BASIC DATA

Capital City: Montevideo
Land Area: 176,065 sq km
Population: 3,334,052 (as of June 2008)
Main Towns: Montevideo (capital) 1,326
Canelones 485
Maldonado 140
Salto 123
Colonia 119
Paysandu 113

Climate: Temperate Weather in Hottest month, January, 17-28°C; (average daily minimum and maximum); Montevideo coldest month, July, 6-14°C; driest month, February; 66 mm average rainfall; wettest month, April, 99 mm average rainfall

Language: Spanish
Measures: Metric System
Currency: 1 peso (Ps) = 100 centésimos; average exchange rate in 2011: Ps19.3:US$1

Time: 3 hours behind GMT
Government:
President: Jose Mujica Cordano
Vice-president: Danilo Astori
Defense: Eleuterio Fernández Huidobro
Economy & Finance: Fernando Lorenzo
Education & Culture: Ricardo Ehrlich
Foreign Affairs: Luis Almagro
Housing & Environment: Graciela Muslera
Industry, Energy & Mining: Roberto Kreimerman
Interior: Eduardo Bonomi
Labor & Social Security: Eduardo Brenta
Livestock, Agriculture & Fishing: Tabaré Aguerre
Planning & Budget: Gabriel Frugoni
Public Health: Jorge Venegas
Social Development: Daniel Olesker
Tourism & Sports: Héctor Lescano
Transport & Public Works: Enrique Pintado
Central Bank President: Mario Bergara

Source: The Economist Intelligence Unit as of February 2012
A. POLITICAL STRUCTURE

**Official Name**
Oriental Republic of Uruguay

**Form of State**
Presidential

**The Executive**
The president, who is directly elected for a five-year term, appoints council of ministers, comprising the ministers of administrative departments and their deputies; the vice-president is president of parliament

**Head of State**
Elected president; José Mujica, assumed office on March 1st 2010 for a five-year period that will end in March 2015

**National Legislature**
Bicameral parliament elected for five-year terms by proportional representation; 31-member Senate (the upper house), 99-member Chamber of Deputies (the lower house)

**Legal System**
Supreme Court elected by the legislature; the Supreme Court nominates all other justices

**National Elections**
Presidential and parliamentary elections held on October 25th 2009; a second-round presidential election on November 29th 2009 was won by Mr Mujica; the next presidential and parliamentary elections will be held in October 2014; the last municipal elections were held in May 2010; the next municipal elections are due in May 2015

**National Government**
Mr Mujica governs with the support of the Frente Amplio (FA), a broad coalition of 21 political groups ranging from the centre-left to the radical left. The main parties in the FA are the Movimiento de Participación Popular (MPP); the Frente Liber Seregni (FLS), the Partido Socialista (PS) and the Vertiente Artiguista (VA)

**Main Political Organizations**
Government: Frente Amplio (FA) Opposition: Partido Nacional (PN), Partido Colorado (PC), Partido Independiente (PI)

**Source:** The Economist Intelligence Unit as of February 2012
Although governability is generally good, persistent tensions among various factions of the ruling centre-left Frente Amplio (FA) coalition will create difficulties for the president, José Mujica, particularly as he attempts to implement key reforms to the civil service and the education system, upgrade a creaky infrastructure, and halt a deterioration in the security environment. To try to drive his agenda forward, Mr Mujica now faces a delicate balancing act to maintain good working relations both within his own coalition and with the right-wing opposition. The Economist Intelligence Unit expects that although there will be pressures from the left of the coalition to focus more on social policies aimed at reducing poverty and improving income distribution, the government will, overall, pursue sound economic policies. We also believe that, despite current internal problems, a split in the ruling coalition appears unlikely, given its history of electoral success. There is also a possibility that internal FA elections in May and proposed reforms to the coalition structure (which gives disproportionate influence to smaller extreme left parties) will produce a leadership that is more amenable to co-operation with the centrist president. However, such reforms will not be easy to push through, and we do not currently include their passage in our baseline scenario. Instead, we assume that the president will continue to require opposition support to secure many important policy goals, including improvements to public security. With the centre-right opposition hoping to recapture key centrist voters ahead of the 2014 elections, we expect that, overall, this support will be forthcoming, although elements of the opposition will become more obstructionist as the presidential election nears.

Foreign policy will continue to give precedence to deepening political and economic ties within the Mercado Común del Sur (Mercosur, an imperfect customs union between Uruguay, Paraguay, Brazil and Argentina). The process will be hampered by policy unpredictability in partner countries, in particular in Argentina, and by a growing trend towards protectionism in both Argentina and Brazil. Mr Mujica’s good relationship with both the president of Brazil, Dilma Rousseff, and the president of Argentina, Cristina Fernández de Kirchner, will support efforts to smooth imbalances within the customs union, but periodic diplomatic tensions can be expected as non-tariff barriers by Mercosur partners create difficulties for Uruguay’s exporters.
Consumer prices rose by 0.7% in December, raising the 12-month rate of inflation to 8.6%, well outside the Central Bank’s target of 4-6% and up from 8.4% in November. Although annual producer price inflation remains strong (at 11.1% year on year in December), the monthly rate has started to fall, from 0.7% in October to negative rates (of 0.6% and 1.7%) in November and December, heralding an easing of the annual rate and signalling weaker supply-side pressures in the new year. Food prices, which contributed much to inflation breaching target in the first half of the year, rose by only 0.1% in December, bringing the annual rate to 8.7%, down from the mid-year peak of 12.3%. But non-tradeables inflation appears to be accelerating, suggesting that higher inflationary expectations are becoming entrenched. Transport prices rose by 1.7% in December, while some other non-tradeables, such as housing and leisure costs, also posted strong rises in December. Of positive note, the peso has recovered in recent weeks after a period of weakness in late 2011, and notwithstanding the likelihood of some volatility throughout 2012, we expect the peso to hold up well this year, which will help rein in imported inflation. But given still-firm consumer demand (in the short term at least), combined with rising inflationary expectations, which will feed into wage demands, inflationary pressures seem unlikely to abate quickly, despite the recent sharp rise in the policy interest rate of 75 basis points in December (January 2012, Economic policy).

Continued strong import growth widened Uruguay’s current-account deficit in the third quarter of 2011. In the 12 months to September 2011, the current account deficit widened to US$1.1bn, equivalent to 2.3% of GDP. This compares with a deficit of 1.1% of GDP in full-year 2010. The wider deficit is not an immediate cause for concern, as strong direct investment and portfolio inflows more than covered the deficit on the current account, allowing foreign reserves to strengthen by US$2.4bn over the first nine months of the year.

Within the current account, at 27%, import spending growth again outpaced growth in export earnings (18%), leading the goods trade balance to record a US$92m deficit in the third quarter of the year (US$620m in January-September). Growth in the import spend was driven by solid growth both in volumes (of 22%) and in prices (of 12%). Domestic demand remained firm in the third quarter (when import volumes rose by 15%), although the trend was one of slowing growth, (growth in volumes was significantly higher in the first quarter of 2011, at 27%). Much of this slowing of demand reflected trends in energy imports, as after a sharp drought-affected rise in the first half of 2011, energy import demand has started to slow. Nevertheless, import spending in other categories has continued to rise from an already high base, and the strength of domestic demand remains a concern. Although export earnings growth remained firm in the third quarter, this was mostly owing to higher prices: volume growth was only 5% year on year in the third quarter (and 2% in January-September), while price increases averaged 19%.
These trends were broadly shared across export categories, although the important grains and meat export products each registered small reductions in volume exports in the third quarter. A higher surplus on the services account in the third quarter, led by tourism, did not have a major impact on the overall current account (the tourist high season is the first quarter), although the continued upward trend is still encouraging.

The larger deficit on the current account was more than offset by strong direct investment and portfolio inflows, allowing for a rise in reserves of US$430m in the third quarter (and US$2.4bn over the first nine months of the year). These related in part to net positive capital flows into the domestic financial system through a net reduction of non-resident portfolio assets and deposits.
Economic Growth

Reflecting a weaker economic outlook for Uruguay’s main trade partners, we expect GDP growth to slow from an estimated 5.8% in 2011 to an annual average 3.9% in 2012-13, and we consider there to be a high risk of a global recession, which would prompt downgrades to these forecasts. In the short term, we expect growth to be supported by still-robust private consumption, on the back of historically high employment rates and strong real wage rises in recent months. But assuming that concerns over the global economy hit investment and employment prospects, both private consumption and fixed investment will moderate steadily in 2012. Our forecasts assume, however, that fixed investment will continue to be supported by some large-scale foreign investment projects and public-private investment in infrastructure (which will be boosted by recent framework legislation to facilitate PPP projects). These investments should gather pace over 2013-14, and, combined with increased consumer confidence (supported by solid employment and real wage growth), should set the stage for higher rates of GDP growth in the medium term, approaching 4.5% by the end of the forecast period in 2016.

On the supply side, growth in agriculture will be sustained in the medium term by high (albeit falling) soft commodity prices, although output will be hit by drought conditions in 2012. Trends in manufacturing will depend on demand from Brazil and, to a lesser extent, Argentina. Manufacturing output growth has been moderating steadily in recent quarters, and we expect continued deceleration in 2012, assuming a softening of external demand and also reflecting the imposition of new trade barriers by Argentina. From 2013, a pickup in global activity (and especially in Brazil) should drive a pick-up in domestic industrial output. In line with trends in private consumption, services growth is set to slow in 2012, but should gather strength steadily thereafter.

### Economic growth

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<th>%</th>
<th>2011&lt;sup&gt;a&lt;/sup&gt;</th>
<th>2012&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2013&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2014&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2015&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2016&lt;sup&gt;b&lt;/sup&gt;</th>
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<td>Exports of goods &amp; services</td>
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<td>3.3</td>
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<td>5.1</td>
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<td>5.7</td>
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<td>5.5</td>
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<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts.
Inflation

Inflation has continued to drift upwards. The latest data show prices rising by 0.4% in November and 0.7% in December, bringing annual inflation to 8.6% at end-2011. The acceleration of inflation comes despite the recent moderation of producer prices related to the gradual decline of international commodity prices since mid-2011. Food and beverage price inflation has in fact trended downwards, but this has been outweighed by the upward trend in nontradeables inflation. With domestic demand remaining relatively solid in the short term, suggesting that producers will be able to pass on high input costs to consumers, second-round wage effects from recent food price inflation now having an impact (there is a high level of wage indexation in Uruguay), and inflation expectations drifting upwards, we expect that inflation will remain above target for the first half of the forecast period, ending 2013 slightly above 6% despite a further decline in commodity prices and weaker domestic demand. On the assumption that confidence in the inflation-targeting regime increases, we expect inflation to continue to moderate in the forecast period, to 4%. However, we consider there to be upside risks to this forecast, as inflation has proved persistently "sticky" in Uruguay and it could prove difficult to bring inflationary expectations closer to OECD levels even in the medium term.

Exchange Rates

The peso stabilized towards end-2011, after a period of market jitters related to fears of a global recession, to end the year around Ps19.97:US$1. Although longer-term capital inflows should remain relatively solid, we expect the combination of a deteriorating current-account deficit and volatile portfolio flows to produce further weakening pressures in the outlook period, bringing the exchange rate to Ps21.8:US$1 by end-2013. There are, moreover, some risks of temporary overshooting in response to global market volatility, although reserves levels should be sufficient to intervene in this event if necessary. Bearing in mind our forecast that inflation will remain relatively high for much of 2012-16, our baseline projections still suggest some further modest real currency appreciation. The real effective exchange rate (REER) will in fact be close to 20% stronger than its long-term average (1990-2010), partly reflecting an improvement in Uruguay’s fundamentals and terms of trade. The improvement in Uruguay’s fundamentals, should, in fact, lead to a period of modest nominal peso appreciation late in the forecast period, as export growth accelerates and the current-account deficit narrows as a percentage of GDP.
External Sector

The current account will continue to widen in 2012-13, but will remain manageable, at 2.4% of GDP in 2013. The key driver of the deterioration will be the trade deficit, which will continue to widen as imports are drawn in by large investment projects while exports are hit by growing competitiveness problems. However, as new investment projects come on stream in the second half of the forecast period (and also reflecting a tourism-related boost to the services surplus), we expect a renewed narrowing of the current-account deficit as a percentage of GDP in the forecast period. Combined with strong inflows of foreign direct investment (FDI), this will help maintain a healthy level of foreign reserves coverage throughout the forecast period.

<table>
<thead>
<tr>
<th>Forecast summary</th>
<th>2011&lt;sup&gt;a&lt;/sup&gt;</th>
<th>2012&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2013&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2014&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2015&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2016&lt;sup&gt;b&lt;/sup&gt;</th>
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<tr>
<td>Real GDP growth</td>
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<td>3.8</td>
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<td>4.2</td>
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<td>6.3</td>
<td>5.9</td>
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<td>Current-account balance (US$ bn)</td>
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<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts. <sup>c</sup> Actual.
## Annual data and forecast

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<td>Public-sector debt interest payments</td>
<td>3.5</td>
<td>3.0</td>
<td>2.9</td>
<td>3.0</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Public-sector primary balance</td>
<td>3.5</td>
<td>1.4</td>
<td>1.1</td>
<td>1.8</td>
<td>2.1</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Gross public debt</td>
<td>63.9</td>
<td>63.3</td>
<td>62.6</td>
<td>59.1</td>
<td>52.7</td>
<td>50.9</td>
<td>47.7</td>
</tr>
<tr>
<td><strong>Prices and financial Indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer prices (end-period, %)</td>
<td>8.5</td>
<td>9.2</td>
<td>5.9</td>
<td>6.9</td>
<td>8.6</td>
<td>6.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Producer prices (av, %)</td>
<td>11.8</td>
<td>16.9</td>
<td>2.1</td>
<td>7.6</td>
<td>15.9</td>
<td>4.4</td>
<td>5.3</td>
</tr>
<tr>
<td>Stock of money M1 (end-change)</td>
<td>31.8</td>
<td>17.5</td>
<td>11.9</td>
<td>28.1</td>
<td>18.0</td>
<td>14.3</td>
<td>14.3</td>
</tr>
<tr>
<td>Stock of money M2 (end-change)</td>
<td>31.0</td>
<td>17.3</td>
<td>14.9</td>
<td>31.0</td>
<td>24.0</td>
<td>16.5</td>
<td>16.5</td>
</tr>
<tr>
<td>Lending interest rate (av; %)</td>
<td>8.9</td>
<td>12.5</td>
<td>15.3</td>
<td>10.3</td>
<td>10.1</td>
<td>11.5</td>
<td>10.8</td>
</tr>
<tr>
<td><strong>Current account (US$ m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade balance</td>
<td>-545</td>
<td>-1,715</td>
<td>-269</td>
<td>-251</td>
<td>-715</td>
<td>-980</td>
<td>-1,447</td>
</tr>
<tr>
<td>Goods: exports fob</td>
<td>5,100</td>
<td>7,096</td>
<td>6,408</td>
<td>8,069</td>
<td>9,638</td>
<td>9,463</td>
<td>9,904</td>
</tr>
<tr>
<td>Goods: imports fob</td>
<td>-5,645</td>
<td>-8,810</td>
<td>-6,677</td>
<td>-8,320</td>
<td>-10,354</td>
<td>-10,441</td>
<td>-11,351</td>
</tr>
<tr>
<td>Services balance</td>
<td>704</td>
<td>754</td>
<td>559</td>
<td>1,042</td>
<td>1,361</td>
<td>1,477</td>
<td>1,650</td>
</tr>
<tr>
<td>Income balance</td>
<td>-516</td>
<td>-917</td>
<td>-533</td>
<td>-1,351</td>
<td>-1,571</td>
<td>-1,432</td>
<td>-1,566</td>
</tr>
<tr>
<td>Current transfers balance</td>
<td>137</td>
<td>149</td>
<td>138</td>
<td>118</td>
<td>119</td>
<td>123</td>
<td>128</td>
</tr>
<tr>
<td>Current-account balance</td>
<td>-221</td>
<td>-1,729</td>
<td>-105</td>
<td>-442</td>
<td>-608</td>
<td>-811</td>
<td>-1,215</td>
</tr>
<tr>
<td><strong>External debt (US$ m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt stock</td>
<td>11,523</td>
<td>10,985</td>
<td>12,159</td>
<td>12,248</td>
<td>12,399</td>
<td>12,113</td>
<td>12,784</td>
</tr>
<tr>
<td>Debt service paid</td>
<td>1,228</td>
<td>1,482</td>
<td>1,903</td>
<td>1,437</td>
<td>1,357</td>
<td>1,651</td>
<td>1,477</td>
</tr>
<tr>
<td>Principal repayments</td>
<td>539</td>
<td>910</td>
<td>1,323</td>
<td>824</td>
<td>749</td>
<td>821</td>
<td>771</td>
</tr>
<tr>
<td>Interest</td>
<td>689</td>
<td>572</td>
<td>580</td>
<td>613</td>
<td>697</td>
<td>630</td>
<td>706</td>
</tr>
<tr>
<td><strong>International reserves (US$ m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total international reserves</td>
<td>4,121</td>
<td>6,360</td>
<td>8,038</td>
<td>7,656</td>
<td>10,317</td>
<td>11,116</td>
<td>11,414</td>
</tr>
</tbody>
</table>

*a* Actual, *b* Economist Intelligence Unit estimates, *c* Economist Intelligence Unit forecasts.

Account Services

Under Uruguayan law, customers who wish to open Demand Deposit Accounts (or checking accounts) may do so in USD or in Uruguayan Pesos (UYU). Both can be interest-bearing accounts, although due to current market conditions USD accounts are usually non-interest bearing. Deposits can be made at any of the branches. There are no baking laws or regulations restricting automatic funds concentration, funding of accounts balances or intra-day overdrafts.

Payments

A large number of payments in Uruguay are made via check or cash. There is currently no ACH in the country, but one is under development. Some banks charge their small customers a fee for receiving wires, thus making some suppliers prefer receiving checks as payments instead of wires. The government is currently designing a bankarization plan which will hopefully increase the amount of payments made electronically.

Collections

The collection methods used by companies in Uruguay include:
• Collection of checks at the company’s office via messenger service.
• Collection of checks or cash at the company’s offices.
• Direct deposit to the account using a reference for identification at any of the branches.
• Credit to the account via funds transfer.
• Deposits in the ATM network.
• Deposits in a local extended network: this is only offered by Citi in the largest extended network and by another private bank in a smaller network.
• For large sums of cash, the cash is usually picked up by an armored car service (hired by the client) that deposits the money in the bank.

B. CITIBANK’S ACCOUNTS SERVICES SOLUTION IN URUGUAY

Current Accounts
Residents and non-residents can open both local and foreign currency current accounts.

Savings Accounts
Residents and non-residents can open both local and foreign currency savings accounts.

Reference to open a DDA NY
Citi Uruguay can provide references to its clients to open a Demand Deposit Account in NY.
C. CITIBANK’S PAYMENT SOLUTIONS IN URUGUAY

Citi offers clients payment solutions designed for both local and overseas payments. Clients use CitiDirect® Online Banking for payments and can select any combination of services needed to meet both domestic and international payment needs.

Paylink
It allows the initiation and approval of payments through the electronic banking platform. Citi, following the client’s instructions, issues and delivers management checks to the client’s suppliers. Other forms of payment are book to book, interbank transfers and cross-border transfers from both local and DDA NY accounts using CitiDirect®.

Paylink Premium
Discount of deferred payments to our client’s supplier. This method allows our clients to negotiate longer payment terms.

Tax Payments
Internet-based tax payments.

Payment Networks
Cash payments through non-bank local extended payment networks.

Payroll
Automatic credits to accounts of employees via CitiDirect®.

Direct Debit
Citi Uruguay allows direct debit of utility payments.
WorldLink® Multicurrency Payment Services
Issuance from DDA NY of cross-border electronic and check payments without the need to maintain foreign currency accounts.

Cross-Border EDI
Using CitiDirect®, the client can make EDI cross-border transfers through its DDA NY.

Citibank Mass Payments
Using CitiDirect®, the client can set up mass payments solutions.

US ACH (Credit)
Using CitiDirect®, the client can access this electronic method of payment of US Custom Duties through its DDA NY.

D. CITIBANK'S COLLECTIONS SOLUTIONS IN URUGUAY

Citi provides clients with a select range of receivables products, leveraging outsourced relationships where it does not have sufficient operational scale.

Citicobros
Passive collection system based on the usage of local extended payment networks. The Citi client issues a bar-coded bill with information about the payment and the collection invoices. The client’s customer presents the bill at the agency of his choice and makes the payment which is immediately registered in the electronic network.

Citicobros Plus
It is a system that allows the client’s customers and sales force to deposit on it’s Citi account at any of the local extended payment networks’ agencies distributed all across the country. The deposit is made using a plastic card with a bar code and a deposit slip.

Checks
Through its correspondent bank relationships, Citi’s clients can use the branch network for check deposits.

Incoming Funds Transfers
Local accounts can be credited in real-time through the receipt of transfer payments from other local banks or from abroad.

Pick-up Service
Pick-up service of regular or deferred checks directly to the client’s office.
E. DELIVERY SYSTEMS

Cross Border Delivery Systems

SWIFT
Local Address: CITIUYMM or CITIUS33URU
Messages Time Limits: Messages are accessed every day but processed on the day of the payment’s value date.
Messages types accepted by Citi include: MT1XX, MT2XX, MT3XX, MT4XX, MT5XX, MT7XX and MT9XX series message families.

CitiDirect® Online Banking
CitiDirect Online Banking is the primary platform utilized by clients to manage both local and global cash management products and services, providing a direct window into Citi’s global platform for cross-border payments.
CASH MANAGEMENT SERVICES

A. GENERAL DESCRIPTION

Due to some regulatory advantages of the Uruguayan market and Uruguayan financial system there are some companies which use Uruguay as Regional Treasury Center and/or Regional Trading Center for their local, regional and international operations. In the case of Regional Treasury Centers, they use either Uruguayan or foreign legal vehicles in order to better manage their intercompany funds, flows and to take advantage of a global cash management structure. On the other side, in the case of Regional Trading Centers, they channel their foreign trade operations through Uruguayan or foreign legal vehicles using Citibank Uruguay Foreign Trade services.

In this case there are multiple advantages for these operations, but considering the highly regulated environment in many Latin America countries, there are no conditions to establish a cash pooling system as it works in most developed countries. In this context the cash flow derived from foreign trade transactions is subject to be administrated if it is channeled through a trading company. Foreign trade transactions are the key to have a centralized cash management in the region and to take advantage of the high degree of flexibility of the Uruguayan financial system.

Usually companies with global presence, manage their treasury and trade operations on a regional basis, looking for the best and/or the most adequate location in each region in order to take better advantage from particular regulations. World's most known centers to locate these operations are Singapur and Ireland (Dublin).

B. WHY URUGUAY IN LATAM?

- Free exchange. No FX controls
- Free funds remittance
- No funds repatriation requirements
- No taxes on financial transactions (db/cr)
- Free contract on trade transactions in any currency
- Favorable legal framework for offshore operations
- No restrictions to open accounts outside Uruguay (i.e. NY, London, Japan, etc)
- No restrictions to open local accounts in any currency (i.e. USD, EUR, AUD, JPY, etc)
- Access to financing at international interest rates
- Strongest democracy and social and political stability in Latin America
- Continued growth and investment
- Historical respect to right of property
- Best labor value for money in the region
- Highest internet and PC penetration in Latin America
- New laws to make investment even more attractive
- 100% digital telecommunications (transmissions and commutations)
- Banking Secrecy has been enacted and is the backbone of the financial system, involving prison sentence in the event of violation thereto.

- No tax heaven
- Inexpensive structure
- Easy to be created
C. CITIBANK N.A - URUGUAY BRANCH

In Uruguay offshore activities are protected by an act which dates as far back as 1948. Besides having laws that promote these activities, Uruguay has a solid financial system, properly regulated and very efficient. Citibank N.A. Uruguay Branch is working in International Trade areas since the beginning, offering services to local; regional and other international customers to optimize; given more efficiency and helping to make much and more good business. For all these reasons Uruguay and particularly Citibank N.A. Uruguay Branch is elected as a Services and Regional Treasury Center / Logistic and Export Center by companies defined as business leaders at regional and global levels.

PRODUCTS

Although our products are at disposal of our customer in general, we offer a personalized attention and the trade advisory that many customers needs and request becoming in a “tailor made” services.

A. TRADE SERVICES

The primary utility of export services for exporters is payment for goods sold. However, there is a difference in the comfort levels or certainty of payment an exporter may have when the trade transaction is to a foreign country. Some of this comfort depends on whether the relationship with the importer is proven or if the exporter is familiar with the laws and local customs in the foreign country. Through its product service offerings, the exporter's bank is extremely instrumental in providing various options on how to mitigate risks of non-payment. Most of the export products and services that commercial banks offer to corporate exporters help the exporter to mitigate the risk of non-payment to some extent. Non-payment can result from the commercial insolvency of the importer or the importer's bank or instability in the government or financial institutional infrastructure in the import country. Because of its extensive global network and the resulting local country expertise in international trade, Citi is a lead provider of trade products and services for corporate exporters. These products include the Letter of Credit (LC), Export Collections (including the alternative “Speed Collections” and “Direct Documentary Collection”).

Export Letters of Credit

Export Letter of Credit are viewed from exporter's side and are a common means of paying for goods shipped by an exporter. A Letter of Credit is a document issued by an Issuing Bank at the request and for the account of its customer, or for its own account (The "Applicant"), that is irrevocable payable to a Beneficiary upon receipt of one or more documents whether terms and conditions contained on it were complied with.
Export Letters of Credit confirmed

The issuing bank's obligation is contingent and matures only in the event that it receives a presentation of conforming documents. In cases where the issuing bank is not local or otherwise acceptable to the beneficiary, the beneficiary may insist that the issuing bank obtain the confirmation of credit. Confirmation means a definite undertaking of the confirming bank (Beneficiaries Bank) in addition to that of the issuing bank, to honor or negotiate a complying presentation. The confirming bank becomes directly obligated to the beneficiary as if it were an issuing bank and has rights, obligations, and risks (ex: cross border) with respect to the issuing bank as if the issuing bank were a letter of credit Applicant.

Under Export Letters of Credit, Citi can advise, negotiates and even confirm in favor of the Beneficiary. Export Letters of Credit provides Exporters with the guarantee that if docs are presented in accordance with its terms and conditions; they will be paid by either issuing or confirming bank. If not in compliance, docs will not be released to the Importers unless they accept the discrepancies or payment is done. The Uniform Customs and Practice for Documentary Credits 2007 Revision, International Chamber of Commerce Publication Nr. 600 (UCP) are rules that apply to any documentary credit.

Transfer of Export Letter of Credit

Transferable credit means a credit that specifically states it is “transferable”. A transferable credit may be made available in whole or in part to another beneficiary (“second beneficiary”) at the request of the beneficiary (“first beneficiary”).

Assignment of Proceeds of Export Letter of Credit

The fact that a credit is not stated to be transferable shall not affect the right of the beneficiary to assign any proceeds to which it may be or may become entitled under the credit, in accordance with the provisions of applicable law. This is related only to the assignment of proceeds and not to the assignment of the right to perform under the credit.

Export Documentary Collections

Export Documentary Collections means the handling by banks of financial and/or commercial documents in accordance with instructions received, in order to obtain payment and/or acceptance; deliver documents against payment and/or acceptance or deliver documents on other terms and conditions.

- Financial documents means bills of exchange, promissory notes, cheques or other similar instruments used for obtaining the payment of money.
- Commercial document means invoices, transport documents, documents of title or other similar documents, or any other documents whatsoever, not being financial documents.
Although less expensive than Letters of Credit, Export Documentary Collections do not provide the same level of assurance of payment to the exporter because there is no substitution of creditworthiness. Payment is dependent upon the importer's willingness to fund/accept when notified that the exporter has presented the appropriate documents to the importer's bank. Although the exporter does not have the same level of assurance of payment, the exporter's collections documentation will not be released to the importer by the importer's bank until the importer makes payment, accepts the draft, or issues a promise of payment or obligation to pay at a later date. Under Export Documentary Collection, an Exporter will send commercial and shipping documents along with a cover letter to the Importer's bank through the exporter's bank and require payment. The Importer's bank will advise the Importer and pay the Exporter only after the Importer pays. The Exporter's bank will monitor when payment is received and pay the Exporter with the funds.

The Uniform Rules for Collections 1995 Revision, International Chamber of Commerce, Publication Nr. 522, shall apply to all collections, where such rules are incorporated into the text of the collection instruction and are binding on all parties thereto unless otherwise expressly agreed or contrary to the provisions of a national, state or local law and/or regulation which cannot be departed from.

**Speed Collection**

It is a special service offered by Citibank Uruguay to Exporters, given the possibility to send from our offices to Importers scanned documents including instructions to credit our account with Citibank New York U.S.A. and once payment is confirmed (same day) original documents are sending directly to their address by special courier service. This product allow to Exporter retain documents in our offices up to payment be received in our account and to Importer check through documents sent, that goods shipped are in quality and quantity those previously purchased.

**Direct Collection**

This Service was created for improving the times involved in documentary collections presented by our customers, making this operative faster and efficient but maintaining the security and support given by us in this payment way. We defined this purpose as Direct Collection Service allowing that draft and documents could be sent directly by our clients to their buyer's bank. This product has the benefit of speeding the transmission time of documents and setting out clearly a route to be followed when remitting funds back for the credit of customer account.
Indorsed Draft (letras avaladas)

When a collection is remitted by acceptance a draft is included within documents sent. In this case and in order that documents could be delivered to importer by collecting bank, draft must be accepted by drawee becoming in an engagement of payment at maturity date. When an exporter wants more safety and guarantee that payment will be done at maturity an instruction must be included in remittance letter requesting collecting bank to add their indorsement after the corresponding acceptance by drawee be obtained. Then documents should be delivered to drawee against acceptance of draft by drawee and indorsement (aval) by collecting bank.

Both options (Speed Collection and Direct Collection) are regulated by UCR 522 (ICC) like common Documentary Collections.

Stand by Letter of Credit

Stand by Letters of Credit are frequently used as a form of guarantee in the case of non-performance by the applicant of a contractual or other obligation with the beneficiary. Issuing Bank substitutes applicant’s creditworthiness committing itself to pay the beneficiary the amount drawing under the SBLC, up to a stated amount, on presentation of strictly complying documents required by the credit. SBLC are regulated by ISP 98 or UCP 600 and as to matters not addressed by any of those publications, usually is subject to and governed by the Issuing Bank’s laws and jurisdiction. For those customers without a local credit approval, Credit Products can be offered against cash collateral or a protective stand-by letter of credit in favor of the branch covering customer’s obligation under the Credit Product.

There are several types of SBLC and all of them, independently on the underlying transaction.

Most common types of SBLCs are:
Bid Bonds / Tender Bonds
Performance Bonds
Advance Payment
Counter
Financial
Commercial
Protective (To backstop a local transaction)
Where the underlying contract is a Trade transaction

SBLC could have a specific expiry date (after that date is considered null and void); Evergreen SBLCs (with an automatic renewal clause) and Open Ended LCs (without specific expiry date).
Import Letters of Credit

Import Letters of Credit give the supplier / vendor / beneficiary an assurance of payment, by replacing the payment commitment of the importer with that of the issuing bank. ILC, unlike Standby L/Cs, are used for the repetitive business of purchasing merchandise. Under ILC, Citi substitutes importer's creditworthiness committing itself to pay the Beneficiary the amount specified under the Letter of Credit, upon presentation of certain documentation, and providing the Beneficiary with a more reliable promise of payment than the Importer can offer. They provide Importers the guarantee that payment would not be released to the exporter unless the exporter submits all documentation specified in the terms and conditions of the Letter of Credit. Also, they can be used by the Importer to obtain financing for its international purchases even in those cases when the Exporter itself cannot provide this financing. The UCP 600 (ICC) rules these credits. There are some cases that applicant needs the issuance of Import Letter of Credit through Citibank N.A. New York U.S.A.; and signing the appropriate documentation could access to this special service.

Import Documentary Collections (IDC)

Import documentary collections viewed from the importer's perspective and are used by the importer to exchange payment for title of the goods without a bank's commitment of payment to the exporter. In IDC Citi does not assume any credit risk - it only acts as the intermediary in the exchange of documents for payments or draft's acceptance (if the payment instruction is deferred). IDC are a simple and inexpensive alternative to Import Letters of Credit in which Citi will handle the flow of international Trade documents, primarily the bill of lading and the commercial invoice, and would release payment to the exporter only against presentation of these documents. The UCR 522 (ICC) rules this instrument. IDC are used when the importer and vendor are willing to give up the protections of an L/C, but still want the controlling documents to flow through banking channels.

Bank Guarantee (Aval Bancario)

The concept for Bank Guarantee is similar to one described above for Stand By Letters of Credit. The main difference is that local laws and regulations rule Bank Guarantees (Código Civil, Ley de Intermediación Financiera, Central Bank regulations, etc.) and ISP 98 the Stand By Letters of Credit. There are issued to cover an underlying transaction or contractual obligations of applicant (mainly custom, lease, bid and performance guarantees). For those customers without a local credit line, Bank Guarantees can be offered either if cash collateral is provided or if a counter guarantee (protective stand-by letter of credit) is received issued in favor of the branch covering applicant's obligation under such Bank Guarantee. Protective stand-by letter of credit could comes from a third party (an entity different than Citibank), but in this case issuing bank needs credit line availability with the Citi entity in the country of the issuing bank. Such counter guarantee must be in the same amount or above and with a longer tenor for at least 15 days (any deviation of this requirement must be dully approved) from the expiring date under the Bank Guarantee.
B. TRADE FINANCE

- Citi’s Trade Finance Solutions for Corporate Customers provide an array of products that assist importers and exporters to finance their international trade businesses and it is the direct complement of branch’s Trade Service Solutions.

- Trade Finance Solutions also serve as a mitigate of commercial and cross border risks associated to trade business (assignment without recourse, etc.).

- Due to its character as commercial financing, Trade Finance Solutions are a low cost alternative source of financings for trade customers.

- They also improve payment terms within buyer and seller by financing the amount or tenor requested by the party.

- Assignment of Export LC without recourse eliminates political and commercial risks on exporter’s balance sheet.

- The assignment also provides an additional source of liquidity to the exporter while maintains the financing to the importers.

- Exporters eliminate exchange rate risk from the transaction.

Pre-export financing

Through this proposal Exporters can access to a federal rate rebate under a Pre Export Financing Program (Circ. 1456 as amended from time to time) from Banco Central del Uruguay (BCU). The financing is structured as follows:

1. The exporter requires a local bank (i.e. Citi Uruguay) to take part of the financing by delivering an approved form filled to request BCU’s financing for 180, 270 or 360 days and the percentage to be retained (10% or 30%).

2. The bank sends to BCU a request for the 100% of the financing for its approval, which is usually obtained on the following day.

3. Once approved, BCU debits from bank’s account the percentage elected (i.e. 30%) and book a time deposit, which will bear interests over the 100% of the financing requested.

4. The bank either debits exporter’s account by the 30% retained or grants a pre export financing by the full amount and disbursing the remaining 70% to finance goods to be exported.
5. BCU’s rate is a subsidy because it is been paid over the full principal and is calculated as follows: 

\[
\text{BCU's rate} = \left( \frac{\text{Percentage elected} - 10\%}{30\%} \right) \times \left( \text{last month libor} + \text{BCU applicable rate} \right) \\
\times 100\% \times \text{tenor (180, 270 or 360)} \right) / 36500.
\]

6. The subsidy is returned to the exporters after they demonstrate to BCU that exports have been performed by presenting copies of “Cumplidos de Embarques” issued by the Custom to the bank.

7. If exporter does not provide evidence of exports in such period, then it is subject to a penalty from BCU of 2.5% over the full principal and loses the interests accrued.

8. If financed by the bank, the remaining 70% is booked as a regular loan.

As mentioned, the deposit could be either financed by a bank through a pre export financing or done with exporter’s own cash. If requested, bank can purchase at discount the local time deposit with or without interests.

**Criteria:** This product is intended to local exporters with good track records, credit lines availability and those that have fulfilled the obligation to present evidence to BCU of goods exported (“Cumplidos de Embarque”) on time.

**Advance of funds under Export LC (before shipment)**

One of the financial alternatives exporters may apply is the advance of funds under an export letter of credit in their favor, where the credit is being used as a collateral or credit enhancement by assigning all future proceeds. Since shipment has not been performed and no credit is booked yet, assignments are done with recourse to the exporters. Tenor must be in accordance with LC shipment and payment terms. Under deferred LC confirmed by the branch, when documents are in order and the acceptance is created, the recourse to the exporter can be cancelled and replaced by a post financing under issuing bank lines. If Export LC is not confirmed, when payment is received, the branch credits the funds less the principal and interests. If payment is not received, the exporter’s account is debited by principal and interests. It is a more secured transaction than the pre export financing, but both are clean transactions and relies on exporter performance. Clean credit lines must be in place under each exporter’s credit approval. Export LC must be in compliance with Citibank’s standards and under UCP 600 Rev. 2007 (ICC).

**Criteria:** Citi’s one year relationship with exporter; advance up to 70% of the LC; notice of assignment to the issuing /confirming bank is required by swift; no perishable goods or with price volatility.
Advance of funds under Export Collection (already shipped)

Instead of discounting account receivables, the exporter may request an advance of funds against presentation of shipping documents to be handled under a documentary collection subject to UCR 522 (ICC). The export collection is being used as a collateral or credit enhancement by assigning with recourse to the exporter all future proceeds. Tenor must be in accordance with collection’s payment terms. Repayment comes from exporter’s account with the branch. Clean credit lines must be in place under each exporter’s credit approval. Discount rate is apply on the principal amount and customer account is credited for net amount discounted (principal less interests) less our commissions. When funds are received under the collection, Citi cancel the corresponding asset. If payment is not received, principal and interests are debit from exporter’s account and the collection is cancelled.

Criteria: Citi’s one year relationship with exporter and importer; up to 180 days; advance up to 80% of the Collection; a notice of assignment must be delivered to the exporter; no perishable goods or with price volatility; only when originals documents are presented which must be stamped with payments instructions to the branch’s account; under deferred collections, advance is made when drafts are accepted.

Assignment of Export LC without recourse

This is one of the traditional instruments used by our clients to obtain liquidity. If the branch confirms an Export Letter of credit (ELC), the exporter may request the discount without recourse at a competitive rate since the branch is purchasing its own risk. Once the ELC is used and the deferred payment, acceptance or negotiation set up, the branch could arrange the assignment of the export proceeds under the ELC with the exporter.

Import financing

Local importers may choose between cancel import LC or Import collections at maturity or request Citi Uruguay to provide financing for an additional period. Depending on their hedge strategic, they may request such financing in local or foreign currency (usually dollars or Euros).
C. OTHER PRODUCTS – ELECTRONIC SOLUTIONS

**CitiDirect Trade**

Trade services through CitiDirect® Online Banking takes you in a new direction by offering browser-based access from anywhere in the world at any time. In the office or on the road, with CitiDirect Online Banking you can access and control your trade transactions easily. Because your data and software reside centrally with Citi, you have the added assurance that you and your authorized users are working with the same information and software. CitiDirect enables importers and exporters to manage trading activities effectively and provides detailed information at every step along the way.

**CitiDirect Online**

**Banking for importers**
- Initiate, inquire and report on trade transactions on a single global platform
- Resolve discrepancies and inquiries by viewing images of trade documents
- Subscribe to event notification to quickly learn of transaction events
- A new custom template feature lets you assemble Citi’s input form to suit the data layout you use to prepare your import letter of credit application.

**Banking for exporters**
- Track letter of credit and amendment activity
- Create export LC presentation letters
- Initiate and track direct collections
- Monitor transaction history
- View images of documents presented for payment
- Subscribe to event notifications via e-mail/text/fax
- Transfer LCs and create amendments

**Benefits of CitiDirect**

**Online Banking**
- Cash and foreign exchange
- Management enables businesses to manage cash and foreign exchange activities by providing access to status of letters of credit and collections.
- Customized authorization
- Facilitates flexibility and control in customization authorization procedures, which enables your local offices to initiate and approve transactions up to pre-specified amounts, providing access to tools they need for day-to-day operations.
- Security offers comprehensive, multilevel security mechanisms, including standard data encryption, dynamic passwords and control over system access.
Citi Direct Presentation

Through this product Beneficiary of a letter of credit could send scanned documents to Citi Trade Processing Center through a electronic platform in order to be checked. Once documents have been processed by Trade Processing Center, beneficiary could send documents directly to issuing bank adding remittance letter and using courier AWB provided both by Citi.

Interaction within customer and Citi Trade Processing Center is made through this platform (sending documents, communication of discrepancies or documents in order, remittance letter, etc)

Documents can be uploaded via fax or scan to Citi’s secure system. Citi will check them based on the electronic image, and if docs are clean they can then be sent directly to the issuing bank.

Benefits:
• No need to wait for documents to be couriered to Citi and back – all documents are physically retained in your company’s office.
• Discrepancies can be resolved much quicker as documents do not have to go back and forth
• Costs of doing business go down as you save on courier charges
• You receive cash quicker since documents reach Citi faster

Specifications:
• Upload documents and communicate with Citi securely via the secure website
• View document images online
• Receive email alerts to your desk to update you on document status
• View full audit trail online
## Market Guide for Treasury

### Operating Accounts

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<th>Non-Residents</th>
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### Overdrafts

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### Interest-Bearing Accounts

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<td>Onshore foreign currency operating accounts</td>
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### Time Deposits

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### Domestic Notional Pooling

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### Inter-Company Lending

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<td>Foreign currency</td>
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### FX Convertibility/Transferability

- Local Currency is freely convertible.
Central Bank and Other Regulatory Requirements

- No special requirements.

Tax and Transfer Pricing Considerations

- Transfer pricing rules apply starting in 2009.

For more information, please visit www.transactionservices.citi.com

Notes:
1. Outgoing funds transfer to offshore accounts should be informed as per Central Bank regulation.
2. This product is currently not offered in country.
3. From a legal point of view there are no material restrictions, except for the right of set-off post-insolvency, which is prevented by current bankruptcy law (art 65).
4. Non-Resident to Resident. WHT applies to intercompany loans to a subsidiary (12%) and interest is deductible. If the borrower is a branch no WHT applies and interest is nondeductible.
5. Resident to Non-Resident. There is no income tax due; it is a foreign source but part of the funding cost is not deductible.
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