



República Oriental del Uruguay
Ministry of Economy and Finance

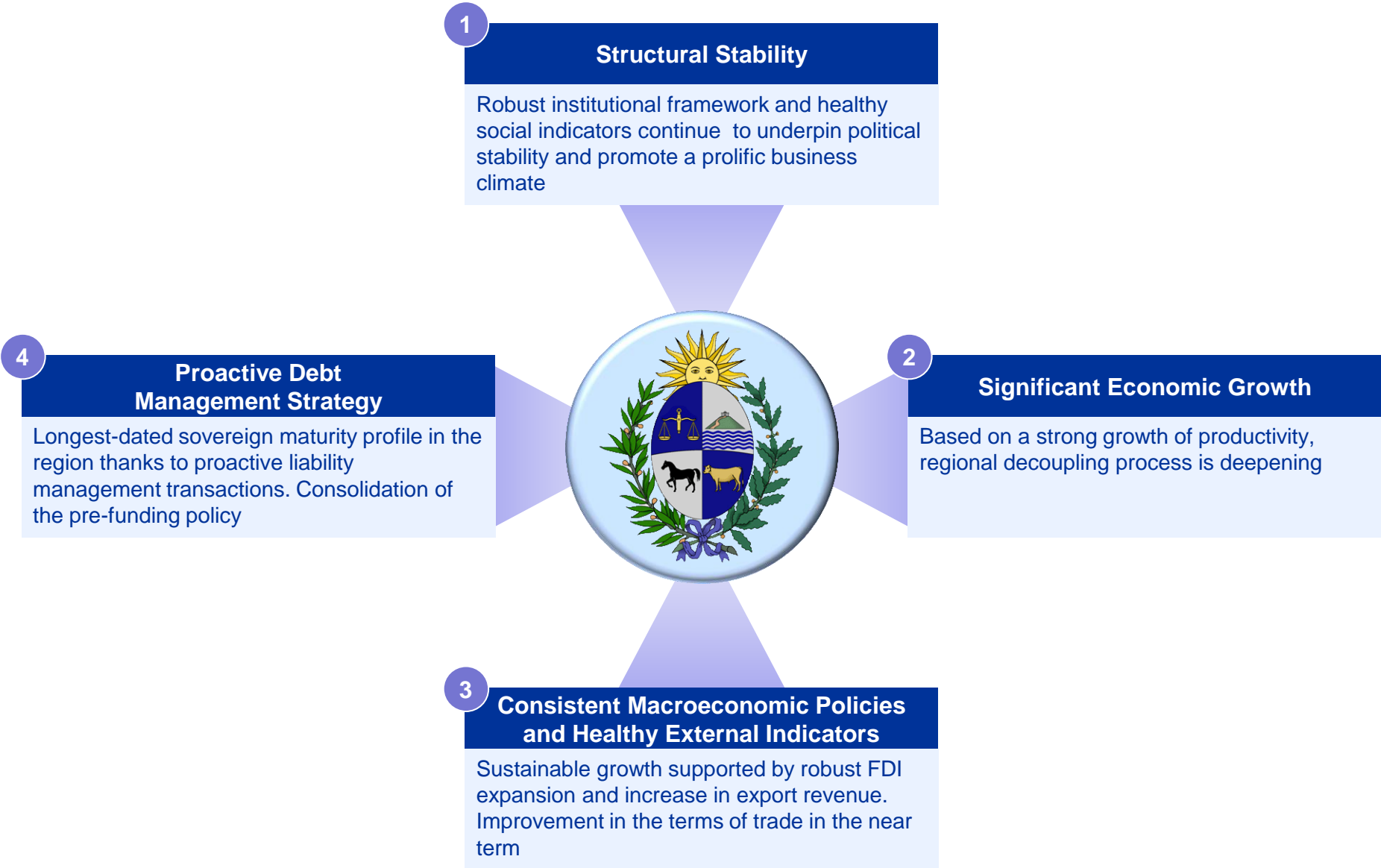
August 2015
Montevideo

Uruguay at a Glance

Population '13	3.3Million
Total surface area	176,215 km ²
Human Development Index	51 st over 186 th
GDP 2014	US\$ 57.5 Billion
GDP p/capita 2014	US\$ 17,450
(Upper Income Economy / WB)	
Real Growth Rate '15 (e)	2.5%
Real Growth Rate '05 - 14	5.4%
Unemployment Rate	6.8%
Ratings	Baa2 / BBB / BBB-



Credit Highlights



Structural Stability
Economic Performance
External Sector
Fiscal, Banking & Monetary Sector
Debt Management



Structural Stability

Economic Performance

External Sector

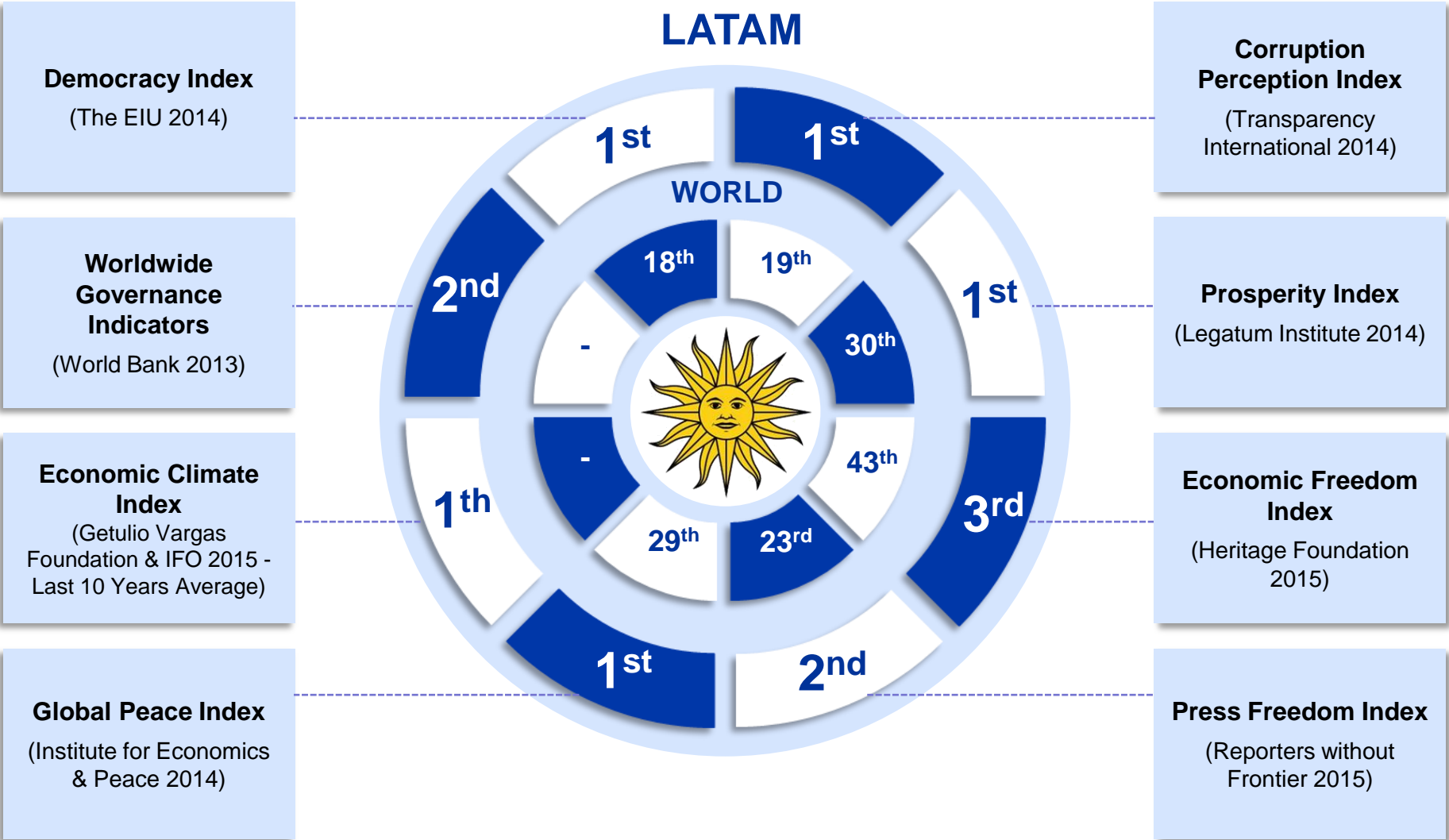
Fiscal, Banking & Monetary Sector

Debt Management



Recognized Social and Institutional Stability

(Ranking position in LATAM and Worldwide, respectively)



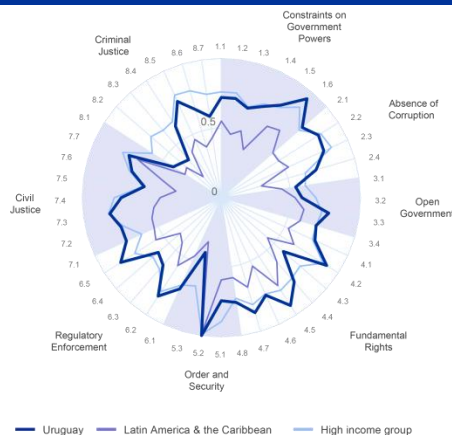
Rule of Law: Closer to High Income Countries

Country	Score	Global Ranking
Denmark	0.87	1
Norway	0.87	2
Sweden	0.85	3
Finland	0.85	4
Netherlands	0.83	5
New Zealand	0.83	6
Austria	0.82	7
Germany	0.81	8
Singapore	0.81	9
Australia	0.8	10
Republic of Korea	0.79	11
United Kingdom	0.78	12
Japan	0.78	13
Canada	0.78	14
Estonia	0.77	15
Belgium	0.77	16
Hong Kong SAR, China	0.76	17
France	0.74	18
United States	0.73	19
Czech Republic	0.72	20
Poland	0.71	21
Uruguay	0.71	22
Portugal	0.7	23
Spain	0.68	24
Costa Rica	0.68	25
Chile	0.68	26
United Arab Emirates	0.67	27
Slovenia	0.66	28
Georgia	0.65	29
Italy	0.64	30
Botswana	0.64	31
Romania	0.62	32
Greece	0.6	33
Ghana	0.6	34

Country	Score	Global Ranking
Croatia	0.6	35
South Africa	0.58	36
Hungary	0.58	37
Senegal	0.57	38
Malaysia	0.57	39
Bosnia and Herzegovina	0.57	40
Jordan	0.56	41
Jamaica	0.56	42
Tunisia	0.56	43
Macedonia, FYR	0.55	44
Bulgaria	0.55	45
Brazil	0.54	46
Mongolia	0.53	47
Nepal	0.53	48
Panama	0.53	49
Belarus	0.53	50
Philippines	0.53	51
Indonesia	0.52	52
Albania	0.52	53
Argentina	0.52	54
Morocco	0.52	55
Thailand	0.52	56
El Salvador	0.51	57
Sri Lanka	0.51	58
India	0.51	59
Serbia	0.5	60
Malawi	0.5	61
Colombia	0.5	62
Peru	0.5	63
Vietnam	0.5	64
Kazakhstan	0.5	65
Belize	0.49	66
Dominican Republic	0.48	67
Lebanon	0.48	68

Country	Score	Global Ranking
Moldova	0.48	69
Ukraine	0.48	70
China	0.48	71
Tanzania	0.47	72
Zambia	0.47	73
Kyrgyzstan	0.47	74
Russia	0.47	75
Cote d'Ivoire	0.47	76
Ecuador	0.47	77
Burkina Faso	0.47	78
Mexico	0.47	79
Turkey	0.46	80
Uzbekistan	0.46	81
Madagascar	0.45	82
Liberia	0.45	83
Kenya	0.45	84
Guatemala	0.44	85
Egypt	0.44	86
Sierra Leone	0.44	87
Iran	0.43	88
Nicaragua	0.43	89
Honduras	0.42	90
Ethiopia	0.42	91
Myanmar	0.42	92
Bangladesh	0.42	93
Bolivia	0.41	94
Uganda	0.41	95
Nigeria	0.41	96
Cameroon	0.4	97
Pakistan	0.38	98
Cambodia	0.37	99
Zimbabwe	0.37	100
Afghanistan	0.35	101
Venezuela	0.32	102

Uruguay



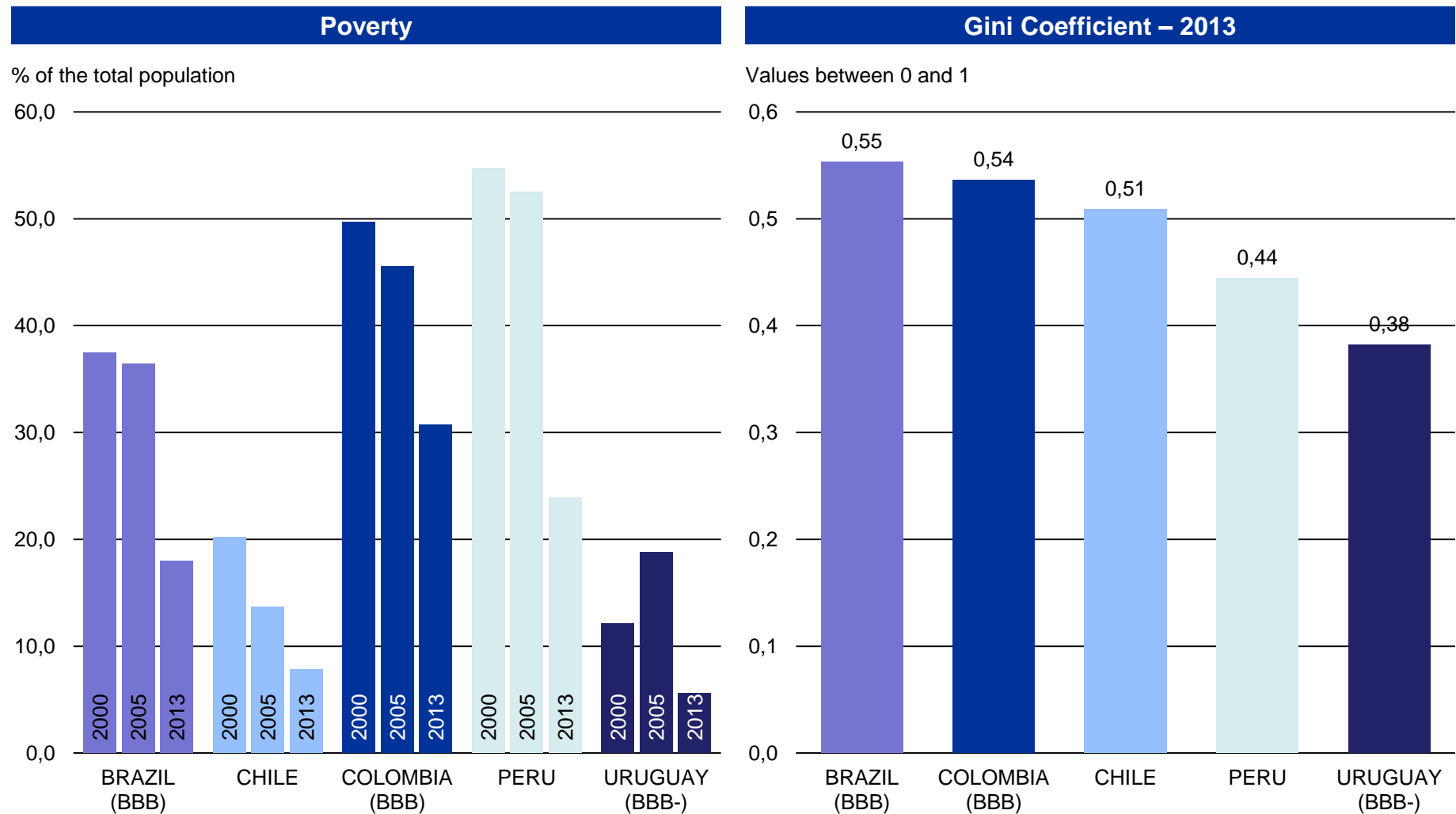
	Overall Score	Regional Rank	Income Rank	Global Rank	
	0.71	1/19	22/31	22/102	
	Factor Trend	Factor Score	Regional Rank	Income Rank	Global Rank
Constraints on Government Powers	—	0.76	2/19	19/31	20/102
Absence of Corruption	—	0.78	1/19	18/31	18/102
Open Government	—	0.65	3/19	20/31	21/102
Fundamental Rights	—	0.79	1/19	16/31	16/102
Order and Security	—	0.72	1/19	29/31	57/102
Regulatory Enforcement	—	0.73	1/19	19/31	19/102
Civil Justice	—	0.71	1/19	17/31	17/102
Criminal Justice	—	0.54	3/19	29/31	36/102

▲ Trending up ▼ Trending down High Medium Low

Source: World Justice Project



Significant Decrease in Poverty and Healthier Income Distribution



Source: Economic Commission for Latin America and the Caribbean, Statistical Yearbook for Latin America and the Caribbean 2013



Structural Stability

Economic Performance

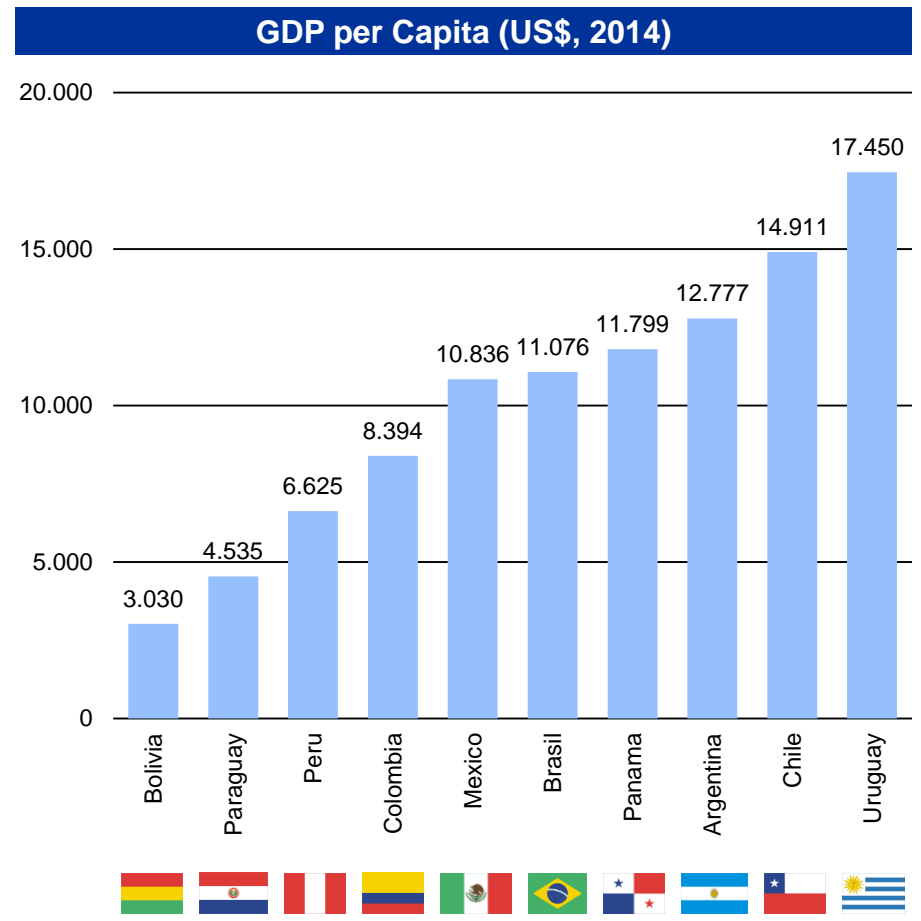
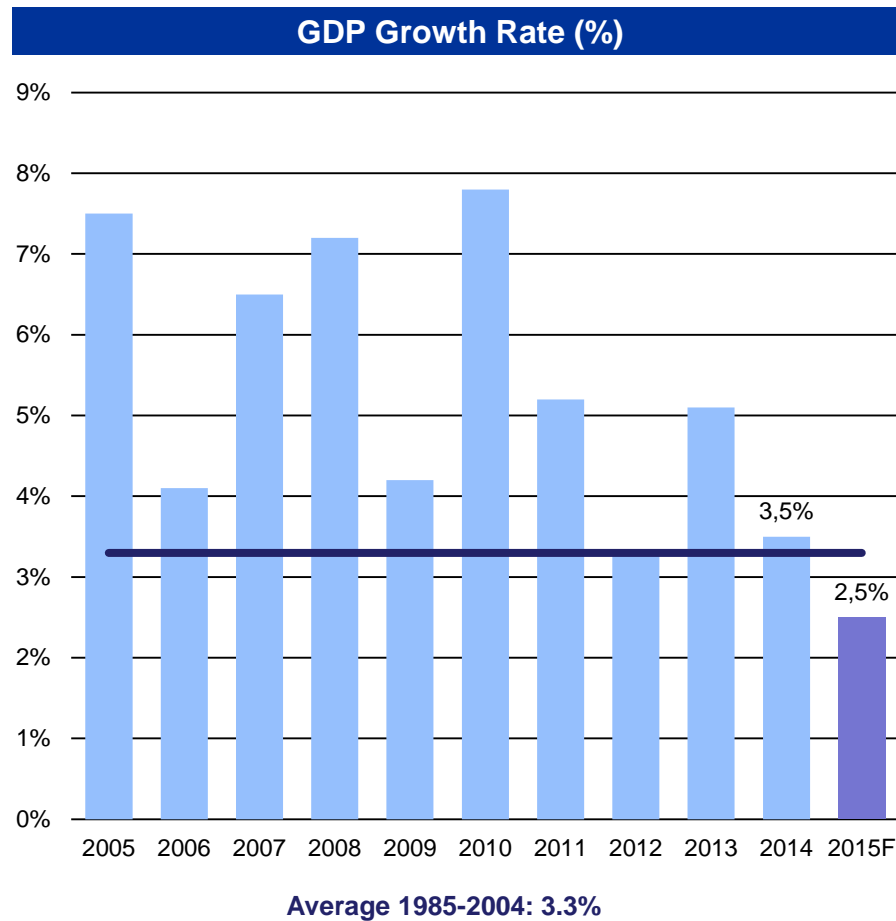
External Sector

Fiscal, Banking & Monetary Sector

Debt Management



Uruguay's Economy is Expected to Keep Growing



Average annual growth rate of 5.4% between 2005 and 2014 was 50% explained by TFP growth

Source: Central Bank of Uruguay, IMF (WEO October 2014) and Ministry of Economy and Finance estimates.
*TFP: Total Factor Productivity



IMF Revised Down Economic Growth in South America for 2015; Uruguay with Marginal Review

WEO April 2014

Selected Western Hemisphere Economies: Real GDP

(Annual percent change unless noted otherwise)

	Real GDP		
	2013	Projections	
		2014	2015
North America	1.8	2.8	3.0
United States	1.9	2.8	3.0
Canada	2.0	2.3	2.4
Mexico	1.1	3.0	3.5
South America	3.2	2.3	2.7
Brazil	2.3	1.8	2.7
Argentina	4.3	0.5	1.0
Colombia	4.3	4.5	4.5
Venezuela	1.0	-0.5	-1.0
Peru	5.0	5.5	5.8
Chile	4.2	3.6	4.1
Ecuador	4.2	4.2	3.5
Bolivia	6.8	5.1	5.0
Uruguay	4.2	2.8	3.0
Paraguay	13.0	4.8	4.5
Central America	4.0	4.0	4.0
Caribbean	2.8	3.3	3.3
Memorandum			
Latin America and the Caribbean	2.7	2.5	3.0
Excluding Argentina	2.5	2.8	3.2
Eastern Caribbean Currency Union	0.5	1.4	1.8

WEO April 2015

Western Hemisphere Economies: Real GDP

(Annual percent change unless noted otherwise)

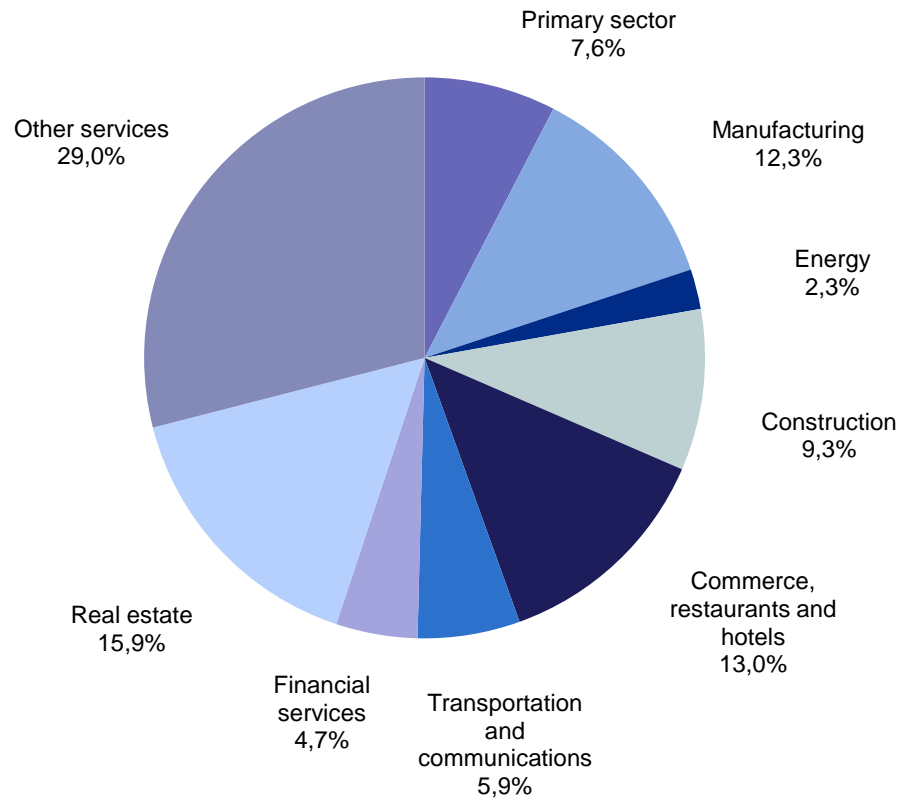
	Real GDP		
	2014	Projections	
		2015	2016
North America	2.4	3.0	3.0
United States	2.4	3.1	3.1
Canada	2.5	2.2	2.0
Mexico	2.1	3.0	3.3
South America	0.7	(0.2)	1.3
Brazil	0.1	(1.0)	1.0
Argentina	0.5	(0.3)	0.1
Colombia	4.6	3.4	3.7
Venezuela	(4.0)	(7.0)	(4.0)
Chile	1.8	2.7	3.3
Peru	2.4	3.8	5.0
Ecuador	3.6	1.9	3.6
Bolivia	5.4	4.3	4.3
Uruguay	3.3	2.8	2.9
Paraguay	4.4	4.0	4.0
Central America	4.0	4.2	4.3
Caribbean	4.7	3.7	3.5
Memorandum			
Latin America and the Caribbean	1.3	0.9	2.0
Excluding Argentina	1.4	1.0	2.2
Eastern Caribbean Currency Union	1.7	2.0	2.1

Source: IMF

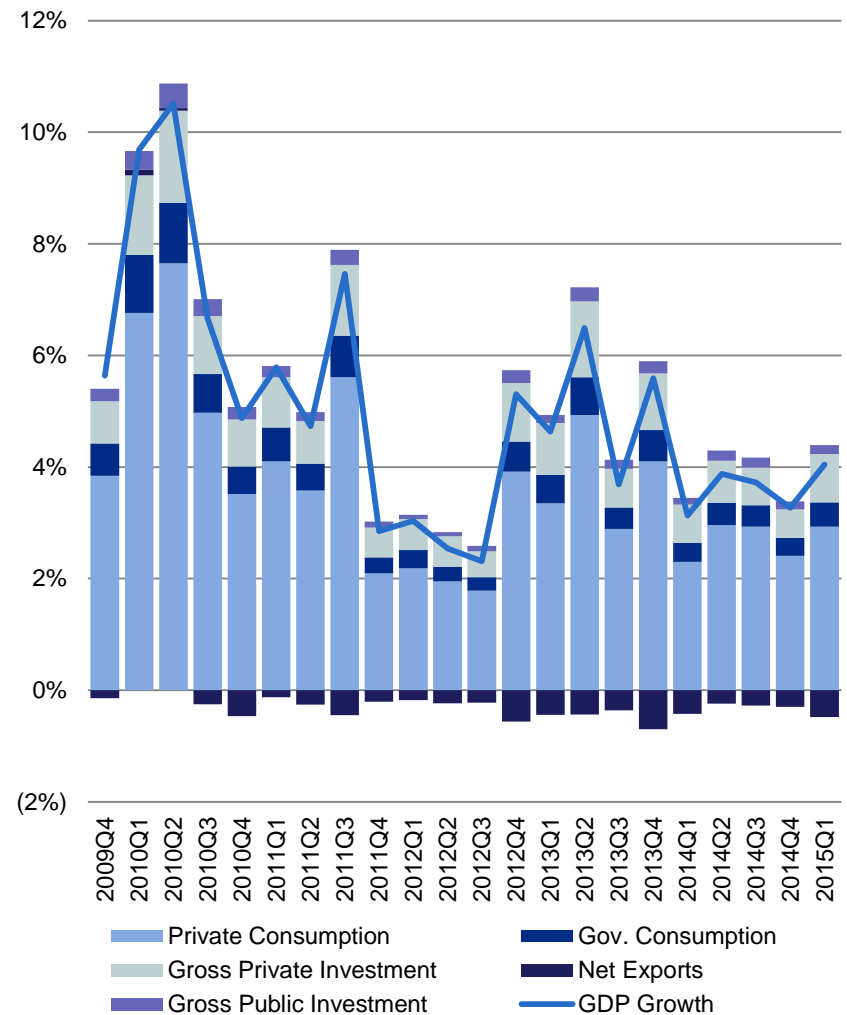


A Very Well – Diversified Economy

GDP Breakdown by Sector 2014



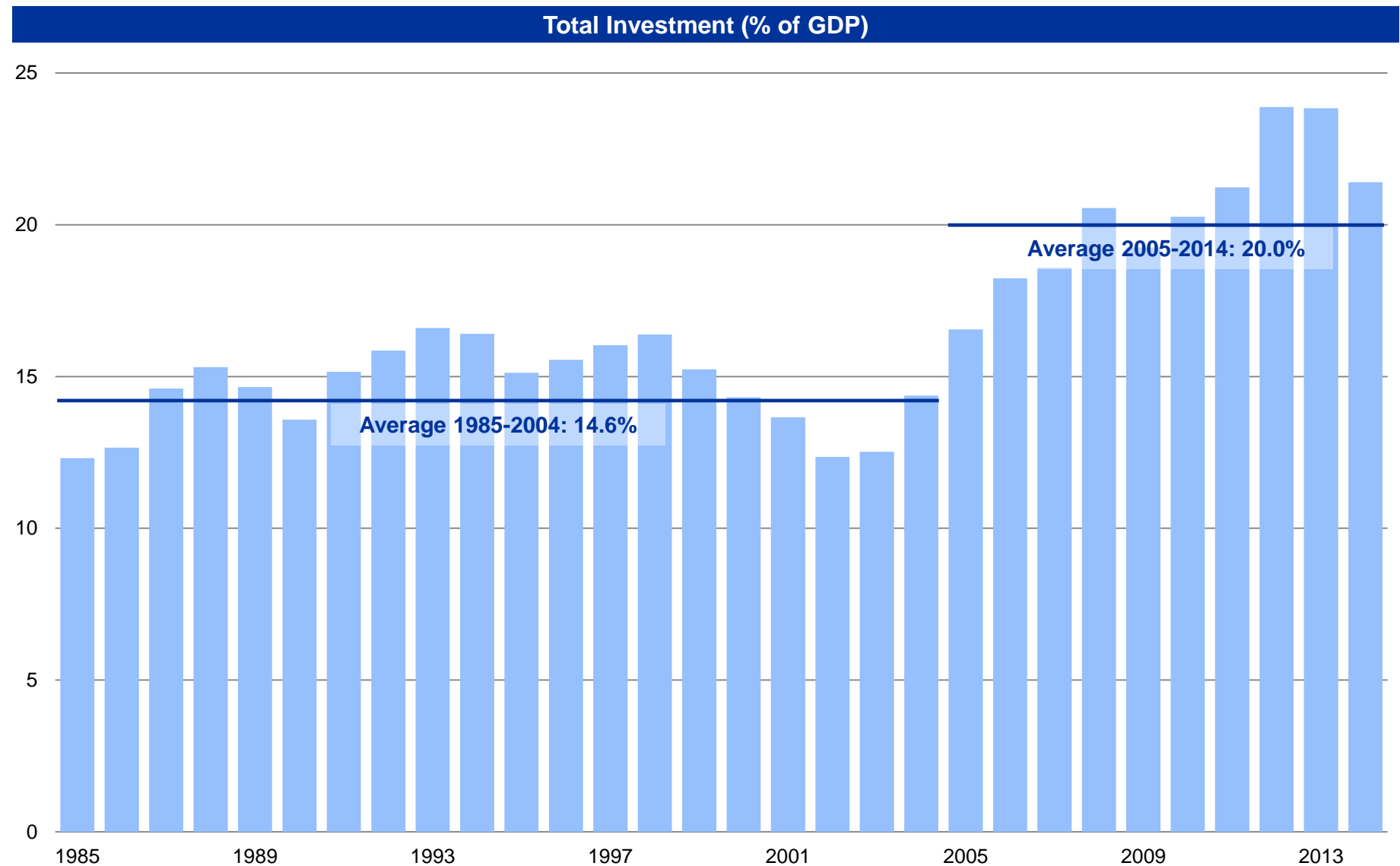
Real GDP Growth and Contribution by Sector (QoQ)



Source: Central Bank of Uruguay



Investment has been a Key Driver of Growth Over the Past Years...

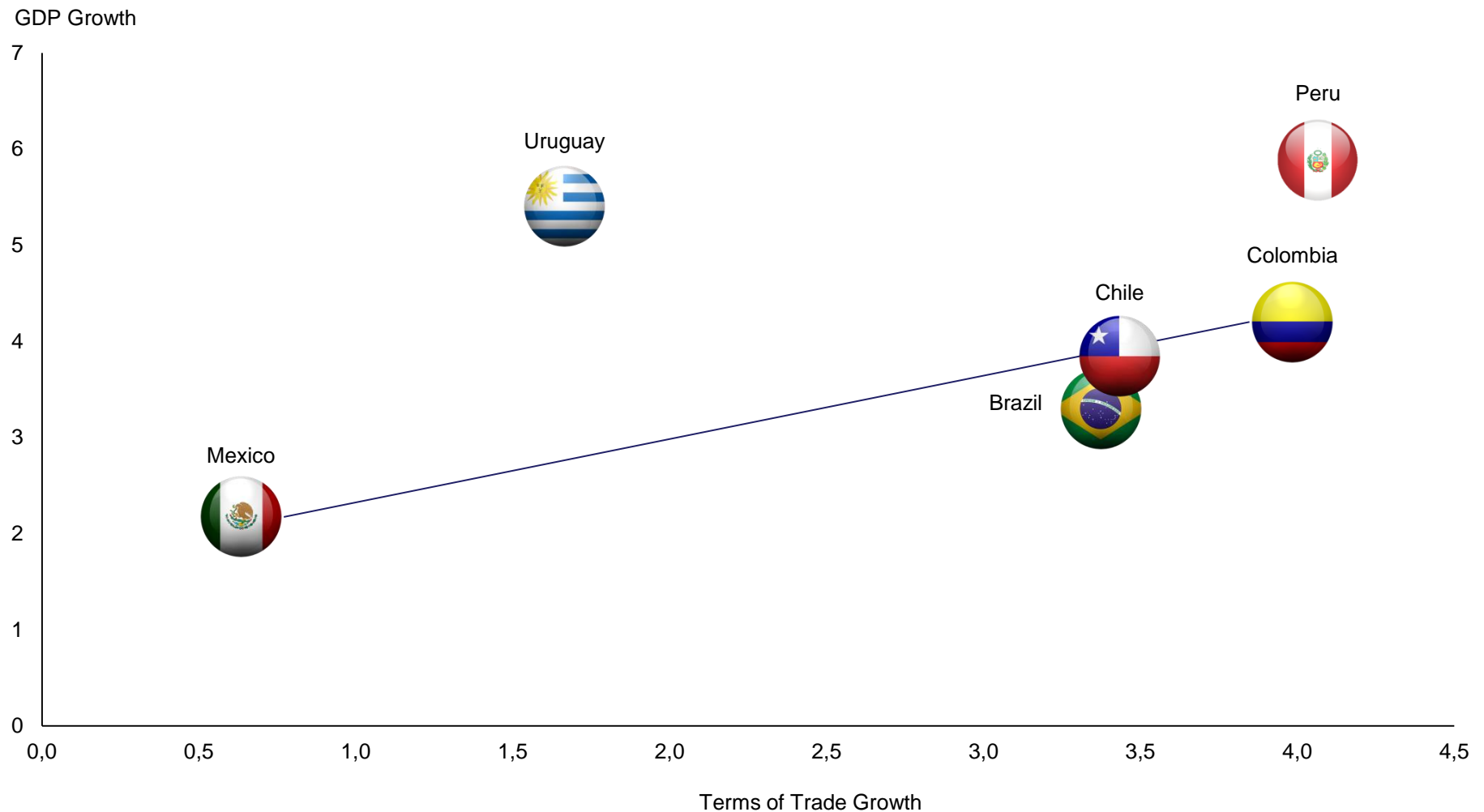


Source: Central Bank of Uruguay



...even Though Uruguay has not Benefited as much from the Improvement in ToT Over the Past Decade

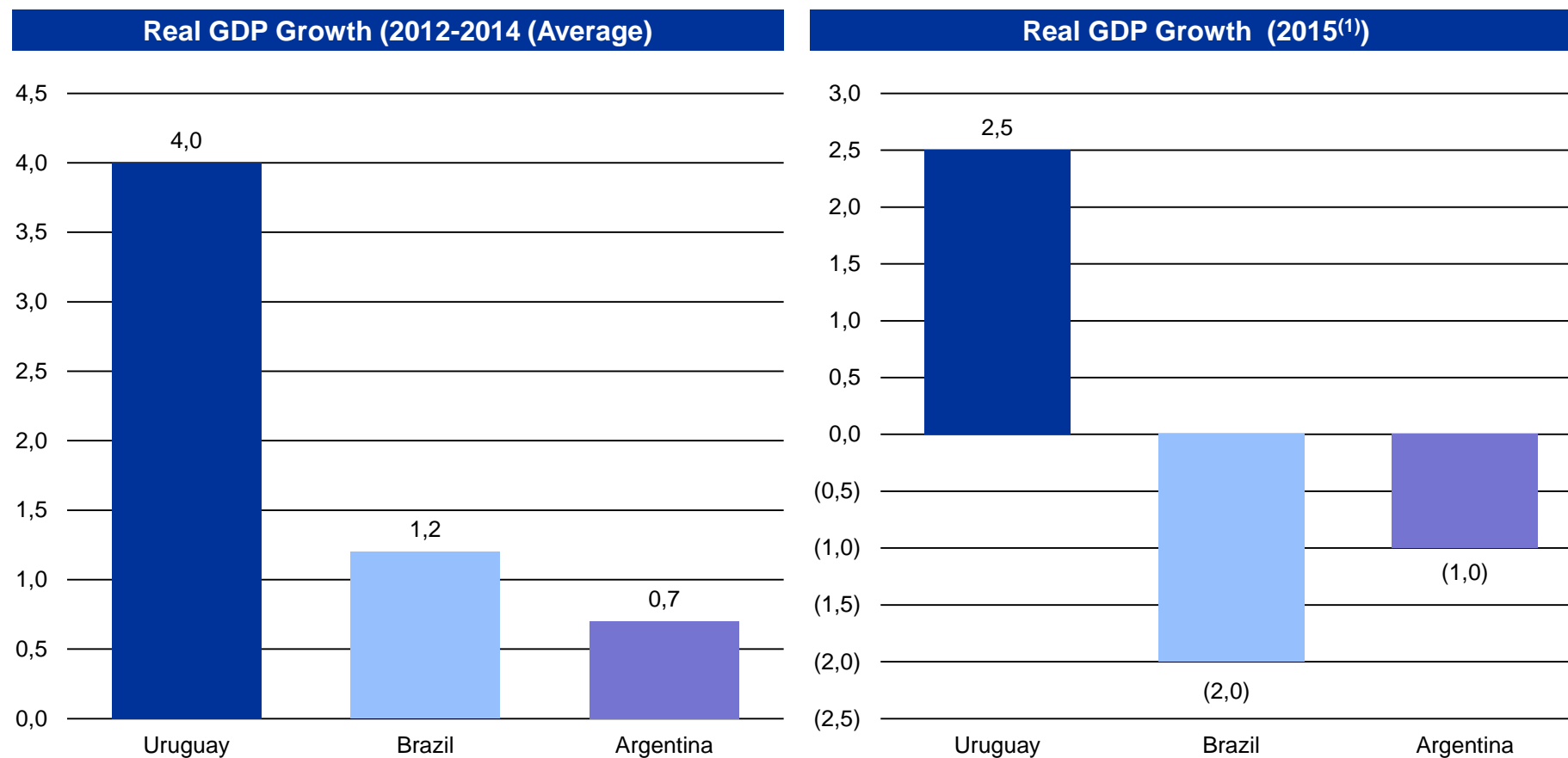
GDP Growth and Terms of Trade – 2005/2012 (Annual Average in %)



Source: World Bank



Decoupling from the Regional Downturn has Become More Visible in the Last Few Years

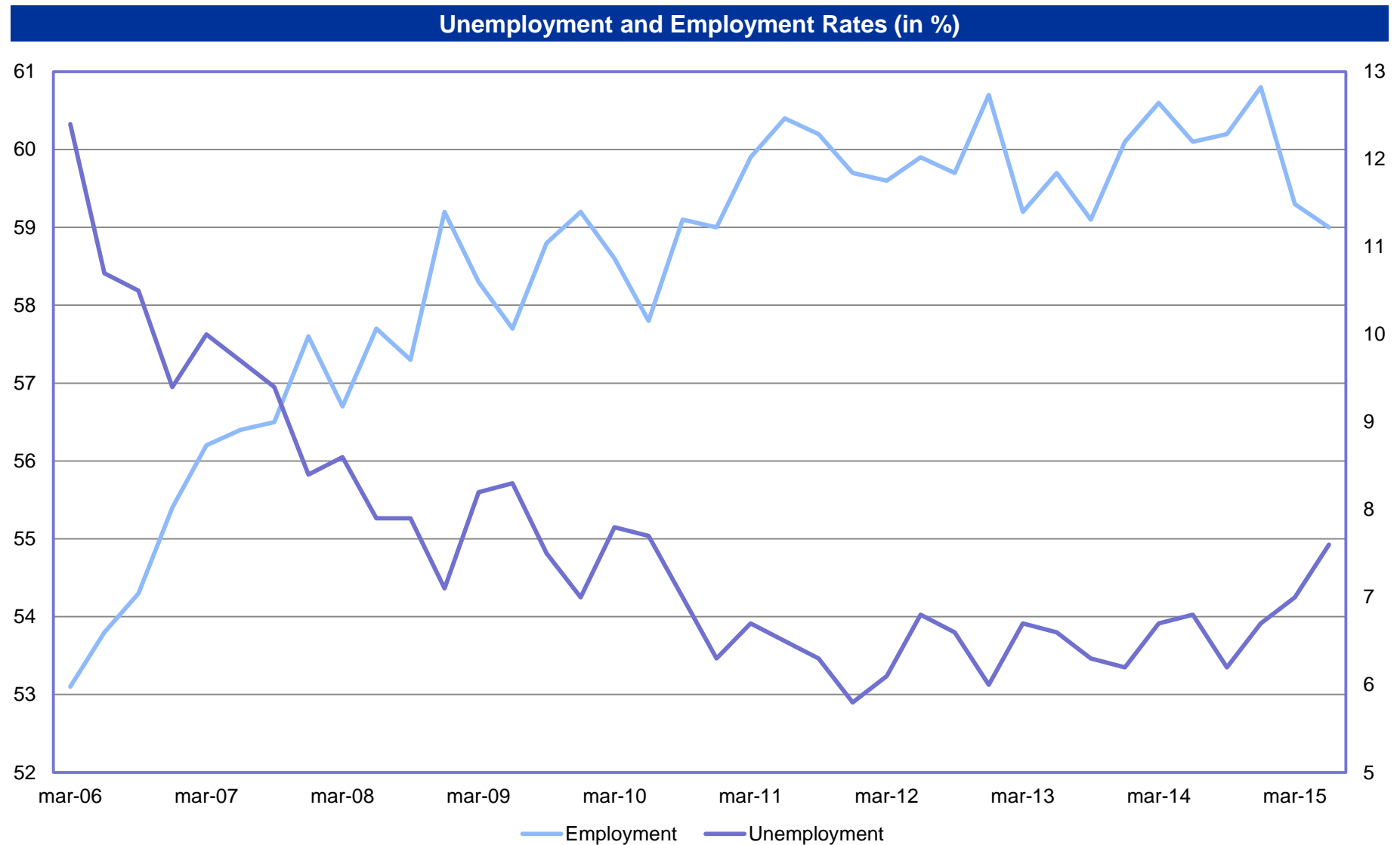


Uruguay continues to grow faster than its neighbours

Source: Central Bank of Uruguay
1. Market projections



Solid Growth Performance has been Accompanied by a Rising Employment Rate



Source: National Bureau of Statistics



External Sector

Economic Performance

External Sector

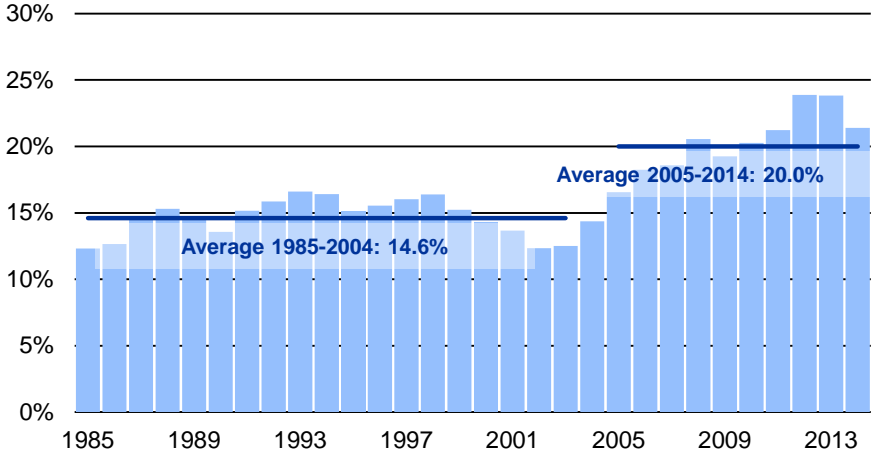
Fiscal, Banking & Monetary Sector

Debt Management

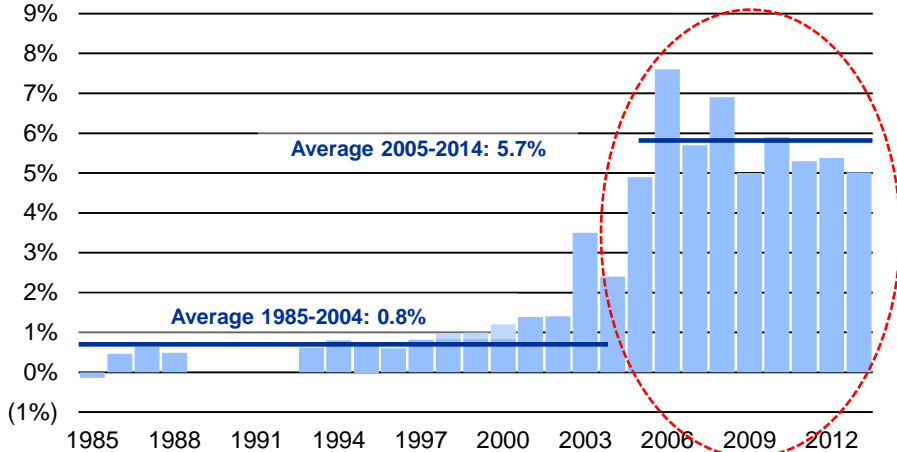


Structural Increase in Investment Levels

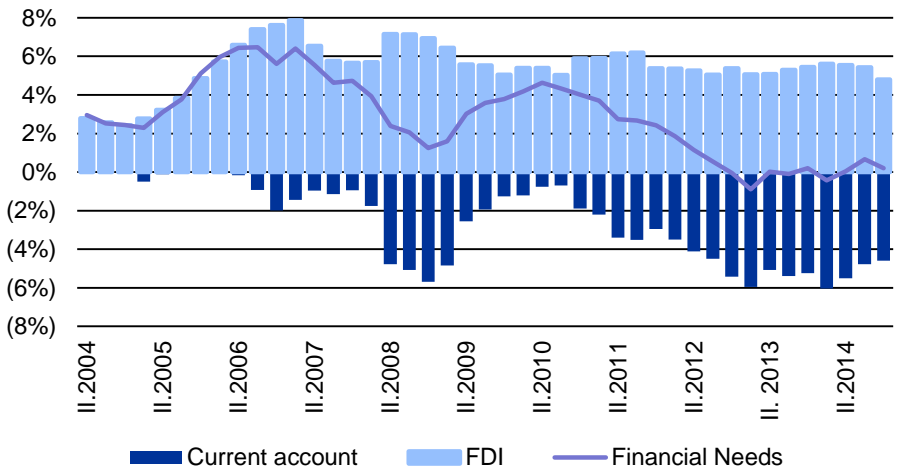
Total Investment (% of GDP)



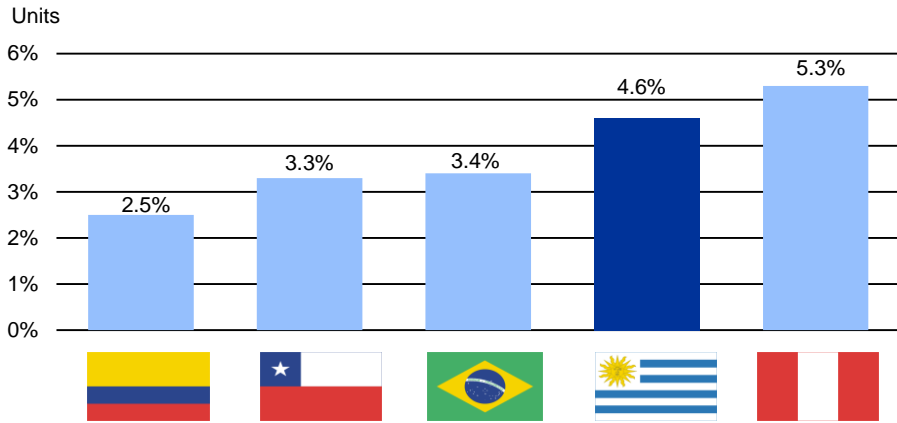
FDI (% of GDP)



FDI and Current Account Balance (% of GDP)



Net FDI – 2014 (% of GDP)



Source: Central Bank of Uruguay
 FDI: Foreign Direct Investment - CAD: Current Account Deficit

Source: Source: Standard & Poor's



Significant FDI Inflows from a Broad Group of Countries



Main FDI origins (2003 – 2013)



Main FDI receiving sectors (2003 – 2013)

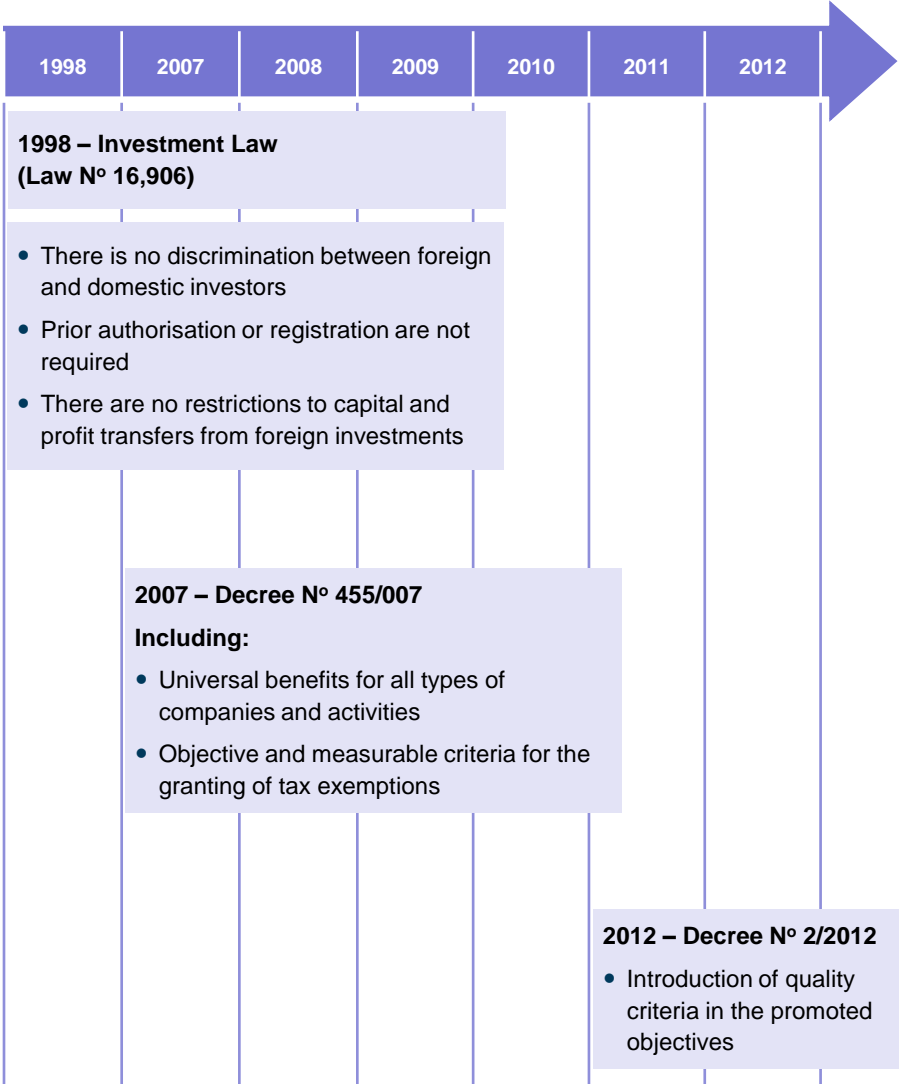


- Joint press release with the Ministry of Foreign Affairs
- Signing of the Japan-Uruguay Investment Agreement
- On January 26, 2015, H.E. Ms. Keiko Tanaka, Ambassador Extraordinary and Plenipotentiary of Japan to Uruguay, and H.E. Mr Luis Alberto Porto, Acting Minister of Foreign Affairs of the Oriental Republic of Uruguay, signed the Agreement between Japan and the Oriental Republic of Uruguay for the Liberalization, Promotion and Protection of Investment (Japan–Uruguay Investment Agreement) in Montevideo, Uruguay

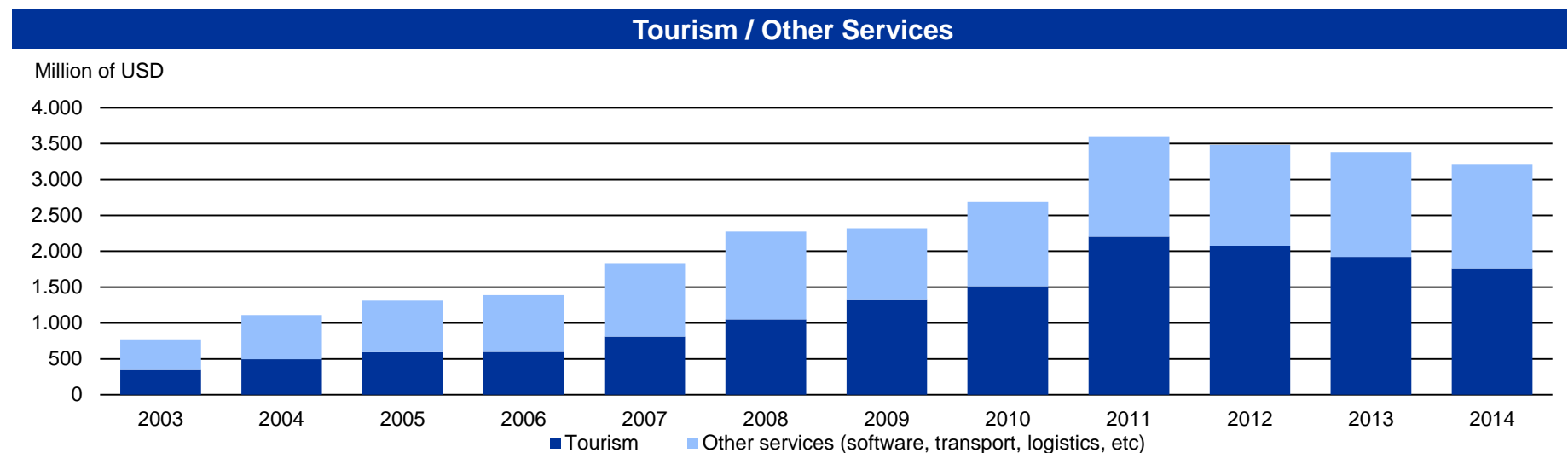
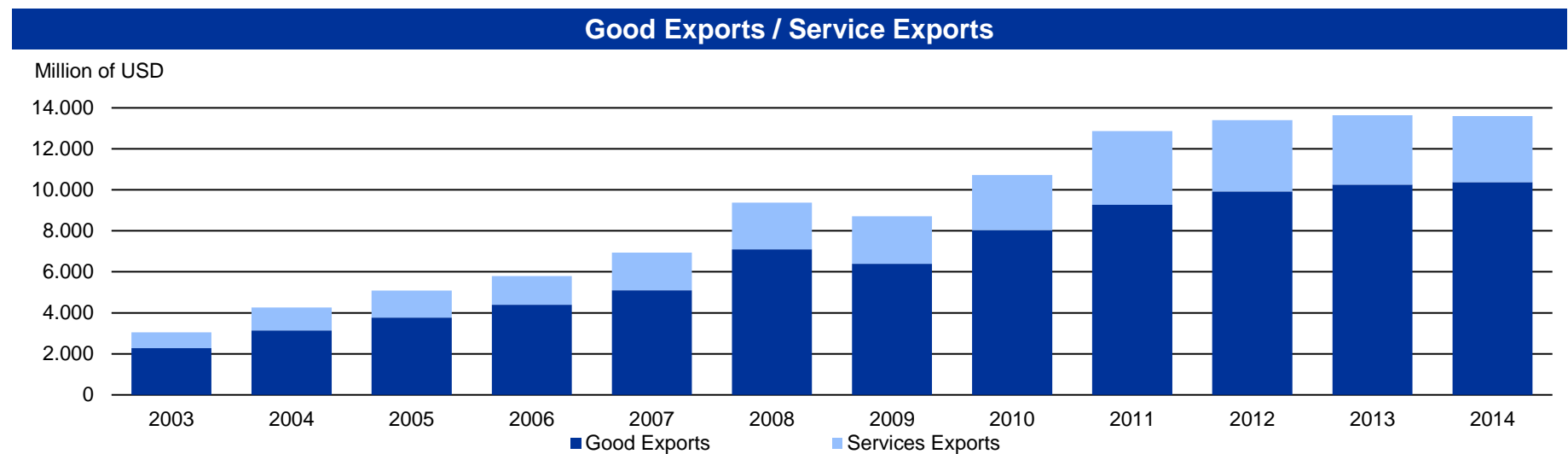


Beneficial Investment Promotion Systems

- Domestic and foreign investors are **treated equally**
- **Attractive investment promotion system** that grants specific guarantees to the investor
- **Exemptions from taxes for up to 100% of the amount invested**
- **Free transferability** of capital and profits overseas
- **No price** or exchange rate **controls**
- **No restrictions** on hiring foreign staff
- Fiscal and **Banking Secrecy**
- Intellectual Property Laws under the **WTO**
- **Residency permits** can be obtained **in three months**



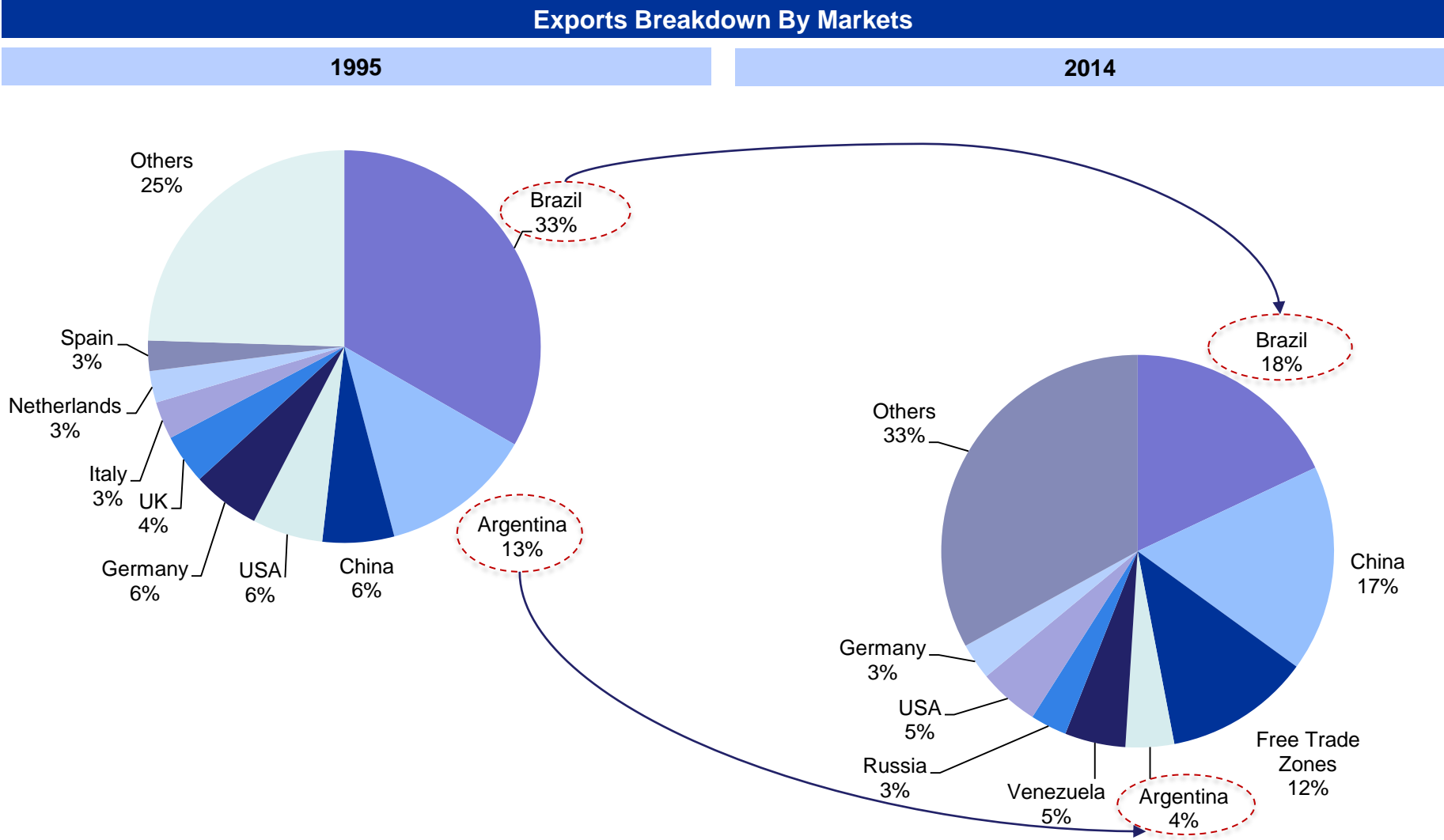
Exports have Remained Robust, Although Showing Some Deceleration....



Source: Central Bank of Uruguay



Exports Market Diversification Along with Decreased Dependence from Argentina and Brazil



Source: Central Bank of Uruguay & Uruguay XXI



Current Account Deficit Moderating Thanks to Drop in Oil Prices

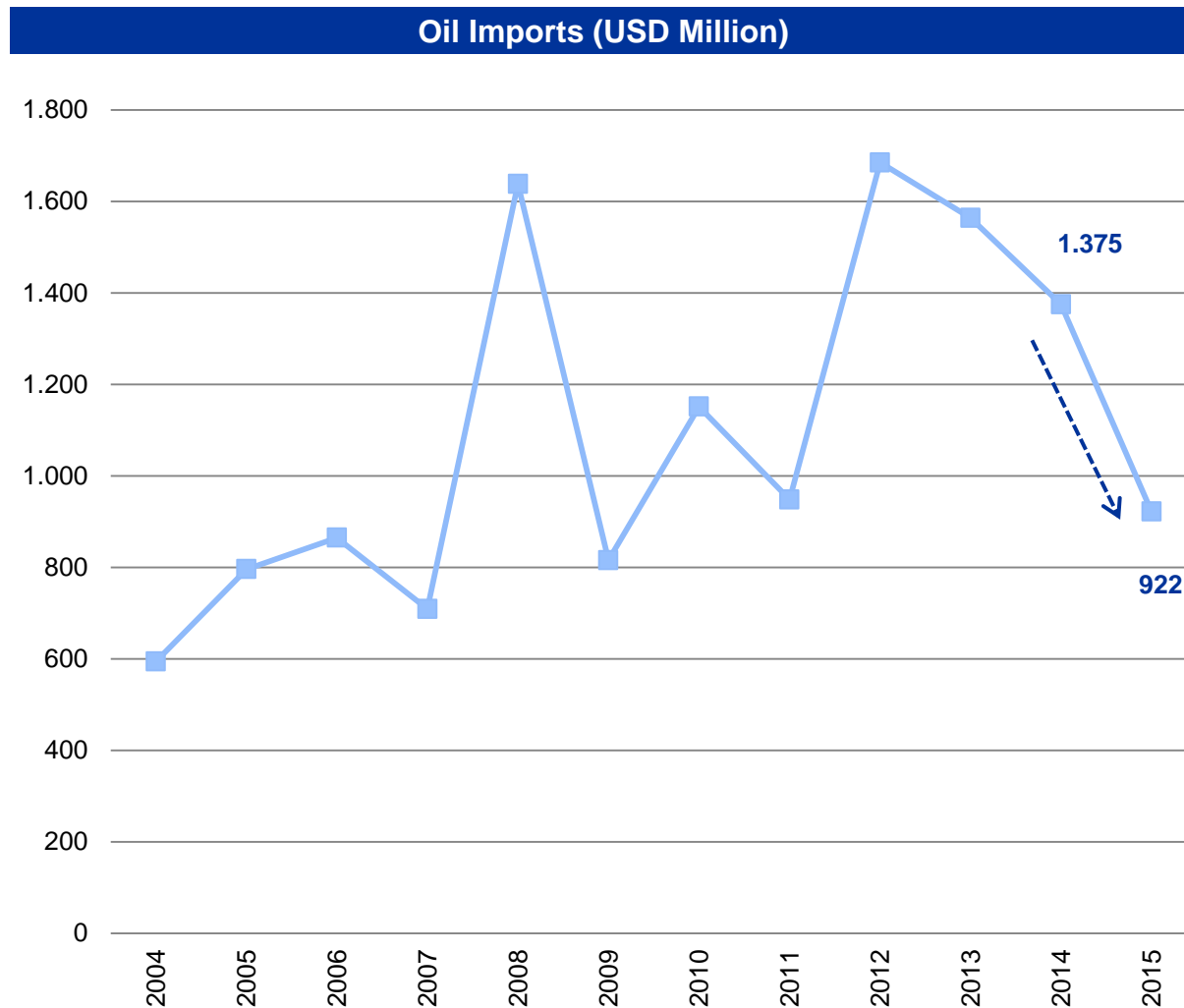
Latin America: Oil (Energy)-linked Components of the Balance of Payments and Current Account Forecast

	Last Available (4Q Sum)								Curr. Acc. Bal.			
	Energy Trade Balance				Other Energy Flows				Energy BoP	2014 est.	2015 fcst	
	Net % GDP	Exports		Imports		FDI (or debt)		Dividends				
		% GDP	% Total	% GDP	% Total	% GDP	% Total	% GDP	% Total	% GDP	% GDP	% GDP
Latin America	1.9	4.2	21.0	2.4	16.0	0.3	10.2	0.1	3.4	2.0	(2.9)	(3.7)
Oil-dependent	2.0	2.2	7.0	0.2	1.3	0.0	2.5	0.0	0.0	2.0	0.2	(0.5)
Venezuela	26.9	30.1	96.2	3.2	18.0	0.6	35.0	0.0	0.0	27.5	3.0	(6.8)
Large net oil exporters	0.6	0.9	5.6	0.2	1.4	0.1	3.2	0.1	2.5	0.6	(0.4)	(0.5)
Ecuador	7.7	13.7	52.0	6.0	24.0	0.3	45.0	na	na	8.0	(0.6)	(3.0)
Colombia	7.1	9.0	67.2	1.9	14.0	1.3	35.0	1.6	35.0	6.8	(5.2)	(6.5)
Limited net oil exposure	(0.4)	1.2	8.4	1.6	12.2	0.1	4.5	0.0	0.9	(0.3)	(2.6)	(2.7)
Mexico	0.2	2.4	11.5	2.2	10.5	0.0	0.2	0.0	0.0	0.2	(2.1)	(2.5)
Peru	(0.6)	2.6	12.2	3.2	14.4	0.3	3.0	0.0	0.0	(0.3)	(4.1)	(4.0)
Brazil	(0.8)	1.2	11.3	1.9	18.4	0.1	5.4	na	na	(0.6)	(4.4)	(4.3)
Argentina	(1.3)	0.9	6.0	2.2	16.0	0.6	22.5	0.2	10.0	(0.9)	(1.1)	(1.5)
Large net oil importers	(0.3)	0.0	0.0	0.3	1.1	0.0	0.0	0.0	0.0	(0.3)	(0.1)	0.1
Uruguay	(3.4)	0.0	0.0	3.4	15.7	0.0	0.0	0.0	0.0	(3.4)	(4.5)	(3.6)
Chile	(4.7)	0.0	0.0	4.7	18.1	0.0	0.0	0.0	0.0	(4.7)	(1.1)	(0.4)

Aggregate figures are % of Latam GDP, country-specific figures are % of country GDP
 Source: National statistics agencies, central banks, J.P. Morgan
 Source: LATAM Microeconomic Outlook/JP Morgan May 2015



The Ministry Estimates a Significant Improvement in the Current Account Balance During 2015



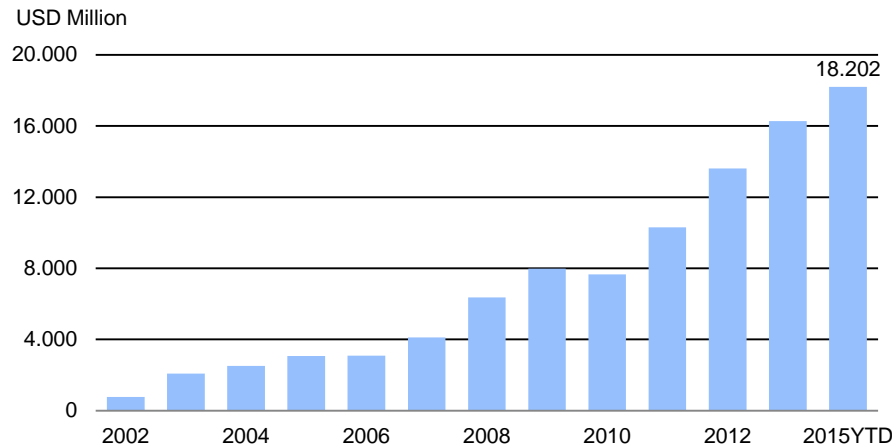
- ✓ Oil imports represented 2.4% of GDP in 2014, 13% of total imports of goods
- ✓ Most of the drop of oil imports between 2012 and 2014 is because of volume (more rain and more renewable energy sources), not because of prices
- ✓ In 2015, a 10% increase in imports volume and a 33% decrease in imports prices **would result in a net decrease of USD 453 million in oil imports (0.8% of GDP)**

Source: BCU and own estimations. / *Oli Barrel estimated at USD 60*

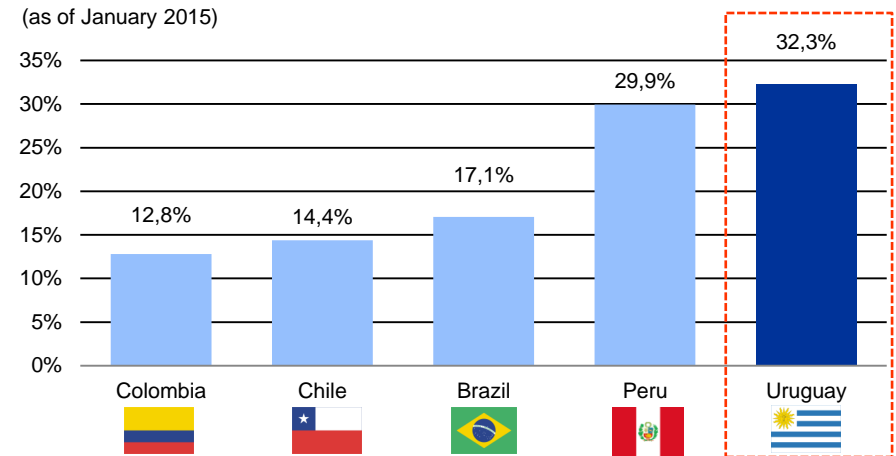


Comfortable External Liquidity Position

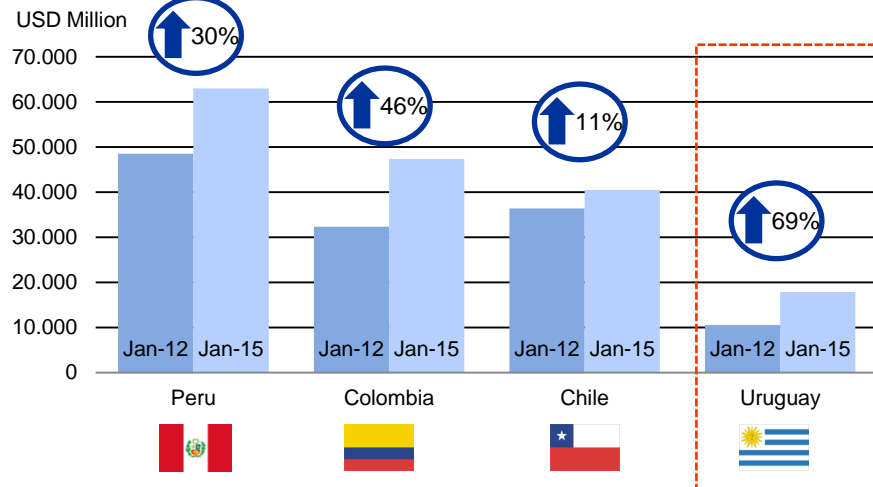
International Reserves⁽¹⁾



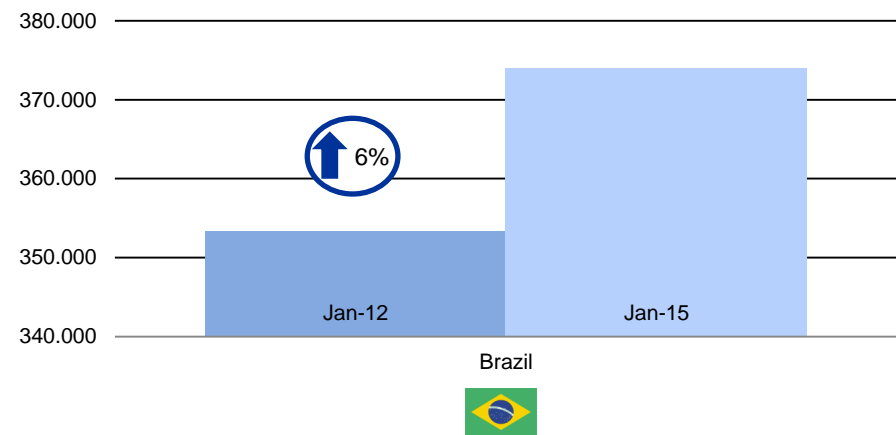
International Reserves / GDP⁽²⁾



Change in International Reserves



[...]



1. Source: Central Bank of Uruguay

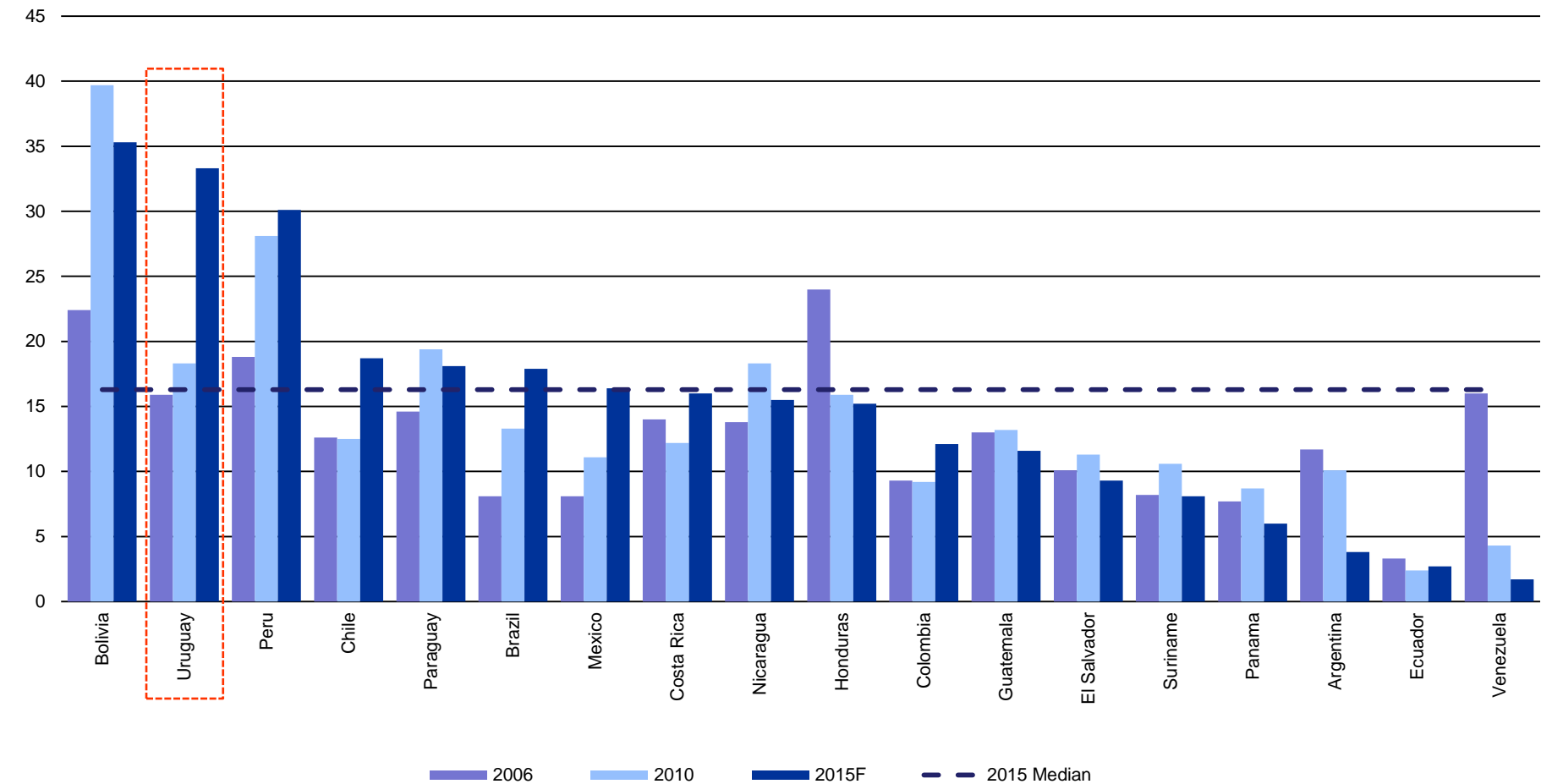
2. Source: IMF, World Economic Outlook Database and Central Banks



International Reserve Buffers have Increased in most LAC Countries, Standing out Uruguay's Position

International Reserve Buffers have Increased in Most Countries

Foreign Exchange Reserves, % of GDP



Source: Moody's Sovereign Outlook - Latin America: Credit profiles stabilizing amid lower growth, moderate external vulnerabilities⁴ March 2015



Fiscal, Banking & Monetary Sector

Economic Performance

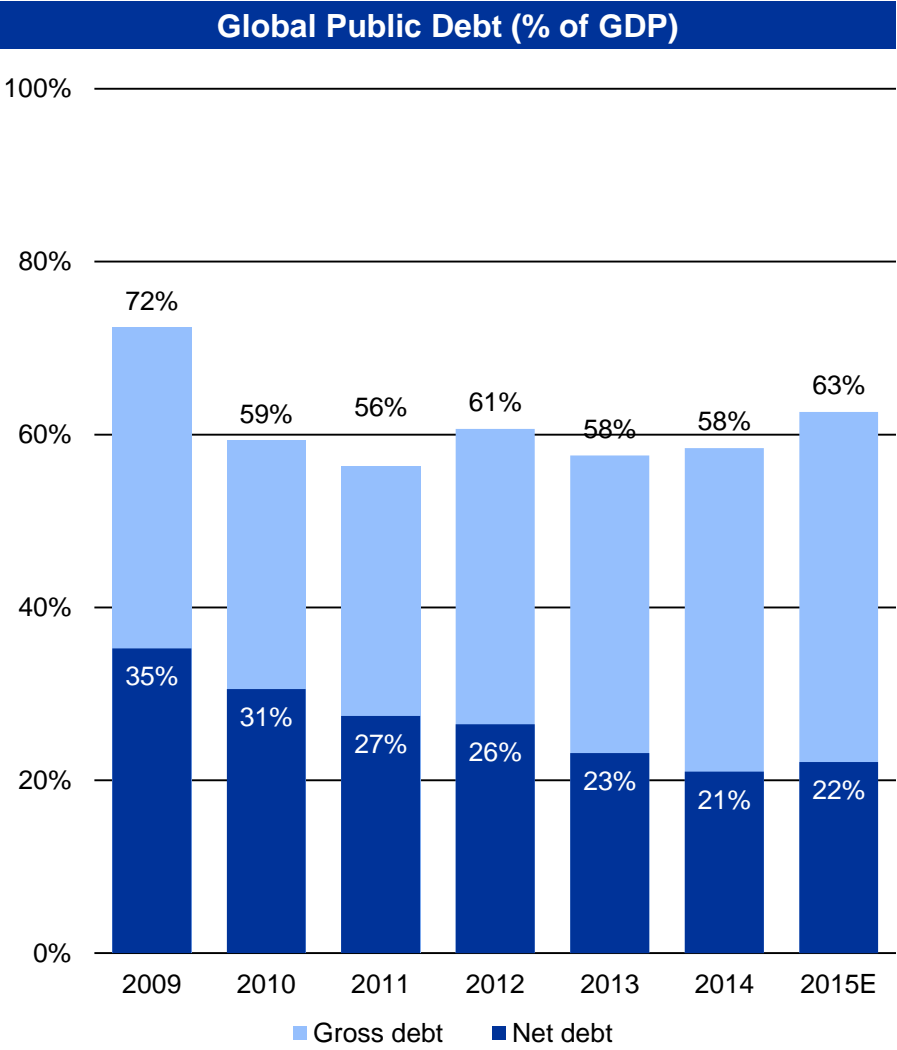
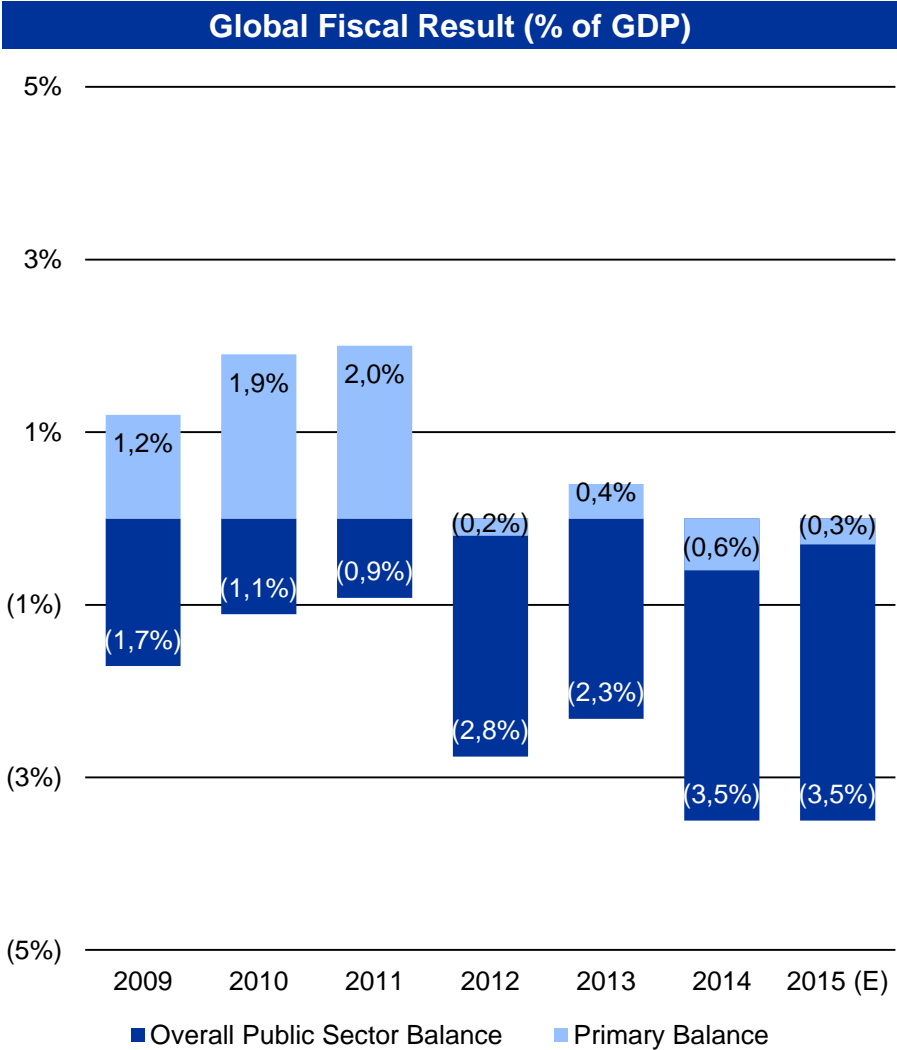
External Sector

Fiscal, Banking & Monetary Sector

Debt Management



Sustainable Fiscal Policy Decreased Public Net Debt-GDP Ratio

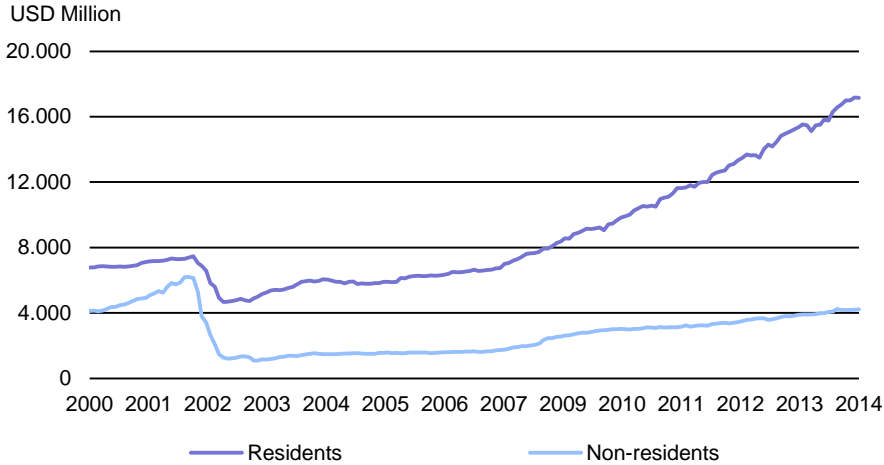


Source: Ministry of Economy and Finance and Central Bank



Sound Banking System

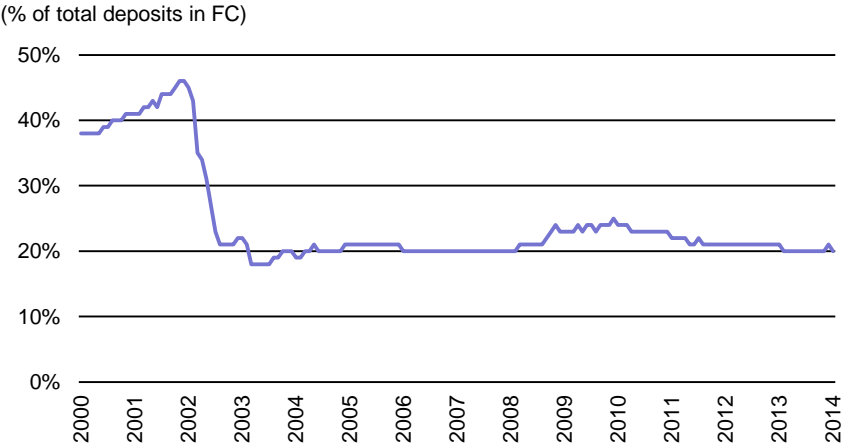
Deposits of Residents and Non Residents in Foreign Currency



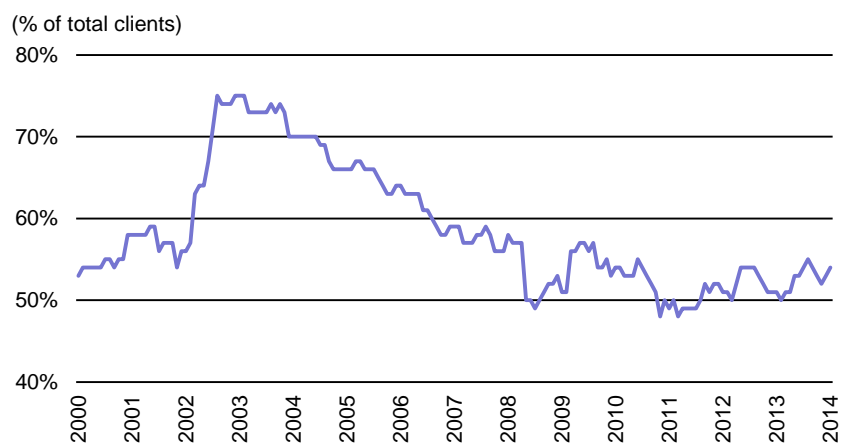
Deposits in Foreign Currency



Non Residents Deposits in Foreign Currency



Non Financial Sector Credits in Foreign Currency

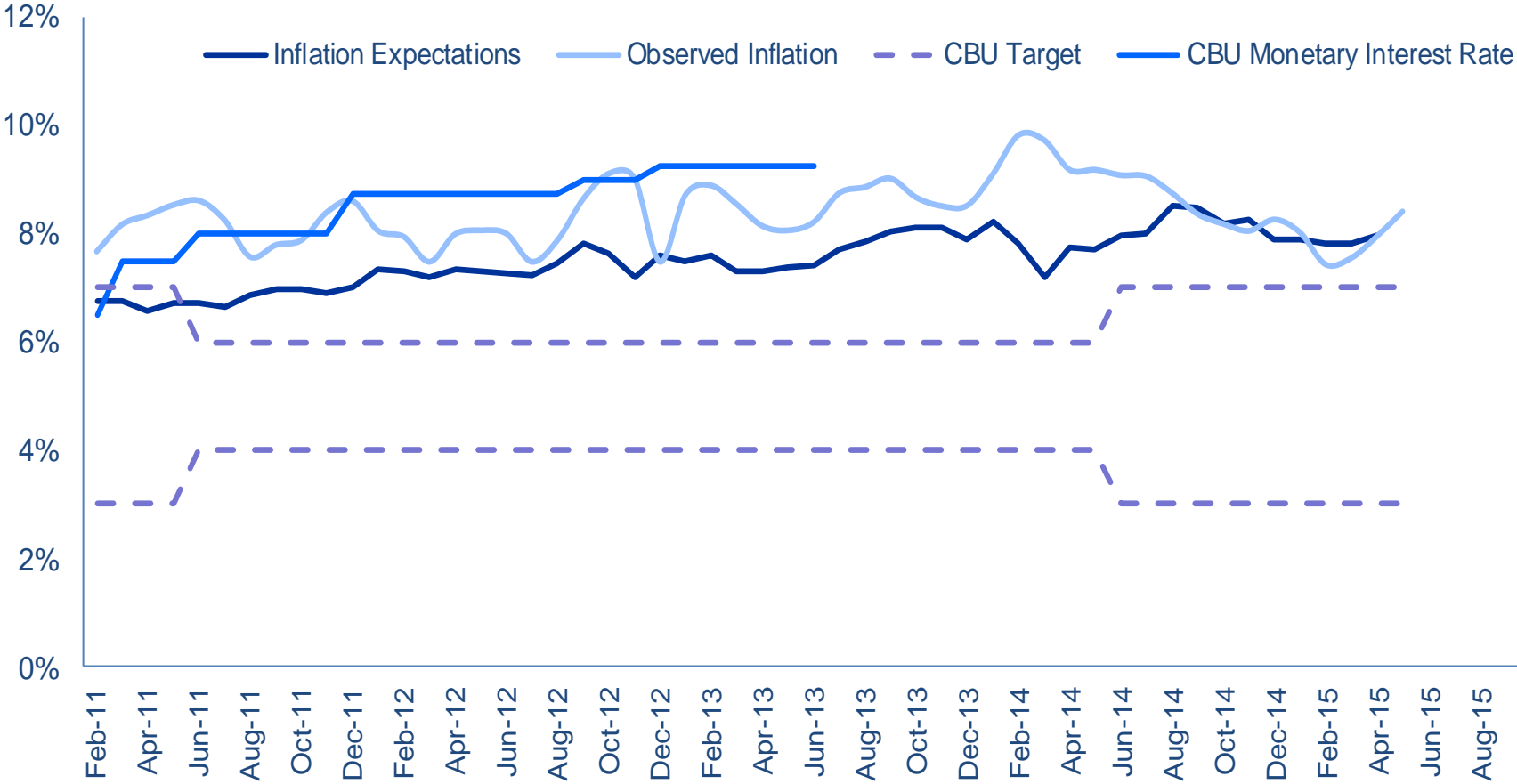


Source: Central Bank of Uruguay



Inflation is Decelerating on the Back of Central Bank's Restrictive Monetary Policy

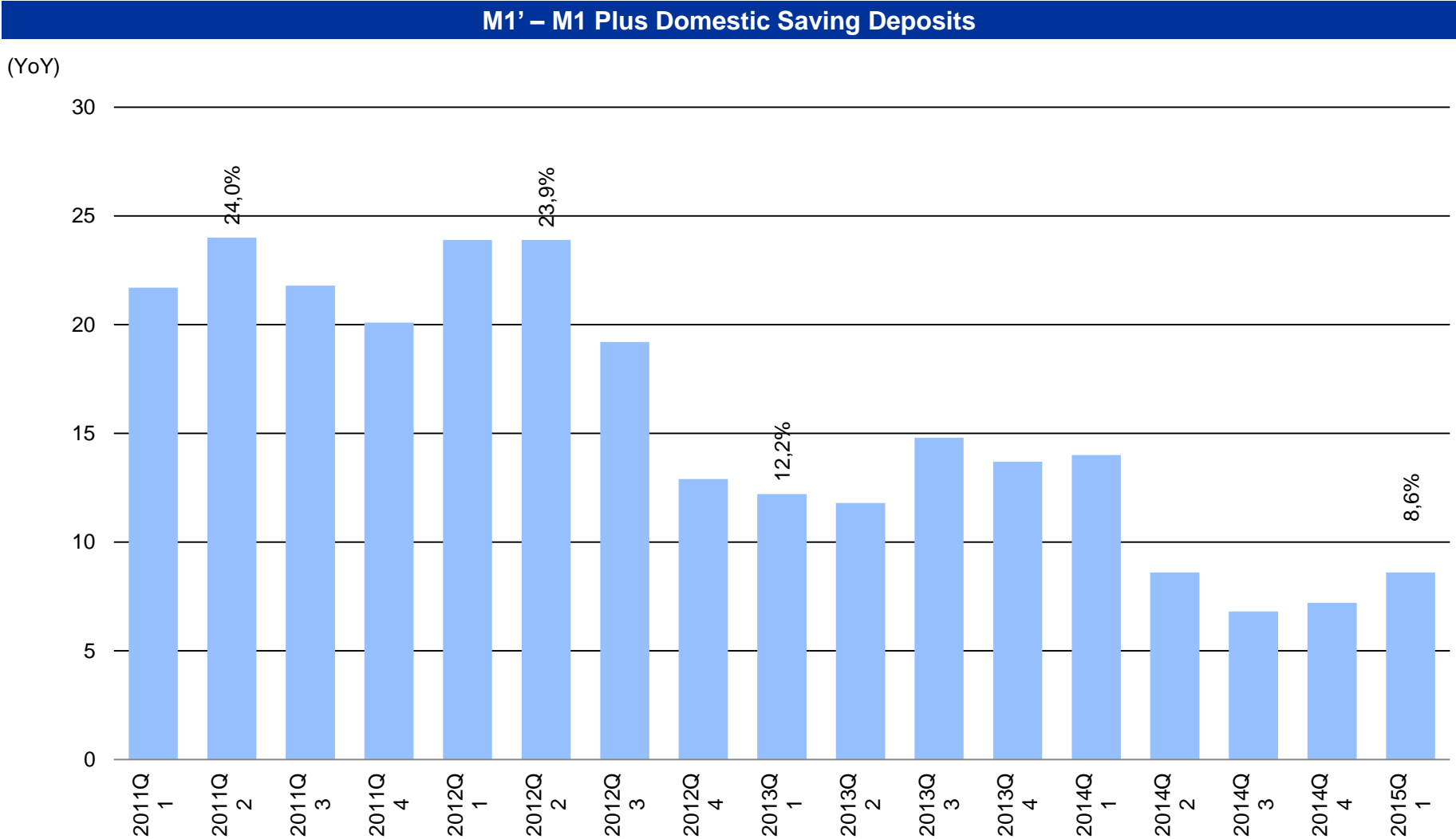
Consumer Prices Evolution



Source: Central Bank of Uruguay and National Bureau of Statistics



Inflation is Decelerating on the Back of Central Bank's Restrictive Monetary Policy



Source: Central Bank of Uruguay and National Bureau of Statistics



Debt Management

Economic Performance

External Sector

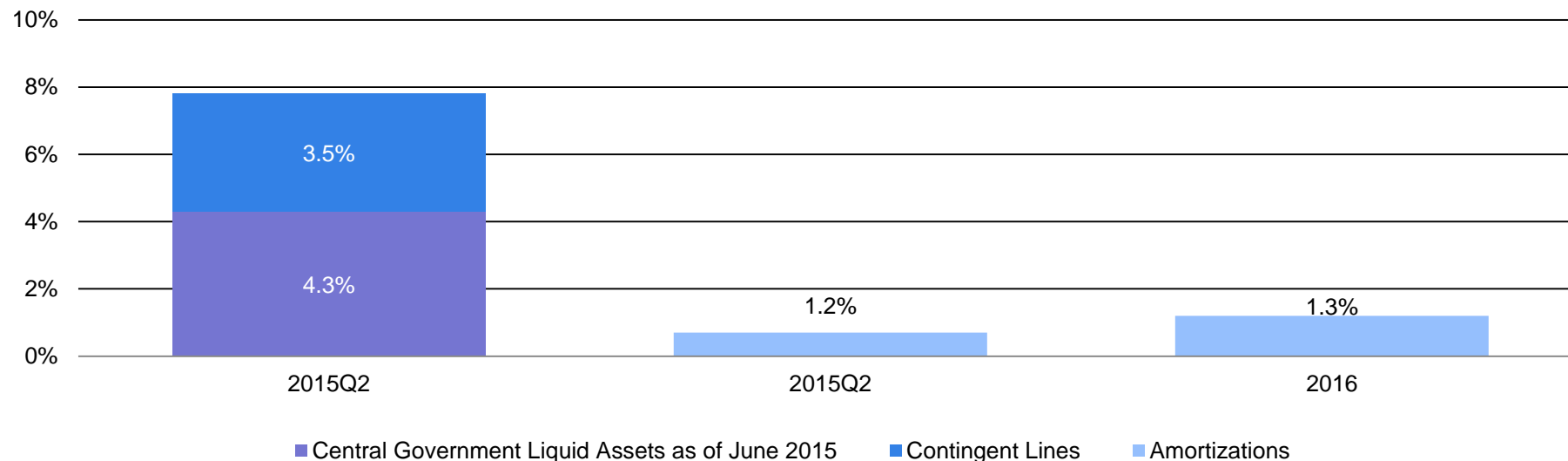
Fiscal, Banking & Monetary Sector

Debt Management



Ample Liquidity to Manage Potential Disruptions in Global Financial Conditions

(% of GDP)



Contingent Credits Lines Amount to Nearly USD 2bn, around 3.5% of GDP

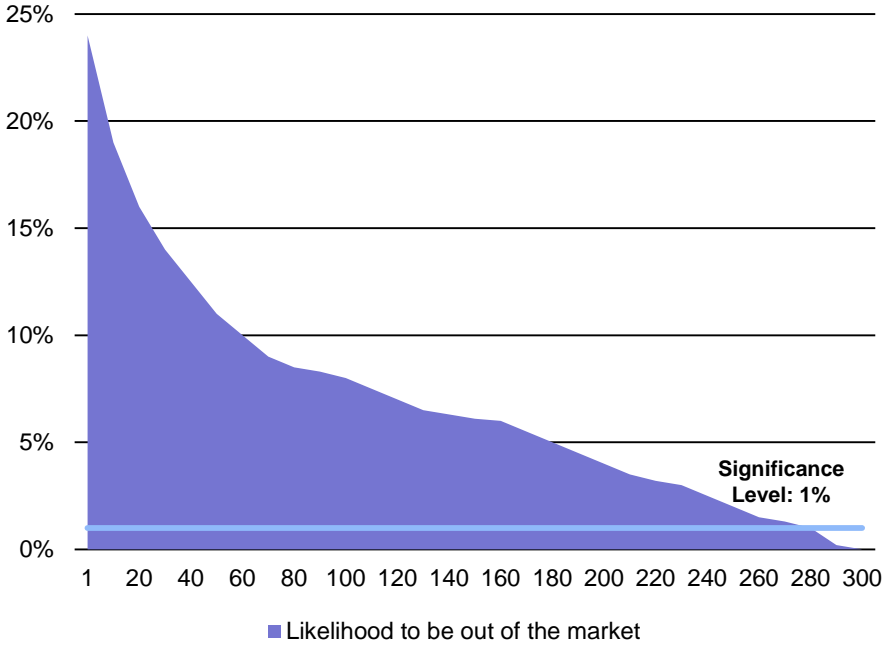
- ✓ IDB – USD 550 million
- ✓ World Bank – USD 520 million
- ✓ FLAR – USD 470 million
- ✓ CAF – USD 400 million

Source: Debt Management Unit, Ministry of Economy and Finance

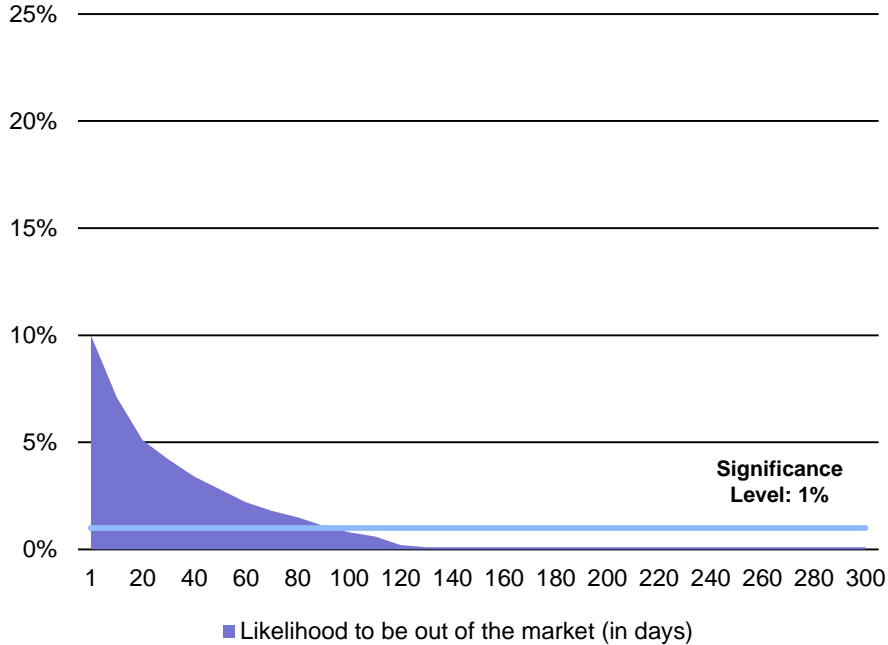


More conservative prefunding policy

The market should be closed *no more than 270 days* with probability 99%



The market should be closed *no more than 90 days* with probability 99%



January 1999 – January 2008

- Assumption: i) Uruguay was not willing to borrow at levels of 200bps over EMBI+ or ii) EMBI+ traded 20% or more above its long term trend

January 2007 – June 2015

- Assumption: i) Uruguay was not willing to borrow at equivalent levels of the EMBI+

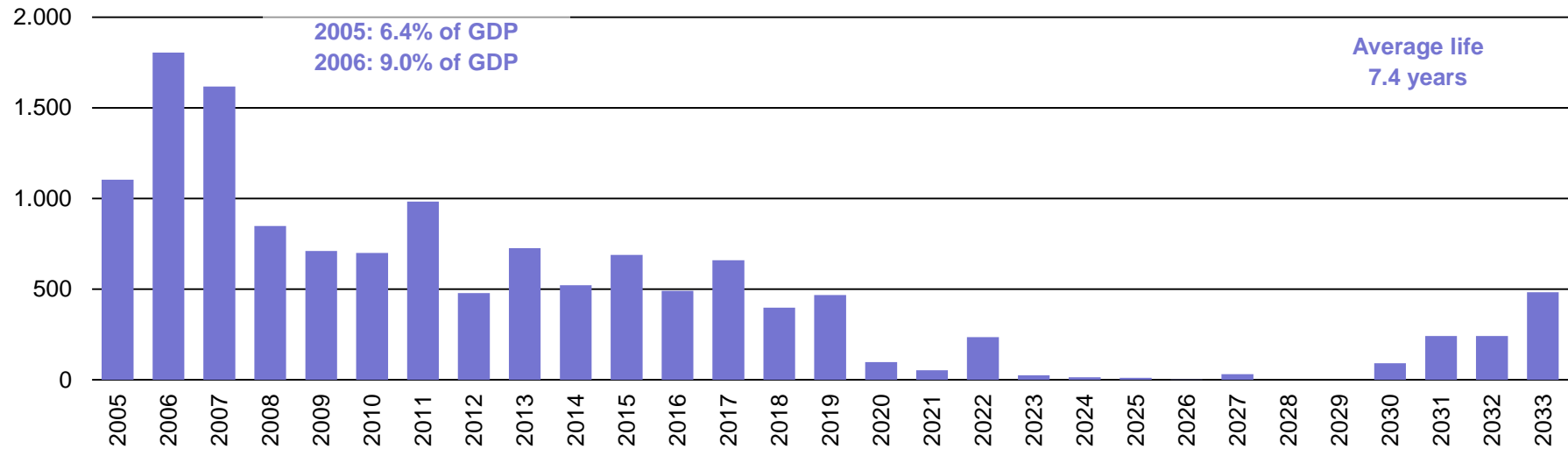
Source: A Note on the Optimal Precautionary Reserves of the Uruguayan Treasury: an Access-at-Risk Approach». Umberto DellaMea (2008)



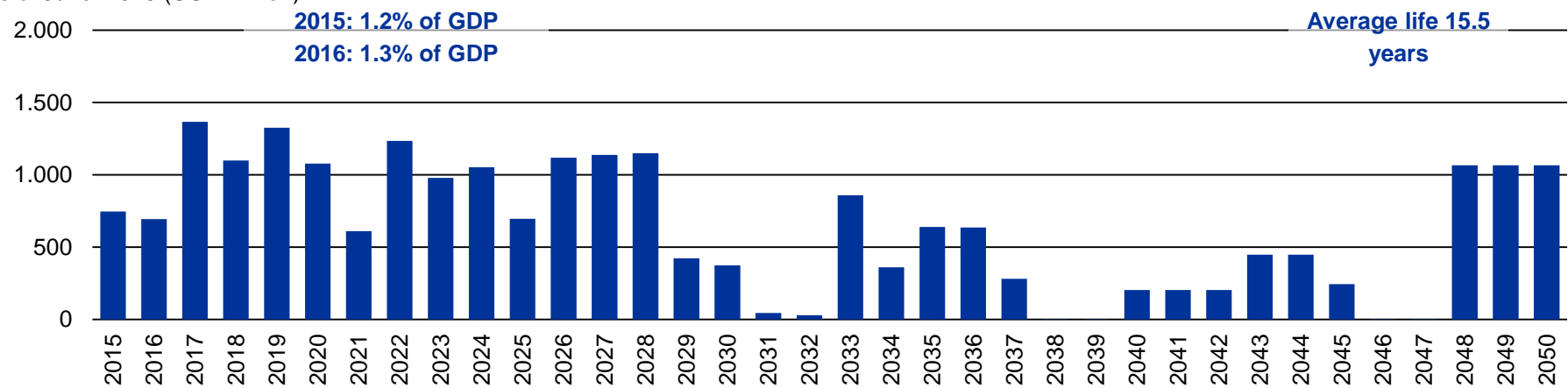
Proactive Debt Management of Central Government has Reduced Roll-over, FX and Interest Risk

Central Government Debt Amortization Profile

As of December 2004 (USD Million)



As of June 2015 (USD Million)

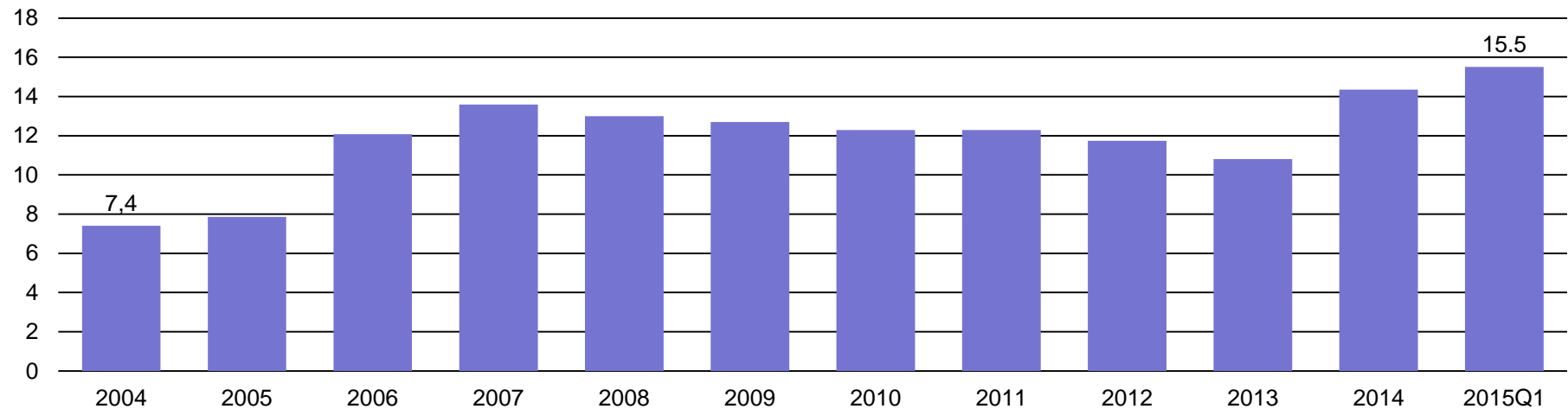


Source: Debt Management Unit, Ministry of Economy and Finance

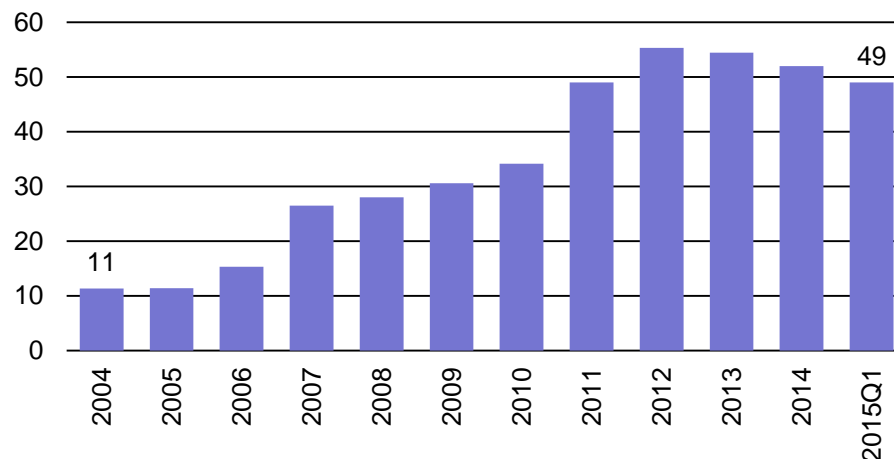


Proactive Debt Management of Central Government has Reduced Roll-over, FX and Interest Risk

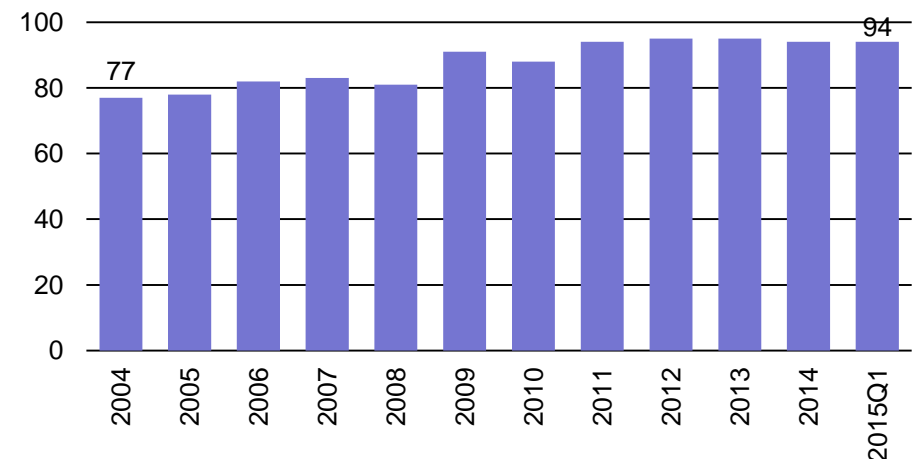
Average Time to Maturity (in Years)



Debt in Local Currency (% of Total)



Debt at Fix Rate (% of Total)

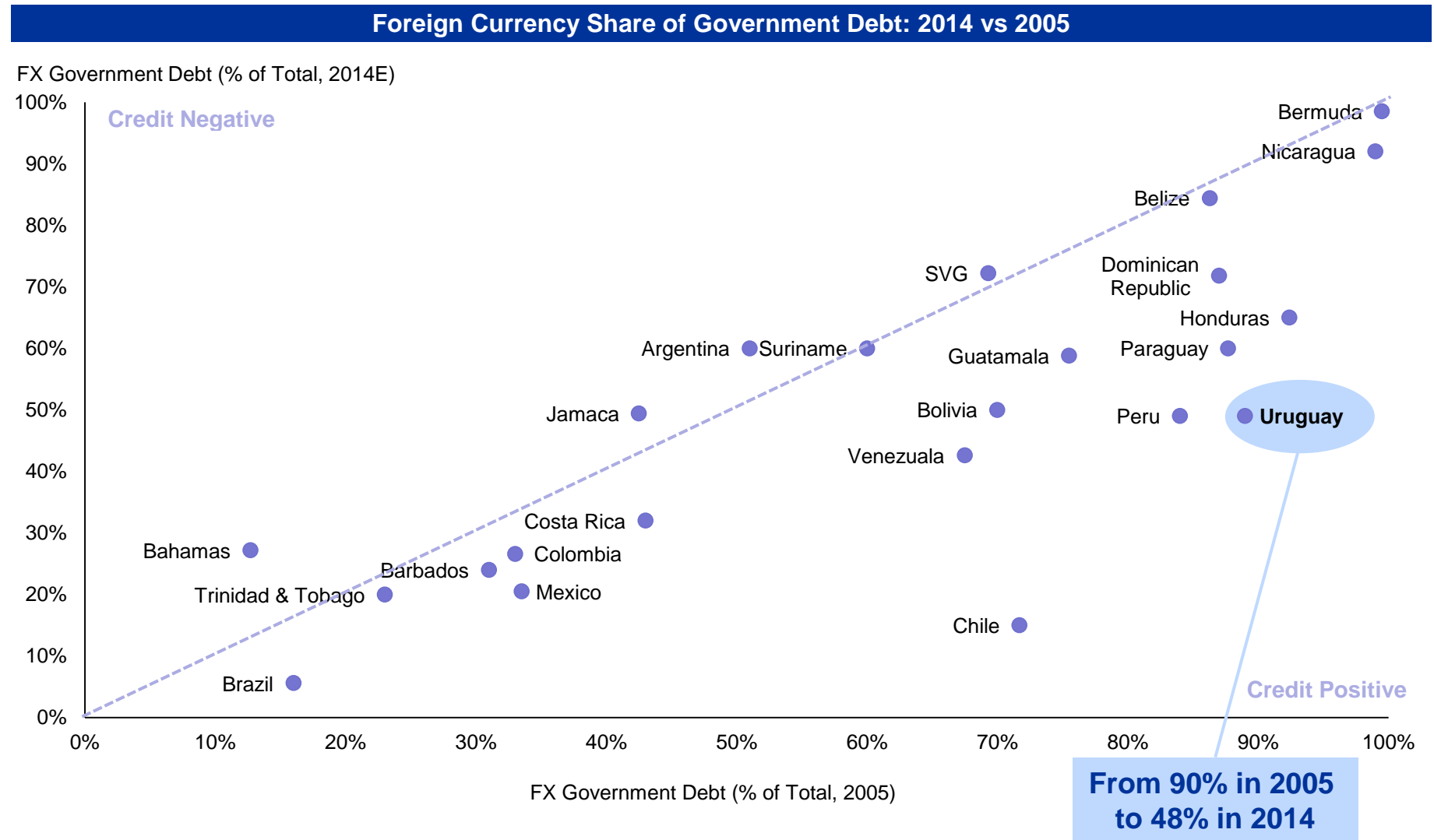


Source: Debt Management Unit, Ministry of Economy and Finance



Uruguay has been – after Chile – the LAC Sovereign that Improved the Most

Particularly in relation to debt exposure to foreign currency over the last decade

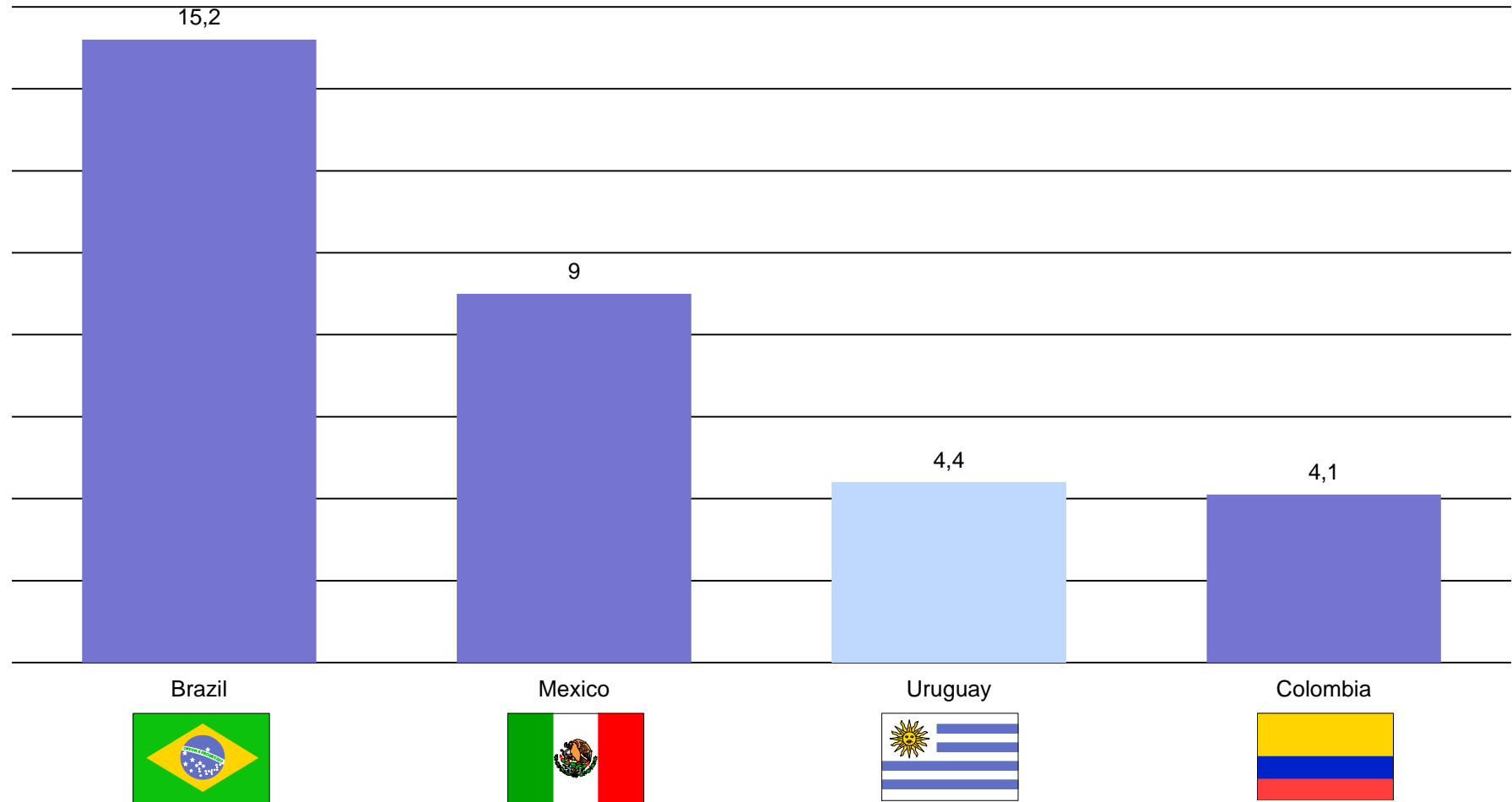


Source: Moody's Sovereign Outlook - Latin America: Credit profiles stabilizing amid lower growth, moderate external vulnerabilities" March 2015



Uruguay's Gross Financing Needs are Relatively Small

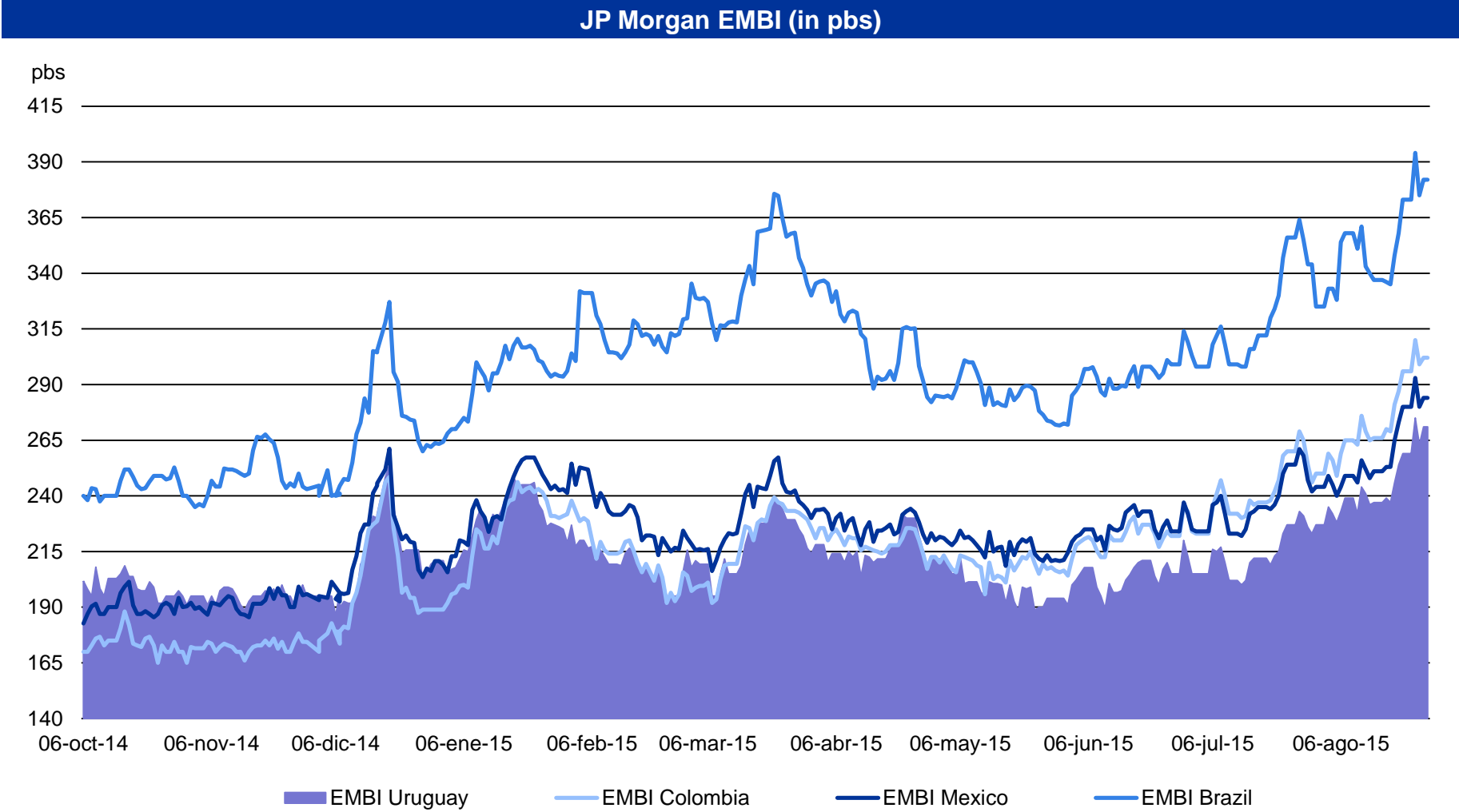
Central Government Gross Financing Needs 2015 (% of GDP)



Source: Fiscal Monitor IMF, October 2014 and Ministry of Economy and Finance (Gross Financing Needs as Budget Deficit + Maturing Debt)



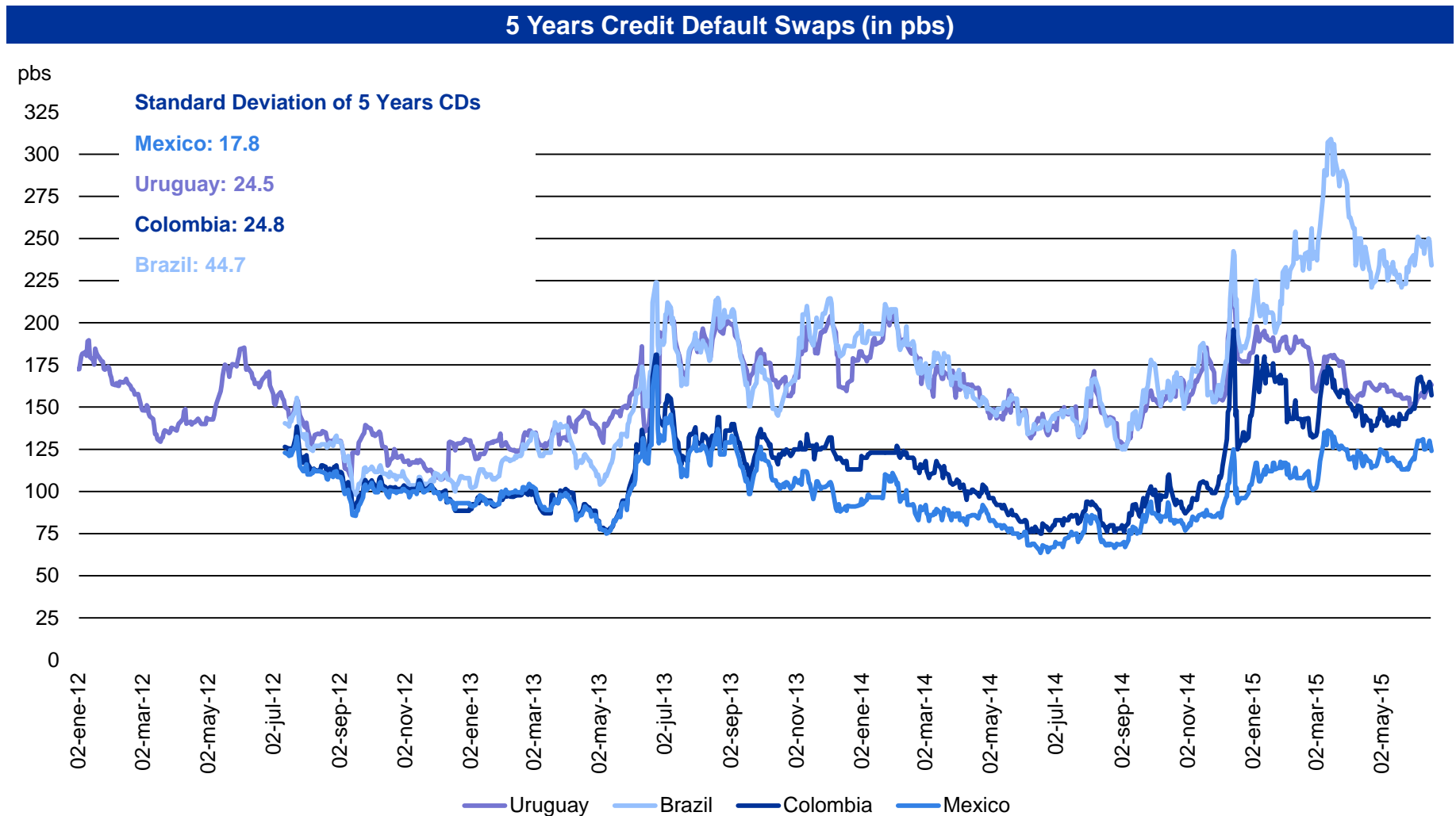
Uruguay Continues Doing Well Compare with its Latam Peers



Source: Bloomberg



CDS: Uruguay has Stayed at Around 150bps but Improved in Relative Value



Source: Bloomberg



Main Challenges for Debt Management

- ✓ Inertial pressure for re-dollarization of debt
- ✓ Increasing rates as U.S. monetary policy continues to normalize
- ✓ Change in local and external investors preferences towards hard-currency bonds
- ✓ Spillovers from the regional deterioration



Financial Strengths

- ✓ Uruguay has a significantly less risky Government debt structure
- ✓ Has built a sizable financial shield to reduce the vulnerabilities that affected the country in the past
 - This provides flexibility when deciding the issuance strategy, optimizing risk and cost
 - Underpins the credit quality of the sovereign



Strategic Guidelines for Debt Management

- ✓ Continue reducing the rollover, FX and interest rate risk
- ✓ Maintain a conservative pre-funding policy to cover debt services payments for the following 12 months
- ✓ Obtain an optimal mix of multilaterals and private debt
- ✓ Achieve a more dynamic domestic market
- ✓ Diversify our sources of funding and broaden the investor base



Toolbox

- ✓ Broaden the use of derivatives (hedging against FX and interest rate risk)
- ✓ Further develop of the local market (boost liquidity and extend the yield curve in LC)
- ✓ Use of multilateral debt as a growing funding source
- ✓ Reinforcement of contingent credit lines

