Uruguay

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB−
Short-Term IDR	F3

Local Currency

Long-Term IDR	BBB−
Short-Term IDR	F3
Country Ceiling	BBB+

Outlooks

Foreign-Currency Long-Term IDR	Stable
Local-Currency Long-Term IDR	Stable

Financial Data

Uruguay

(USDbn)	2016f
GDP	51.9
GDP per head (USD 000)	15.1
Population (m)	3.4
International reserves	14.2
Net external debt (% GDP)	-16.8
Central government total debt (% GDP)	56.5
CG foreign-currency debt	14.5
CG domestically issued debt (UYUbn)	307.6

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Key Rating Drivers

Ratings Affirmed: Uruguay's ratings are supported by strong structural features in terms of social and institutional development, solid external buffers, and low fiscal financing risks. These factors are balanced by high inflation, high public debt, and a rigid spending profile lifting fiscal deficits above targets in recent years, which narrow the scope for counter-cyclical policies.

Stagnant Growth: Growth has continued to stagnate in 2016 as external headwinds have coincided with waning consumption and contracting investment. Fitch Ratings projects growth of 0.3% in 2016 and a modest increase to 0.7% in 2017. Medium-term growth prospects have improved with the announcement of a new megaproject in the pulp sector.

Inflation Still High: Inflation has moderated in mid-2016 after six months in double digits, but remains one of the highest among investment-grade peers. High inflation has complicated ongoing sector-level wage negotiations, and in August the authorities relaxed wage guidelines seeking to scale back ex-post inflation adjustments.

External Buffers Intact: The current account deficit has moderated in 2016, facilitated by a flexible exchange rate and lower fuel prices. International reserves have stabilised below earlier peaks, but coverage and external liquidity metrics remain among the strongest in the 'BBB' category given the concomitant fall in imports and non-resident holdings of local debt.

Structural Fiscal Deterioration: Structural factors have driven further deterioration of public finances in 2016. Revenues have been resilient to the economic downturn, but this has not been enough to offset inertial growth in social spending (namely the growing deficit in the public healthcare fund) and higher interest costs due to past peso depreciation.

Fiscal Adjustment Unveiled: To correct the fiscal trajectory, the authorities recently unveiled consolidation measures worth 0.9% of GDP (mostly higher income taxes, and some spending cuts). The measures only partially offset upward revisions in projected healthcare and interest costs, resulting in a hike to the 2019 central government deficit goal.

Seeking Improved Fiscal Credibility: Fitch believes the proposed fiscal adjustment improves the credibility of the consolidation goal, and its broad support in the legislature highlights mature institutions. The authorities' commitment to consolidation could be further tested should sluggish growth and current spending pressures persist. Fiscal credibility has been weakened by frequent overshooting of deficit targets and hikes to legal caps on annual rises in net debt.

Improved Debt Path: Fitch projects general government debt will remain stable around 57% of GDP in 2016 and stabilise around 62% by 2018 on the fiscal adjustment, above the 'BBB' median of 40%. Debt dynamics are particularly vulnerable to exchange rate movements given a high share of foreign currency-denominated debt. Prudent debt management mitigates financing risks.

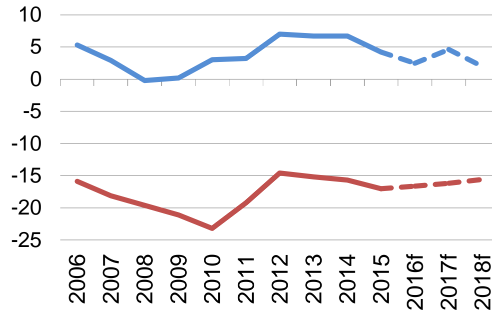
Rating Sensitivities

Failure to Consolidate: Failure to achieve fiscal consolidation and stabilise the general government debt burden, deterioration in growth prospects, or erosion of external liquidity buffers could negatively impact the ratings.

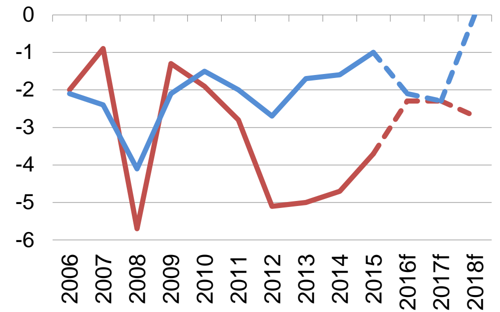
Lower Debt, Macro Improvement: Fiscal consolidation consistent with a declining public debt trajectory, evidence of investments or productivity gains that lift medium-term growth prospects, and a track record of lower inflation could positively impact the ratings.

Peer Comparison

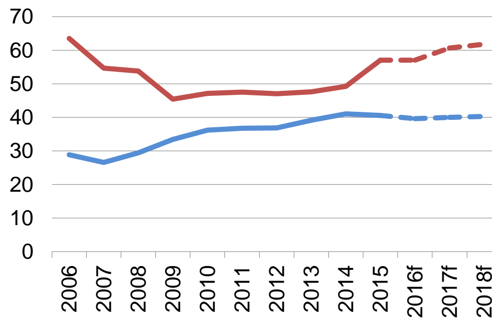
Net External Debt
% of GDP



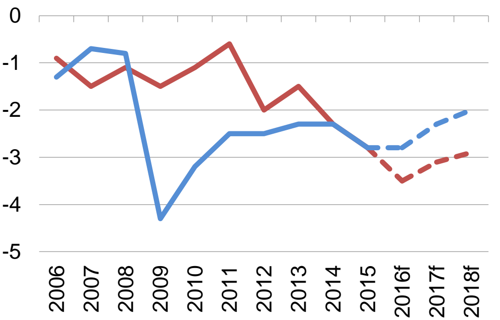
Current Account Balance
% of GDP



General Government Debt
% of GDP

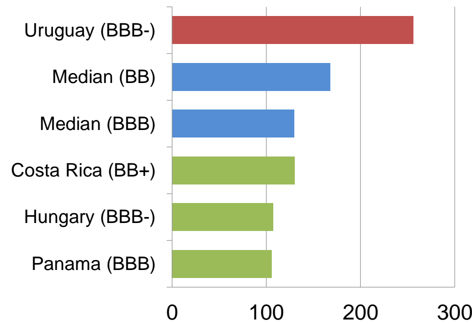


General Government Balance
% of GDP



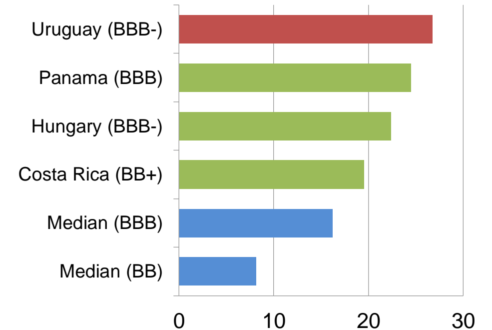
Uruguay — Medians

International Liquidity Ratio, 2017
(%)



GDP per capita Income, 2016e

At market exchange rates, USA=100



Related Criteria

Sovereign Rating Criteria (July 2016)
Country Ceilings (August 2016)

Peer Group

Rating	Country
BBB	Andorra
	Colombia
	Kazakhstan
	Panama
	San Marino
BBB−	**Uruguay**
	Aruba
	Bulgaria
	Hungary
	India
	Indonesia
	Morocco
	Namibia
	Philippines
	Romania
	Russia
	South Africa
	Turkey
BB+	Azerbaijan
	Bahrain
	Costa Rica
	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	Neutral
Trend	Stable	Negative	Stable	Stable

Note: Relative to 'BBB' category
Source: Fitch

Strengths

- Uruguay's per-capita income is well above the 'BBB' median. Strong social development and governance indicators further underpin creditworthiness and support policy continuity.
- The sovereign retains a strong external 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 high despite declines over the past year, mitigating risks related to high financial dollarisation. Uruguay's external liquidity ratio has been further bolstered by the reduced participation of non-resident investors in the local public debt market (13% in July 2016, down from 25% at end-2015).
- 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.

Weaknesses

- Inflation is among the highest in the 'BBB' category, averaging nearly 9% in the past five years. 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.
- Government debt ratios are above the 'BBB' medians and currently face pressure from primary deficits, weak growth and high local-currency funding costs. A still relatively high share of debt denominated in foreign currency (around half in 2016) renders the sovereign balance sheet vulnerable to exchange-rate risk, as observed in late 2015.
- A rigid spending profile and limited fiscal savings constrain scope for counter-cyclical policy, although revenue volatility is low. Frequent underperformance of fiscal targets and relaxation of the legal limits on net debt in recent years weigh on fiscal credibility.
- Commodity dependence is high relative to the 'BBB' median, but external risks are mitigated by increased exchange rate flexibility and export diversification in terms of both markets and soft agricultural products. Uruguay's status as an oil importer in addition to agricultural exporter provides a natural terms-of-trade hedge, but lower oil prices have only provided a limited offsetting boost to economic activity amid the shock to the export sector.

Local-Currency Rating

Uruguay's Long-Term Local-Currency IDR is in line with the Long-Term Foreign-Currency IDR given that public finances do not represent a strength relative to external finances, and there is no track record of previous preferential treatment of local-currency creditors vis-à-vis foreign-currency creditors.

Country Ceiling

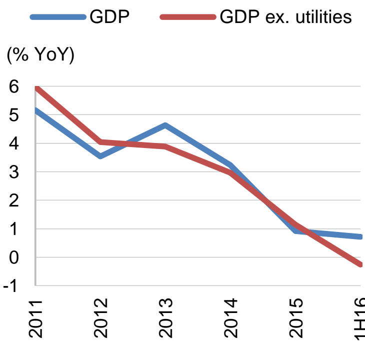
Uruguay's Country Ceiling of 'BBB+' reflects the absence of capital controls or current account restrictions that could lead to transfer/convertibility risks. Vulnerability to external pressures is reduced by increased exchange rate flexibility, strong bank supervision and a high liquidity position.

Strengths and Weaknesses: Comparative Analysis

2016	Uruguay BBB−	BBB Median[a]	BB Median[a]	Panama BBB	Hungary BBB−	Costa Rica BB+
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.5	3.1	3.6	6.6	1.8	3.7
Volatility of GDP (10yr rolling SD)	2.5	2.7	2.2	3.2	2.9	2.3
Consumer prices (5yr average)	8.8	2.7	3.6	2.6	1.8	3.3
Volatility of CPI (10yr rolling SD)	0.9	2.0	2.7	2.6	2.7	3.7
Unemployment rate (%)	8.4	6.8	9.3	4.6	6.3	9.3
Type of exchange rate regime	Managed float	n.a.	n.a.	Dollarised	Free float	Managed float
Dollarisation ratio (% of bank deposits)	80.2	34.0	19.6	100.0	19.4	44.2
REER volatility (10yr rolling SD)	4.3	4.7	5.0	3.9	5.0	4.6
Structural features						
GDP per capita (USD, mkt exchange rates)	15,058	9,188	5,052	13,889	12,680	10,927
GNI per capita (PPP, USD, latest)	20,220	18,290	12,150	19,630	23,830	13,900
GDP (USDbn)	51.9	n.a.	n.a.	55.4	124.5	55.5
Human development index (percentile, latest)	73.6	65.5	57.5	65.5	77.4	63.9
Governance indicator (percentile, latest)[b]	78.3	57.2	50.5	57.2	69.0	72.8
Broad money (% GDP)	54.7	70.5	67.2	70.5	60.2	52.1
Default record (year cured)[c]	2003	n.a.	n.a.	1996	-	1990
Ease of doing business (percentile, latest)	51.6	71.9	57.5	63.9	78.2	69.7
Trade openness (avg. of CXR + CXP % GDP)	23.2	42.7	52.3	56.7	102.2	33.3
Gross domestic savings (% GDP)	19.5	23.4	16.8	38.3	30.6	18.0
Gross domestic investment (% GDP)	19.7	22.1	21.4	42.1	21.9	19.6
Private credit (% GDP)	30.2	62.4	58.1	83.1	34.8	59.9
Bank systemic risk indicators[d]	bb/1	n.a.	n.a.	bbb/2	bb/1	bb/1
Bank system capital ratio (% assets)	14.3	14.9	15.2	14.9	20.0	13.2
Foreign bank ownership (% assets)	54.3	35.0	25.0	49.9	83.0	31.9
Public bank ownership (% assets)	45.7	19.1	32.0	13.3	12.6	49.8
External finances						
Current account balance + net FDI (% GDP)	0.4	0.4	-0.8	3.5	3.8	-1.2
Current account balance (% GDP)	-2.1	-1.8	-2.4	-6.2	3.4	-4.6
Net external debt (% GDP)	-16.8	1.9	15.7	19.3	18.9	9.3
Gross external debt (% CXR)	253.5	130.7	127.1	307.6	121.8	159.4
Gross sovereign external debt (% GXD)	55.7	32.9	39.3	15.7	32.0	24.9
Sovereign net foreign assets (% GDP)	-2.3	2.6	-0.7	-16.3	-8.8	2.8
Ext. interest service ratio (% CXR)	7.8	4.9	3.1	11.0	2.8	5.2
Ext. debt service ratio (% CXR)	18.1	15.2	12.7	21.6	17.7	24.9
Foreign exchange reserves (months of CXP)	13.5	6.5	4.4	1.8	3.2	4.5
Liquidity ratio (latest)[e]	255.7	154.7	157.3	105.9	107.0	129.7
Share of currency in global reserves (%)	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	55.7	19.0	18.8	16.8	12.1	18.9
Sovereign net foreign currency debt (% GDP)	0.8	-7.6	1.8	18.0	-5.3	-1.0
Public finances[f]						
Budget balance (% GDP)	-3.6	-2.6	-3.8	-2.3	-2.1	-4.8
Primary balance (% GDP)	-0.8	-0.6	-2.0	-0.4	1.0	-1.7
Gross debt (% revenue)	209.5	152.4	182.7	190.5	151.2	162.8
Gross debt (% GDP)	57.1	40.3	51.4	38.6	74.1	41.9
Net debt (% GDP)	50.5	33.1	43.3	18.0	71.4	40.8
Foreign currency debt (% total debt)	49.3	37.6	51.2	100.0	28.7	33.9
Interest payments (% revenue)	10.1	7.3	8.9	9.3	6.4	11.9
Revenues and grants (% GDP)	27.2	30.2	29.5	20.2	49.0	25.7
Volatility of revenues/GDP ratio	0.6	6.3	5.5	7.0	3.5	1.1
Central govt. debt maturities (% GDP)	1.2	4.6	4.8	2.0	19.3	5.3

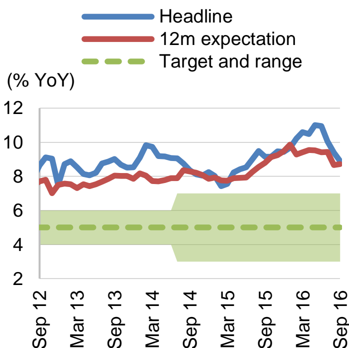
[a] Medians based on three-year centred averages
[b] Composite of six World Bank Governance Indicators used in the Sovereign Rating Model; Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence
[c] Uruguay 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

Real GDP Growth



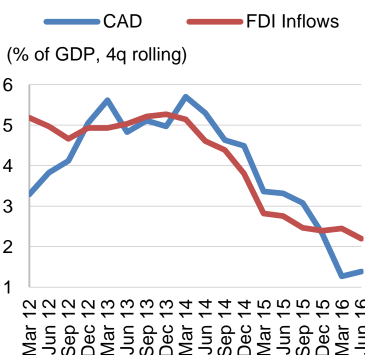
Source: BCU

Inflation



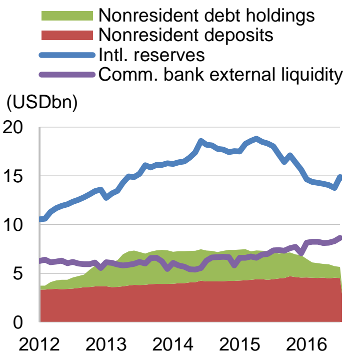
Source: BCU

Balance of Payments



Source: BCU

External Buffers



Source: BCU

Key Credit Developments

Stagnant Growth, But Positive Medium-Term News

Uruguay's economy has stagnated in 2016, as external headwinds in the region (ie Brazil's pronounced contraction) have coincided with waning domestic drivers in terms of both consumption and investment. Real GDP growth of 0.7% yoy in 1H16 captured a boost from two sectors – electricity generation (due to good rainfall but also past investments that have lifted capacity in the sector) and telecom[1] – but all other key sectors posted contractions. Unemployment rose to 8.6% in August, reflecting the broadly weak economic backdrop.

Fitch expects growth of 0.3% in 2016 and a modest increase to 0.7% in 2017. External conditions could improve on a modest recovery in Brazil, and despite economic contraction in Argentina given that its easing of currency and transhipment restrictions have supported inbound tourism and other activities. On the other hand, income tax hikes taking effect in 2017 and a weak labour market could restrain a pick-up in domestic demand.

Medium-term growth prospects have improved on the announcement of a USD4bn pulp mill project set to begin in 2018 and to last several years. Another USD1bn in public infrastructure investment related to the project could begin sooner. Fiscal constraints limit the scope for public investment to support growth. Materialisation of projects under the PPP law has been slow so far, but the authorities expect several roadway projects could begin in 2017. The government intends to pursue new trade agreements, but has not outlined other major structural reform initiatives. A key priority to improve education has mostly been limited to higher budget allocations so far.

Inflation Moderates, But Complicates Wage Negotiations

After six months in double digits, headline inflation moderated to 9.4% yoy in August on peso appreciation and weak domestic demand. Inflation expectations have also moderated but remain well above the official target of 5% (+/−2pp). Monetary policy has remained tight, reflected in real interest rates around 5% and money supply growth that has fallen below the target range to around zero. Fitch projects inflation will moderate from 9.9% in 2016 to 9.0% in 2017, still one of the highest levels among investment-grade peers due to weak monetary policy transmission and inertial pressures from prevalent indexation.

High inflation has challenged private-sector wage negotiations and adoption of new executive guidelines seeking to scale back indexation, a key factor behind inflation inertia. The new guidelines call for backward-looking inflation adjustments only to avoid real wage losses, but no longer to ensure gains. Wage contracts have mostly followed the guidelines, but a rising share has adopted shorter horizons for inflation adjustments. Unions have continued to resist the guidelines despite the recent moderation in inflation, and the executive relaxed them in August by lifting its guidance for wage hikes by 1.0-1.5pp for the coming year.

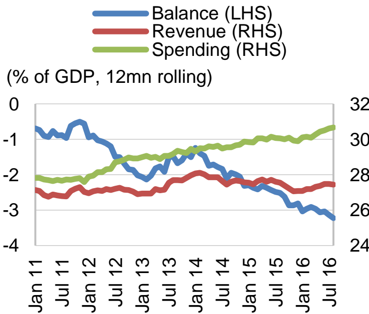
Orderly External Adjustment Continues

Uruguay's current account has continued to improve in 2016. Exports have fallen on both volume and price effects, but have been more than offset by the fall in imports due to weak domestic demand and lower fuel prices. The current account deficit (CAD) fell to 1.4% of GDP in the four quarters through 2Q16 from a peak of 5% in 2013. FDI inflows around 2% of GDP are well below their peak of around 5% in past years, but fully finance the lower CAD.

The peso has appreciated since March 2016, as the drivers of significant peso depreciation in the prior eight months abated. Foreign currency demand from local pension funds has decreased as their foreign-currency exposures have reached the legal limit of 35%, while hikes in reserve requirements on peso deposits in March increased banks' peso demand. Non-

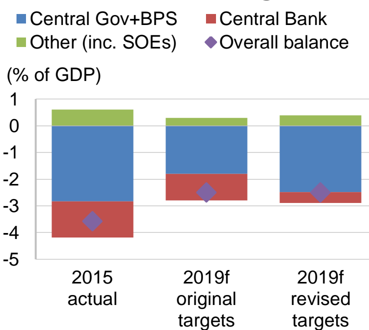
[1] An upward revision in 1Q16 real growth from −0.5% yoy to 0.1% reflected cuts in the estimated deflator in the logistics sector (transport, telecommunications), increasing its real growth contribution.

General Govt Finances[a]



Source: MEF
[a] Consolidated central government and social security bank (BPS)

Five-Year Fiscal Targets



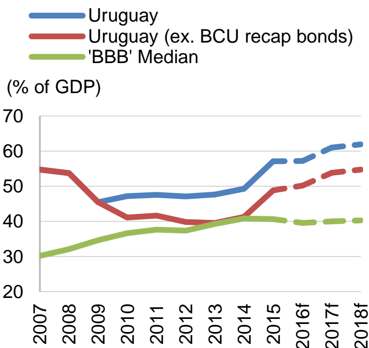
Source: MEF: 2015-2019 Five-Year Budget and 2016 Update (Rendición de Cuentas)

Fiscal Adjustment

	USDm	% GDP[a]
Tax measures	**335**	**0.7**
Income tax	285	0.6
VAT tax cut	-50	-0.1
Corporate tax	100	0.2
Spending cuts	**125**	**0.2**
Military pensions	35	0.1
Opex cuts	90	0.2
Total	**460**	**0.9**

[a] Using 2017 GDP projection in updated budget (USD50.2bn)
Source: MEF

General Govt Debt



Source: Fitch

resident investors have continued to unwind holdings of local debt instruments, but at a slower pace since March.

The central bank (BCU) has largely allowed the peso to float since the shift in FX dynamics since March, following intervention in prior months that led to a decline in reserves. In August, appreciation pressures prompted modest intervention and policy changes[2]. While reserves are well below their earlier peaks, reserve adequacy and external liquidity remain at strong levels above the 'BBB' medians given the concomitant fall in imports and non-resident debt holdings.

Consolidation Package Seeks to Arrest Structural Fiscal Deterioration

The public sector deficit has remained stable around 3.5% of GDP so far in 2016. The finances of public companies have improved on reduced capital spending and tariff hikes, and the BCU's improved balance sheet is reducing its quasi-fiscal deficit. This has offset a continued deterioration in the central government deficit (consolidated with the social security bank) to 3.2% in the 12 months through August 2016, from 2.8% in 2015. Fitch projects a 3.6% central government deficit for 2016.

Higher interest costs due to past peso depreciation have been the main driver of the wider central government deficit, but inertial primary spending pressures also persist. Healthcare costs continue to rise as the government has had to fill a growing shortfall in the public health fund (FONASA). Despite weak growth, revenues have risen as a share of GDP in 2016 due to changes in calculation of corporate income taxes and higher taxes and dividends from public companies.

In response to the growing fiscal imbalance, the authorities unveiled a consolidation package in May in support of the goal of a 2.5%-of-GDP public deficit by 2019. The package is projected to yield 0.9% of GDP: 0.7pp in tax hikes (mostly higher income tax rates, in addition to narrower corporate tax deductions) and 0.2pp in spending cuts. Despite the measures, the 2019 target for the central government deficit was raised to 2.5% of GDP from 1.9%, reflecting even larger upward revisions in projected healthcare and interest costs. Achieving the consolidation goal will now rely to a greater degree on the expected fall in the central bank's quasi-fiscal deficit. Utility rate hikes have also led to some improvement in public companies' bottom lines thus far.

The ruling coalition's legislative majority should support approval of the package by year-end. While the government has demonstrated its intention to reduce the fiscal imbalance, its commitment could be further tested by weak growth and spending pressures derived from a rigid spending profile heavy in social benefits and low in capex (which has already been cut to decade-low levels). Fiscal credibility has weakened due to frequent overshooting of deficit targets even in years of strong growth, and hikes to legal limits on the annual rise in net debt.

Improved Public Debt Trajectory

High primary deficits and weak growth continue to pressure the public debt burden, but peso appreciation has stemmed the rise in 2016 after depreciation led to a jump in late 2015. Fitch projects general government debt will remain flat at 57% of GDP in 2016, above the 'BBB' median of 40%, as the impact of a higher primary deficit is offset by an expected one-off cancellation of 1.5% of GDP in BCU recapitalisation bonds[3]. Excluding these bonds, the debt level is projected to rise to 50.2% of GDP in 2016 from 48.8% in 2015.

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[2] To support dollar demand in the FX market, the Ministry of the Economy and Finance (MEF) reduced its dollar sales to state-owned enterprises by removing a direct facility for FX transactions, and the BCU suspended an option allowing direct settlement of sterilisation notes in dollars.

[3] Given the improvement in the BCU's balance sheet due to peso depreciation, the executive has submitted a proposal to allow cancellation of treasury bonds issued in past years for BCU recapitalisation (8.3% of GDP at end-2015). Fitch assumes cancellation of 1.5% of GDP by end-2016, equal to BCU net equity as of June 2016 in excess of the legal minimum of 5m inflation-indexed peso units (1% of GDP).

Fitch's baseline projections assume the fiscal correction will support a return to a primary fiscal surplus and help stabilise the public debt burden around 62% of GDP by 2018. As witnessed in 2015, the debt trajectory is vulnerable to the exchange rate given that a relatively high share of general government debt (around half) is denominated in foreign currency.

Prudent debt management and favourable market access support financing flexibility in the current context of higher deficits. Following a global bond issuance in July, financing buffers include liquid assets held to pre-finance debt service for at least the next 18 months (5% of GDP) and multilateral credit lines (4.2%).

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

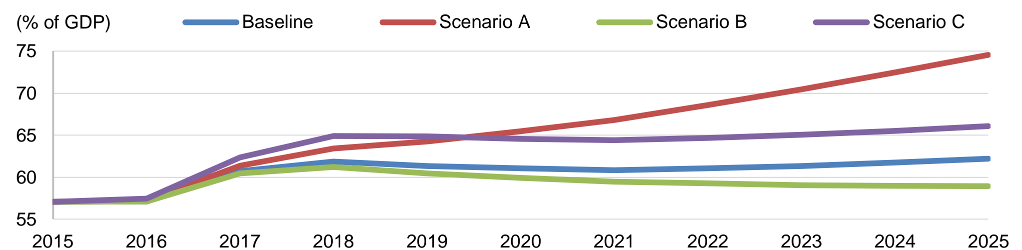
Under Fitch's baseline projections, general government debt will rise to around 62% of GDP by 2018 and stabilise thereafter. This assumes that the primary surplus target of 0.5% of GDP will be achieved several years after 2019 as assumed in the 2015-2019 budget, and that the pulp mill project will support above-trend growth in 2018-2021. The main risks to the debt trajectory are underperformance of fiscal targets and greater-than-expected exchange rate depreciation.

Debt Dynamics: Fitch's Baseline Assumptions

	2015	2016	2017	2018	2019	2020	2025
Gross general government debt (% GDP)	57.1	57.1	60.7	61.8	61.3	61.0	62.2
Primary balance (% of GDP)	-0.5	-0.8	-0.3	0.0	0.2	0.4	0.5
Real GDP growth (%)	1.0	0.3	0.7	2.1	3.5	3.5	3.0
Avg. nominal effective interest rate[a] (%)	5.1	5.2	5.4	5.4	5.4	5.5	6.1
UYU/USD (annual avg.)	27.3	30.7	32.9	35.9	37.6	38.9	44.2
GDP deflator (%)	8.3	8.8	9.1	8.6	8.0	7.0	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:	A weaker growth recovery to 2.5% in the medium-term, smaller reduction in the primary deficit to 0.2% of GPD, and accumulation of a 100bp risk premium
Scenario B:	Achievement of the fiscal consolidation goal of a 0.5%-of-GDP primary surplus by 2019, and 0.5pp in further consolidation thereafter
Scenario C:	A faster peso depreciation (a 52% rise in the UYU/USD rate in 2015-2019 as assumed in the updated five-year budget, versus 38% in Fitch's baseline)

Forecast Summary

	2012	2013	2014	2015	2016f	2017f	2018f
Macroeconomic indicators and policy							
Real GDP growth (%)	3.5	4.6	3.2	1.0	0.3	0.7	2.1
Unemployment (%)	6.5	6.6	6.6	7.5	8.4	8.4	8.0
Consumer prices (annual average % change)	8.1	8.6	8.9	8.7	9.9	9.0	8.6
Short-term interest rate (bank policy annual avg.) (%)	9.4	11.4	14.4	13.5	14.5	14.5	14.0
General government balance (% of GDP)	-2.0	-1.5	-2.3	-2.8	-3.6	-3.1	-3.0
General government debt (% of GDP)	47.1	47.6	49.2	57.1	57.1	60.7	61.8
UYU per USD (annual average)	20.31	20.48	23.25	27.33	30.74	32.90	35.90
Real effective exchange rate (2000=100)	115.6	123.3	121.2	125.6	126.9	125.6	125.6
Real private sector credit growth (%)	5.1	16.2	6.9	12.6	1.1	5.4	3.2
External finance							
Current account balance (% of GDP)	-5.1	-5.0	-4.5	-2.3	-2.1	-2.2	-2.6
Current account balance plus net FDI (% of GDP)	-0.2	0.2	-0.8	0.1	0.4	0.5	0.6
Net external debt (% of GDP)	-14.6	-15.2	-15.7	-17.0	-16.8	-15.8	-14.8
Net external debt (% of CXR)	-53.4	-61.8	-64.0	-72.4	-75.6	-71.8	-66.1
Official international reserves including gold (USDbn)	13.6	16.3	17.6	15.6	14.2	14.1	14.6
Official international reserves (months of CXP cover)	9.8	11.5	12.6	13.6	13.5	13.1	12.9
External interest service (% of CXR)	4.2	5.3	5.8	7.1	7.8	8.0	8.3
Gross external financing requirement (% int. reserves)	35.2	32.5	27.0	14.7	14.5	17.8	15.4
Real GDP growth (%)							
US	2.2	1.7	2.4	2.6	1.4	2.0	2.2
China	7.7	7.7	7.3	6.9	6.5	6.3	5.8
Eurozone	-0.9	-0.4	1.0	2.1	1.6	1.4	1.4
World	2.5	2.4	2.5	2.6	2.4	2.8	2.9
Oil (USD/barrel)	112.0	108.8	98.9	52.6	42.0	45.0	55.0

Source: Fitch

Fiscal Accounts Summary

(% of GDP)	2013	2014	2015	2016f	2017f	2018f
General government						
Revenue	**28.0**	**27.5**	**27.1**	**27.2**	**27.9**	**27.9**
Expenditure	**29.5**	**29.8**	**29.9**	**30.8**	**31.0**	**30.9**
O/w interest payments	2.4	2.3	2.3	2.8	2.8	2.9
Primary balance	0.9	0.0	-0.5	-0.8	-0.3	0.0
Overall balance	**-1.5**	**-2.3**	**-2.8**	**-3.6**	**-3.1**	**-3.0**
General government debt	**47.6**	**49.2**	**57.1**	**57.1**	**60.7**	**61.8**
% of general government revenue	170.4	179.3	210.7	209.5	217.6	221.5
Central government deposits	4.6	5.8	7.1	6.5	6.0	5.6
Net general government debt	42.8	43.1	49.3	50.5	54.3	56.1
Central government						
Revenue	**20.7**	**19.9**	**19.6**	**19.9**	**20.5**	**20.5**
O/w grants	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure and net lending	**22.2**	**22.2**	**22.4**	**23.4**	**23.5**	**23.5**
O/w current expenditure and transfers	18.4	18.6	18.9	19.4	19.4	19.3
- Interest	2.4	2.3	2.3	2.8	2.8	2.9
O/w capital expenditure	1.4	1.4	1.2	1.3	1.3	1.3
Current balance	-0.1	-0.9	-1.6	-2.3	-1.8	-1.7
Primary balance	0.9	-0.1	-0.5	-0.8	-0.3	0.0
Overall balance	**-1.5**	**-2.3**	**-2.8**	**-3.6**	**-3.1**	**-3.0**
Central government debt	47.2	48.7	56.5	56.5	60.2	61.4
% of central government revenues	228.4	244.8	287.8	284.9	293.7	299.0
Central government debt (UYUbn)	**556.0**	**650.6**	**825.3**	**901.3**	**1,053.0**	**1,190.6**
By residency of holder						
Domestic	251.1	287.9	362.5	424.5	482.7	542.8
Foreign	304.9	362.7	462.8	476.8	570.3	647.8
By currency denomination						
Local currency	345.8	387.8	438.0	453.2	503.5	558.1
Foreign currency	210.2	262.8	387.2	448.1	549.5	632.5
In USD equivalent (eop exchange rate)	9.8	10.8	13.0	14.5	15.8	17.1
Average maturity (years)	10.8	14.4	14.4	-	-	-
Memo						
Nominal GDP (UYUbn)	1,178.2	1,336.0	1,460.4	1,593.9	1,750.3	1,940.6

Source: Ministry of Finance and Fitch estimates and forecasts

External Debt and Assets

(USDbn)	2011	2012	2013	2014	2015	2016f
Gross external debt	**19.9**	**24.4**	**26.8**	**28.3**	**28.8**	**29.1**
% of GDP	41.6	47.5	46.6	49.3	54.0	56.1
% of CXR	146.7	173.9	189.0	200.4	230.2	253.5
By maturity						
Medium- and long-term	13.4	19.0	21.4	22.0	22.5	22.3
Short -term	6.5	5.4	5.4	6.3	6.4	6.9
% of total debt	32.7	22.1	20.2	22.4	22.1	23.6
By debtor						
Sovereign	**12.3**	**14.3**	**16.0**	**16.6**	**16.7**	**16.2**
Monetary authorities	0.8	1.2	1.6	1.5	1.0	0.7
General government	11.5	13.1	14.4	15.1	15.6	15.5
O/w central government	11.3	12.9	14.3	14.9	15.5	15.4
Banks	**4.0**	**4.7**	**5.1**	**5.5**	**6.0**	**6.5**
Other sectors	**3.7**	**5.4**	**5.7**	**6.2**	**6.1**	**6.4**
Gross external assets (non-equity)	**29.1**	**31.9**	**35.6**	**37.4**	**37.9**	**37.8**
International reserves, incl. gold	10.3	13.6	16.3	17.6	15.6	14.2
Other sovereign assets nes	0.5	0.7	0.8	0.8	0.9	0.9
Deposit money banks' foreign assets	8.9	8.4	8.2	8.7	11.0	12.2
Other sector foreign assets	9.5	9.1	10.3	10.3	10.5	10.6
Net external debt	**-9.2**	**-7.5**	**-8.8**	**-9.0**	**-9.1**	**-8.7**
% of GDP	-19.2	-14.6	-15.2	-15.7	-17.0	-16.8
Net sovereign external debt	1.5	0.0	-1.0	-1.8	0.2	1.2
Net bank external debt	-4.9	-3.7	-3.1	-3.2	-4.9	-5.7
Net other external debt	-5.8	-3.8	-4.6	-4.1	-4.3	-4.2
Net international investment position	**9.2**	**8.6**	**9.6**	**10.0**	**9.9**	**8.7**
% of GDP	19.2	16.7	16.6	17.4	18.5	16.8
Sovereign net foreign assets	**-1.5**	**0.0**	**1.0**	**1.8**	**-0.2**	**-1.2**
% of GDP	-3.1	0.1	1.8	3.1	-0.3	-2.3
Debt service (principal & interest)	**2.2**	**1.6**	**2.3**	**2.6**	**2.2**	**2.1**
Debt service (% of CXR)	15.9	11.4	16.2	18.6	17.8	18.1
Interest (% of CXR)	4.5	4.2	5.3	5.8	7.1	7.8
Liquidity ratio (%)	171.3	225.8	228.3	227.6	235.5	255.7
Net sovereign FX debt (% of GDP)	-1.0	-7.7	-11.1	-11.5	-4.8	0.8
Memo						
Nominal GDP	48.0	51.4	57.5	57.5	53.4	51.9
Inter-company loans	1.2	1.3	1.6	1.4	1.4	1.4

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

External Debt Service Schedule on Medium- and Long-Term Debt at 30 June 2016

(USDbn)	2015	2016	2017	2018	2019	2020	2021+
Sovereign: Total debt service	**1,550**	**902**	**1,742**	**1,734**	**1,151**	**1,215**	**26,396**
Amortisation	738	125	593	656	168	282	15,919
Official bilateral	0	0	0	0	0	0	0
Multilateral	109	54	234	96	99	90	1,392
O/w IMF	0	0	0	0	0	0	0
Other	6	2	6	6	4	4	30
Bonds placed in foreign markets	623	68	353	554	64	188	14,496
Interest	812	777	1,149	1,078	983	933	10,478
Non-sovereign public sector	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**

Sources: Ministry of Finance, Central Bank and Fitch

Balance of Payments

(USDbn)	2013	2014	2015	2016f	2017f	2018f
Current account balance	**-2.9**	**-2.6**	**-1.2**	**-1.1**	**-1.2**	**-1.4**
% of GDP	-5.0	-4.5	-2.3	-2.1	-2.2	-2.6
% of CXR	-20.3	-18.3	-9.9	-9.4	-10.0	-11.6
Trade balance	**-1.4**	**-0.9**	**-0.3**	**-0.1**	**-0.2**	**-0.4**
Exports, fob	10.3	10.3	9.1	8.3	8.4	8.7
Imports, fob	11.6	11.3	9.3	8.4	8.6	9.0
Services, net	**0.2**	**0.1**	**0.4**	**0.4**	**0.5**	**0.5**
Services, credit	3.5	3.3	3.0	2.7	2.8	2.9
Services, debit	3.2	3.2	2.6	2.3	2.3	2.4
Income, net	**-1.9**	**-1.9**	**-1.5**	**-1.5**	**-1.6**	**-1.7**
Income, credit	0.3	0.3	0.3	0.3	0.3	0.3
Income, debit	2.2	2.2	1.8	1.8	1.9	2.0
O/w: Interest payments	0.8	0.8	0.9	0.9	0.9	1.0
Current transfers, net	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Capital and financial accounts						
Non-debt-creating inflows (net)	2.7	2.7	1.2	1.3	1.5	1.7
O/w equity FDI	2.7	2.7	1.2	1.3	1.5	1.7
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	-2.9	-1.4	1.8	1.5	0.0	-0.4
Gross external financing requirement	4.4	4.4	2.6	2.3	2.5	2.2
Stock of international reserves, incl. gold	16.3	17.6	15.6	14.2	14.1	14.6

Sources: IMF and Fitch estimates and forecasts

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