

Uruguay

Economic Summary



Uruguay is a market-oriented economy in which the State still plays a significant role. The economy grew robustly in the 2000s, registering annual average growth rates of over 5% from 2003 to 2012. Growth was led by private consumption and exports, partially related to strong commodity prices. Domestic investment and foreign direct investment (FDI), which have been traditionally low, also increased significantly to led by investments in industry, agriculture and construction. In 2005-2011, Uruguay received the second largest FDI/GDP ratio in South America*.

The global financial crisis put a temporary brake on growth –mainly through lower foreign trade and investment– but Uruguay managed to avoid a recession and keep a positive growth rate of 2.9% in 2009. Unprecedented growth of 8.9% in 2010 later slowed to 5.7% in 2011 and 3.9% in 2012. Growth of about 3.0%-3.5% is expected for 2013. The global financial crisis has not affected Uruguay's banking system, which remains sound. In mid-2012 Uruguay regained investment grade status that it lost during its harsh 1999-2002 crisis from Standard & Poor's and Moody's.

A left-of-center Frente Amplio (Broad Front) administration headed by President José Mujica will rule until March 2015, and has placed priority on increasing local and foreign investment, investing in infrastructure, and reducing poverty.

Uruguay's investment climate is generally positive. A decree passed in 2007 and revised in 2011 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. There are thirteen free trade zones, three of which are dedicated to services (e.g. financial, software, call centers and logistics).

Adjusted by purchasing power parity, per capita GDP is about one-third the level of the United States. Social indicators remain high by Latin American standards. According to the U.N. Economic Commission for Latin America and the Caribbean Uruguay has the second most equal income distribution in Latin America.

While Argentina and Brazil remain key partners, Uruguay has gradually reduced its longstanding dependency on the region in recent years. It is a founding member of MERCOSUR, the Southern Cone trading bloc also composed of Argentina, Brazil, Paraguay (suspended since June 2012) and Venezuela. MERCOSUR's Secretariat and Parliament are located in Montevideo.

Imports from the United States have risen in recent years following robust growth. In 2012, the United States was Uruguay's 4th largest supplier of goods, mainly fuels, high-tech equipment, and heavy and agricultural machinery. Uruguay offers U.S. firms significant advantages as a regional distribution platform for the MERCOSUR trade bloc. Uruguay sells mostly beef and agricultural products to the United States. Sales to the United States dropped significantly in 2005-09 as principal export products shifted to other markets and have picked up slightly since 2010. In 2012 the United States was Uruguay's 6th largest export destination.

Uruguay has bilateral investment treaties with several countries – including one with the United States signed in 2005– and several Double Taxation Agreements (none with the United States). Uruguay and the United States also signed an Open Skies Agreement in 2004, a Trade and Investment Framework Agreement in 2007, and a Science and Technology Agreement in 2008. Almost 130 American firms operate in Uruguay and, according to the U.S. Department of Commerce, the total stock of U.S. direct investment amounted to \$905 million in 2011.

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

GENERAL INDICATORS

Area: 68,036 sq. miles	About the same as Oklahoma or Washington
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: 98.5%	
Population with access to improved water source: 98%	
Poverty level (% of population): 12.4% (2012), 13.7% (2011), 18.6% (2010)	

ECONOMIC ACTIVITY

GDP – Billions of \$: 49.9 (2012), 46.7 ('11), 40.2 ('10)
– Real Growth Rate: 3.7% (Q1'13/Q1'12), 3.9% ('12), 5.7% ('11), 8.9% ('10)
– Per Capita (thousands of \$): 14.7 (2012), 14.4 ('11), 12.0 ('10)
– Per Capita (adjusted by PPP, 000 of \$): 15.9 (2012), 15.7 ('11), 14.5 ('10)
Industry: 12% of GDP. Up 2% in Q1'13/Q1'12. Main sectors: agri-industry (beef and dairy products), metallurgical, oil refining, paper
Agriculture: 7% of GDP. Up 5.7% in Q1'13/Q1'12. Large areas devoted to livestock grazing, soy, forestry and rice. About 80% of exports are ag. based.
Commerce, restaurants & hotels: 18% of GDP. Up 0.4% in Q1'13/Q1'12
Other Services: Over 60% of GDP

PUBLIC ACCOUNTS & RISK RATING

Budget Deficit (% GDP): -2.3% (April '13), -2.8% ('12), -0.8% ('11), -1.0 ('10)
Gross Public Debt: 62% of GDP (2012)
Risk Rating: Investment Grade. S&P (BBB-/Stable), Moody's (Baa3)
Country Risk (basis pts, avg): 127 (June '13), 147 ('12), 170 ('11)
Main Taxes: VAT –22%; Corporate Tax –25% (higher if firms distributes earnings); Personal Income Tax with rates ranging from 0% to 25%

LABOR

Labor Force: 1.7 million
Unemployment (avg): 6.7% (April 2013), 5.5% ('12), 6.0% ('11), 6.7% ('10)
Official Monthly Minimum Wage Rate: \$419 (May 2013)
Average Monthly Household Income: \$1,913 (April 2013), \$1,950 (2012)

EXTERNAL ACCOUNTS

EXPORTS OF GOODS (FOB): \$9.9 billion (2012). Down 13% in Q1'13/Q1'12
Partners: Brazil, China, Argentina, Russia. U.S. was #7 in 2012.
Goods: Beef, Cellulose, Soy, Rice, Wood, Dairy Products, Malt
IMPORTS OF GOODS (CIF): \$11.6 billion (2012). Up 7.8% in Q1'13/Q1'12
Partners: Brazil, Argentina, China, U.S., Mexico
Goods: Crude Oil, Fuels, Telephony and IT Equipment, Vehicles
Import Tariffs vary between 0 and 35%. Mean tariff 10.5% (2013)
Current Account (% of GDP): -5.3 ('12), -2.9 ('11), -1.9 ('10)
No import quotas apply.

GOODS TRADE WITH THE UNITED STATES (FOB)

EXPORTS TO U.S.: \$329 million (2012, 4% of total, up 33% from '11). Up 39% in Q1'13/Q1'12
Goods to U.S.: Beef, Beef Products, Honey, Leather, Fuels
IMPORTS FROM U.S.: \$866 million (2012, 8% of total, down 21% from '11). Down 23% in Q1'13/Q1'12
Goods from the U.S.: Fuels (21% of 2012 total imports), Telephony Equip., Computers & IT Equipment, Heavy Machinery and Agricultural Machinery

MONEY & PRICES

Inflation (CPI, Dec-Dec): 8.1% (Apr. 2013), 7.5% ('12), 8.1% ('11), 6.9% ('10)		
Exchange Rate (Pesos per dollar, avg.): 18.9 (Apr. '13), 20.3 ('12), 19.3 ('11)		
Interest rates (May '13):	In UY pesos	In US dollars
Paid on Deposits	5.8	0.3
Charged on Loans	16.1	5.8