

Uruguay

Economic Summary



Uruguay is a market-oriented economy in which the State still plays a significant role. It became a high-income country by World Bank standards in 2012. Adjusted by purchasing power parity, Uruguay's per capita GDP is about 40% of that of the United States. Social indicators are high by Latin American standards. Uruguay has the second most equal income distribution in Latin America*.

The economy grew robustly from 2004-2014 with an annual average growth rate of 5.4% led by private consumption, which was itself driven by low unemployment, rising wages, and a strong peso. A positive international environment –comprised of high commodity prices, low interest rates and strong capital inflows– was a cornerstone to this period of strong and sustained growth.

Uruguay economic growth is slowing due to lower prices for its agricultural commodities and reduced demand from its key export markets. Growth slowed to 1% in 2015 and is expected to slow further in 2016 to 0.5%. In May 2016, the government passed a fiscal adjustment package, mainly comprised of higher taxes. Other short-term domestic challenges include grappling with inflation, improving competitiveness and preserving the investment grade status Uruguay regained in 2012. Largely unaffected by the global financial crisis, the banking sector is sound.

Uruguay provides significant incentives to local and foreign investors. Foreign and national investors are treated alike, there is free remittance of capital and profits, and investments are allowed without prior authorization. Domestic investment and foreign direct investment (FDI), which have been traditionally low, increased significantly during the economic boom led by investments in industry, agriculture and construction. Over the past five years, Uruguay received the second largest FDI/GDP ratio in South America.

The United States is the 4th largest investor in Uruguay. About 120 U.S. companies employ approximately 22,000 people. Uruguay's strategic location and special import regimes make it an effective distribution center for U.S. goods into the region. Several U.S. firms warehouse their products in some of Uruguay's thirteen free trade zones to service their regional clients. Uruguay is also a good place to test U.S. products that could be exported to the region.

Uruguay is a founding member of MERCOSUR, the Southern Cone trading bloc also composed of Argentina, Brazil, Paraguay and Venezuela. While Argentina and Brazil remain key partners, Uruguay has gradually reduced its longstanding dependency on the region in recent years. MERCOSUR's Secretariat and Parliament are located in Montevideo. Uruguay has free trade agreements with most countries in South America and Mexico.

Imports from the United States have risen in recent years following robust economic growth. The U.S. is Uruguay's 4th largest supplier of goods, mainly fuels, telephony & IT equipment, electricity generators and agricultural machinery. The U.S. is also Uruguay's 3rd largest export destination and mostly buys beef and agricultural products.

Uruguay has bilateral investment treaties with several countries, including one with the United States, and several Double Taxation Agreements (none with the United States). Uruguay and the United States also have agreements on Open Skies, Science and Technology, Promotion of Small and Medium Enterprises and Customs Mutual Assistance. A Trade and Investment Framework Agreement signed in 2007 provides the basis for the bilateral economic and commercial relationship.

GENERAL INDICATORS

Area: 68,036 sq. miles	} <i>About the same as Oklahoma</i>
Population: 3.3 million	
Annual Population Growth Rate (2004-2011): 0.2%	
Montevideo (Capital): 40% of total population	
Life Expectancy at Birth: 76.8 years	
Literacy Rate: 98.3%	
Population with access to drinkable water: 98.4%	
Poverty level (% of population): 9.7% (2015), 9.7% ('14), 11.5% ('13)	

ECONOMIC ACTIVITY

GDP
– Billions of \$: 53.4 (2015), 57.3 ('14), 57.6 ('13)
– Real Growth Rate: 1.0% (2015), 3.2% ('14), 4.6% ('13)
– Per Capita (thousands of \$): 16.6 (2015), 16.7 ('14), 16.7 ('13)
– Per Capita (adjusted by PPP, 000 of \$): 20.9 (2014), about 40% the U.S.'s
Industry: 13% of GDP. Up 6% in 2015. Main sectors: agri-industry (beef and dairy products), metallurgical, oil refining, paper
Agriculture: 6% of GDP. Up 1.2% in 2015. Large areas devoted to livestock grazing, soy, forestry and rice. About 80% of exports are ag. based.
Commerce, restaurants & hotels: 13% of GDP. Down 2.5% in 2015
Other Services: Over 60% of GDP

PUBLIC ACCOUNTS & RISK RATING

Budget Deficit (% GDP): -4.0% (Apr.'16), -3.6% ('15), -3.5% ('14), -2.3% ('13)
Gross Public Debt (% of GDP): 59% (2015), 59% ('14), 58% ('13)
Risk Rating: Investment Grade. S&P (BBB/Stable) Moody's (Baa2/Stable)
Country Risk (basis pts, avg.): 242 (May '16), 212 ('15), 171 ('14), 161 ('13)
Main Taxes: VAT –22%; Corporate Tax –25% (higher if firms distributes earnings); Personal Income Tax with rates ranging from 0% to 30%

LABOR

Labor Force: 1.7 million
Unemployment (avg.): 7.9% (March '16), 7.5% ('15), 6.6% ('14), 6.5% ('13)
Official Monthly Minimum Wage Rate: \$355 (May 2016)
Average Monthly Household Income: \$1,600 (March 2016)

EXTERNAL ACCOUNTS

EXPORTS OF GOODS (FOB): \$7.7 billion (2015, down 16% from '14)
Partners: China, Brazil, U.S., Argentina, Germany
Goods: Soybeans, Beef, Cellulose, Rice, Wood, Dairy Products
IMPORTS OF GOODS (CIF): \$9.5 billion (2015, down 17% from '14)
Partners: China, Brazil, Argentina, U.S., Nigeria
Goods: Crude Oil, Fuels, Vehicles, Telephony and IT Equipment,
Import Tariffs vary between 0 and 35%. Mean tariff is 10.5%
Current Account (% of GDP): -3.6% (2015), -4.6% ('14), -5.0% ('13)
No import quotas apply.

GOODS TRADE WITH THE UNITED STATES (FOB)

EXPORTS TO U.S.: \$523 million (2015, 7% of total, up 25% from '14)
Goods to U.S.: Beef & Beef Products, Leather, Honey, Medical Devices
IMPORTS FROM U.S.: \$850 million (2015, 9% of total, down 21% from '14)
Goods from the U.S.: Refined oil (20% of imports), Telephony & IT Equipment, Electrical Generators, Ag. Machinery

MONEY & PRICES

Inflation (CPI, Dec-Dec): 11% (May '16), 9.4% ('15), 8.3% ('14), 8.5% ('13)		
Exchange Rate (Pesos per dollar, avg.): 31.4 (May '16), 27.4 ('15), 23.2 ('14)		
Annual Interest rates (June '16):	In UY pesos	In US dollars
Paid on Deposits	5.2%	0.5%
Charged on Loans	19.6%	4.3%

* More on Uruguay in the region and world in <http://goo.gl/Ok7paU>