

Regional economic turmoil curbs structural strengths



General Information

GDP	USD57.471bn (World ranking 77, World Bank 2014)
Population	3.42mn (World ranking 135, World Bank 2014)
Form of state	Constitutional Republic
Head of government	Tabaré Vázquez
Next elections	2019, presidential and legislative



Strengths

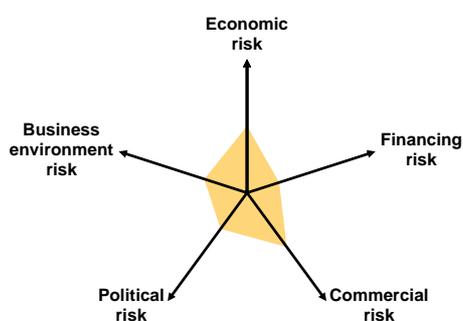
- Robust democratic political system with a good degree of social consensus
- High foreign reserve levels
- One of the best business environments in Latin America
- High levels of FDI inflows

Weaknesses

- Relatively high inflation and public debt-GDP ratio
- Banking system highly dollarized with large non-resident deposits
- Vulnerable to external shocks particularly via trade and financial links with low performing neighbours, Brazil and Argentina

Country Rating

BB2



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
China	19% 1	18% China
Brazil	16% 2	15% Brazil
Venezuela	6% 3	13% Argentina
Argentina	5% 4	10% United States
Germany	3% 5	4% Nigeria

By product (% of total)

Edible Agricultural Prod	25%	1	12%	Crude Oil
Meat	14%	2	4%	Refined Petroleum
Cereals	10%	3	4%	Pharmaceuticals
Fats	9%	4	4%	Plastic Articles
Non-Edible Agri. Prod.	7%	5	4%	Cars And Cycles

Source: ITC, Chelem

Economic Overview

Economic growth continues to decelerate

In 2014 economic growth decelerated to +3.5% compared to +5.1% in 2013. This was mainly due to a strong slowdown in investment growth which increased by only +2.6% compared to +4.3% in 2013. Private consumption which accounts for 75% of GDP also cooled off but still enjoyed a solid growth of +4.2%.

The outlook for this year does not appear brighter as adverse external factors weigh on Uruguay's exports which have fallen by -18% in H1 compared to H1 2014. The economic slowdown (or recession) in China, Brazil, Argentina and Venezuela – Uruguay's main trading partners – drive down volumes. Revenues are also affected by the drop in food commodity prices which account for around 50% of the country's total exports. Low oil prices will give some relief to the import bill but will not be enough to offset this negative outlook. Overall, Euler Hermes expects a real GDP growth of +2.9% in 2015 and +3.0% in 2016. Alongside inflation, although it is expected to continue cooling off over next months, will remain above the central bank 3-7% target range at +8.2% in 2015 and +7.5% in 2016.

Sound fundamentals enable to cope with challenging economic context

Despite its quite high level (64.7% in 2015) public debt remains manageable. Indeed, Uruguay benefits from an easy access to international capital markets and enjoys particularly long average maturities (67% over 5 years). After widening to -3.4% of GDP in 2014 because of the election calendar, the fiscal deficit is expected to narrow to -2.9% mainly due to the slower pace of public investment and a strengthening of public enterprises operating balances.

Similarly to other LatAm currencies, the Uruguayan peso has depreciated by -14% against the USD over the past 12 months. However, large FDI inflows almost covering the current account deficit and FX reserves representing more than 15 months of imports are the main buffers for Uruguay to cope with current external shocks.

Uruguay benefits from political stability and a relatively sound business environment. President Tabaré Vázquez is expected to continue his predecessor's reforms and the country ranks 82 out of 189 in the 2015 doing business, markedly above Brazil and Argentina. Nonetheless this figure hides huge disparities. It performs particularly well when it comes to starting new business and fighting against corruption while major struggles remain when dealing with construction permits or protecting minority investors.

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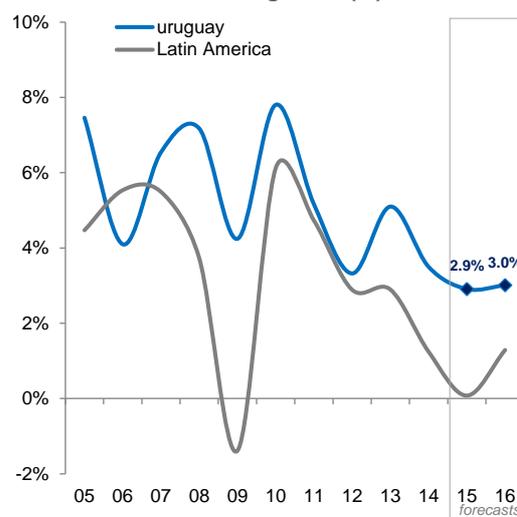
Key economic forecasts

	2013	2014	2015	2016
GDP growth (% change)	5.1	3.5	2.9	3.0
Inflation (% , yearly average)	8.6	8.9	8.2	7.5
Fiscal balance* (% of GDP)	-2.4	-3.4	-2.8	-2.9
Public debt* (% of GDP)	62.1	62.8	64.7	65.6
Current account (% of GDP)	-5.1	-4.5	-4.2	-4.5
External debt (% of GDP)	39.7	42.2	47.9	50.0

*Includes Local Government; Non-financial Public Corporations; Social Security Funds; State Governments

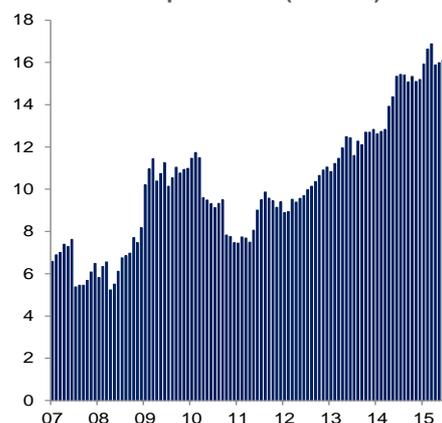
Sources: National statistics, IMF-WEO, IHS, Euler Hermes

Real GDP growth (%)



Sources: National sources, IMF-WEO, IHS, Euler Hermes

FX import cover (months)



Sources: National sources, IMF-WEO, IHS, Euler Hermes