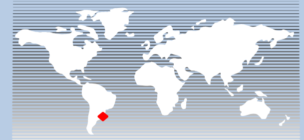
Uruguay

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 5.5% from 2003 to 2013. 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 led by investments in industry, agriculture and construction. In 2005-2012, 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 2.3% in 2009. Unprecedented growth of 8.4% in 2010 slowed to 7.3% and 3.7% in 2010 and 2011, respectively, and climbed to 4.4% in 2013. Growth of about 3.0% is expected for 2014. The global financial crisis has not affected Uruguay's banking system, which remains sound. In mid-2012 Uruguay regained the investment grade status it had lost during its harsh 1999-2002 economic 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 2012 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).

In 2012 Uruguay became a high-income country by World Bank's standards. Adjusted by purchasing power parity, Uruguay's 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 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 2013, the United States was Uruguay's 4th largest supplier of goods, mainly fuels, electricity generators, 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 since 2010. In 2013 the United States was Uruguay's 5th 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 $1.4 billion in 2012.

GENERAL INDICATORS

Area: 68,036 sq. miles
Population: 3.3 million
About the same as Oklahoma
Annual Population Growth Rate (2004-2011)**:** 0.2%
Montevideo (Capital): 40% of total population
Life Expectancy at Birth: 76.6 years
Literacy Rate: 98.1%
Population with access to improved water source: 98%
Poverty level (% of population): 11.5% (2013), 12.4% (´12), 13.7% (´11)

ECONOMIC ACTIVITY

GDP – Billions of $: 55.8 (2013), 50.0 (´12), 47.3 (´11), 38.9 (´10)
– Real Growth Rate: 4.4% (2013), 3.7% (´12), 7.3% ('11), 8.4% ('10)
– Per Capita (thousands of $): 15.8 (2013), 15.0 (2012), 14.4 ('11), 12.0 ('10)
– Per Capita (adjusted by PPP, 000 of $): 15.8 (2012), 15.0 ('11), 13.8 ('10)
Industry: *11% of GDP. Down 0.4% in 2013. Main sectors: agri-industry (beef and dairy products), metallurgical, oil refining, paper*
Agriculture: *8% of GDP. Up 4.6% in 2013. Large areas devoted to livestock grazing, soy, forestry and rice. About 80% of exports are ag. based.*
Commerce, restaurants & hotels: *13% of GDP. Up 2.8% in 2013*
Other Services: *Over 60% of GDP*

PUBLIC ACCOUNTS & RISK RATING

Budget Deficit (% GDP): -2.4% (2013), -2.8% ('12), -0.9% ('11), -1.0 ('10)
Gross Public Debt: 59% of GDP (Sept. 2013)
Risk Rating: Investment Grade. S&P (BBB-/Stable)
Country Risk (basis pts, avg): 180 (March '14), 161 ('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): 7.0% (Feb. 2014), 6.6% (´13), 6.3% ('12), 6.3% ('11)
Official Monthly Minimum Wage Rate: $396 (March 2014)
Average Monthly Household Income: $1,900 (Feb. 2014), $1,955 ('13, avg.)

EXTERNAL ACCOUNTS

EXPORTS OF GOODS (FOB): $9.0 billion (2013). Up 3.1%
Partners: Brazil, China, Argentina, Venezuela. U.S. was #5 in 2013.
Goods: Beef, Cellulose, Soy, Rice, Wood, Dairy Products, Malt
IMPORTS OF GOODS (CIF): $11.6 billion (2013). Up 0.2% in 2013.
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 10.5% (2013)
Current Account (% of GDP): -5.7 (Sept. ´13), -5.4 (´12), -3.0 ('11), -1.9 ('10)
No import quotas apply.

GOODS TRADE WITH THE UNITED STATES (FOB)

EXPORTS TO U.S.: $350 million (2013, 4% of total, up 8% from '12).
Goods to U.S.: Beef, Beef Products, Honey, Leather, Wood Panels
IMPORTS FROM U.S.: $1.0 billion (2013, 9% of total, up 16% from '12).
Goods from the U.S.: Fuels (15% of 2013 total imports), Electricity Generators, Fertilizers, Telephony Equip., Ag. Machinery, Computers & IT Equipment

MONEY & PRICES

Inflation (CPI, Dec-Dec)**:** 8.5% (2013), 7.5% ('12), 8.1% ('11), 6.9% ('10)
Exchange Rate (Pesos per dollar, avg.)**:** 22.6 (March '14), 20.5 (´13), 20.3 ('12)

Interest rates (Feb '14)**:**	In UY pesos	In US dollars
Paid on Deposits	5.6	0.3
Charged on Loans	22.8	4.8

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

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