDP in 2015 from 50% in 2014, and could lift debt to 63% of GDP in 2016 according to Fitch projections. The share of FC debt has fallen considerably in the past decade but remains high relative to peers, exposing public debt dynamics to FX risk. The higher debt burden highlights the narrowing space for fiscal policy to confront shocks.

Low Financing Risks: Prudent debt management mitigates sovereign financing risks. Liquid central government assets of 5.5% of GDP at end-2015 cover debt service into 2017, and the average debt maturity is high at 14.4 years. Precautionary credit lines with multilateral banks total around 4% of GDP and market access remains solid.

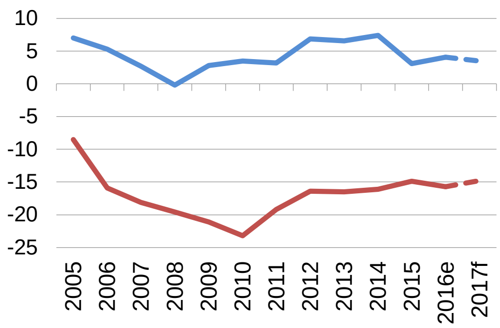
Rating Sensitivities

Failure to Stabilise Debt: Uruguay's ratings could be negatively impacted by failure to stabilise the rising general government debt burden, failure to reverse the near-term deterioration in growth prospects, or erosion of external buffers.

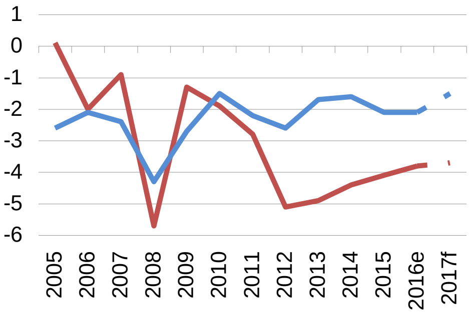
Improved Policy Mix, Consolidation: The ratings could be positively impacted by improvements in the policy mix that result in a more favourable inflation trajectory, fiscal consolidation consistent with a declining public debt trajectory, or evidence of investments or productivity gains that lift medium-term growth prospects.

Peer Comparison

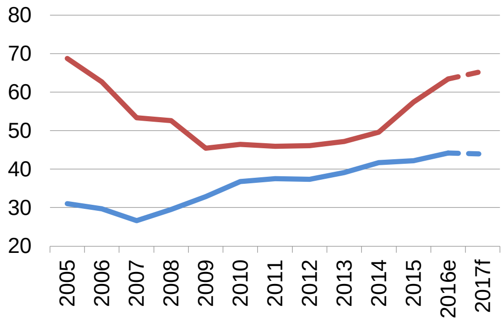
Net External Debt
% of GDP



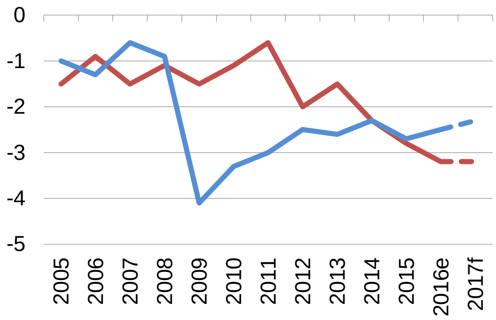
Current Account Balance
% of GDP



General Government Debt
% of GDP

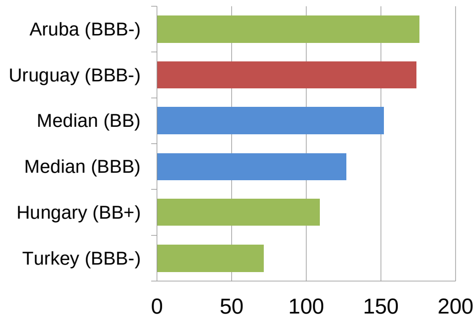


General Government Balance
% of GDP

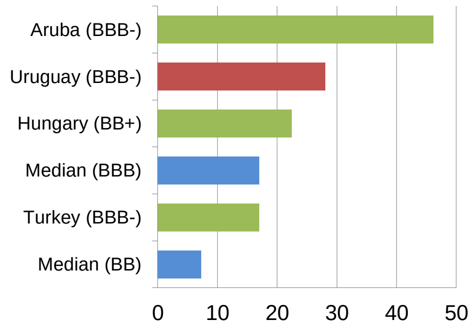


Uruguay Medians

International Liquidity Ratio, 2016
%



GDP per capita Income, 2015e
At market exchange rates, USA=100



Related Criteria

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

Peer Group

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

Rating History

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

Rating Factors

Summary: Strengths and Weaknesses

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

Note: Relative to 'BBB' category
Source: Fitch

Strengths

- Uruguay's per-capita income is well above the 'BBB' median, and is projected to remain higher despite recent peso depreciation and slower growth. Strong social development and governance indicators further underpin creditworthiness and support policy continuity.
- The sovereign maintains a strong international liquidity position despite remaining a net external debtor, while external financing risks to banks and corporates are mitigated by these sectors' net external creditor positions. Reserve levels remain sound despite declines in the past year, mitigating risks related to high financial dollarisation and material (but receding) participation of non-resident investors in the local debt market.
- Proactive public debt management has reduced refinancing risks. Debt maturities in the coming years are low and an average maturity over 14 years is one of the highest among 'BBB' peers. Financing flexibility is supported by a pre-financing policy (at least 12 months of debt service), proven market access and precautionary multilateral credit lines. Fiscal revenue volatility is low, reflecting low direct dependence on commodity-derived receipts.

Weaknesses

- Inflation is among the highest in the 'BBB' category, averaging 8.5% in the five years through 2015. High financial dollarisation and low financial intermediation hinder the efficacy of monetary policy. Prevalent indexation in wages and social benefits adds inertia to inflation, although the authorities are seeking to scale back such mechanisms.
- General government debt ratios are above the 'BBB' medians and are projected to diverge considerably in the coming years, driven by peso depreciation. The share of FC debt was lowered from around 90% to 43% in the decade through 2015 but remains high relative to peers with flexible exchange rates, subjecting the sovereign balance sheet to exchange rate risk.
- A rigid spending profile and limited fiscal savings constrain scope for counter-cyclical policy. A track record of fiscal deficits above budget targets and relaxation of the legal limits on net debt increases hinder fiscal credibility.
- Commodity dependence is above the 'BBB' median, but risks are mitigated by increased exchange rate flexibility, export diversification in terms of both markets and soft commodity products, and the hedge to terms of trade from reliance on imported oil.

Local Currency Rating

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

Country Ceiling

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

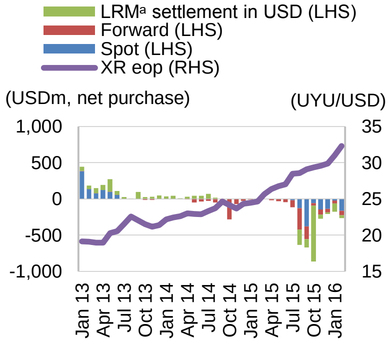
Figure 1

Strengths and Weaknesses: Comparative Analysis

2015	Uruguay BBB-	BBB Median[a]	BB Median[a]	Aruba BBB-	Turkey BBB-	Hungary BB+
Macroeconomic performance and policies						
Real GDP (5yr average % change)	3.7	3.3	3.9	1.8	4.4	1.7
Volatility of GDP (10yr rolling SD)	1.9	2.8	2.3	4.4	4.1	3.0
Consumer prices (5yr average)	8.5	3.3	4.6	0.7	7.8	2.3
Volatility of CPI (10yr rolling SD)	0.9	1.8	2.8	3.5	1.3	2.6
Unemployment rate (%)	7.5	6.8	9.3	7.3	9.8	6.7
Type of exchange rate regime	Managed float	n.a.	n.a.	Peg	Free float	Free float
Dollarisation ratio (% of bank deposits)	79.6	31.3	38.4	17.5	34.0	21.0
REER volatility (10yr rolling SD)	4.2	4.9	5.0	2.5	6.3	5.1
Structural features						
GDP per capita (USD, mkt. exchange rates)	15,587	9,253	4,055	25,629	9,424	12,440
GNI per capita (PPP, USD, latest)	20,220	18,290	10,581	-	19,040	23,830
GDP (USDbn)	53.5	n.a.	n.a.	2.8	723.3	122.7
Human development index (percentile, latest)	73.6	63.4	52.9	-	63.4	77.4
Governance indicator (percentile, latest)[b]	78.8	57.1	44.7	85.4	49.5	69.0
Broad money (% GDP)	53.3	71.1	56.6	76.5	59.1	58.0
Default record (year cured)[c]	2003	n.a.	n.a.	-	1982	-
Ease of doing business (percentile, latest)	51.6	71.9	50.6	-	71.3	78.2
Trade openness (avg. of CXR + CXP % GDP)	25.4	42.8	52.1	89.5	30.6	117.0
Gross domestic savings (% GDP)	19.6	23.0	17.5	13.5	15.5	30.0
Gross domestic investment (% GDP)	19.9	22.2	22.3	22.3	20.0	22.4
Private credit (% GDP)	30.0	59.5	49.3	60.5	67.0	38.0
Bank systemic risk indicators[d]	bb/1	n.a.	n.a.	-/1	bbb/2	bb/1
Bank system capital ratio (% assets)	14.7	15.0	13.7	24.2	16.5	22.3
Foreign bank ownership (% assets)	56.1	35.8	31.9	100.0	16.3	83.0
Public bank ownership (% assets)	43.9	18.2	24.4	0.0	29.7	12.6
External finances						
Current account balance + net FDI (% GDP)	0.0	0.4	0.1	3.4	-2.9	4.7
Current account balance (% GDP)	-4.1	-2.0	-2.2	-2.4	-4.5	4.3
Net external debt (% GDP)	-14.9	4.9	11.9	1.2	38.4	44.4
Gross external debt (% CXR)	240.3	143.4	115.5	71.6	220.0	118.6
Gross sovereign external debt (% GXD)	58.4	31.7	45.7	58.3	25.2	30.8
Sovereign net foreign assets (% GDP)	-2.4	0.8	-1.9	-7.2	0.2	-9.0
Ext. interest service ratio (% CXR)	7.0	4.6	2.9	4.8	6.7	3.5
Ext. debt service ratio (% CXR)	20.6	13.7	11.4	9.2	27.4	13.8
Foreign exchange reserves (months of CXP)	12.8	5.6	4.2	3.6	5.8	3.3
Liquidity ratio (latest)[e]	173.6	149.3	157.4	164.5	71.6	109.4
Share of currency in global reserves (%)	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	55.9	20.2	19.1	12.0	18.1	14.2
Sovereign net foreign currency debt (% GDP)	-4.5	-5.6	0.8	-2.9	-3.7	-8.8
Public finances[f]						
Budget balance (% GDP)	-2.8	-2.5	-3.7	-2.3	-0.6	-2.1
Primary balance (% GDP)	-0.5	-0.6	-1.8	2.1	1.6	1.6
Gross debt (% revenue)	212.2	173.6	184.9	249.9	81.5	159.3
Gross debt (% GDP)	57.4	42.2	42.6	63.1	32.6	75.7
Net debt (% GDP)	49.7	32.4	37.0	59.6	29.0	70.8
Foreign currency debt (% total debt)	43.0	33.8	52.6	39.1	37.6	30.7
Interest payments (% revenue)	8.5	7.6	8.4	16.0	7.0	7.7
Revenues and grants (% GDP)	27.1	28.6	26.6	25.3	40.0	47.5
Volatility of revenues/GDP ratio	0.6	6.2	5.5	9.2	9.3	3.4
Central govt. debt maturities (% GDP)	3.2	5.4	4.0	4.2	4.2	15.1

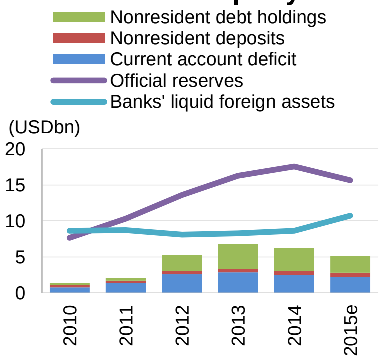
[a] Medians based on three-year centred averages
[b] Composite of six World Bank Governance Indicators used in the Sovereign Rating Model; Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence
[c] Uruguay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

Figure 2
FX Intervention



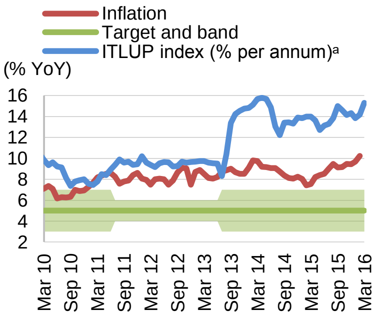
a Monetary regulation notes
Source: BCU

Figure 3
Intl. Reserve Adequacy



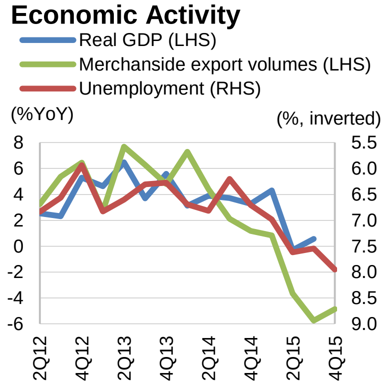
Source: BCU and IMF

Figure 4
Inflation and Interest Rates



a Avg. nominal rate on BCU monetary regulation notes
Source: INE and BEVSA

Figure 5
Economic Activity



Source: BCU and INE

Key Credit Developments

Absorbing an External Shock

Uruguay's small, open economy has faced a sizeable external shock from weaker export prices, contractions in key export markets and global financial volatility. The exchange rate has served as a first line of defence. The peso depreciated 24% in the 12 months through February 2015, reflecting an orderly unwinding of non-resident positions in the local debt market and resident portfolio shifts (namely pension funds) in the context of expected US rate hikes. The current account deficit is estimated to have fallen over 10% in USD terms in 2015 despite lower commodity prices, reflecting a natural hedge to terms of trade given Uruguay is both an exporter of agricultural goods and an importer of oil.

To smoothen peso depreciation, the central bank (BCU) sold USD1.9bn in spot and forward markets in the eight months through February 2015 and repaid some maturing sterilisation notes in dollars to avoid FX market pressures. As a result, BCU reserves fell USD4bn (-22%) during this period, and "own" reserves by 54% (net of public deposits and bank reserve requirements). Reserve sales have been absorbed in part by local banks, and have coincided with unwinding in non-resident positions in the local debt market and imports, thereby keeping international liquidity and reserve coverage ratios above the 'BBB' medians.

Policy reliance on exchange-rate flexibility despite high financial dollarisation reflects prudent management of FX risk in the financial sector. Uruguay did not experience a credit boom in the context of low global interest rates, and most USD credit is extended to USD-generating commercial borrowers. Banks are well provisioned, liquid and maintain a long FX position.

Double-Digit Inflation Highlights Policy Challenges

Inflation has been on an upward path at high levels, rising to 10.2% in February 2016 from 7.3% a year earlier. Pass-through from peso depreciation and utility rate hikes have driven the recent rise in inflation, but structurally high inflation levels reflect inertial pressures from indexation in wages and social benefits, and constraints on monetary policy transmission. Monetary policy has been contractive since 2013: real interest rates have stood at around 5% and "broad M1" money supply growth has fallen below the current 7%-9% target range.

The policy implications of inflation breaching the double-digit threshold are less meaningful than in the past[1], but it could create a more challenging context for ongoing sector-level salary negotiations. New wage guidelines introduced in 2015 seeking to scale back ex-post inflation indexation mechanisms have been mostly followed in new contracts so far, but they could face greater challenges with inflation expectations tracking above the nominal wage guidance.

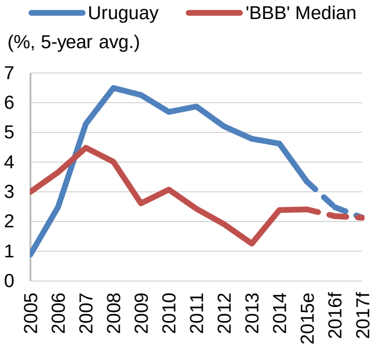
Growth Deceleration Deepens

Growth slowed below trend to an estimated 1.4% in 2015 from a 5% average in 2010-2014 on external and internal factors. Lower agricultural prices and weakness in Brazil and other key markets have weighed on production and employment in some sectors. The investment cycle is moderating on conclusion of major projects, and a weaker labour market has weighed on consumption. Fitch projects these factors will keep growth below trend at 0.9% in 2016, below 2015 due to the end of a statistical boost from production at a large new pulp mill.

Uruguay's medium-term growth is likely to be below the 5% average seen in the past decade as growth drivers are cooling off, but still supportive of relatively high per-capita income. Investment could moderate closer to historic levels due to the absence of new megaprojects on the horizon, although prospects in offshore oil and renewable energy could provide support. While Brazil is projected to remain a drag, Argentina could provide some uplift after lifting its trade, FX and transhipment restrictions. The administration's growth agenda focuses on

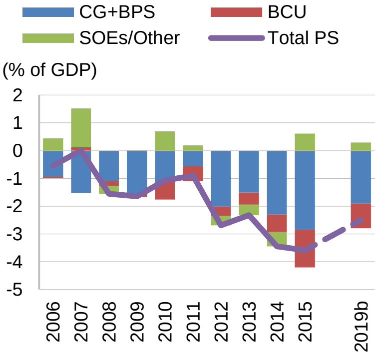
[1] Clauses in salary contracts triggering automatic wage hikes should inflation breach 10% have been largely phased out, although some contracts could allow salary renegotiations. In the public sector, the executive is obliged to summon a council to study potential remedial measures.

Figure 6
Real Per Capita GDP Growth



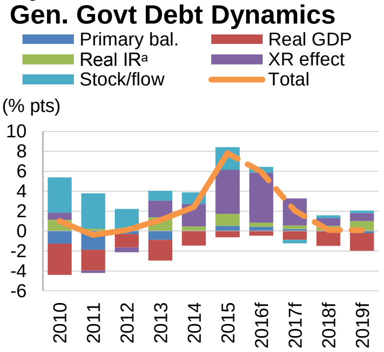
Source: Fitch

Figure 7
Public Sector Balance



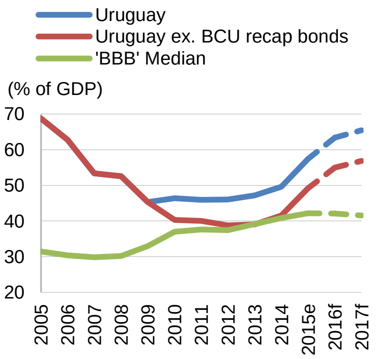
Source: MEF, 2015-2019 National Budget

Figure 8
Gen. Govt Debt Dynamics



ª Includes principal adjustments on debt in CPI-indexed units
Source: Fitch forecasts

Figure 9
General Government Debt



Source: Fitch based on MEF, BCU

boosting investment to tackle key infrastructure bottlenecks and education, although fiscal constraints and slow materialisation of projects under the PPP law thus far could pose risks.

New Five-Year Budget Faces Rising Fiscal Challenges

The public sector deficit remained stable at around 3.5% of GDP in 2015, as lower investment by public utilities reduced the primary deficit and offset higher interest costs. However, the underlying central government deficit (including the social security bank) rose to 2.8%, up from 2.3% in 2014 and 1.3% on average in 2009-2013, due to the drag on tax revenues from weaker growth and rigid spending pressures related to healthcare and pension commitments.

The 2015-2019 budget targets a 1pp-of-GDP reduction in the public deficit to 2.5% by 2019, mainly by boosting public utilities' finances via lower capex (over-achieved in 2015), favourable tariff adjustments[2] and efficiency gains. FX intervention could reduce the BCU's quasi-fiscal deficit by 1pp of GDP by 2017 according to recent official estimates. The budget also targets lowering the central government deficit to 1.9% of GDP by 2019, but this could prove more challenging as the starting point is rising (3.1% in the 12 months through January 2016).

The authorities have outlined few explicit consolidation measures at the central government level so far, although revenues could benefit from higher fiscal contributions by public companies and recent changes to calculation of corporate income tax. Consolidation could prove challenging due to downside risks to the budget's growth assumptions, social spending rigidities and higher interest costs on foreign-currency debt due to peso depreciation. Scope to rely on capital spending as an adjustment variable is limited by its low share in central government spending (5% in 2015, below the 'BBB' median of 11%) and infrastructure investment plans prioritised in the budget.

The budget law made several modifications to the fiscal framework, which has not proven sufficiently binding to arrest a widening of fiscal deficits above the targets in past years. It relaxes the legal limits on annual increases on net public debt, but commits to a mid-cycle review of the budget in 2017 to allow for needed adjustments to support consolidation goals.

Sovereign Balance Sheet Sees Large XR Impact

Fitch estimates general government debt rose to 57% of GDP in 2015[3] from 50% in 2014, driven by peso depreciation and pre-financing. Improvement in the BCU's balance sheet has kept gross public debt more stable. The FC share of debt has fallen greatly in the past decade but remains high relative to peers with flexible exchange rate regimes, exposing debt dynamics to XR risk. The debt burden is also facing upward pressure from primary deficits, high interest rates (captured in principal adjustments on CPI-indexed peso bonds) and slower growth.

Fitch projects debt will rise to 63% of GDP in 2016 on these drivers and more gradually thereafter on slower peso depreciation and fiscal consolidation, implying further divergence from the 'BBB' median of 43%. Prudent debt management has built important buffers. Liquid assets of 5.5% of GDP as of end-2015 cover debt service into 2017, and the average debt maturity is high at 14.4 years. Multilateral credit lines total around 4% of GDP and market access remains strong.

Operating and XR losses have eroded the capital of the state oil company ANCAP in recent years, prompting the government to take steps to shore up its finances, including support for cancelation of its debt to PDVSA, and a recent management reshuffle and recapitalisation[4].

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[2] In early 2016 electricity rates increased 9.85% and telephone rates 9.4%. Petrol prices were not reduced despite the lower price of reference Brent crude in local-currency terms.

[3] Includes central government market debt (48.2% of GDP), local government debt (0.5%) and 8.3% in recapitalisation bonds issued to the central bank (non-negotiable and subject to no refinancing risk, included by Fitch for consistency with data reported by other rated sovereigns).

[4] Including forgiveness of a USD622m loan from the central government and authorisation for a USD250m loan from the CAF multilateral development bank.

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

Public Debt Dynamics

Fitch's baseline assumptions project general government debt will rise from 57% of GDP in 2015 to 63% in 2016 on peso depreciation and rise more slowly to 66% by 2020. This assumes somewhat weaker growth than assumed in the 2015-2019 budget, and a more gradual consolidation (a 0.5pp-of-GDP primary surplus by 2022 instead of 2019). The main risks to debt dynamics include a larger-than-expected XR shock or failure to lower the primary deficit.

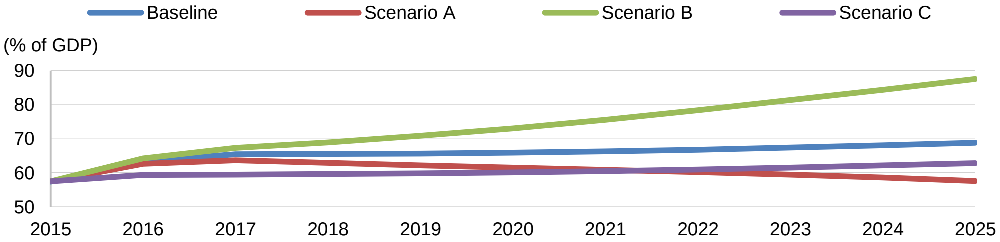
Debt Dynamics: Fitch's Baseline Assumptions

	2015	2016	2017	2018	2019	2020	2025
Gross general government debt (% GDP)	57.4	63.4	65.4	65.5	65.6	65.9	68.8
Primary balance (% of GDP)	-0.5	-0.4	-0.2	0.0	0.2	0.3	0.5
Real GDP growth (%)	1.4	0.9	1.6	2.5	3.0	3.0	3.0
Avg. nominal effective interest rate (%)[a]	5.1	5.4	5.5	5.7	5.9	6.0	6.3
Local currency/USD (annual avg.)	27.3	34.0	37.4	39.5	40.5	41.5	47.1
GDP deflator (%)	7.9	9.7	9.2	8.5	7.5	7.1	6.0

[a] Does not capture principal adjustments on bonds issued in inflation-indexed peso units (UIs)

Sensitivity Analysis

Gross general government debt



Source: Fitch

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Scenario A: Positive	Achievement of budget goal of a 0.5%-of-GDP primary surplus by 2019 and further consolidation of 1pp in the following five years, growth recovery to a 4% trend pace.
Scenario B: Negative	Weaker-than-expected recovery to a trend pace of 2.5% of GDP, failure to lower primary deficit from current level of 0.5% of GDP, accumulation of a 100bp interest rate premium.
Scenario C: XR Stability	Peso depreciates at a slower pace of 2.5% per year starting in 2016, other variables consistent with baseline.

Forecast Summary

	2011	2012	2013	2014	2015	2016e	2017f
Macroeconomic indicators and policy							
Real GDP growth (%)	5.2	3.3	5.1	3.5	1.4	0.9	1.6
Unemployment (%)	6.3	6.5	6.6	6.6	7.5	8.6	9.0
Consumer prices (annual average % change)	8.1	8.1	8.6	8.9	8.7	9.6	9.3
Short-term interest rate (bank policy annual avg.) (%)	8.8	9.4	11.4	14.4	13.5	14.5	14.2
General government balance (% of GDP)	-0.6	-2.0	-1.5	-2.3	-2.8	-3.2	-3.2
General government debt (% of GDP)	45.9	46.1	47.2	49.6	57.4	63.4	65.4
UYU per USD (annual average)	19.31	20.31	20.48	23.25	27.33	34.04	37.35
Real effective exchange rate (2000 = 100)	112.1	115.6	123.3	121.2	125.8	125.1	125.1
Real private sector credit growth (%)	8.8	4.8	16.8	7.2	12.9	1.2	2.6
External finance							
Current account balance (% of GDP)	-2.8	-5.1	-4.9	-4.4	-4.1	-3.8	-3.7
Current account balance plus net FDI (% of GDP)	2.4	-0.2	0.3	0.4	0.0	0.4	0.7
Net external debt (% of GDP)	-19.2	-16.4	-16.5	-16.1	-14.9	-15.7	-14.8
Net external debt (% of CXR)	-67.6	-60.2	-66.9	-65.5	-63.7	-61.0	-56.8
Official international reserves including gold (USDbn)	10.3	13.6	16.3	17.6	15.6	14.0	14.2
Official international reserves (months of CXP cover)	8.3	9.8	11.5	12.7	12.8	12.0	12.0
External interest service (% of CXR)	6.1	5.9	5.9	5.9	7.0	7.4	7.5
Gross external financing requirement (% int. reserves)	37.8	35.3	32.2	26.7	22.2	18.1	22.6
Real GDP growth (%)							
US	1.6	2.2	1.5	2.4	2.4	2.1	2.1
China	9.5	7.7	7.7	7.3	6.9	6.2	6.0
Eurozone	1.7	-0.8	-0.3	0.9	1.5	1.7	1.7
World	3.4	2.5	2.4	2.5	2.3	2.6	2.7
Oil (USD/barrel)	111.0	112.0	108.8	98.9	53.0	35.0	45.0

Source: Fitch

Figure 10

Fiscal Accounts Summary

(% of GDP)	2012	2013	2014	2015	2016e	2017f
General government						
Revenue	**26.8**	**28.0**	**27.5**	**27.1**	**27.2**	**27.5**
Expenditure	**28.9**	**29.5**	**29.8**	**29.9**	**30.4**	**30.6**
O/w interest payments	2.3	2.4	2.3	2.3	2.8	3.0
Primary balance	0.3	0.9	0.0	-0.5	-0.4	-0.2
Overall balance	**-2.0**	**-1.5**	**-2.3**	**-2.8**	**-3.2**	**-3.2**
General government debt	**46.1**	**47.2**	**49.6**	**57.4**	**63.4**	**65.4**
% of general government revenue	171.6	168.7	180.6	212.2	232.8	238.1
Central government deposits	6.6	4.6	5.8	7.1	8.6	7.8
Net general government debt	39.8	42.3	43.5	49.7	54.4	57.2
Central government						
Revenue	**19.9**	**20.7**	**19.9**	**19.6**	**19.8**	**20.1**
O/w grants	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure and net lending	**21.8**	**22.2**	**22.2**	**22.4**	**23.0**	**23.2**
O/w current expenditure and transfers	18.1	18.4	18.6	18.9	19.0	19.0
- Interest	2.3	2.4	2.3	2.3	2.8	3.0
O/w capital expenditure	1.4	1.4	1.4	1.2	1.2	1.2
Current balance	-0.5	-0.1	-0.9	-1.6	-2.0	-1.9
Primary balance	0.4	0.9	-0.1	-0.5	-0.4	-0.2
Overall balance	**-1.9**	**-1.5**	**-2.3**	**-2.8**	**-3.2**	**-3.2**
Central government debt	45.6	46.7	49.0	56.9	62.9	64.9
% of central government revenues	229.5	226.1	246.3	290.0	317.2	323.7
Central government debt (UYUbn)	**476.3**	**550.3**	**654.7**	**831.6**	**1,017.4**	**1,164.3**
By residency of holder						
Domestic	226.0	245.4	288.9	344.2	399.4	450.0
Foreign	250.3	304.9	365.8	487.4	618.0	714.3
By currency denomination						
Local currency	295.8	342.7	389.9	440.4	518.1	566.3
Foreign currency	180.4	207.6	264.8	391.2	499.3	598.0
In USD equivalent (eop exchange rate)	9.3	9.7	10.9	13.1	14.0	15.3
Average maturity (years)	11.7	10.8	14.4	14.4	-	-
Memo						
Nominal GDP (UYUbn)	1,043.6	1,178.2	1,336.0	1,461.7	1,617.6	1,793.7

Source: Ministry of Finance and Fitch estimates and forecasts

Figure 11

External Debt and Assets

(USDbn)	2010	2011	2012	2013	2014	2015
Gross external debt	**19.4**	**19.9**	**24.6**	**26.9**	**28.6**	**30.1**
% of GDP	48.3	41.6	47.9	46.8	49.8	56.2
% of CXR	171.4	146.7	175.4	189.9	202.9	240.3
By maturity						
Medium- and long-term	12.3	13.4	16.3	18.1	18.7	20.8
Short -term	7.1	6.5	8.4	8.8	10.0	9.2
% of total debt	36.5	32.7	33.9	32.7	34.8	30.6
By debtor						
Sovereign	**11.5**	**12.3**	**14.3**	**16.0**	**16.7**	**17.6**
Monetary authorities	0.8	0.8	1.2	1.6	1.5	1.1
General government	10.7	11.5	13.1	14.4	15.2	16.5
O/w central government	10.6	11.3	12.9	14.3	15.0	16.3
Banks	**5.3**	**4.0**	**4.7**	**5.0**	**5.4**	**5.9**
Other sectors	**2.6**	**3.7**	**5.7**	**5.9**	**6.5**	**6.6**
Gross external assets (non-equity)	**28.8**	**29.1**	**33.1**	**36.4**	**37.8**	**38.0**
International reserves, incl. gold	7.7	10.3	13.6	16.3	17.6	15.6
Other sovereign assets nes	0.7	0.5	0.8	0.8	0.6	0.6
Deposit money banks' foreign assets	10.4	8.9	8.5	8.3	8.5	10.8
Other sector foreign assets	10.1	9.5	10.2	11.1	11.1	11.0
Net external debt	**-9.3**	**-9.2**	**-8.5**	**-9.5**	**-9.2**	**-8.0**
% of GDP	-23.2	-19.2	-16.4	-16.5	-16.1	-14.9
Net sovereign external debt	3.2	1.5	-0.1	-1.1	-1.5	1.3
Net bank external debt	-5.1	-4.9	-3.8	-3.2	-3.1	-4.8
Net other external debt	-7.5	-5.8	-4.5	-5.2	-4.7	-4.4
Net international investment position	**9.3**	**9.2**	**8.5**	**9.5**	**9.2**	**8.0**
% of GDP	23.2	19.2	16.4	16.5	16.1	14.9
Sovereign net foreign assets	**-3.2**	**-1.5**	**0.1**	**1.1**	**1.5**	**-1.3**
% of GDP	-8.0	-3.1	0.2	1.9	2.5	-2.4
Debt service (principal & interest)	**1.9**	**2.4**	**1.9**	**2.4**	**2.7**	**2.6**
Debt service (% of CXR)	16.5	17.5	13.2	16.7	18.9	20.6
Interest (% of CXR)	7.3	6.1	5.9	5.9	5.9	7.0
Liquidity ratio (%)	150.5	167.4	219.3	172.9	172.5	173.6
Net sovereign FX debt (% of GDP)	7.5	-1.8	-8.2	-11.3	-11.4	-4.5
Memo						
Nominal GDP	40.3	48.0	51.4	57.5	57.5	53.5
Inter-company loans	0.7	1.2	1.3	1.6	1.7	1.7

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

Figure 12

External Debt Service Schedule on Medium- and Long-Term Debt at 31 Dec 15

(USDmn)	2014	2015	2016	2017	2018	2019	2020+
Sovereign: Total debt service	**2,441**	**2,456**	**1,453**	**2,076**	**2,237**	**1,931**	**29,681**
Amortisation	1,652	1,644	625	1,265	1,434	1,158	19,100
Official bilateral	5	5	6	6	5	4	34
Multilateral	113	115	108	228	94	96	1,433
O/w IMF	0	0	0	0	0	0	0
Other	622	901	445	720	800	994	3,157
Bonds placed in foreign markets	911	623	66	311	535	63	14,476
Interest	789	812	828	811	803	774	10,580
Non-sovereign public sector	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**

Source: Ministry of Finance, Central Bank and Fitch

Figure 13

Balance of Payments

(USDbn)	2012	2013	2014	2015	2016e	2017f
Current account balance	**-2.6**	**-2.8**	**-2.5**	**-2.2**	**-1.8**	**-1.8**
% of GDP	-5.1	-4.9	-4.4	-4.1	-3.8	-3.7
% of CXR	-18.6	-20.0	-17.8	-17.5	-14.7	-14.1
Trade balance	**-2.4**	**-1.4**	**-0.9**	**-0.5**	**-0.3**	**-0.3**
Exports, fob	9.9	10.3	10.4	8.9	8.5	8.7
Imports, fob	12.3	11.6	11.3	9.5	8.8	9.0
Services, net	**1.2**	**0.2**	**0.1**	**0.4**	**0.4**	**0.5**
Services, credit	3.6	3.5	3.3	3.1	3.2	3.4
Services, debit	2.4	3.2	3.2	2.8	2.8	2.8
Income, net	**-1.5**	**-1.8**	**-1.8**	**-2.1**	**-2.0**	**-2.1**
Income, credit	0.4	0.3	0.2	0.3	0.3	0.3
Income, debit	1.9	2.1	2.1	2.4	2.4	2.4
O/w: Interest payments	0.8	0.8	0.8	0.9	0.9	0.9
Current transfers, net	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Capital and financial accounts						
Non-debt-creating inflows (net)	2.4	2.7	2.8	2.2	2.0	2.1
O/w equity FDI	2.4	2.7	2.8	2.2	2.0	2.1
O/w portfolio equity	0.0	0.0	0.0	0.0	0.0	0.0
O/w other flows	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves	-3.3	-2.9	-1.4	1.9	1.6	-0.2
Gross external financing requirement	3.6	4.4	4.4	3.9	2.8	3.2
Stock of international reserves, incl. gold	13.6	16.3	17.6	15.6	14.0	14.2

Source: IMF and Fitch estimates and forecasts

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