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 until the outbreak of the current global economic crisis (at annual average rates of 6.5% in 2004-2008). 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, 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 8.5% took place in 2010, and growth of about 6% is expected for 2011. The global financial crisis has not affected Uruguay's banking system, which remains sound.

A left-of-center Frente Amplio (Broad Front) administration, which ruled for the first time in 2005-2010, signed agreements with the IMF, the World Bank and the IADB 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 provides significant incentives to local and foreign investors. Foreign and national investors are treated alike, there is fully 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-fourth the level of the United States. Social indicators remain high by Latin American standards. The U.N. Economic Commission for Latin America and the Caribbean ranks Uruguay as the only Latin American country with a "low" degree of inequality.

Uruguay has gradually reduced longstanding dependency on Argentina and Brazil 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 2010 the U.S. was Uruguay's fourth largest supplier of goods, mainly oil, plastics, agricultural machinery and high-tech equipments. 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. Booming sales of beef and gasoline turned the United States into Uruguay's largest single market in 2004-05 and second largest in 2006-07. Sales to the United States dropped significantly in 2008-09 as principal export products shifted to other markets and picked up slightly in 2010.

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 U.S.). Uruguay and the United States also signed an Open Skies Agreement in 2004, a Trade and Investment Framework Agreement in early 2007, and a Science and Technology Agreement in mid 2008. Around 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 $2.9 billion in 2009.

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GENERAL INDICATORS

Area: 68,036 sq. miles — About the same as Oklahoma or Washington
Population: 3.4 million
Annual Population Growth Rate: 0.3%
Montevideo (Capital): 43% of total population
Life Expectancy at Birth: 76.1 years
Literacy Rate: 98.2%
Population with access to improved water source: 100%
Poverty level (% of population): 18.6% (2010)

REAL SECTOR

GDP – Billions of $: 40.2 (2010), 31.5 (2009), 31.2 (2008)
– Real Growth Rate: 5.7% (Jan.-June '11) 8.5% ('10), 2.9% ('09), 8.5% ('08)
– Per Capita (000 of $): 12.0 (2010), 9.5 (2009), 9.4 (2008)
– Per Capita (adjusted by PPP, 000 of $): 14.3 (2010), 13.1 (2009)
Industry: *13% of GDP. Up 3.4% in Jan.-June 2011. Up 3.7% in 2010*
Principal sectors: food, beverages & tobacco, chemicals, textiles
Agriculture & Livestock: *8% of GDP. Up 2.3% in Jan.-June 2011. Grew 1% in 2010. Large areas devoted to livestock grazing, forestry, rice and soy.*
Commerce, rest. & hotels: *14% of GDP. Up 11% in Jan.-June 2011. Grew 15% in 2010*
Other Services: *Over 60% of GDP*

PUBLIC ACCOUNTS & RISK RATING

Budget Deficit (% GDP): -1.3% (July 2011), -0.2% (2010), -1.7% (2009)
Gross Public Debt: $24.1 billion, 57.7% of GDP (March 2011)
Sovereign Debt Risk Rating: BB+/Stable (Standard & Poor's, Sept. 2011)
Country Risk: 183 (August 2011), 149 basis points (Avg. 2010)
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: 6.2% (July 2011), 6.7% (Avg. '10), 7.3% (Avg. '09)
Official Monthly Minimum Wage Rate: $300 (September 2011)
Average Monthly Household Income: $2,234 (July 2011)

EXTERNAL ACCOUNTS

EXPORTS OF GOODS (2010): $6.7 billion. Up 23% from 2009.
Partners: Brazil, China, Argentina, Russia, Venezuela, U.S.
Goods: Beef, Soy, Rice, Wood, Dairy Products, Malt
IMPORTS OF GOODS (2010): $8.6 billion. Up 32% from 2009.
Partners: Brazil, Argentina, China, Venezuela, U.S.
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): +0.8 (Sept. '10), +0.5 (2009), -4.7 (2008)
No import quotas apply.

TRADE WITH THE UNITED STATES

EXPORTS TO U.S.: $200 million (3.0% of 2010 total; up 12% from 2009)
Goods to U.S.: Beef, Wood, Leather, Food Preparations, Soy
IMPORTS FROM U.S.: $855 million (10% of 2010 total; 11% growth)
Goods from the U.S.: Fuels, Plastics, Fertilizers, Agricultural Machinery Computers & IT Equipment

MONEY & PRICES

Inflation (CPI, Dec-Dec): 7.6% (Aug '11) 6.9% (2010), 5.9% ('09), 9.2% ('08)
Exchange Rate (Pesos per dollar)**:** 18.8 (Aug. 2011)19.9 (Dec. 2010), 19.7 (Dec.09), 24.3 (Dec.08)

Interest rates (Aug. 2010):	In UY pesos	In US$
Paid on Deposits	5.3	0.3
Charged on Loans	19.5	5.1