NEWS RELEASE

Jan 16, 2025

Rating and Investment Information, Inc. (R&I) has announced the following:

Oriental Republic of Uruguay (Sec. Code: -)

[Affirmed]

Foreign Currency Issuer Rating: BBB+, Stable

Bond Rating: BBB+

RATIONALE:

With a high income level and institutional and political stability, Uruguay stands out in the Latin American Region. The economy is expected to remain solid. The government has continued to pursue fiscal policy in line with fiscal rules, thereby keeping the government debt under control. There are no particular concerns on the external front. Based on the recognition of said factors, R&I has affirmed the Foreign Currency Issuer Rating at BBB+. If fiscal discipline is maintained under the new administration and the economy remains on a solid growth path even amid growing concerns about international economic environment, such as an intensification of U.S.-China trade friction, the credit rating could improve.

While the size of economy is smaller than other Latin American countries, Uruguay's income level is high in terms of gross domestic product (GDP) per capita. Despite the economic turmoil in neighboring Argentina, Uruguay's economy has remained stable. This fact suggests that the economy's resilience has improved. The real GDP growth rate slowed to 0.4% in 2023 mainly because of a decline in agricultural production caused by drought and a resulting dip in exports. For 2024, exports grew along with a recovery in agricultural production, with the private consumption continuing to show firm growth. The Central Bank of Uruguay (CBU) projects the real GDP growth rate for 2024 at around 3.5%. From 2025 onwards, the economy is likely to maintain an annual growth of around 2 to 3%, while attention should be paid to the development of the international economic environment.

The inflation rate remains within the CBU's target range. The CBU has raised the policy rate to 8.75% in December 2024, considering the inflation outlook and the growing uncertainties about the international financial environment, among other factors. The CBU maintains its conservative policy stance aiming to navigate the expected inflation rate to 4.5%, the mid point in the target range. Eyes are on the moves of CBU to ensure price stability.

Due to the interest and dividend payouts, the primary income balance has been consistently in deficit, which is partially offset by a surplus in the trade and service balances. The current account balance has been in a deficit since 2020. The current account deficit ratio to GDP stays on a downward trajectory following the temporary expansion due to large-scale investments and rising fuel prices. Going forward, it is likely to stay within the 2% range. The foreign exchange reserve stands at a sufficient level in comparison with the level of short-term external debts and to pay for imported goods.

The coalition government led by President Luis Lacalle Pou has conducted fiscal policy in line with fiscal rules striving to improve the fiscal balance that had deteriorated under the COVID-19 pandemic. Staying on a downward trajectory, the central government's fiscal deficit ratio to GDP is estimated to be around 3% in 2024. Meanwhile, the structural fiscal balance and real primary expenditures have deviated from targets specified by the rules. This is attributable mainly to exogenous factors of price fluctuations. Taking into account the improving trend in the structural fiscal balance, R&I believes that the government's stance of fiscal discipline has not been compromised.

The central government debt to GDP ratio was 60.1% as of end-June 2024. It still stands at a manageable level despite a slight increase from the year-end of 2023. The net debt, which excludes liquid assets, stands at 55.8%. The medium-term fiscal plan provided by the current administration aims at gradual reduction of fiscal deficit starting from 2025 and onwards. Mr. Yamandu Orsi, the candidate of the center-left opposition "Frente Amplio", won in the runoff presidential election held in November 2024 and will take office in March 2025. Under his leadership, the new administration will set out a new five-year fiscal plan. The president-elect has already expressed his commitment to maintaining economic stability and fiscal consolidation. Eyes are on the next administration's policy and

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
■Media Contact : Corporate Planning Dept. (Public Relations) TEL.+81-(0)3-6273-7273
Rating and Investment Information, Inc. TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan https://www.r-i.co.jp

its impact on the economy, the fiscal position and the trend of prices in Uruguay.

R&I RATINGS:
ISSUER: Oriental Republic of Uruguay

[Affirmed]

	Rating	Rating Outlook
Foreign Currency Issuer Rating	BBB+	Stable

	Issue Amount	Issue Date	Maturity Date	Rating
Japanese Yen Bonds No.5	JPY 400 mn	Dec 9, 2021	Dec 9, 2026	BBB+
Japanese Yen Bonds No.6	JPY 600 mn	Dec 9, 2021	Dec 8, 2028	BBB+
Japanese Yen Bonds No.7	JPY 400 mn	Dec 9, 2021	Dec 9, 2031	BBB+
Japanese Yen Bonds No.8	JPY 11,400 mn	Dec 9, 2021	Dec 9, 2036	BBB+
Japanese Yen Bonds No.9	JPY 29,600 mn	Dec 13, 2024	Dec 13, 2027	BBB+
Japanese Yen Bonds No.10	JPY 6,400 mn	Dec 13, 2024	Dec 13, 2029	BBB+
Japanese Yen Bonds No.11	JPY 300 mn	Dec 13, 2024	Dec 12, 2031	BBB+
Japanese Yen Bonds No.12	JPY 10,000 mn	Dec 13, 2024	Dec 13, 2044	BBB+

Primary rating methodologies applied:
R&I's Analytical Approach to Sovereigns [Jul 23, 2024]

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