

# 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 the highest in South America, but still about 40% of that of the United States. Social indicators are high by Latin American standards. United Nation's reports indicate that Uruguay has the 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. Growth slowed in 2015 and 2016 due to lower prices for its agricultural commodities and reduced demand from its key export markets. Growth was 1.5% in 2016 and is expected to be about 2.0% in 2017.

Short-term domestic challenges include grappling with inflation and budget deficit. A fiscal adjustment package, mainly comprised of higher taxes, took place in January 2017. Medium-to-long-term challenges include fostering productivity and competitiveness, as well as improving education and infrastructure.

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 4<sup>th</sup> largest investor in Uruguay. About 130 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 trade agreements with most countries in South America and Mexico, which provide for the free trade of goods and other trade matters.

Imports from the United States have risen in recent years following robust economic growth. The U.S. is Uruguay's 4<sup>th</sup> largest supplier of goods, mainly IT & telephony equipment as well as industrial and agricultural machinery. The U.S. is also Uruguay's 3<sup>rd</sup> largest export destination and mostly buys beef, leather, medical devices, fish preparations and wood panels.

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

<b>Area:</b> 68,036 sq. miles	} <i>About the same as Oklahoma</i>
<b>Population:</b> 3.3 million	
<b>Annual Population Growth Rate</b> (2004-2011): 0.2%	
<b>Montevideo (Capital):</b> 40% of total population	
<b>Life Expectancy at Birth:</b> 77.4 years (est.)	
<b>Literacy Rate:</b> 98.4%	
<b>Population with access to drinkable water:</b> 98.4%	
<b>Poverty level (% of population):</b> 9.7% (2015), 9.7% ('14), 11.5% ('13)	

### ECONOMIC ACTIVITY

<b>GDP</b>	
– <b>Billions of \$:</b> 52.5 (2016), 53.4 ('15), 57.3 ('14)	
– <b>Real Growth Rate:</b> 1.5% (2016), 0.4% ('15), 3.2% ('14)	
– <b>Per Capita (thousands of \$):</b> 15.1 (2016), 15.4 ('15), 16.6 ('14)	
– <b>Per Capita (adjusted by PPP, 000 of \$):</b> 15.7 (2015), about 40% the U.S.'s	
<b>Industry:</b> 13% of GDP. Up 0.4% in 2016. <i>Main sectors: agri-industry (beef and dairy products), metallurgical, oil refining, paper</i>	
<b>Agriculture:</b> 6% of GDP. Up 0.9% in 2016. <i>Large areas devoted to livestock grazing, soy, forestry and rice. About 80% of exports are ag. based.</i>	
<b>Commerce, restaurants &amp; hotels:</b> 13% of GDP. Down 1.6% in 2016	
<b>Other Services:</b> Over 60% of GDP	

### PUBLIC ACCOUNTS & RISK RATING

<b>Budget Deficit (% GDP):</b> -4.0% (2016), -3.6% ('15), -3.5% ('14)
<b>Gross Public Debt (% of GDP):</b> 64% (Dec. '16), 59% ('15), 59% ('14)
<b>Risk Rating:</b> Investment Grade. S&P (BBB/Negative) Moody's (Baa2/Negative)
<b>Country Risk (basis pts, avg.):</b> 192 (Feb. '17), 238 ('16), 212 ('15), 171 ('14)
<b>Main Taxes:</b> VAT –22%; Corporate Tax –25% (higher if firms distributes earnings); Personal Income Tax with rates ranging from 0% to 30%

### LABOR

<b>Labor Force:</b> 1.8 million
<b>Unemployment (avg.):</b> 8.1% (Jan. 2017), 7.8% ('16), 7.5% ('15), 6.6% ('14)
<b>Official Monthly Minimum Wage Rate:</b> \$430 (March 2017)
<b>Average Monthly Household Income:</b> \$1,714 (Jan. '17), \$1,890 (Avg. '16)

### EXTERNAL ACCOUNTS

<b>EXPORTS OF GOODS (FOB, including exports from free trade zones):</b> \$8.4 billion (2016, down 8% from '15)
<b>Partners:</b> China, Brazil, U.S., Argentina, Netherlands
<b>Goods:</b> Beef, Soybeans, Cellulose, Wood, Rice, Dairy Products
<b>IMPORTS OF GOODS (CIF):</b> \$8.1 billion (2016, down 14% from '15)
<b>Partners:</b> China, Brazil, Argentina, U.S., Germany
<b>Goods:</b> Crude Oil, Electric Generators, Vehicles, IT & Telephony Equipment
<b>Import Tariffs</b> vary between 0 and 35%. Mean tariff is 10.5%
<b>Current Account (% of GDP):</b> -0.2% (2016), -2.3% ('15), -4.5% ('14)
<b>No import quotas apply.</b>

### GOODS TRADE WITH THE UNITED STATES (FOB)

<b>EXPORTS TO U.S.:</b> \$447 million (2016, 6% of total, down 15% from '15)
<b>Goods to U.S.:</b> Beef & Beef Products, Leather, Medical Devices, Wood Panels
<b>IMPORTS FROM U.S.:</b> \$561 million (2016, 7% of total, down 34% from '15)
<b>Goods from the U.S.:</b> IT & Telephony Equipment, Industrial and Agricultural Machinery

### MONEY & PRICES

<b>Inflation (CPI, Dec-Dec):</b> 8.1% (2016), 9.4% ('15), 8.3% ('14), 8.5% ('13)		
<b>Exchange Rate</b> (Pesos per dollar, avg.): 30.11 (2016), 27.3 ('15), 23.2 ('14)		
<b>Annual Interest rates</b> (March '17):	<u>In UY pesos</u>	<u>In US dollars</u>
Paid on Deposits	5.4%	0.5%
Charged on Loans (to firms)	17.2%	4.4%