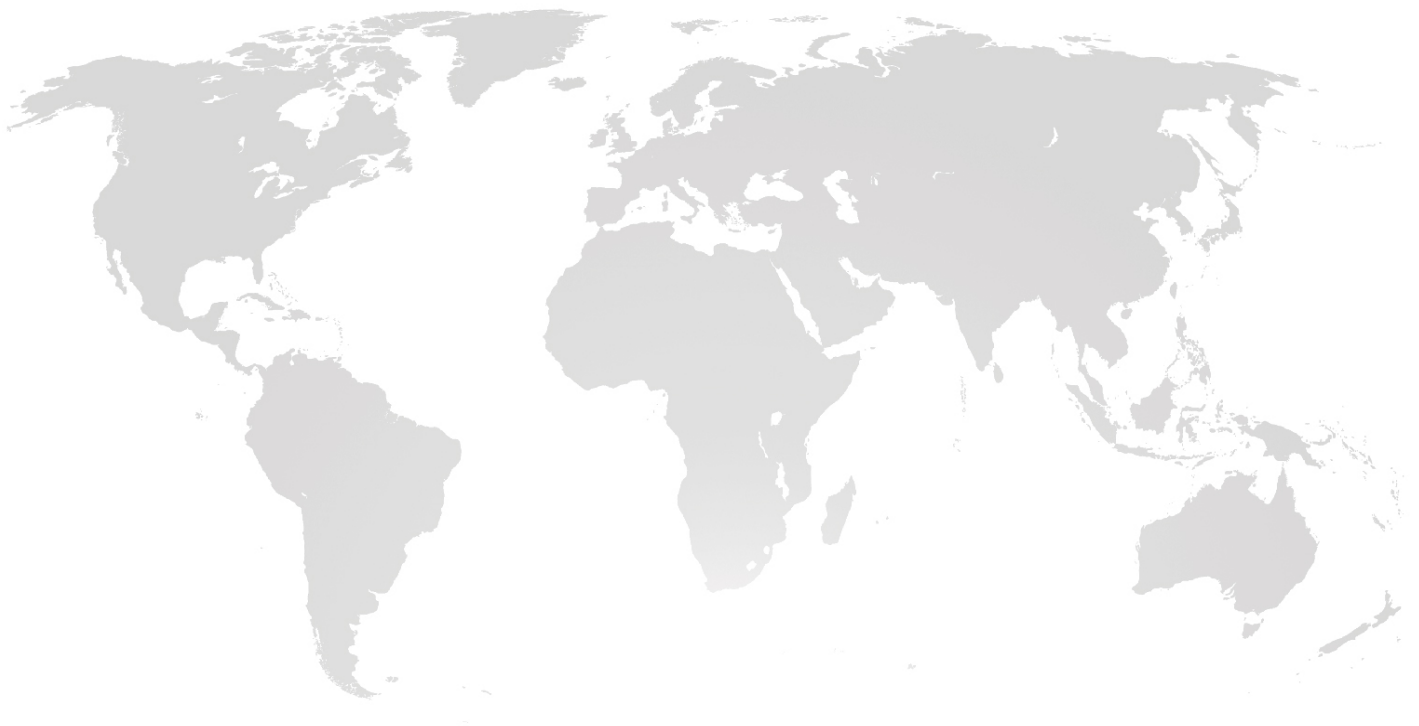


Country Insight Snapshot

Uruguay

March 2016





OVERVIEW

OVERALL COUNTRY RISK RATING: DB4A

Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

A

Rating Outlook:

Stable



CORE OUTLOOK

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

KEY DEVELOPMENT

Dun & Bradstreet downgrades Uruguay's country risk rating on the back of double-digit inflation and the prospect of continued inflationary pressures.

CREDIT ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

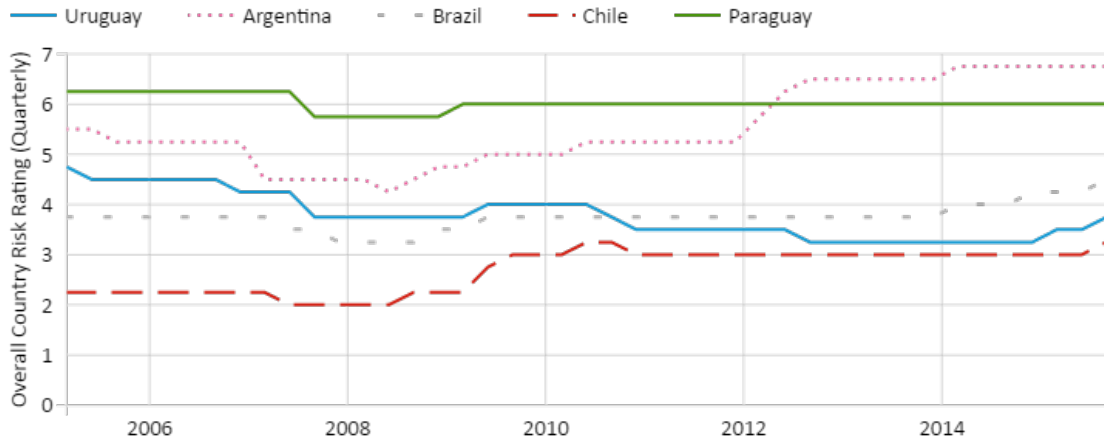
A

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

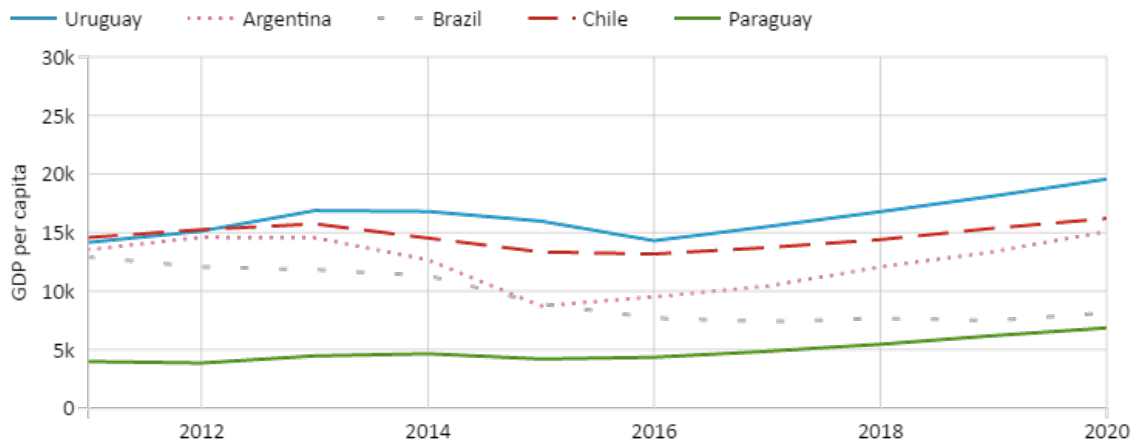
Rating History and Comparison



Source : Dun & Bradstreet

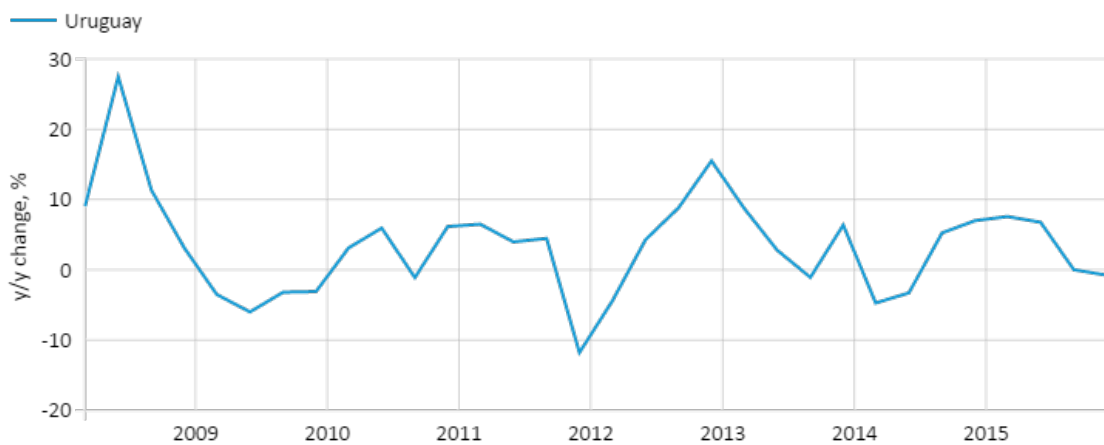
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-5.1	-4.6	-3.8	-3.0	-2.4	-2.1	-2.1	-2.2
Govt balance, % GDP	-2.1	-4.2	-6.3	-5.0	-4.5	-4.0	-3.5	-3.0
Inflation, annual avge %	8.6	8.9	8.7	7.8	7.0	6.8	6.5	6.5
Real GDP Growth, %	5.1	3.5	1.5	1.2	1.6	2.0	2.2	2.4
Unemployment, %	6.5	6.6	7.6	7.4	7.2	7.2	7.0	7.0

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Since mid-2015 the Central Bank has sold reserves in an effort to defend the currency from slipping further and thus rein in inflation. This brought total reserves down from USD18.3bn at end-June to USD13.8bn in mid-March, sufficient to provide around 12 months of import cover, a fair ratio. Despite this, the currency has continued to weaken, by 22% in 2015 and a further 8.4% in the first ten weeks of 2016, leaving it at UYU32.1:USD. This has exerted an inflationary impact, which hit double digits in February, well outside the 3.0-7.0% target. Despite tighter monetary policy we forecast mild further currency weakness, which will maintain pressures. The 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 Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: LC

Dun & Bradstreet'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

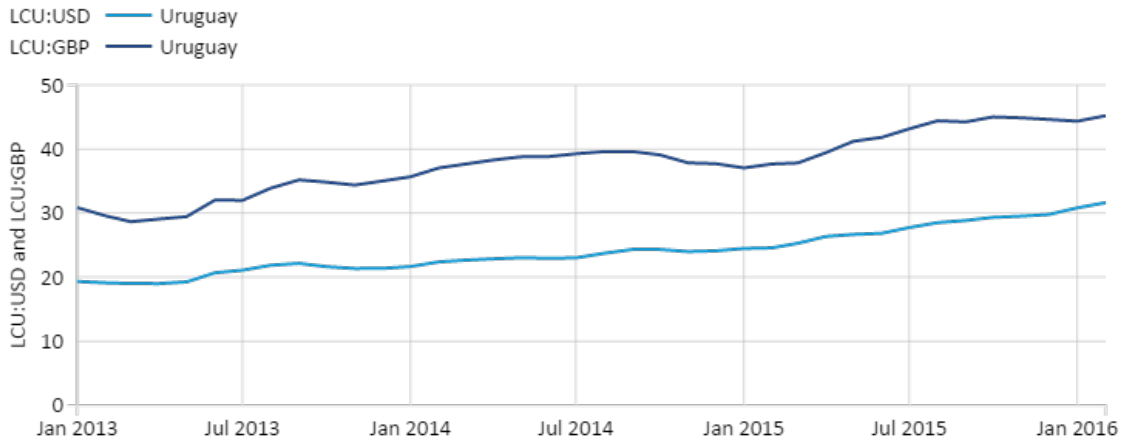
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



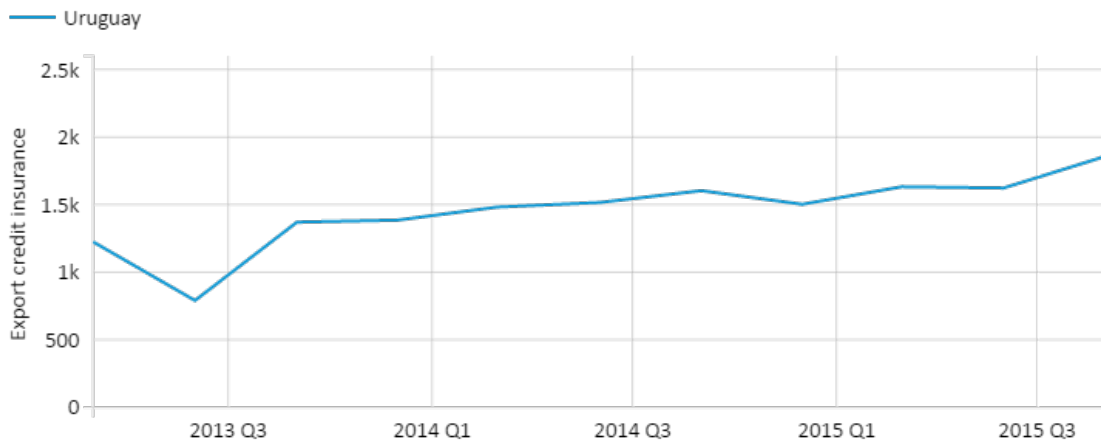
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU = Local Currency Unit

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Risk rating downgraded

We have downgraded our overall risk assessment for Uruguay from DB3d to DB4a ('moderate risk') amid a worsening of the already problematic inflationary environment. Inflation broke double digits (10.23%) in February, having been in high single digits throughout 2015, well outside the central bank's 3.0-7.0% target. The government and central bank have responded by tightening monetary policy, further dampening growth prospects. Of greater concern is that the authorities have been unable to address two of the main factors underlying the rise in inflation – currency depreciation and high wage costs. The scenario for 2016 is thus one of continued currency weakness, high inflation and subdued demand growth. Companies with foreign currency liabilities will continue to feel the pinch, and the overall level of risk will be more elevated than in the recent past.

Currency weakness has followed a regional trend and, despite almost USD5bn of reserves sales since mid-2015, the authorities have not been able to slow the weakening of the peso. Nevertheless, reserves remain sufficient to provide ample cover, and the currency is competitive. The main risk is the inflationary impact. The authorities have reacted by raising bank reserve requirements (from 1 April) for local currency holdings from 23% to 28%, and for foreign currency holdings from 26% to 28%. This will help to tighten the money supply, particularly for pesos. Wage indexation is weaker than in previous years, with double-digit inflation no longer triggering automatic rises, but a degree of indexation still exists in many contracts, maintaining inflationary pressures. On the fiscal front, the government has stated that it would maintain social investment programmes, but trim budgeted spending on low priority areas. Cutting the public sector wage bill will be politically difficult but may become necessary at some point.

Long-Term Economic Potential

Mercosur-EU trade deal edges closer

Uruguay holds the six-month rotating presidency of Mercosur and is using this to push for talks on a long-delayed trade agreement with the EU. The new government in Argentina is more amenable to such an agreement than its predecessors, which had always been obstructive, and this change in leadership has allowed the region to agree to advance on talks. The two economic blocs will exchange initial offers for an accord on 8 April, having been in talks since 2010. Mercosur now sees an accord as a priority, but the main stumbling blocks will be the level of entry of agricultural goods to the EU, and industrial goods to Mercosur. Other areas to be included are services and intellectual property. Mercosur has previously looked to include 87% of total trade in the agreement, and the EU 91.5%.



COUNTRY PROFILE AND STATISTICS

Overview

Situated in the southern cone of South America, Uruguay lies between the Uruguay River to the west and the 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 financial services to non-residents (mainly from Argentina and Brazil). In recent years Uruguay has also developed a strong pulp and paper production industry. After recovering from a serious economic downturn over 1999-2002, stemming from difficulties in its two large neighbouring economies, Uruguay experienced healthy and stable economic growth averaging 5.3% in 2004-14. In 2015, economic growth slipped to under 2.0%, a level it is expected to maintain over the short term.

The centre-left president, Tabaré Vázquez, and his ruling Broad Front (FA) coalition started a five-year term of office in March 2015 following a 2014 election victory. This is the third consecutive FA-led government (Vázquez also led the first), a dramatic change in party dynamics in Uruguay, as it followed 170 years of rule by the country's two traditional parties. 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 good human development indicators in the country.

Key Facts

Key Fact	Detail
Head of state	President Tabare VAZQUEZ
Capital	Montevideo
Timezone	GMT -03-00
Main languages	Spanish
Population (millions)	3.4
GDP (USD billions)	54.8
GDP per capita (USD)	15,978
Life expectancy (years)	77
Literacy (% of adult pop.)	98.4
Surface area (sq km)	176,220

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	5.2	3.3	5.1	3.5	1.5
Nominal GDP in USDbn	48	51	58	57	55
Nominal GDP in local currency (bn)	926	1,044	1,178	1,336	1,499
GDP per Capita in USD	14,165	15,126	16,879	16,804	15,978
Population (year-end, m)	3.4	3.4	3.4	3.4	3.4
Exchange rate (yr avge, USD-LCU)	19.31	20.31	20.48	23.25	27.33
Current Account in USDbn	-1.4	-2.7	-2.9	-2.6	-2.1
Current Account (% of GDP)	-2.9	-5.3	-5.1	-4.6	-3.8
FX reserves (year-end, USDbn)	10.3	13.6	16.3	17.5	15.6
Import Cover (months)	9.7	11.1	13.1	14.5	13.5
Inflation (annual avge, %)	8.1	8.1	8.6	8.9	8.7
Govt Balance (% GDP)	-0.5	-2.2	-2.1	-4.2	-6.3

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	1.2	1.6	2.0	2.2	2.4
Nominal GDP in USDbn	49	54	58	63	68
Nominal GDP in local currency (bn)	1,675	1,860	2,060	2,277	2,516
GDP per Capita in USD	14,307	15,511	16,786	18,123	19,560
Population (year-end, m)	3.4	3.5	3.5	3.5	3.5
Exchange rate (yr avge, USD-LCU)	34.0	34.68	35.37	36.08	36.8
Current Account in USDbn	-1.5	-1.3	-1.2	-1.3	-1.5
Current Account (% of GDP)	-3.0	-2.4	-2.1	-2.1	-2.2
FX reserves (year-end, USDbn)	13.9	14.8	15.9	16.2	16.5
Import Cover (months)	12.2	12.6	12.8	12.1	11.4
Inflation (annual avge, %)	7.8	7.0	6.8	6.5	6.5
Govt Balance (% GDP)	-5.0	-4.5	-4.0	-3.5	-3.0

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Uruguay	Argentina	Brazil	Chile	Paraguay
Income per Capita (USD)	15,978	8,738	8,907	13,345	4,204
Country Population (m)	3.4	43.4	208.8	17.9	6.6
Internet users (% of population)	61.5	64.7	57.6	72.3	43
Real GDP Growth (% p.a., 2016 - 2025)	2.8 - 6.5	2.2 - 7	3 - 6.8	4 - 6.8	3.2 - 6.4

Source : Various sources/Dun & Bradstreet



LINKS

User Guide

Please [click here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 240m companies worldwide. Visit www.dnb.com for details. Additional information relevant to country risk can be found in the: *International Risk & Payment Review* : Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service (www.dnbcountryrisk.com) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.