

# Uruguay

## Economic Summary



Uruguay is a market-oriented economy in which the State still plays a significant role. The economy grew robustly in the past decade registering annual average growth rates of 5.4% from 2004 to 2014. 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 2009-2013, Uruguay received the second largest FDI/GDP ratio in South America\*.

The 2008 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 4.2% in 2009. After twelve years of unprecedentedly high growth, the economy is gradually decelerating. Growth of about 3.0% is expected for 2015 and 2016. 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.

A left-of-center Frente Amplio (Broad Front) administration headed by President Tabare Vazquez will rule until March 2020 and has placed priority on investing in infrastructure, improving education and security, and enhancing competitiveness.

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 exclusively 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 forty-percent 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. Uruguay has free trade agreements with most countries in South America plus Mexico.

Imports from the United States have risen in recent years following robust growth. The U.S. is Uruguay's 4<sup>th</sup> largest supplier of goods, mainly fuels, telephony equipment, electricity generators 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 U.S. have risen substantially since 2009, at a pace that almost doubled exports' global growth (19% vs. 11% p.a.). The U.S. is currently Uruguay's 4<sup>th</sup> 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 have agreements on Open Skies (2004), Science and Technology (2008), Promotion of SMEs (2014) and Customs Mutual Assistance (2014). A Trade and Investment Framework Agreement signed in 2007 provides the basis for the bilateral economic and commercial relationship. Almost 120 American firms operate in Uruguay. The U.S. Dept. of Commerce reports a \$1.3 billion stock of U.S. investment Uruguay and \$327 million stock of Uruguay's investment in the United States.

### 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> 76.8 years	
<b>Literacy Rate:</b> 98.3%	
<b>Population with access to drinkable water:</b> 98.4%	
<b>Poverty level (% of population):</b> 9.7% (2014), 11.5% ('13), 12.4% ('12)	

### ECONOMIC ACTIVITY

<b>GDP</b>
– <b>Billions of \$:</b> 57.6 (2014), 57.6 ('13), 51.4 ('12)
– <b>Real Growth Rate:</b> 3.5% (2014), 5.1% ('13), 3.3% ('12)
– <b>Per Capita (thousands of \$):</b> 16.7 (2014), 16.7 ('13), 15.0 ('12)
– <b>Per Capita (adjusted by PPP, 000 of \$):</b> 19.6 (2013), about 40% the U.S.'s
<b>Industry:</b> 14% of GDP. Up 5.5% in 2014. <i>Main sectors: agri-industry (beef and dairy products), metallurgical, oil refining, paper</i>
<b>Agriculture:</b> 8% of GDP. Up 2.3% in 2014. <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> 14% of GDP. Up 0.6% in 2014
<b>Other Services:</b> Over 60% of GDP

### PUBLIC ACCOUNTS & RISK RATING

<b>Budget Deficit (% GDP):</b> -3.3% (Feb.'15), -3.5% ('14), -2.3% ('13), -2.7 ('12)
<b>Gross Public Debt (% of GDP):</b> 58% (2014), 58% ('13), 61% ('12)
<b>Risk Rating:</b> Investment Grade. S&P (BBB-/Stable) Moody's (Baa2/Stable)
<b>Country Risk (basis pts, avg.):</b> 192 (Apr.'15), 171 ('14), 161 ('13), 147 ('12)
<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> 1.7 million
<b>Unemployment (avg.):</b> 7.1% (Feb.'15), 6.6% ('14), 6.6% ('13), 6.3% ('12)
<b>Official Monthly Minimum Wage Rate:</b> \$380 (April 2015)
<b>Average Monthly Household Income:</b> \$1,700 (April 2015)

### EXTERNAL ACCOUNTS

<b>EXPORTS OF GOODS (FOB):</b> \$9.16 billion (2014, up 1.6% from '13)
<b>Partners:</b> China, Brazil, Argentina, U.S., Venezuela
<b>Goods:</b> Soybeans, Beef, Cellulose, Rice, Wood, Dairy Products
<b>IMPORTS OF GOODS (CIF):</b> \$11.5 billion (2014, down 1.4% from '13)
<b>Partners:</b> China, Brazil, Argentina, U.S.
<b>Goods:</b> Crude Oil, Fuels, Vehicles Telephony and IT Equipment,
<b>Import Tariffs</b> vary between 0 and 35%. Mean tariff 10.5% (2013)
<b>Current Account (% of GDP):</b> -4.6% (2014), -5.1% ('13), -5.2% ('12)
<b>No import quotas apply.</b>

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

<b>EXPORTS TO U.S.:</b> \$419 million (2014, 5% of total, up 20% from '13)
<b>Goods to U.S.:</b> Beef, Leather, Beef Products, Wood Panels, Honey
<b>IMPORTS FROM U.S.:</b> \$1,083 million (2014, 9% of total, up 7% from '13)
<b>Goods from the U.S.:</b> Refined oil (20% of imports), Telephony Equipment, Electrical Generators, Ag. Machinery, IT Equipment

### MONEY & PRICES

<b>Inflation (CPI, Dec-Dec):</b> 8.2% (April '15), 8.3% ('14), 8.5% ('13), 7.5% ('12)		
<b>Exchange Rate</b> (Pesos per dollar, avg.): 26.4 (April '15), 23.2 ('14), 20.5 ('13)		
<b>Annual Interest rates</b> (May '15):		
Paid on Deposits	In UY pesos	In US dollars
Charged on Loans	5.4%	0.6%
	17.3%	4.4%

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