



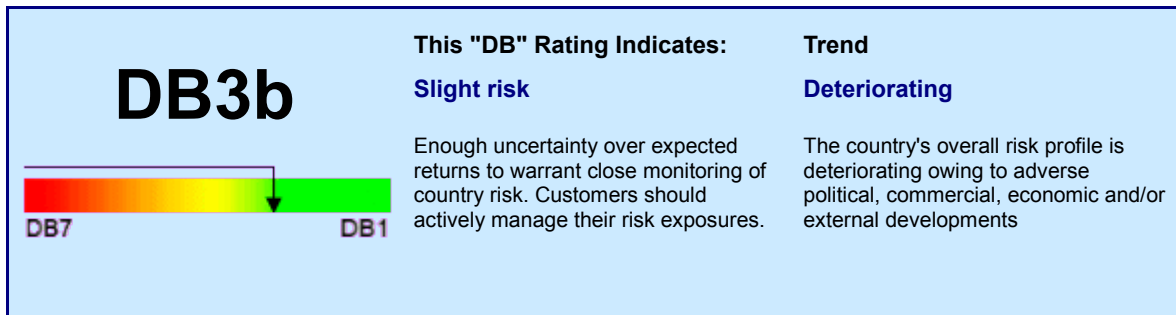
Decide with Confidence

# URUGUAY

Region : The Americas

Edition : October 2014

## D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

*Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

*Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

*External risk* - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

*Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

<b>Population:</b>	3.4m
<b>Surface area (sq km):</b>	176,220
<b>Capital:</b>	Montevideo
<b>Timezone:</b>	GMT -03:00
<b>Main languages:</b>	Spanish
<b>Head of state:</b>	President Jose MUJICA
<b>GDP (USD):</b>	55.7bn
<b>GDP per capita (USD):</b>	16,351
<b>Life expectancy (years):</b>	76
<b>Urban population (% of total):</b>	92.0

### Country Overview:

Situated in the south of South America, Uruguay lies between the Uruguay River to the west and Atlantic Ocean. The country's fertile coastal areas and rolling plains provide first-class land for agriculture and stock-raising, which provide the mainstay of Uruguay's exports. The country also offers tourism and banking services to non-residents, mainly from Argentina and Brazil. After recovering from a serious economic downturn over 1999-2002, mainly stemming from difficulties in its two large neighbouring economies, Uruguay has experienced healthy economic growth.

The leftist President Tabare Vazquez and his ruling Broad Front coalition broke 170 years of two-party rule when elected in 2004, a trend that was confirmed by the triumph of Jose Mujica in the presidential election in 2009. However, the country's democratic political system is stable and benefits from a robust system of checks and balances.

The government has maintained sound economic management and a commitment to a social-democratic model that has supported high human development indicators in the country.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	SD
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

<b>Recommended Terms:</b>	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

<b>Usual Terms:</b>	60-90 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	0-1 month
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

<b>FX/Bank Delays:</b>	0-1 month
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

### Trade & Commercial Environment

Uruguay held USD17.95bn in international reserves in mid-September 2014, down slightly on the month but up from USD16.3bn at end-2013, and sufficient to provide a strong ratio of close to 14.0 months of import cover. The exchange rate has continued to weaken, in line with other southern zone currencies, moving from UYU23.0:USD in July to UYU24.6:USD in September, its weakest nominal level in five years. The monetary authorities have sufficient reserves to intervene should the currency show further weakness, mindful of the inflationary impact of depreciation. Inflation moderated in August, but remains high at 8.8%. Uruguay's strong reserves position indicates low cross-border payment risks in the near term. Our recommended terms are LC.

### Export Credit Agencies

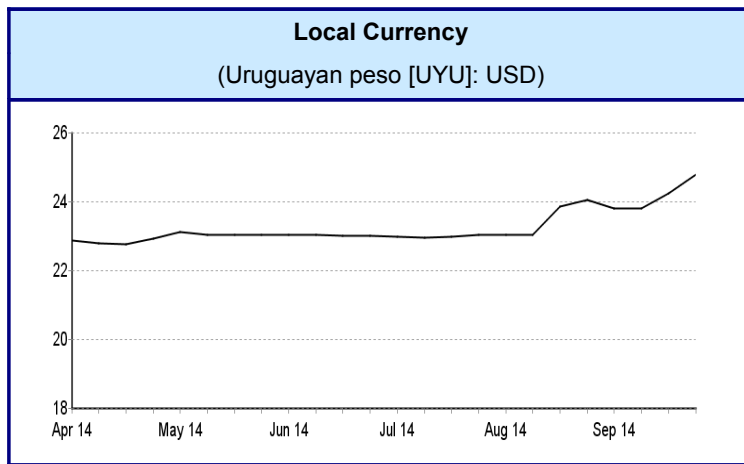
<b>US Eximbank</b>	Full cover available subject to limitations
<b>Atradius</b>	ST cover available, no discretionary limits
<b>ECGD</b>	Refer to underwriter
<b>Euler Hermes UK</b>	Full ST cover available

### Economic Indicators

	2011	2012	2013	2014f	2015f
<b>Real GDP growth, %</b>	7.3	3.7	4.4	2.6	3.2
<b>Inflation, annual ave, %</b>	8.1	8.1	8.6	9.0	7.4
<b>Govt balance, % GDP</b>	-0.5	-2.0	-2.0	-1.9	-1.7
<b>Unemployment, %</b>	6.3	6.3	6.4	6.2	6.0
<b>C/A balance, % GDP</b>	-2.9	-5.4	-5.6	-4.1	-5.5

### Currency Information

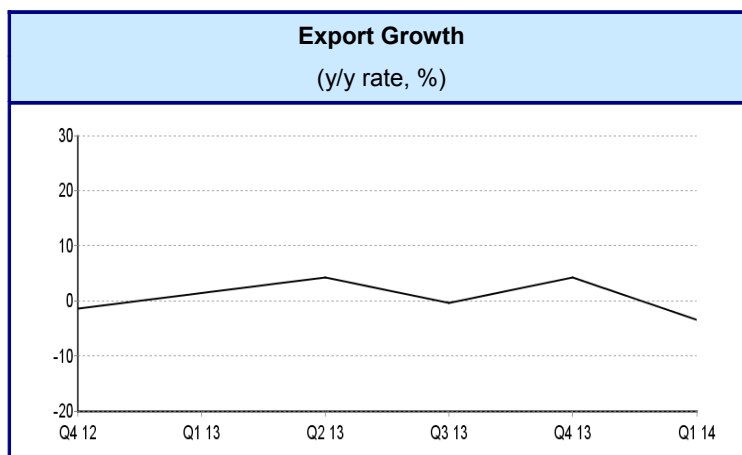
<b>Exchange Rates</b>	
(London, 26 Sep 14)	
EUR	31.4734
GBP	40.2689
JPY*	22.6994
USD	24.79
*(x 100)	



**Local Currency**  
(Uruguayan peso [UYU]: USD)

	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14
<b>Week 1</b>	22.850	23.100	23.030	22.980	23.020	23.790
<b>Week 2</b>	22.790	23.030	23.030	22.950	23.020	23.790
<b>Week 3</b>	22.750	23.040	23.000	22.970	23.860	24.240
<b>Week 4</b>	22.920	23.040	23.000	23.020	24.040	24.790
<b>Week 5</b>						

## Export Growth



**Data Table**

Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14
-1.49		4.15	-0.44	4.15	-3.44

## Risk Factor

*Business Continuity:* Presidential and legislative elections will be held on 26 October, and the race has tightened sufficiently over recent months to make it impossible to call. Only six months ago, the candidate of the ruling centre-left Broad Front (Frente Amplio, FA) coalition, Tabare Vazquez, was strong favourite to win the presidency, possibly in a first round, with a possible twin majority in the legislature. Now, although he holds a lead in opinion polls, the presidential vote seems certain to go to a second-round run-off between Vazquez and Luis LaCalle Pou of the centre-right National Party (Partido Nacional, or Blancos). And while certain to remain the largest party in both houses of Congress, the FA is unlikely to command a majority in either. LaCalle Pou, a young (41) candidate of a traditionally strong party, has run a solid campaign, and appears to have momentum going into the final month. He can also be confident of attracting second-round votes from the likely third-placed candidate, Pedro Bordaberry of the Partido Colorado. Latest opinion polls show Vazquez and LaCalle Pou statistically tied on 47% of voting intentions and 46% of voting intentions in a second round vote. LaCalle Pou has acknowledged the economic success of ten years under the FA, and has pledged continuity in areas of strength of the FA (principally the economy and social welfare). Through nullifying the FA's strengths as the incumbent party, he has brought the debate round to its perceived failures (increased security concerns and weak public finances) and steadily gathered support. Vazquez, who was a popular president in 2005-10, has run a less visible campaign, and there are some concerns among the electorate that the FA is tired after ten years in power, and that there is now a viable alternative. Whoever wins the presidency, economic policy continuity is assured, and both candidates will look to address the structural problems of weak public finances and high inflation.

*Short-Term Economic Potential:* GDP expanded by 3.7% year on year (y/y) in Q2, a seasonally-adjusted quarterly rise of 2%. With domestic demand slack, the external accounts provided a positive contribution, with export volumes rising by 8.1%. Inward investment has remained firm. On the supply side, renewed rainfall after three years of drought helped to boost hydroelectric generation and reduce expensive oil imports, providing a further fillip.

*FX Risk:* Although inflation has moderated to 8.75% in August from 9.1% in July, it remains a major policy concern, with the inflationary pressure of a weaker exchange rate offsetting the disinflationary slackening of consumer demand. The slippage of the exchange rate to close to UYU25.0:USD has more to do with generalized US dollar strength than any perceived weakness in Uruguay, which remains a generally solid economy.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

#### Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

#### Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

#### Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

#### F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

## GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

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