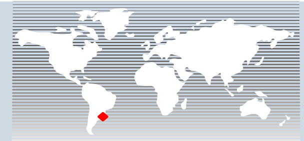
Uruguay

Economic Summary



Uruguay is a market-oriented economy in which the State still plays a significant role. From 1999 to 2002 it suffered a deep economic and financial crisis that took a major toll on GDP, employment, and wages. It has, however, been relatively unaffected by the current global economic and financial crisis.

The economy began to recover in 2003 and grew robustly for the remainder of the decade (at annual average rates of 6% from 2003 to 2011). Growth was led by private consumption –which followed the recovery in employment and wages– and exports, partially due to strong commodity prices. Domestic investment and foreign direct investment (FDI), which have been traditionally low, also increased significantly. FDI rose from rates of under 2% of GDP in the early 2000s to 6% of GDP in 2010-11, led by investments in agriculture, construction and industry.

In 2009, 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%. Unprecedented growth of 8.9% took place in 2010, and growth slowed modestly to 5.7% in 2011. Growth of just over 4% is expected for 2012. The global financial crisis has not affected Uruguay's banking system, which remains sound. In April 2012 Uruguay regained its investment grade status (from Standard & Poor's) that had been downgraded a decade earlier.

A left-of-center Frente Amplio (Broad Front) administration, which ruled for the first time in 2005-10, signed agreements with the IMF, the World Bank and the IDB and, in late 2006, made an early payment of its total IMF debt. A new Frente Amplio administration headed by President Jose Mujica will rule until March 2015, and has placed priority on increasing local and foreign investment, investing in infrastructure, reforming education 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, in 2010 Uruguay had the second best 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 and Paraguay. The MERCOSUR Secretariat is located in Montevideo.

Imports from the United States have risen in recent years following robust growth. In 2011 the United States was Uruguay's fourth 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 2008-09 as principal export products shifted to other markets and picked up slightly in 2010 and 2011. In 2011 the United States was Uruguay's 8th 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. Over 100 American firms operate in Uruguay and, according to the U.S. Department of Commerce, the total stock of U.S. direct investment amounted to $1.4 billion in 2011.

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GENERAL INDICATORS

Area: 68,036 sq. miles — About the same as Oklahoma or Washington
Population: 3.3 million
Annual Population Growth Rate: 0.05%
Montevideo (Capital): 40% of total population
Life Expectancy at Birth: 76.1 years
Literacy Rate: 98.2%
Population with access to improved water source: 98%
Poverty level (% of population): 13.7% (2011), 18.6% (2010)

REAL SECTOR

GDP – Billions of $: 46.7 (2011), 40.2 ('10), 31.5 ('09)
– Real Growth Rate: 5.7% (2011), 8.9% ('10), 2.4% ('09)
– Per Capita (000 of $): 14.4 (2011), 12.0 ('10), 9.5 ('09)
– Per Capita (adjusted by PPP, 000 of $): 15.7 (2011), 14.5 ('10), 13.2 ('09)
Industry: *11% of GDP. Up 1.2% in 2011. Main sectors: beef, dairy products, metallurgical, oil refining, paper*
Agriculture & Livestock: *8% of GDP. Up 4.2% in 2011. Large areas devoted to livestock grazing, soy, forestry and rice. About 80% of exports are ag. based.*
Commerce, rest. & hotels: *15% of GDP. Up 9.9% in 2011*
Other Services: *Over 60% of GDP*

PUBLIC ACCOUNTS & RISK RATING

Budget Deficit (% GDP): -0.8% (2011), -1.1% (2010), -1.8% (2009)
Gross Public Debt: $25.9 billion, 56% of GDP (Dec. 2011)
Risk Rating: Investment Grade by Standard&Poor's (BBB-/Stable) (May 2012)
Country Risk: 149 (March 2012), 170 (Avg. '11), 149 basis points (Avg. '10)
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: 6.0% Feb. 2012, 6.0% (Avg. '11), 6.7% (Avg. '10)
Official Monthly Minimum Wage Rate: $370 (April 2012)
Average Monthly Household Income: $1,756 (February 2012)

EXTERNAL ACCOUNTS

EXPORTS OF GOODS (2011, FOB): $8.0 billion. Up 19% from 2010.
Partners: Brazil, China, Argentina, Russia
Goods: Beef, Soy, Rice, Wood, Dairy Products, Malt
IMPORTS OF GOODS (2011, CIF): $10.7 billion. Up 24% from 2010.
Partners: Brazil, Argentina, China, U.S., Venezuela
Goods: Crude Oil, Fuels, Telephony and Comp. Equipment, Vehicles
Import Tariffs vary between 0 and 35%. Mean tariff 10.5% (2008)
Current Account (% of GDP): -1.9 (2011), -1.1 (2010), -0.3 (2009)
No import quotas apply.

TRADE WITH THE UNITED STATES (FOB, 2011)

EXPORTS TO U.S.: $245 million (3% of 2011 total; up 26% from 2010).
Goods to U.S.: Beef, Beef Products, Honey, Leather, Wooden Panels
IMPORTS FROM U.S.: $1.1 billion (10% of 2011 total; 29% growth)
Goods from the U.S.: Fuels (38% of total imports), Telephony Equipment, Computers & IT Equipment, Heavy Machinery and Agricultural Machinery

MONEY & PRICES

Inflation (CPI, Dec-Dec)**:** 7.5% (March 2012), 8.1% (2011), 6.9% (2010)
Exchange Rate (Pesos per dollar)**:** 19.5 (March 2012), 19.3 (Avg. 2011), 20.06 (Avg. 2010), 22.55 (Avg. 2009)

Interest rates (Avg. Feb. 2012):	In UY pesos	In US$
Paid on Deposits	5.7	0.3
Charged on Loans	19.7	5.2