



Macroeconomic
Environment

MACROECONOMIC ENVIRONMENT

The growth of the world economy slowed in 2015, as a result of cooling in emerging markets. In the context of slowdown of the Chinese economy, undergoing a change of its growth model, the drop in international prices of raw materials, and the monetary policy normalization in the US, the pace of expansion in emerging economies suffered. Advanced economies maintained the recovery path, albeit at different rates.

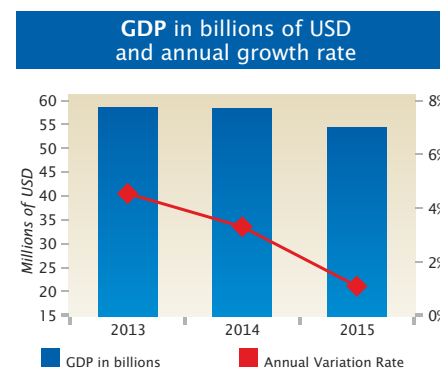
At the regional level a sharp deterioration in economic conditions was observed, mainly due to the deep recession in Brazil. In this sense, the Brazilian economy suffered the consequences of an acute political crisis and a crisis of confidence leading to the largest decline in output in decades. In Argentina meanwhile, the economy grew, but strong macroeconomic imbalances remained.

THE URUGUAYAN ECONOMY

The Gross Domestic Product of Uruguay grew 1% in 2015, implying a slowdown in economic activity, consistent with the regional and international context.

The GDP increase of 2015 came from an improvement in net external demand as the domestic demand weakened. Final Consumption Expenditure registered a moderate increase in the year, while both public and private investment decreased, with the completion of some major works. Net external balance improved, based on a steeper drop in imports than in exports.

In terms of production, there have been mixed results across the different sectors. The greatest positive impact on the overall performance came from the Manufacturing Industry, driven by pulp production, and Transport, Storage and Communications, due to the continued expansion of telecommunications. Conversely, the level of activity contracted in the sectors of Construction, Trade, Restaurants and Hotels.



GROSS DOMESTIC PRODUCT

Variation rate of PVI in %

Type of Economic Activity	2013	2014	2015
Primary Activities	5,6%	-0,2%	0,4%
Manufacturing	2,1%	4,2%	5,7%
Electricity, Gas and Water	56,0%	15,7%	-8,1%
Construction industry	2,0%	0,7%	-5,4%
Trade, Restaurants and Hotels	2,6%	-0,6%	-2,5%
Transport and Communications	9,5%	7,4%	3,1%
Other	3,3%	2,4%	1,6%
Gross Domestic Product	4,6%	3,2%	1,0%

Foreign Trade

Exports of goods and services from Uruguay totaled USD 12,069 million in 2015, which meant a US dollar-measured decrease of 12% in the year. This decrease was due to a scenario of lower international prices in the main export products and deteriorating external conditions, particularly in the region.

FOB exports of goods totaled USD 7,675 million in 2015, falling 16% as compared to the previous year.

Meat was the main export category, with total sales of USD 1,758 million, which involved more than 20% of exports of goods, but down 6% in relation to the previous year.

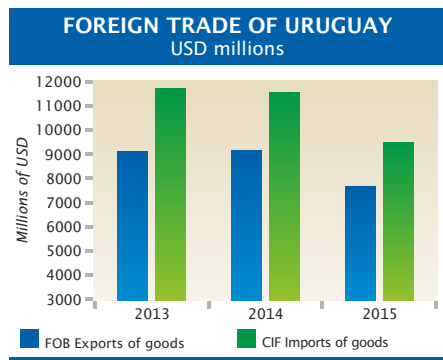
The second largest exports were oilseeds, with an export value of USD 1,127 million, and a fall of 30% compared to 2014. Soybean sales experienced a fall for the second consecutive year as a consequence of the decline in product prices and export volumes.

As an export destination, China ranked first, displacing Brazil as the main trading partner of Uruguay. Exports to China accounted for about 18% of the total, worth just over USD 1,400 million.

CIF imports of goods totaled USD 9,489 million, falling 17% as compared to the previous year. The decline in imports was widespread in terms of components; most of this decline corresponded to intermediate inputs, which experienced a drop of 22% based on the lower Oil purchases. Imports of capital goods fell 15%, while imports of consumer goods recorded the smallest decline, down 8%.

As a result of the performance of exports and imports (FOB value), in the year 2015 the net external balance improved, with a deficit in the trade balance of goods, of USD 1,229 million, compared to USD 1,602 million in 2014.

GOODS EXPORTED FROM URUGUAY			
FOB in USD millions			
Main Export Products	2013	2014	2015
Meat	1.692	1.863	1.758
Oilseeds	1.878	1.621	1.127
Dairy	889	876	505
Grain	893	810	616
Wood	540	654	767
Furs and leathers	307	344	301
Others	2.857	2.992	2.601
Total	9.056	9.160	7.675



Gantry Cranes, Port of Montevideo



Prices and Income

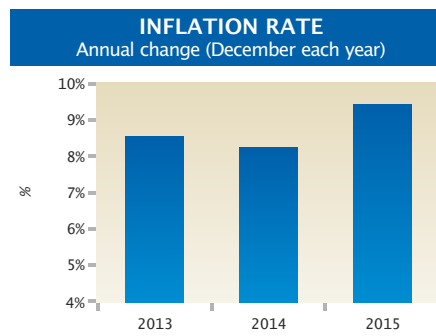
Inflation in 2015 stood at 9.4%, meaning acceleration as compared to 2014.

The rising exchange rate, along with other domestic elements, favored the continuation of inflationary pressures, despite the decline in international prices. In the most important areas, the most significant increases were in Education (12.05%) and Transportation (10.3%), while Housing (9.32%), Food and Beverages (8.76%) and Health (8.43%) also showed rises in the year.

The prices for producers of national products increased 6.6% in 2015. Interbank US dollar rate at the end of 2015 stood at \$ 29.87 per US dollar, which represented an increase of 22.8% in the year. The nominal Average Wage Index increased 9.88%, while considering the inflation for the period, real wages increased 0.4%. In the labor market, the unemployment rate increased, still remaining at low levels by historical standards, the average rate for 2015 was 7.5%.



Colonia del Sacramento - Colonia



URUGUAY			
Main socio-economic indicators			
Indicator	2013	2014	2015
Population (thousands)	3.298	3.306	3.314
Gross Domestic Product (USD millions)	57.578	57.333	53.534
GDP per inhabitant in USD	17.458	17.342	16.154
GDP growth (annual change PVI)	4,6%	3,2%	1,0%
Annual exports of goods (USD millions, FOB)	9.066	9.160	7.675
Annual imports of goods (USD millions, CIF)	11.642	11.485	9.489
Current Account Balance, BoP (% of GDP)	-5,2%	-4,6%	-3,6%
Gross Debt (% of GDP)	57%	58%	59%
Annual Inflation Rate	8,5%	8,3%	9,4%
Annual Depreciation Rate	10,3%	13,8%	22,8%
USD Exchange rate at each year end	21,39	24,33	29,87
Inflation-Indexed Unit rate at each year end	2,7421	2,9632	3,2426