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Statement by Mr. Lacunza
Argentina

On behalf of
Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

Statement by Governor Hernan Lacunza, Minister of the Treasury of Argentina
On behalf of the Southern Cone Constituency
(Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay)
October 19, 2019

Global Developments

The World Economic Outlook (WEO) has reduced once again its forecasts for global economic growth as trade and geopolitical tensions have continued to escalate. The forecast for 2019 has been revised downward to 3 percent, the lowest growth since the 2008-09 global financial crisis, while the projection for 2020 has been reduced slightly to 3.4 percent.

Considering current trends and prevailing uncertainties, the increase in growth projected for 2020 may be optimistic. A large part of such increase is based on a pick-up in activity in some emerging market countries and lesser output contraction than in 2019 in other economies of the same group. At the same time, the pickup in 2020 also relies on financial market sentiment staying supportive and the continued fading of temporary drags, notably in the euro area, as well as on the continuation of accommodative monetary policies in advanced economies and policy stimulus in China. These factors might turn out to be insufficient in case of a further escalation of trade tensions or a disorderly Brexit. In addition, geopolitical tensions continue to be a source of concern.

The deceleration in growth takes place against a background of reduced policy space in many countries, while easier financial conditions may be leading to increasing vulnerabilities and underpricing of risk in some financial market segments, raising the risk of financial volatility.

The rate of growth for Latin America and the Caribbean has been significantly revised downward for 2019 and 2020. In particular, South America’s real GDP is now projected to decline by 0.2 percent in 2019, including due to contractions in Argentina and Ecuador. Unfortunately, the political, economic, and humanitarian crisis in Venezuela has aggravated, with significant spillovers to the region.

Against this backdrop, risks remain skewed to the downside. The important question is then how well-prepared are countries to react to the materialization of these risks. With limited room for monetary policy in advanced economies, fiscal space becomes critical. Countries with enough policy space could place stronger reliance on supporting demand growth. Other countries that have appealed to fiscal stimulus during the expansion phase of the cycle face a narrower fiscal policy scope. As public and private debt are close to historical peaks, fiscal policy needs to carefully balance short-term effects with medium-term considerations.

International Collaboration and IMF Policies

Policy-makers should continue with their efforts on structural reform to address medium-term growth headwinds and promote inclusiveness. In light of continued downside risks to the global outlook, upgraded global cooperation is also needed. This includes efforts to reduce domestic distortions that reduce trade and to promote an open and rules-based multilateral trade system. In the face of increasing financial sector vulnerabilities, it may be necessary to consider expanding prudential tools. The Fund could help contain stability risks by communicating the strength of many emerging markets featuring lower vulnerabilities, stronger buffers, and larger policy space.

At the country level, flexible macroeconomic policy frameworks, including sustainable fiscal policies, flexible exchange rate regimes, adequate level of international reserves and credible monetary policy commitment to low inflation, complemented by sound regulation, supervision, and the appropriate use of macro prudential policies, have proven to be critical for reaping the benefits of global integration.

On the Fund's Global Policy Agenda, we support the Fund to continue to advocate for open, stable and transparent trade policies, with advice and analysis grounded on analytical work, including in collaboration with other international institutions.

Against the background of slower growth and downside risks, policies need to strengthen growth prospects, enhance resilience, and promote inclusion. In particular, adequate social policies and pro-growth structural reforms remain critical, including for Latin America, which exhibits high levels of inequality and low productivity growth.

Regarding IMF policies, we will remain engaged as important reviews take place, including the Comprehensive Surveillance Review and the FSAP review. We also support internal efforts to modernize the Fund and adapt it to new challenges, maintaining its efficiency, and ensuring that the institution remains capable of attracting top and diverse talent.

IMF Governance

In the context of the 15th General Review of Quotas, we note that there has not been a consensus for a quota increase, which we have supported. We remain committed to a strong, quota-based and adequately resourced IMF at the center of the International Monetary System and the Global Financial Safety Net, in line with previous statements by the IMFC. We note that current quota shares and the quota formula do not adequately reflect the weight of members in the global economy, and a realignment remains necessary. Global risks ratify the need to maintain the IMF's lending capacity. Our view remains that an increase in quotas is needed to improve the balance of permanent to borrowed resources, which is below the historical average, but we are willing to work constructively with the membership to address the most pressing need of securing an adequate lending capacity for the IMF.

We would like to congratulate Ms. Georgieva for her election as Managing Director and wish her success in leading the IMF.

Argentina

Argentina underwent domestic and external shocks last year. Policies were oriented to reduce imbalances, protect the vulnerable, and continue pursuing reforms, and were supported by a Stand-By Agreement with the Fund. In this context, and with the valuable support of the international community, Argentina made significant progress in accelerating fiscal consolidation, reducing its external imbalance and stabilizing output.

However, the program had important risks, the most salient one being portfolio dollarization as a result of electoral uncertainty, which could in turn spur depreciation pressures, inflation pass-through, a jump in the debt-to-GDP ratio, reserve losses, and a decline in roll-over rates for short-term debt.

Unfortunately, these risks materialized in full force after the primary elections of August 11, which raised concerns about the continuity of the economic reform program. The peso depreciated over 30 percent on impact, financial asset prices plummeted, and short-term public-debt roll-over rates collapsed. Bank deposits in the dollar-denominated segment of the financial system also showed signs of stress.

At this difficult juncture, Argentina had to make hard choices. Minimizing the impact of the crisis on the most vulnerable segments of society and protecting savers and peso holders was a key priority. In practice, this meant safeguarding international reserves to stabilize the peso and contain inflation. To this end, the following measures were implemented:

First, the Ministry of Treasury announced a reprofiling of peso- and FX- denominated short-term debt maturity schedules;

Second, the Treasury opened the dialogue with the opposition and the private sector to build a market friendly framework for voluntary reprofiling of also medium- and long-term debt;

Third, the Central Bank established limits to FX purchases and transfers abroad and the obligation for exporters to sell FX proceeds in the local market.

These measures were successful in stabilizing the peso, and in containing dollar deposit withdrawals, which have declined. However, these measures are not harmless and, admittedly, are contrary to the spirit of the economic program initiated in December 2015 under President Macri's leadership and supported by the IMF. These difficult measures were adopted because they were the only possible course of action to avert an even worse scenario. They are also meant to be temporary, being in place until the electoral cycle ends and political uncertainty diminishes.

The current situation, however, should not detract from the much sounder economic picture that has taken form over the past four years. Argentina has nearly closed its external and fiscal imbalances. The deficit of the external current account will be only 1 percent of GDP in 2019, from about 5 percent of GDP last year, and a surplus is projected for next year. On the fiscal side, coming from a primary deficit of about 4 percent of GDP in 2017, we project an almost balanced fiscal primary position in 2019, and we committed a surplus of 1 percent of GDP for next year. The real exchange rate has regained competitiveness and the utility price correction is nearly completed. Importantly, transformative microeconomic reforms, trade agreements, and infrastructure investments have increased the country's growth potential.

Thus, although Argentina is currently facing a liquidity crisis associated with the electoral period, the economy stands on sounder fundamentals. The adverse situation that we are facing is the result of an unexpected market reaction to the electoral process, and not the result of policy slippages. We have adhered to policy commitments under the program with the Fund and we will continue implementing appropriate corrective policies. We cannot do it alone and it is now fundamental to continue working with the Fund and the international community to overcome the present juncture, regain a sustainable growth path, and restore access to voluntary debt markets.

Bolivia

Despite the adverse external conditions for the Bolivian economy in recent years, the country has been able to sustain robust growth. In fact, GDP growth in 2018 was 4.22 percent, higher than in 2017 and, at the end of this year, economic growth rate is expected once more to be the highest in South America. The strong economic performance is based on impulses from non-extractive sectors, domestic demand, and adequate economic policies. In the first half of 2019, economic indicators, such as private consumption, as well as public investment, remained strong and showed that this positive trend has been maintained. As a result of this outstanding economic performance over the last 13 years, substantial improvements in social indicators have been achieved, with significant progress in the living conditions and life expectancy of the population.

The robust economic performance is based mainly on increased production from non-extractive sectors, such as the manufacturing industry, agriculture, financial services, and transportation, among others. On the expenditure side, domestic demand based on public investment continues to be an important contributor to economic growth, with an active role of the state to steer the economy, in accordance with the Economic Social Development Plan 2016 – 2020 (PDES). However, the main sector related to external demand has shown brief contractions due to the irregular demand for natural gas from Argentina and Brazil, while the mining sector has exhibited temporary lower production.

The Bolivian government is envisaging a deficit in 2019 as a result of implementing the public investment program to reduce the historical infrastructure gap and the universal public health system, maintaining social programs to contribute to achieving the 2030 Agenda for Sustainable Development, and diversifying output. The fiscal deficit will be financed by fiscal savings and foreign resources from both bilateral and multilateral organizations. The fiscal deficit must be analyzed by considering its composition and its relationship with the investment projects prioritized in the PDES, which were confirmed by the implementation of a successful countercyclical policy against external shocks, as the global economic crisis adversely affected the terms of trade and the regional economic performance, especially of our main commercial partners. In addition, the debt dynamics show that the public debt is sustainable and remains lower relative to international levels and the country has no difficulties in tapping external resources.

In the first half of 2019, the Central Bank of Bolivia, in response to uncertain external conditions, maintained an accommodative monetary policy stance and a stable exchange rate policy to support the dynamism of economic activity, keeping imported inflation under control, deepening the de-dollarization process, and anchoring domestic inflation expectations. The orientation of monetary policy, in coordination with the national government, was countercyclical due to the channeling of resources to the economy to maintain adequate levels of financial system liquidity and low interest rates to contribute to the dynamism of economic activity.

Inflation remains under control and in the first semester of 2019 registered a y/y rate of 1.73 percent, which represents one of the lowest rates in recent years and in South America, being the second lowest accumulated inflation rate. In addition, this result was lower than expected and is explained by the positive performance of the agricultural sector, lower imported inflation, lower inflation expectations, limited variations in services prices, and the stability of the exchange rate, which anchored inflation expectations. At the end of the year, the authorities expect inflation to be below the target in the fiscal financed program, which was 4.5 percent.

Indicators of solvency and liquidity of financial intermediaries reflect the soundness of the financial system and, again, represent another remarkable achievement. In the first half of

2019, the rate of non-performing loans reached 1.9 percent, which is the lowest in the region. In addition, the process of de-dollarization has successfully continued, with credit and deposits in domestic currency reaching 99 percent and 88 percent, respectively. The high prudential cushions required by regulation, together with continuous monitoring and oversight by the Financial Stability Council (CEF), guarantee the stability and quality of financial system loans.

Sustained growth in the Bolivian economy is accompanied by the industrialization process and requires capital and intermediate goods from abroad, which have been the main drivers of current account deficits and the decline in international reserves in recent years. International reserves in the first semester of 2019 were equivalent to 19 percent of GDP, remaining well above recommended theoretical levels, such as the Assessing Reserve Adequacy (ARA) metric. Nevertheless, the authorities project new flows of resources that ensure their sustainability, from new exports with value-added from strategic projects, import substitution, enhanced exports such as the sale of ammonia and urea, lithium carbonate, liquefied natural gas (LNG), potassium salts, electricity, and other products through national companies.

In the framework of the government's PDES and based on the objectives provided in the annual budget 2019, the implementation of public policies will continue to focus on prioritized sectors, the generation and use of surpluses, income redistribution, import substitution, enhanced exports, reducing poverty and inequality, strengthening the productive sector, and consolidating industrialization. The Bolivian economy will remain on a path of sustained and stable growth, ratifying its leadership in the region.

Chile

The outlook for the Chilean macroeconomic scenario has been softening for some time, as is occurring in the majority of small open economies of the emerging world. On the one hand, the downturn of international conditions led the authorities to forecast a weaker external impulse for the rest of the year and 2020. Key factors include significant adjustments to Chile's trading partners' growth and a reduction of the terms of trade, mainly because of the lower copper price.

On the other hand, during the first half of this year domestic activity and demand performed below expectations. Activity's deceleration is explained by one-off events in some sectors, mainly linked to supply-side factors. Projections for the year on the demand side assume that investment will remain dynamic, with weaker consumption growth, and a fall in exports, showing the effects of the trade war.

Thus, after growing 4 percent in 2018, the Central Bank of Chile (CBC) forecasts GDP growth within a range of 2.25 to 2.75 percent (down from 3.25 and 4.25 percent in

September 2018). For 2020, the CBC forecasts GDP growth between 2.75 and 3.75 percent, and between 3 and 4 percent for 2021.

Last June the CBC Board updated its estimates of trend GDP to capture the effect of the significant immigration flows of recent years. The CBC Board now estimates trend GDP growth in a range between 3.25 and 3.75 percent for the period 2019-2028.

Inflation

As for inflation, the annual variation of the CPI and the CP excluding food and energy items remains around 2 percent. Services inflation has been lower than anticipated, remaining low from a historical perspective, reflecting a wider output gap and slower wage growth, partly reflecting the effect of migration flows. In contrast, goods' inflation has been somewhat higher than expected, capturing the pass-through from peso depreciation.

CBC projections point to the convergence of inflation to the target, in line with market expectations. The projection assumes that some price shocks persist over time, a gradual closing of the output gap, and a real exchange rate above the average of the last two decades.

Monetary Policy

Due to the strength of the macro policy framework, the CBC has articulated a bold response to the changing scenario. The CBC Board cut the monetary policy rate 100 basis points in the last three months and indicated that further accommodation might be necessary, which would be further evaluated in the light of the evolution of the domestic and external scenario. In this regard, Chile stands out as one of the countries with the fastest response to external developments and one that will face the turbulence of the coming months with more favorable financial conditions.

Fiscal Policy

On the fiscal front, after significantly outperforming their targets in 2018, the authorities recently reaffirmed their commitment to the medium-term structural consolidation path in the 2020 budget submission, carefully balancing fiscal consolidation efforts that support development needs and social spending while, at the same time, stabilizing the public debt-to-GDP ratio in the short term well below peers.

Fiscal authorities have also strengthened their institutional framework by providing legal and financial independence to the Fiscal Council, alongside a broader mandate, and started publishing quarterly macro-fiscal projections, in line with international best practice. The authorities remain committed to a broad set of structural reforms, including tax, pension, labor, and health reforms, geared towards strengthening the medium-term growth potential of the economy.

Financial Market Developments

The authorities are committed to continue deepening domestic financial markets and reducing risk exposures. The main initiative in this regard is the implementation of Basel III standards as mandated by the new General Banking Law. Bank solvency requirements incorporate a wide range of risk management tools, including a counter-cyclical capital buffer responsibility of the CBC whose regulation must enter into force in November 2020. Having a more developed and integrated international exchange market must be accompanied by appropriate financial market infrastructures that allow for risk mitigation, adequate security conditions, and increased transparency of the derivatives market. The CBC published the new regulatory framework to establish an "Integrated Information System on Derivatives Transactions" designed according to accepted international standards, to become the first Transaction Repository in Chile.

The CBC is also developing a new regulatory framework to extend the LBTR System to the settlement of interbank payments in dollars, and started an agenda to modernize exchange regulations, and to incorporate the peso into an international payment system managed by CLS Bank. All these measures should contribute to a greater cross-border use of the Chilean peso, as well as to a greater participation of non-residents in the local market.

Paraguay

Economic activity in Paraguay showed moderate dynamism in the second half of 2018, affected by the more complex regional environment, as well as some internal supply factors. On one hand, the economic deterioration and the depreciation of the currencies of neighboring countries caused an important decrease of trade in bordering areas with Argentina and Brazil, also influencing the performance of businesses and services tied to tourism. On the other hand, some sectors were adversely affected by supply shocks (weather conditions); however, the growth rate observed in 2018 stood at 3.7 percent.

The lower dynamism of economic activity has persisted during 2019, sharpened by worsening weather conditions that have affected agriculture, livestock production, the construction sector, and the generation of electric power. In addition, the global economic situation, and particularly that of the region, continues with a high degree of uncertainty. In this context, growth estimates have been revised downwards. Currently, a GDP growth rate of 1.5 percent is expected for 2019, which would be explained mainly by the tertiary sector (general government and other services), while the primary and secondary sectors would have negative incidences. On the expenditure side, the main contribution to growth would come from domestic demand, specifically from total consumption (private and public), while net external demand would have a negative impact.

With regard to prices, inflation and its underlying measures have remained close to the lower band of the target range during 2019. Taking into account the context of limited inflationary pressures and the evolution of the latest data for both economic activity and internal demand indicators, the Central Bank of Paraguay (BCP) considered that there was enough room to provide the economy with a monetary impulse. Therefore, the BCP has reduced the reference interest rate by 25 basis points at each of the meetings held in February, March, July, August, and September, with the rate dropping from 5.25 percent to 4 percent annually. This process of easing monetary conditions is compatible with the convergence of projected inflation to the annual target of 4 percent over the relevant projection horizon.

In addition to the monetary policy interest rate cuts, the BCP has approved a series of transitional measures to support certain economic sectors. One of these measures will allow debtors in the agricultural and livestock sectors, affected by adverse weather conditions, to maintain their credit profiles in the financial system. Another highlighted measure is the establishment of a special regime for legal reserve requirements in foreign currency, applying from July to December 2019. In accordance with this provisional scheme, financial entities may dispose of up to 2 percent of the reserve requirements, applied to sight deposits and time deposits from 2 to 360 days, for the granting of loans, and the renovation, refinancing, or restructuring of portfolios directed to the agricultural and livestock sectors affected by flooding.

The nominal foreign exchange rate has maintained a behavior consistent with the dynamics observed at the global and regional levels. In September 2019, the Paraguayan Guaraní had depreciated around 8.2 percent vis-à-vis the United States dollar, in annual terms. The BCP's participation in the exchange market has been limited to the mitigation of sharp exchange rate volatilities, without altering the tendency determined by market fundamentals. On the other hand, it is appropriate to point out that the amount of Net International Reserves remains at around USD 7.9 billion (20 percent of GDP), a high level that represents an ample margin of liquidity with which to face eventual sharp fluctuations of the exchange rate.

As for public finances, the fragile performance of both economic activity and internal demand has been reflected in fiscal revenues. In the first quarter of 2019, tax revenue increased 6.5 percent in cumulative terms, while at the end of August the increase was 1.4 percent. This moderation was largely due to the drop in import revenue. Meanwhile, the Ministry of Finance presented a proposal for the modernization and simplification of the national tax regime, which was enacted as Law N° 6,380 in September 2019. The reform includes the reduction of tax burdens for businesses that remit profits abroad, thereby providing incentives for foreign investments in the country. The law also foresees a higher rate for direct taxes, such as income taxes, and for selective taxes for the consumption of certain goods, for instance, alcoholic beverages, tobacco products, and some high-calorie or high sugar content food products, considering public health implications.

It must be highlighted that, despite less dynamism in economic activity, total credit to the private sector maintained a high two-digit growth rate, reaching 11.4 percent in August 2019. This result is explained by the expansion of bank loans in local currency (17 percent), as well as loans in foreign currencies (3.1 percent).

The financial system remains stable, with solvency indicators that are in line with the Basel minimum capital requirements. Liquidity, non-performing loans, and profitability indicators continue to stand at adequate levels. In this respect, the results of the stress tests reveal that the banking system is resilient and can face extreme shocks, although with a low probability of occurrence. As for financial regulation, the reform process continues, with remaining challenges being related to the development of regulatory frameworks that promote adaptation to a new digital environment and new actors, as well as to the improvement of the market's transparency and discipline. In this regard, some draft bills that are currently under study include the creation and regulation of Credit Bureaus, which are incorporated in the draft Law on the Protection of Personal Data, Crowdfunding, Foreign Exchange Brokers, Factoring, and the modifications regarding credit unions and the Charter Law of the National Institute of Cooperatives (INCOOP), among others.

Furthermore, the Executive Branch has presented a package of draft bills to the National Congress that will contribute to improving Paraguay's Competitiveness Index (*Doing Business*). The package is comprised of legislative bills for real estate collaterals, simplified stock corporations, and insolvency proceedings (bankruptcy).

Peru

Peru's growth decreased from 4.4 percent in the first half of 2018 to 1.7 percent in the first half of 2019 due to negative growth in primary industries (mainly mining and fishing) and a deceleration in non-primary industries. As negative shocks (originated in the first half of 2019) unwind gradually, expected annual growth is forecasted at 2.7 percent. Expected growth in 2020 is 3.8 percent, led by a recovery in primary industries, private consumption, and public investment.

Inflation as of August 2019 was 2.0 percent and is expected to remain around the center of the target range (1-3 percent) of the Central Reserve Bank of Peru (BCRP) for the remainder of 2019 and 2020. In August 2019 the BCRP reduced its policy rate by 0.25 percentage points (from 2.75 percent to 2.50 percent). The BCRP maintains an expansionary stance in a context of anchored inflation expectations and growth below potential.

Credit to the private sector increased 8.1 percent year-on-year as of August 2019, mainly due to higher household loans, in line with the recovery of domestic demand and the expansionary monetary policy stance. As of the second quarter of 2019, the credit-to-GDP ratio reached a peak of 43 percent.

The fiscal deficit is expected to continue its declining trend as a percentage of GDP, from 3.1 percent in 2017 to 2.3 percent in 2018 and 2.0 percent in 2019, mainly due to improved government revenues. Public debt as of end-2019 is expected to remain around 26.5 percent of GDP, one of the lowest in the region. Going forward, the deficit is expected to continue decreasing as further fiscal consolidation is implemented.

The current account deficit (forecasted at 2.0 percent of GDP in 2019-2020) is below the previous 10-year average (2.8 percent of GDP) and will continue to be financed by long-term capital inflows. The trade balance surplus will continue to be positive in 2019-2020 (2.5 percent of GDP) despite global growth moderation and trade tensions.

Finally, the BCRP maintains an FX buffer of around four times the country's short-term obligations and 30 percent of GDP. With sound fundamentals and high FX reserves, Peru's external position is one of the strongest among emerging market economies. This enables the authorities to considerably limit the risks from exogenous financial shocks.

Uruguay

A prolonged period of time often allows a good perspective of results, trends, challenges, and risks. Over the past 17 years, the world economy has shown numerous tough episodes, including the global financial crisis and its aftermath, entailing extraordinary volatility. This has brought about acute swings in capital flows, and a kind of roller coaster in terms of commodity prices, exchange rates, sovereign spreads, asset prices, etc. More recently, trade, geopolitical, and political tensions have added substantial doses of uncertainty to the global scenario. Current reports on the world economy present gloomy perspectives, dominated by downside risks. Needless to say what has been happening in the region, starting with four years of recession over the past six years (including 2019) and large exchange rate volatility in Argentina, as well as some years of severe recessions followed by anemic growth rates in Brazil. Against this background, Uruguay has posted a prolonged period of economic growth without a single annual negative rate since 2003. This period of growth is not only remarkable when looking at the whole world; but, it is definitively unprecedented for the country, particularly when comparing with previous periods of regional turmoil, when Uruguay used to suffer severe depressions in its real, financial, and social dimensions.

Of course, policies in Uruguay throughout this period have varied in response to the extremely volatile circumstances that the country has had to face. However, the following essential policy orientations perdure: growth must benefit all sectors of society, especially those more vulnerable (outstanding achievements in terms of poverty and inequality reductions clearly reveal the authorities' position and tenacity in this regard, underscoring that further progress is needed); positive developments in terms of growth, investment, exports, and employment must always be firmly supported by sound macroeconomic policies and macroeconomic stability, which require consistency among fiscal, monetary, income and debt policies; medium-term growth must be boosted by structural changes (during the above-referred period, there have been many reforms in critical areas, such as in the financial system´s regulatory and supervisory frameworks, in governance, management and incentives of public banks, in the tax system and revenue administration, in the energy matrix, as well as financial inclusion, etc.); a constant search for further access to the world economy, by increasing market and product diversification, and redoubling efforts towards seeking excellence for Uruguay's goods and services; a flexible exchange rate constitutes a substantial buffer to cushion external shocks, limiting interventions to mitigate excessive volatility which could be inconsistent with fundamentals; and a tireless determination—rewarded by positive results—to protect and reinforce rights for every member of the country's society. Uruguay's traditional assets regarding democracy, solid institutions, freedom of speech and press, and civility is perfectly reflected in the ongoing electoral process.

Self-criticism has been essential in this process. Currently, growth rates are too low, investment, exports, and job creation have diminished compared to a few years ago, and the fiscal deficit is unambiguously high. Policies have been already deployed to face these significant challenges; for instance, a few weeks ago, the authorities announced a number of measures aimed at stimulating activity in fourteen relevant sectors of the economy. However, more needs to be done in this regard.

Policy orientations and actions have allowed the country to forge an essential asset: confidence. Confidence has allowed Uruguay to maintain international reserves (at about 25 percent of GDP) well above prudential international standards; to exhibit outstanding financial buffers (public debt in local currency at 45 percent; average time to maturity at 14 years; debt at fixed rate at 94 percent). Furthermore, sovereign spreads continue to be at very low levels. As a virtuous circle, confidence instilled further doses of confidence, leading, for instance, to positive assessments and ratings from rating agencies. Meanwhile, Uruguay is receiving the largest private investment in its history, with the construction of a new pulp mill by Finland's UPM which, along with infrastructure investments, will provide a substantial boost to the country's economic activity and employment. Progress and sustainability are broad concepts, which, of course, include economic, but also other key factors. In 2018, J.P. Morgan launched a new index that integrates environmental, social and governance (ESG) factors in a composite benchmark for EMBI: Uruguay is ranked in the 1st position out of 73 emerging economies. Complacency has never been part of the authorities' orientations. Positive results throughout the above-referred period serve to reinforce orientations and permanently assess policy measures with the aim of facing new challenges and risks.