

## Challenging times

### General Information



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



### Strengths

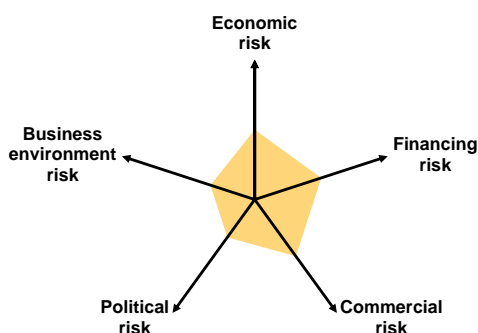
- Robust democratic political system with a good degree of social consensus
- Relatively high levels of foreign reserve (though declining)

### 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	21% Brazil
Brazil	17% 2	19% China
Venezuela	6% 3	11% Argentina
Argentina	4% 4	9% United States
United States	3% 5	4% Germany

By product (% of total)

Exports	Rank	Imports
Other Edible Agricultural	24% 1	16% Crude Oil
Meat	14% 2	4% Pharmaceuticals
Cereals	11% 3	4% Plastic Articles
Fats	8% 4	4% Cars And Cycles
Non-Edible Agricultural	8% 5	4% Telecommunications

Source: ITC, Chelem

## Economic Overview

### Challenging times for Uruguay

Real GDP decelerated strongly from +3.2% in 2014 to +1% in 2015, the slowest pace in a decade. Domestic demand disappointed. Public consumption was the only internal component to support growth (+0.3ppps) since private consumption stagnated (+0% after +2.2% in 2014) and investment shrunk strongly (-8.2%). Exports contracted by -1.5% due to lower demand from main trade partners (China, Brazil, Argentina, Venezuela) and by long-lasting low prices of its main commodity exports (cereals, soy, and meat). The economy is expected to decelerate further to +0.8% in 2016 since (i) neighbors will remain in recession; (ii) recent heavy rains will hit agricultural output; and (iii) monetary policy will tighten due to persistent inflation. Indeed, the increase in consumer prices will remain an issue. The inflation rate is expected at +10% in 2016 (after +8.7% in 2015) remaining above the Central Bank target of 5% +/-2pps.

### Sound fundamentals remain

The external position has deteriorated somewhat but remains manageable. The current account deficit is expected to widen to -4.2% of GDP in 2016, before narrowing slightly to -4% in 2017. FDI inflows cover more than 80% of the external deficit. As other South American currencies, the Uruguayan peso suffered strongly from depreciation pressures over the past months. The UYU has lost -20% against the USD over the past 12 months and -60% since mid-2013. As a response, the Central bank has intervened in the FX market to contain the depreciation of the currency by using its international reserves. FX reserves have fallen to USD14bn in April from USD18bn a year ago. They remain however at very comfortable levels and cover more than 12 months of imports.

Public and external debt levels have been rising rapidly over past years. Both should get close to 64% of GDP by 2017. However, debt financing should not be problematic in the short-term since Uruguay benefits from an easy access to international capital markets and enjoys particularly long average maturities (67% over 5 years for the public debt).

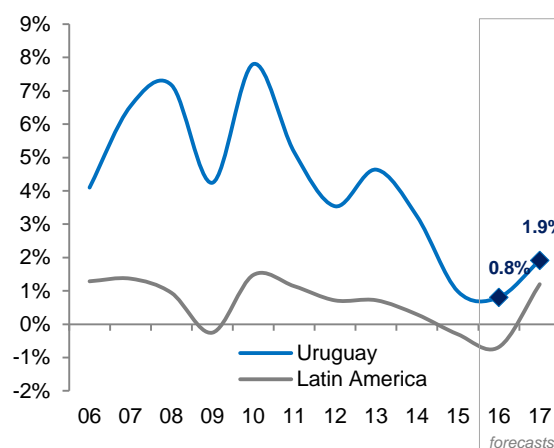
Uruguay benefits from political stability and a sound business environment. President Tabaré Vázquez is expected to continue his predecessor's reforms and the country ranks 92 out of 189 in the World Bank's Doing Business index for 2016, above Brazil or Argentina. Nonetheless, this figure hides huge disparities. Uruguay performs particularly well when it comes to starting new businesses and fighting corruption. Yet dealing with construction permits or protecting minority investors remain major issues.

### Key economic forecasts

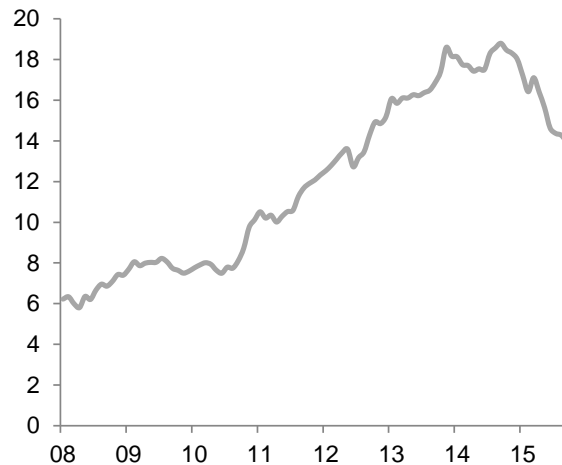
	2014	2015	2016	2017
GDP growth (% change)	3.2	1.0	0.8	1.9
Inflation (% , yearly average)	8.9	8.7	9.9	7.7
Fiscal balance (% of GDP)	-3.5	-3.5	-3.3	-3.1
Public debt (% of GDP)	61.2	61.8	63.3	64.3
Current account (% of GDP)	-4.8	-3.8	-4.2	-4.0
External debt (% of GDP)	49.6	56.6	62.9	63.9

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

### Real GDP growth (%)



### FX import cover (months)



Sources: IHS, Euler Hermes

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