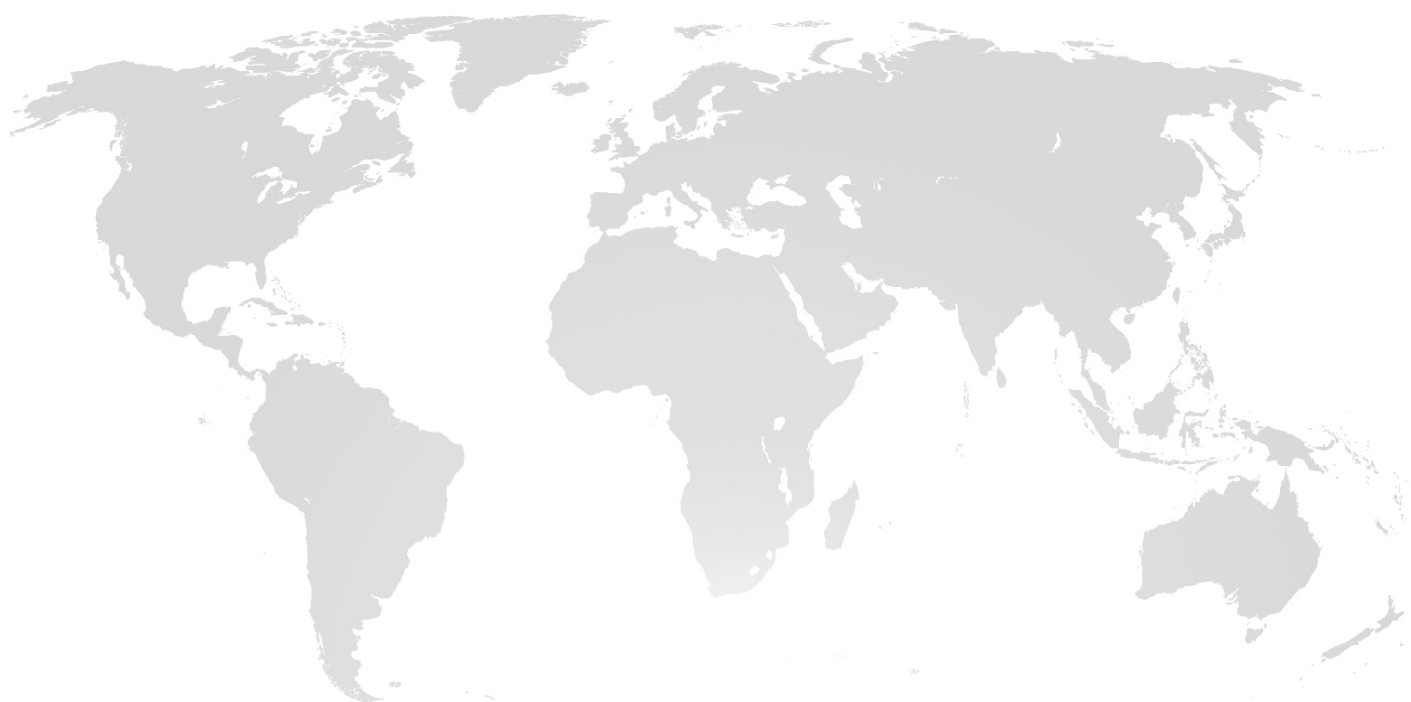




D&B Country Insight Snapshot: Uruguay

January 2015





Overview

Overall Country Risk Rating : DB3b



Slight risk : Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

Rating Outlook: Stable →

Core Outlook

- + Uruguay represents a good investment opportunity for companies looking to commence operations in Latin America.
- + A strong democracy and good social indicators provide a stable platform for business.
- Uruguay's long-term economic potential is constrained by its geographical proximity to the much larger economies of Argentina and Brazil.
- Twin deficits and stubbornly-high inflation are the main economic constraints.

Key Development

Despite a comfortable election victory, President-elect Vazquez will face more challenging political and economic environments than in his first term, with greater problems if he fails to address the fiscal position.

Credit Environment Outlook

Key Development has had a negative impact on the outlook.

Supply Environment Outlook

Key Development has had a neutral impact on the outlook.

Market Environment Outlook

Key Development has had a negative impact on the outlook.

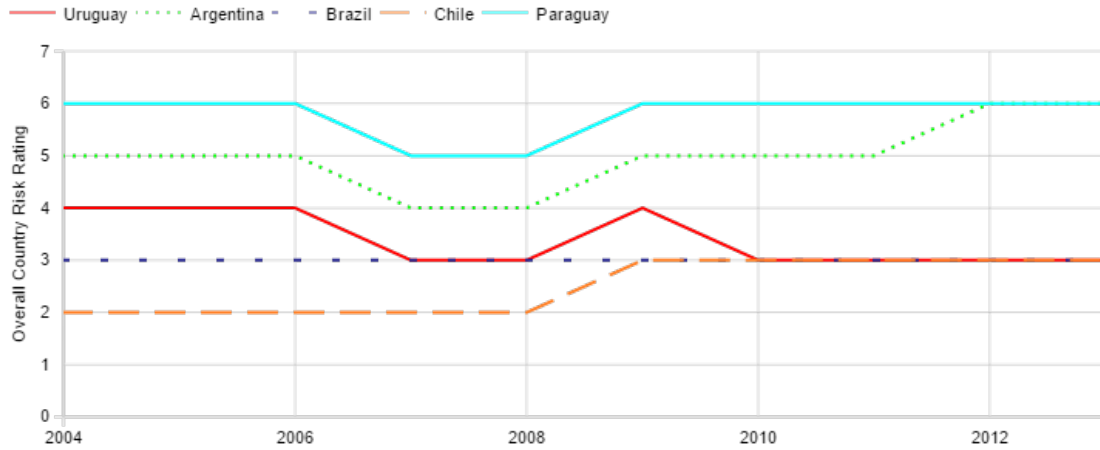
Political Environment Outlook

Key Development has had a neutral impact on the outlook.



Key Indicators

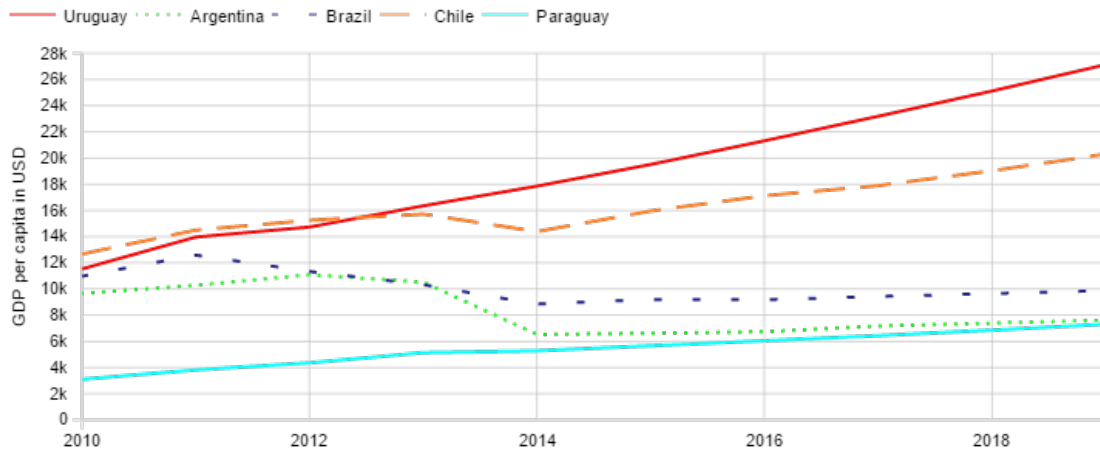
Rating History and Comparison



Source : D&B

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Chart of the Month



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2011	2012	2013	2014f	2015f	2016f	2017f	2018f
C/A balance % GDP	-2.9	-5.4	-5.6	5.7	-5.0	-3.5	-3.5	-3.2
Govt balance, % GDP	-0.5	-2.0	-2.0	-1.9	-1.7	-1.6	-1.4	-1.3
Inflation, annual avge %	8.1	8.1	8.6	8.8	8.3	7.8	7.3	6.8
Real GDP Growth, %	7.3	3.7	4.4	2.6	2.8	3.0	3.2	3.4
Unemployment, %	6.3	6.3	6.4	6.8	6.8	6.9	7.1	7.2

Source : Haver Analytics/D&B

Trade and Commercial Environment

Uruguay held USD17.81bn in international reserves at end-2014, up from USD16.3bn a year earlier, and sufficient to provide a strong ratio of over 14 months of import cover. The exchange rate weakened slightly further in H2 2014, and at UYU24.4:USD at year-end was 13.7% weaker than at end-2013. The monetary authorities have sufficient reserves to intervene should the currency weaken again, mindful of the inflationary impact of depreciation. The weaker currency also contributed to higher inflation, which stood at 8.3% in December; inflation exceeded the Central Bank's 3-7% target throughout the year and remains a weakness. Uruguay's strong reserves position indicates low cross-border payment risks in the near term. Our recommended terms are LC.

Trade Terms and Transfer Situation

Minimum Terms: SD

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: LC

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: 60-90 days

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

Local Delays: 0-1 month

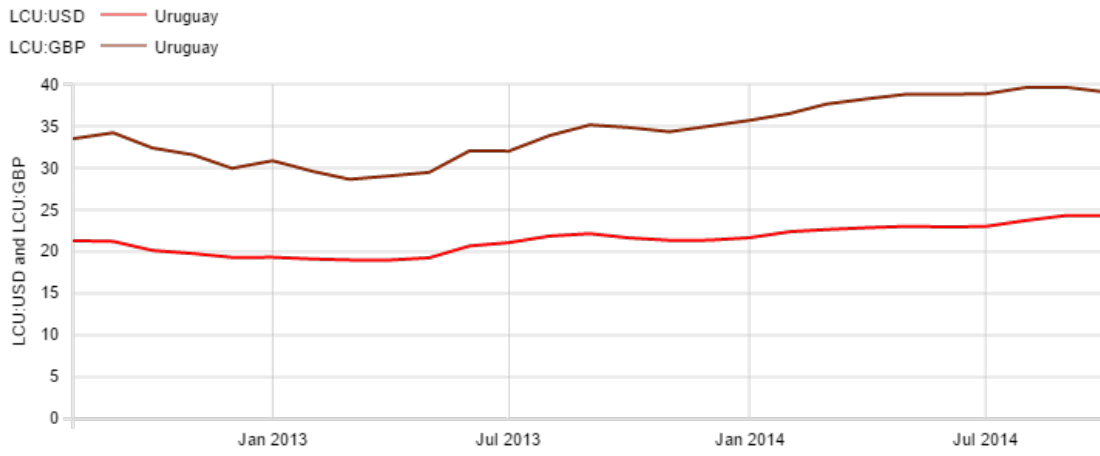
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

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.



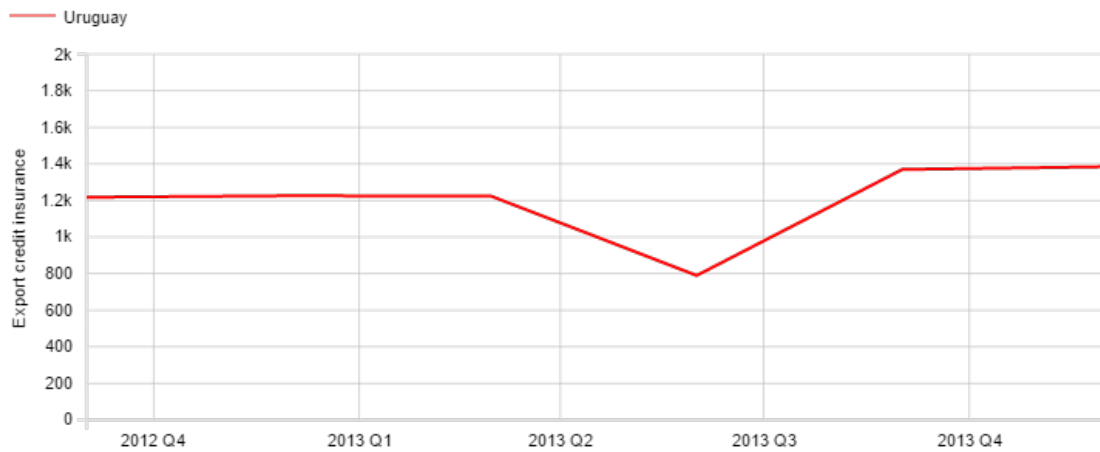
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm

Risks and Opportunities

Short-Term Economic Outlook

President-elect faces a challenging economic environment

Following his ultimately comfortable second-round presidential election win in November, president-elect Tabare Vazquez of the ruling centre-left Broad Front (FA, Frente Amplio) coalition will begin a five-year term on March 1st 2015. While he will be able to count on narrow majorities in both the House of Representatives (Lower House) and the Senate (Upper House), he will face more challenging political and economic environments than in his first term (2005-10). The economic challenge is the greatest. He inherits an economy which is growing, but at under 3% it is around half the rate of his previous term. And it is structurally weaker. Wage and pension costs in the large public sector have grown strongly over the past five years, and these will be difficult to roll back. They have contributed to a rising public deficit (of over 3% of GDP) as well as to high inflation. In addition, Vazquez takes office at a time of low commodity prices and sluggish global demand, which will stymie growth plans in an economy largely dependent on agricultural production. His previous term had ridden the crest of the commodities boom, allowing for strong growth and a reduction in the fiscal deficit. Politically, although Vazquez is a popular figure, his coalition represents a very broad range of left-of-centre parties, and he will face opposition from the left-wing of the party (led by Senate leader and outgoing president Jose Mujica) which may obstruct his plans for a cautious fiscal policy. We forecast that growth will only rise to around 3%, with greater problems being stored up if he fails to address an increasingly complicated fiscal position.

Business Continuity

Credit line will help Uruguay reach its renewable energy targets

In December the Inter-American Development Bank extended a USD250m credit line to Uruguay's development bank, Banco Republica (BROU) to provide credit for infrastructural and financial investment in new wind and solar energy plants. Through the credit line (which will also provide some support for agricultural irrigation works) BROU hopes to finance projects that will generate 120MW of renewable energy and further reduce Uruguay's dependence in dry spells on imported thermal generation. There is no current energy crunch, as in 2014 Uruguay emerged from a three-year drought, and with rains now plentiful and oil prices low, energy costs should be lower in 2015 than in recent years (around 60% of installed capacity is hydroelectric.) In addition, renewable investment in recent years has already brought wind energy up to 10% of installed capacity (from close to zero in 2010) and wind power is on course to reach the government's target of 30% of peak-condition installed capacity by 2016.

Country Profile and Statistics

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, and in recent years has developed a strong pulp and paper production industry. 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. Following election victory in late 2014, Vazquez will start a second term as president on March 1st 2015. The country's democratic political system is stable and benefits from a robust system of checks and balances. Recent governments have maintained broadly sound economic management and a commitment to a social-democratic model that has supported high human development indicators in the country.

Key Facts

Key Fact	Detail
Head of state	President Jose MUJICA
Capital	Montevideo
Timezone	GMT -03-00
Main languages	Spanish
Population (millions)	3.4
GDP (USD billions)	55.8
GDP per capita (USD)	16,307
Life expectancy (years)	77
Literacy (% of adult pop.)	92
Surface area (sq km)	176,220

Source : UN / Haver Analytics / D&B

Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	8.4	7.34	3.68	4.4	2.6
Nominal GDP in USDbn	38.88	47.24	50	55.71	61.06
Nominal GDP in local currency (bn)	780	912	1,016	1,141	1,276
GDP per Capita in USD	11,531	13,963	14,729	16,351	17,859
Population (year-end, m)	3.37	3.38	3.4	3.41	3.42
Exchange rate (yr avge, USD-LCU)	20.06	19.31	20.31	20.48	20.89
Current Account in USDbn	-0.73	-1.38	-2.71	-3.13	3.45
Current Account (% of GDP)	-1.88	-2.92	-5.42	-5.61	5.65
FX reserves (year-end, USDbn)	7.64	10.29	13.59	16.27	17.95
Import Cover (months)	9.09	9.66	11.11	13.05	13.45
Inflation (annual avge, %)	6.7	8.1	8.1	8.6	8.8
Govt Balance (% GDP)	-0.7	-0.5	-2	-2	-1.9

Source : D&B

Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	2.8	3	3.2	3.4	3.5
Nominal GDP in USDbn	66.9	73.4	80	87	94.2
Nominal GDP in local currency (bn)	1,426.15	1,594.43	1,774.61	1,966.26	2,172.72
GDP per Capita in USD	19,512	21,319	23,195	25,123	27,138
Population (year-end, m)	3.4	3.4	3.5	3.5	3.5
Exchange rate (yr avge, USD-LCU)	21.3	21.7	22.2	22.6	23.1
Current Account in USDbn	-3.4	-2.6	-2.8	-2.8	-2.8
Current Account (% of GDP)	-5.04	-3.52	-3.52	-3.24	-2.99
FX reserves (year-end, USDbn)	19.7	21.5	23.6	25.8	28.3
Import Cover (months)	13.9	13.96	14.15	14.35	14.55
Inflation (annual avge, %)	8.3	7.8	7.3	6.8	6.5
Govt Balance (% GDP)	-1.7	-1.6	-1.4	-1.3	-1.1

Source : D&B

Comparative Market Indicators

Indicator	Uruguay	Argentina	Brazil	Chile	Paraguay
Income per Capita (USD)	19,512	6,619	9,199	15,959	5,663
Country Population (m)	3.4	42.2	205.2	17.9	7
Internet users (% of population)	58.1	59.9	51.6	66.5	36.9
Real GDP Growth (% p.a., 2014 - 2023)	4 - 4.5	2.8 - 4.5	2.5 - 4.5	4.5 - 5.5	4 - 5

Source : D&B

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