



Decide with Confidence

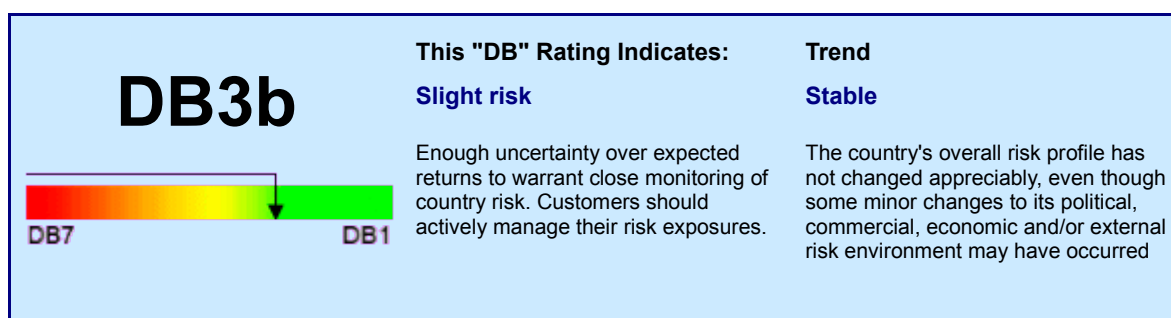
D&B Country RiskLine Report

URUGUAY

Region : The Americas

Edition : July 2013

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

Population:	3.4m
Surface area (sq km):	176,220
Capital:	Montevideo
Timezone:	GMT -03:00
Main languages:	Spanish
Head of state:	President Jose MUJICA
GDP (USD):	39.2bn
GDP per capita (USD):	12,026
Life expectancy (years):	76
Urban population (% of total):	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

Minimum Terms:	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.

Recommended Terms:	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.

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

Transfer Situation

Local Delays:	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.

FX/Bank Delays:	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

Foreigners buying government bonds must now deposit 50% of their investment into a special account. In addition, the deposit requirement for purchasing government securities has been increased to 50% (from 40%) of the notes' value. These are the latest measures aimed at reducing what the central bank referred to as distortions in the exchange and monetary market caused by a significant rise in capital inflows. The average interbank UYU/USD rate stood at 20.9403 for the week ending June 21st, the lowest average interbank rate for the year. We expect the currency to further depreciate in the near term in response to the latest central bank move. Fears of new capital controls drove the peso down by nearly 6% against the USD in the last week of May.

Export Credit Agencies

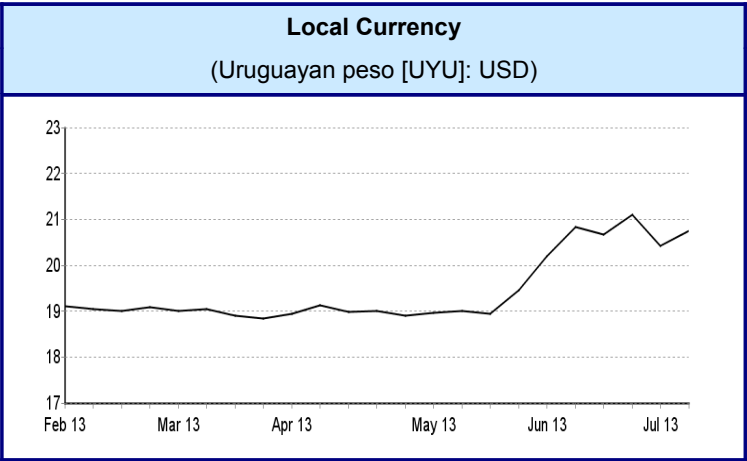
US Eximbank	Full cover available subject to limitations
Atradius	ST cover available, no discretionary limits
ECGD	Refer to underwriter
Euler Hermes UK	Full ST cover available

Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	8.9	6.5	3.9	4.0	4.0
Inflation, annual ave, %	6.7	8.6	7.5	8.1	7.9
Govt balance, % GDP	-1.1	-1.7	-1.5	-1.1	-0.5
Unemployment, %	6.7	6.0	5.5	5.4	5.4
C/A balance, % GDP	-1.9	-3.1	-5.1	-5.2	-5.5

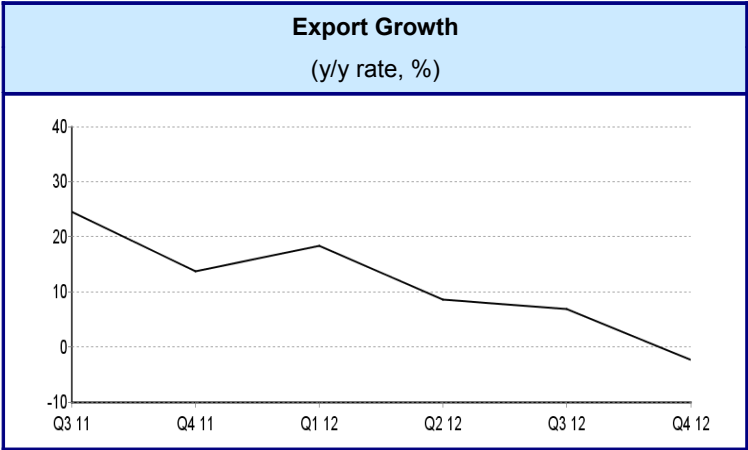
Currency Information

Exchange Rates (London, 24 Jun 13)	
EUR	27.7115
GBP	32.4642
JPY*	21.6414
USD	21.095
*(x 100)	



Local Currency (Uruguayan peso [UYU]: USD)						
	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Week 1	19.100	19.010	18.950	18.970	20.185	20.425
Week 2	19.050	19.050	19.120	19.000	20.825	20.755
Week 3	19.000	18.900	18.980	18.950	20.675	
Week 4	19.080	18.830	19.000	19.455	21.095	
Week 5			18.900			

Export Growth



Data Table					
Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
24.5	13.8	18.3	8.5	6.8	-2.4

Risk Factor

Controlling the money supply and monitoring bank deposits will soon be the main monetary policy tools used to curb domestic inflation. From July, the central bank will no longer use its reference interest rate to combat inflation as the bank believes that the rate has lost its effectiveness and relevance to domestic financial markets. This is a reversion to the inflation management approach employed by the bank during 2003/07, which had limited success. Moreover, the new inflation target range will be 3.0-7.0% from July 14th instead of 4.0-6.0%. The new range seeks to consolidate the central bank's credibility relative to affecting inflation expectations, according to the bank's governor, Mario Bergara. The 12-month inflation rate stood at 8.06% in May, down from 8.14% in April, but above the upper limit (7.0%) of the new inflation target range. The reference interest rate remains at 9.25%, the highest level that the rate has been in more than two years. D&B expects the inflation rate to continue to breach the upper threshold in the short term, unless appropriate fiscal measures to cut government spending and manage real wage growth are undertaken.

Real GDP rose by 3.7% in Q1 2013 compared with Q1 2012 and 1.2% against 4.8% in Q4 2012, according to recently-released central bank statistics. Strong growth in government and private consumption of 5.2% and 4.8%, respectively compared with Q1 2012 were the key drivers. At a sectoral level, farming, telecommunications, financial services and electricity fueled the rise in economic expansion in the first three months of this year. The economy grew by 3.9% in 2012, a significant deceleration from 6.5% posted one year earlier. We continue to hold to our real GDP projection of 4.0% for 2013, with downside risks closely linked to lower growth forecasts for key regional trading partners including Brazil and Argentina.

Elsewhere, large farm owners/investors will soon be paying higher taxes based on a new law. In early June, congress passed a bill that focuses on farm land holdings valued above approximately USD1.5m (according to previous valuations). Such owners/investors will be taxed between 1.5% and 3.0%. The measure is expected to net over USD60m in tax revenue and will affect around 1,500 landowners, according to official estimates. This is expected to narrow the profitability of commercial farms consisting mainly of cattle and agricultural products, but it is unlikely to depress investment in the sector. This follows a recently-passed mining bill that outlines new regulations and tax requirements for large-scale mining operators. In addition to increasing the obligations of project owners to ensure that mining activities are conducted in an environmentally-sustainable manner, large operators will now have to pay a new tax in addition to the existing 25.0% corporate tax.

Glossary & Definitions

DEFINITIONS

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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

Customer Service & Support

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