News Release

Japan Credit Rating Agency, Ltd.

24-I-0080
November 28, 2024

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit ratings.

Oriental Republic of Uruguay

<Affirmation>

Foreign Currency Long-term Issuer Rating:	A-
Outlook:	Stable
Local Currency Long-term Issuer Rating:	A
Outlook:	Stable

Rationale

(1) The ratings are supported by the country's resilience to external shocks, prudent fiscal management, and stable financial system. On the other hand, they are constrained by its economic structure susceptible to external factors such as economic performances of other countries and weather conditions. Under the new Orsi administration that will be inaugurated in March 2025, JCR holds that prudent fiscal management based on a fiscal policy framework will continue and that the government debt to GDP ratio will remain in the A range. Considering these factors, JCR has affirmed the ratings with a Stable outlook. On a separate note, JCR has affirmed A+ for the country ceiling for Uruguay.

(2) Most of the country is flat or hilly, and agriculture is well developed. Its economy is small in size, with a nominal GDP of approximately USD84.2 billion in 2023, but its per capita GDP (in ppp terms) of approximately USD28,723 was one of the highest among Latin American countries. The economy is supported by agricultural exports and tourism, and is susceptible to economic trends in the neighboring countries. In addition, weather conditions have a significant impact on agricultural production, and the real GDP growth in 2023 fell to 0.4% due to the impact of a drought. In 2024, the weather conditions improved and agricultural production recovered significantly, and the start of operations at UPM's paper mill also led to an increase in cellulose exports. As a result, the real GDP growth rate accelerated to 3.8% year-on-year in the second quarter of the year. The inflation has been staying within the target range (3-6%) of the Central Bank, and the policy interest rate has been reduced from the most recent peak of 11.5% in March 2023 to 8.5% in April 2024 and has been kept unchanged since May. JCR expects that inflow of foreign direct investment will continue to contribute to economic growth, and that real GDP growth will remain at around 2% to 3% over the medium term.

(3) The government introduced a new fiscal policy framework in 2020. Based on this framework, targets were set for the structural fiscal balance, the real growth of primary expenditures and the net indebtedness, with fiscal management to be conducted prudently so as not to exceed these limits. Amid disinflation in 2024, spending related to the presidential and parliamentary elections has pushed up the real growth rate of government spending, with the fiscal deficit as a percentage of GDP expected to be in the 3% range in 2024. While the government debt to GDP ratio is rising slightly due to the fiscal deficit, JCR holds that the government debt will remain at the A range level thanks to the continued sound debt management under the fiscal policy framework. The banking sector remains sound, with the NPL ratio standing low at 1.8% and the capital adequacy ratio at 16.6% at the end of March 2024, above the minimum required by regulatory authorities.

(4) Looking at the structure of the country's current account balance, the trade and services balances have been in constant surplus but the current account balance stayed in deficit in recent years due to a large deficit in the primary income balance against the backdrop of dividend payments related to strong direct investment. However, the current account deficit narrowed in the first half of 2024 due to the expansion of a trade surplus brought by solid exports. JCR holds that Uruguay is strongly resilient to external shocks, given that it has foreign exchange reserves equivalent to around 10 months of monthly imports and that it is a net creditor nation when inward foreign direct investments are excluded.

Atsushi Masuda, Shinji Asano

Rating
Issuer: Oriental Republic of Uruguay

<Affirmation>
Foreign Currency Long-term Issuer Rating: A- Outlook: Stable
Local Currency Long-term Issuer Rating : A Outlook: Stable

Rating Assignment Date: November 25, 2024

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Outline of the rating methodology is shown as "Sovereign and Public Sector Entities" (October 1, 2021) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

The aforementioned credit ratings are unsolicited. Except in cases of a credit rating for a sovereign, JCR indicates affix "p" after a rating symbol to distinguish it from a rating with solicitation. The undisclosed information, which has material influence on the credit rating, was not obtained from the rating stakeholder.

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Oriental Republic of Uruguay
Rating Publication Date:	November 28, 2024

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Economic Base
The likelihood of a given debt payment is highly conditional to the issuing government's ability to maintain/expand the economic base into the future with maintaining soundness of financial systems.

B) Fiscal Base
The likelihood of a given debt payment is highly correlated to fiscal balance, public debt and other factors of the issuing government's fiscal condition.

C) External Positions
The likelihood of a given debt payment is highly correlated to the liquidity positions which change along with the international balance of payments and the international investment position.

D) Social and Political Bases and Economic Policy

The likelihood of a given debt payment is highly conditional to the social and political stability, effectiveness of economic and monetary policies as well as international economics.

E) Related Parties' Stance of Support/ Assistance for the Government

The likelihood of a given debt payment is affected by the stance of the credit enhancement provider and other related parties with regard to their stance of support/ assistance for the issuing government.

F) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuing government's will, and/ or its rank relative to other debts of the same government in the order of seniority in principal/ interest payment which is determined by design as financial product or by international practice, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

  A) Informational and explanatory materials published by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing government

  B) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing government

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the publication by the issuer, some independent media, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR does not receive payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Economic Base
The credit rating is subject to alteration if there is an improvement or deterioration of the issuer's economy or financial systems, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Fiscal Base
The credit rating is subject to alteration if the issuer increases/decreases its fiscal deficit/surplus and its public debt and thereby makes given debt payment liability less/more bearable. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

C) External Positions
The credit rating is subject to alteration if there is a change in the issuer's international balance of payments and international investment position and thereby an improvement/deterioration of its liquidity positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.