Research Update:

Uruguay 'BBB+/A-2' Ratings Affirmed; Outlook Remains Stable

November 26, 2025

Overview

- Commitment to fiscal consolidation and efforts to strengthen the central bank's credibility highlight Uruguay's record of stable and predictable economic policies.
- Fiscal flexibility remains a weakness, but we expect government debt growth to slow in the next three years.
- We affirmed our 'BBB+/A-2' sovereign credit ratings on Uruguay.
- The outlook remains stable, balancing the sovereign's fiscal challenges with its institutional strengths.

Rating Action

On Nov. 26, 2025, S&P Global Ratings affirmed its 'BBB+' long-term and 'A-2' short-term foreign and local currency sovereign credit ratings on Uruguay. The outlook on the long-term ratings remains stable. The transfer and convertibility assessment remains at 'A'.

Outlook

The stable outlook reflects our view that Uruguay's government will take steps to gradually reduce its fiscal deficit and reverse a recent increase in government debt. We expect that the implementation of revenue raising and expenditure containment policies, coupled with moderate GDP growth, should stabilize the government debt burden in the next two years.

Downside scenario

We could lower the ratings in the next two years if Uruguay fails to contain its fiscal deficit, leading to a consistent rise in net general government (GG) debt and interest, which would further weaken Uruguay's fiscal profile and may reduce investor confidence. At the same time, a weaker long-term GDP growth could weigh on economic resilience and lead to a lower rating.

Primary Contact

Carolina Caballero
Buenos Aires
55-11-3039-9748
carolina.caballero
@spglobal.com

Secondary Contacts

Constanza M Perez Aquino
Buenos Aires
54-11-4891-2167
constanza.perez.aquino
@spglobal.com

Victor C Santana
Sao Paulo
55-11-3039-9744
victor.santana
@spglobal.com

Upside scenario

We could upgrade Uruguay in the next two years if the central bank's credibility continues to strengthen. Steps to bolster monetary flexibility that lead to substantially faster-than-expected reduction in dollarization in the banking system and deepen domestic capital markets would eventually strengthen Uruguay's monetary transmission channels. This would have to be accompanied by consistent progress in reducing the fiscal deficit.

Rationale

The 'BBB+' rating is supported by Uruguay's stable democracy and political institutions, GDP per capita that remains the highest in the region, and a strong external profile. However, Uruguay faces budgetary constraints and has made limited progress in reducing its GG deficit, which has translated into steady debt growth. Monetary flexibility is constrained by a high level of dollarization. However, the central bank's efforts to anchor inflation around its target show growing credibility, setting the stage for deepening domestic-currency credit and monetary transmission channels.

Institutional and economic profile: Continuity of key economic policies after the recent change in administration

- Fiscal and monetary policy continuity illustrates a growing track record of policy predictability.
- Robust consumption and strong exports underpin growth in 2025.
- Economic activity is expected to slow to about 2% in 2026-2028, given a weaker investment outlook.

President Yamandu Orsi (of the Frente Amplio) took office in March 2025. The first few months of his administration point to continuity in Uruguay's broad economic policy direction. The 2026 budget law reinforces the importance of a fiscal rule for the sustainability of public finances. It incorporates some of the changes that had been discussed following Uruguay's implementation of its first fiscal rule during a series of external shocks. The latter was introduced in 2020 and enhanced transparency of public accounts by establishing the structural balance as a goal, although it proved to be difficult to contain growth in sovereign debt. The proposal to add a debt anchor to the fiscal rule extends the visibility of the sovereign's fiscal strategy beyond the five-year budget period.

The revamped fiscal rule should provide a framework to balance Uruguay's fiscal constraints with political pressures to expand social spending. While there is a political consensus on the importance of sustainable fiscal policies, diverse views within the ruling coalition regarding the size of the public sector could slow the execution of the economic agenda. Considering the political constraints to reduce expenditure, prioritizing fiscal correction may become more challenging if economic growth falls short of expectations.

Improving real incomes and a favorable labor market boosted consumption in 2025 and should result in economic growth of around 2.2% in 2025. However, meager investment will lower growth to around 1.9% in 2026 and 2027, but above the average growth of the past five years, given the pandemic and climate shocks as well as price distortions with Argentina. Uruguay's GDP per capita should reach $26,000 in 2026 and will remain the highest in Latin America. However, sustaining an average growth in line with that of sovereigns with similar levels of development could become difficult over the medium term, if investment does not recover.

Uruguay's institutional and macroeconomic stability have fostered large investment projects in the past two decades. Moreover, Uruguay is well positioned for energy transition, as it has the potential for green-energy projects, materialization of which will depend on the global demand for clean energy. However, maintaining the country's economic growth rate depends on progress in microeconomic reforms, as some regulations have hindered competition and increased the cost of doing business across some sectors in Uruguay.

Flexibility and performance profile: Limited fiscal flexibility remains a weakness for Uruguay, but the fiscal correction path and lower inflation should slow the debt growth pace

- The proposed fiscal framework demonstrates commitment to fiscal prudence. Achieving the proposed targets may be challenging due to political pressures that may favor expansionary spending policies.
- Current account (CA) will turn to a small deficit in 2026-2028, but external funding remains ample and net external debt is low.
- Anchoring the inflation expectations toward the target highlights the strengthening of the central bank's credibility, but the low level of domestic-currency credit and high level of dollarization constrain monetary policy flexibility.

Uruguay's GG deficit is projected to reach 4% of GDP in 2026, a 0.8 percentage point increase from 2024, primarily due to overestimated revenue in the 2024-2025 budget and significant spending pressures. The setback in fiscal correction highlights the complexities to tackle Uruguay's budgetary constraints, given that payroll, pensions, and interest account for more than 80% of expenditures. This reflects structural challenges such as aging of the population and the indexation of payrolls, but it's also a reflection of a social contract in which the welfare state is a key part of social cohesion. Moreover, the president was elected with the expectation of expanding social spending.

To balance these pressures with the commitment to stabilize the debt burden, the administration has started a gradual fiscal correction through revenue expansion. We estimate revenue efficiency measures, coupled with the proposed taxes, will boost GG revenue to 30% of GDP by 2028, from 29% currently. Once the tax reform is fully implemented 2027, GG deficit will start declining and should be closer to 3%. The proposed tax reform has been designed to limit its impact in competitiveness, but there could be implementation risks, especially with regards to a new minimum global tax. At the same time, efforts to reduce the level of spending indexation, coupled with a gradual reduction of global interest rates, should help maintain the spending burden stable during the forecast period.

Our key measure of a government's fiscal performance is the change in net GG debt stock, expressed as a percentage of GDP, which captures more than headline deficits and indicates debt trends. The appreciation of the Uruguayan peso is leading to a change in net GG debt of 2.3% this year, but we expect it to average 5.1% in 2026 -2028, slightly above our projections for GG deficit, assuming some nominal depreciation of the peso going forward. Debt management has been geared toward reducing Uruguay's exposure to foreign-currency and indexed debt through cross boarder local-currency issuances and growing funding from the domestic market, which should gradually stabilize debt. We expect net GG debt will rise to 58% by 2028 from 54% in 2024. We also expect GG interest payments to average 8.7% of GG revenue between 2025 and 2028.

Debt deindexation strategy has also been supported by the drop in inflation. Following roughly two decades at 7%-8%, inflation has remained within the target range of 3%-6% since 2023 and closer to the 4.5% target in the last five months. The central bank has been focused on anchoring inflation expectations, accompanying monetary policy decisions with increased communication and transparency. Inflation expectations are trending toward the central bank's target, which has allowed it to start the easing cycle in July 2025. Lower inflation has set the stage for the monetary authority to accelerate its de-dollarization strategy (50% of resident loans and around 70% of resident deposits are denominated in dollars) through measures to strengthen competition in the financial system and make lending in pesos more attractive through differentiating capital requirements. A successful strategy would strengthen transmission channels and overall monetary flexibility.

Despite high dollarization, the banking system has remained healthy and resilient thanks to its strong liquidity and capital. Credit to the private sector is expected to remain around 35% of GDP. Asset quality metrics have remained stable. We classify Uruguay in group '5' of our Banking Industry Country Risk Assessment, or BICRA (see "Banking Industry Country Risk Assessment: Uruguay," Dec. 5, 2024). BICRAs are grouped on a scale from '1' to '10', ranging from what we view as the lowest-risk banking systems, or group '1', to the highest risk, or group '10'.

Uruguay's solid external position remains a key credit strength. Strong agricultural and meat exports driven by good harvest and high commodity prices, coupled with a rebound in tourism exports should result in a small CA surplus in 2025. Afterward, we expect CA to turn slightly negative but fully balanced by FDI inflows. While net FDI has shrunk after the completion of two large pulp and paper projects, we expected it to gradually recover in 2026 and 2027. We expect narrow net external debt (gross debt net of liquid external assets) to remain stable at about 20% of CA reserves in the next couple of years.

Uruguay--Selected Indicators

	2019	2020	2021	2022	2023	2024	2025bc	2026bc	2027bc	2028bc
Economic indicators (%)										
Nominal GDP (bil. UYU)	2,193.7	2,250.2	2,645.5	2,906.4	3,027.9	3,255.7	3,493.7	3,723.7	3,969.1	4,230.7
Nominal GDP (bil. $)	62.2	53.6	60.7	70.6	78.0	81.0	83.3	92.6	96.8	101.2
GDP per capita (000s $)	17.9	15.4	17.4	20.2	22.3	23.1	23.7	26.3	27.4	28.6
Real GDP growth	0.9	(7.4)	5.8	4.5	0.7	3.1	2.2	1.8	2.0	2.0
Real GDP per capita growth	0.7	(7.6)	5.6	4.3	0.5	2.9	2.0	1.6	1.8	1.8
Real investment growth	(3.0)	(2.0)	18.8	12.3	(5.7)	(5.1)	1.2	3.0	5.0	6.0
Investment/GDP	14.1	16.2	18.2	18.7	17.5	15.6	15.4	15.6	16.1	16.8
Savings/GDP	15.4	15.6	15.8	14.9	14.1	14.6	15.5	15.1	14.7	15.7
Exports/GDP	27.9	26.2	32.9	33.3	28.1	28.8	29.7	28.9	28.9	29.1
Real exports growth	5.2	(14.3)	14.7	11.3	0.8	8.3	5.5	(1.1)	2.0	3.0
Unemployment rate	8.9	10.4	9.3	7.9	8.3	8.2	7.9	7.9	7.8	7.8
External indicators (%)										
Current account balance/GDP	1.3	(0.6)	(2.4)	(3.8)	(3.4)	(1.0)	0.1	(0.6)	(1.4)	(1.0)

Uruguay--Selected Indicators										
Current account balance/CARs	4.2	(2.3)	(6.9)	(10.5)	(10.7)	(3.2)	0.3	(1.7)	(4.3)	(3.2)
CARs/GDP	31.0	28.3	35.4	36.2	31.7	32.7	33.3	32.1	32.0	32.2
Trade balance/GDP	5.0	4.2	7.8	6.0	2.8	4.3	4.6	3.6	3.0	3.1
Net FDI/GDP	2.2	2.0	4.2	4.1	3.6	(2.9)	1.5	1.5	2.5	2.0
Net portfolio equity inflow/GDP	(1.7)	(2.8)	(1.8)	(2.6)	(1.7)	3.0	(0.4)	(0.4)	(0.4)	(0.4)
Gross external financing needs/CARs plus usable reserves	85.7	99.9	101.5	103.9	105.9	97.4	93.1	92.4	93.6	92.5
Narrow net external debt/CARs	30.8	41.7	25.0	13.5	22.5	18.2	13.7	15.9	15.3	14.5
Narrow net external debt/CAPs	32.1	40.8	23.4	12.2	20.3	17.6	13.7	15.6	14.6	14.1
Net external liabilities/CARs	77.2	106.1	66.5	59.2	68.2	58.5	55.2	53.2	55.3	55.9
Net external liabilities/CAPs	80.6	103.8	62.2	53.6	61.6	56.7	55.4	52.3	53.1	54.2
Short-term external debt by remaining maturity/CARs	31.8	44.9	36.6	31.6	29.9	28.8	28.2	26.0	23.6	21.6
Usable reserves/CAPs (months)	6.1	5.5	4.6	4.0	3.6	4.1	4.5	4.5	4.2	4.1
Usable reserves (Mil. $)	7,145.1	8,876.0	9,381.9	8,110.5	9,406.8	10,363.3	11,357.5	11,357.5	11,357.5	11,357.5
Fiscal indicators (general government %)										
Balance/GDP	(2.8)	(5.1)	(3.6)	(3.0)	(3.2)	(3.2)	(3.7)	(4.0)	(3.4)	(3.1)
Change in net debt/GDP	6.9	9.6	6.6	1.7	3.9	7.1	2.3	5.6	5.0	4.7
Primary balance/GDP	(0.4)	(2.5)	(1.5)	(0.8)	(0.8)	(0.8)	(1.1)	(1.5)	(0.9)	(0.6)
Revenue/GDP	29.2	29.3	28.1	28.6	28.9	29.6	29.2	29.2	29.5	30.0
Expenditures/GDP	32.1	34.5	31.7	31.6	32.0	32.8	32.9	33.2	32.9	33.1
Interest/revenues	8.1	9.1	7.5	7.7	8.1	8.2	9.1	8.5	8.6	8.4
Debt/GDP	48.7	58.9	56.9	53.4	55.2	59.2	57.6	59.8	61.3	62.4
Debt/revenues	166.6	201.0	202.6	187.2	191.2	200.2	197.3	204.9	207.8	208.0
Net debt/GDP	44.7	53.2	51.8	48.8	50.7	54.2	52.8	55.2	56.7	57.9
Liquid assets/GDP	4.1	5.7	5.2	4.6	4.5	4.9	4.8	4.7	4.6	4.5
Monetary indicators (%)										
CPI growth	7.9	9.8	7.8	9.1	5.9	4.8	4.6	4.7	4.5	4.5
GDP deflator growth	8.3	10.7	11.1	5.2	3.4	4.3	5.0	4.7	4.5	4.5
Exchange rate, year-end (UYU/$)	37.3	42.3	44.7	40.1	39.0	44.1	39.8	40.6	41.4	42.2
Banks' claims on resident non-gov't sector growth	10.7	12.0	12.5	9.4	11.5	15.6	10.0	11.0	11.0	11.0
Banks' claims on resident non-gov't sector/GDP	26.0	28.4	27.2	27.1	29.0	31.2	31.9	33.3	34.6	36.1

Uruguay--Selected Indicators

Foreign currency share of claims by banks on residents	49.3	48.8	48.2	47.0	46.8	49.4	46.20	47.00	45.95	44.92
Foreign currency share of residents' bank deposits	76.2	77.4	77.2	75.0	71.5	71.8	71.83	71.00	70.00	70.00
Real effective exchange rate growth	(3.2)	(4.6)	(2.2)	11.2	8.0	0.9	0	0	0	0

Sources: N.A.

Adjustments: None

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. UYU--Uruguayan peso. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Country--Rating Component Scores

Key rating factors	Score	Explanation
Institutional assessment	3	Stable democracy, predictable policies, free press, and peaceful changes of government. No external threats. Largely middle-class society with consensus on key economic policies. Policymaking during the past 15 years has remained generally effective. Strong institutional checks and balances, low perception of corruption, and respect for the rule of law.
Economic assessment	3	Based on GDP per capita (US$) and growth trends as per Selected Indicators table. We estimate GDP per capita growth over our forecast period will be in line with that of countries with similar levels of development.
External assessment	2	Based on narrow net external debt and gross external financing needs/(CAR plus usable reserves) as per Selected Indicators table.
Fiscal assessment: flexibility and performance	5	Based on the change in net general government debt (% of GDP) as per Selected Indicators table.
Fiscal assessment: debt burden	3	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per Selected Indicators table. Over 40% of gross government debt is denominated in foreign currency.
Monetary assessment	5	The Uruguayan peso is a free-floating currency with central bank intervention in foreign exchange markets. CPI as per Selected Indicators table. The central bank has a track record of independence and has the ability to act as lender of last resort for the financial system. Resident deposits/loans in foreign currency account for more than 50% of the total.
Indicative rating	bbb+	As per table 1 of "Sovereign Rating Methodology.

Notches of supplemental adjustments and flexibility	0	
Final rating	BBB+	
Foreign currency	BBB+	
Notches of uplift	0	
Local currency	BBB+	Default risks do not apply differently to foreign currency and local currency debt.

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Economic Outlook Emerging Markets Q1 2026: AI Will Drive Trade Divergence In 2026, Nov. 24, 2025
- Uruguay 'BBB+/A-2' Ratings Affirmed; Outlook Remains Stable Nov. 6, 2024

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above

rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings List	
Ratings Affirmed	
Uruguay	
Sovereign Credit Rating	BBB+/Stable/A-2
Transfer & Convertibility Assessment	A
Senior Unsecured	BBB+
Short-Term Debt	A-2

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.