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JUNE 2025

Uruguay economic outlook

Main messages. Global Outlook

Economic uncertainty

US tariffs have risen sharply. Although levies on China are now around 30%, lower than the expected 60% and well below the post-“Liberation Day” peak of 145%, they remain high and the uncertainty about where they will eventually settle is a persistent source of risk. In this context, and given prospects of large fiscal deficits, the US risk premium has risen. Growth remains resilient and inflation has eased, despite early signs of tariff-related deterioration.

Growth outlook

Protectionism and uncertainty will weigh on economic activity. Growth will likely slow more than previously anticipated in the US, but not necessarily in China and the Eurozone. In the former, lower-than-expected US tariffs back an upward revision of growth forecasts. In the latter, the impact of expected US tariffs will likely be mitigated by fiscal spending, mainly in defense.

Inflation and rates outlook

Tariffs are likely to push US inflation higher, prompting the Fed to keep rates unchanged for longer. Monetary easing could resume by the end of 2025 if price pressures prove transitory. The rate-cutting cycle could be over, or at least near to the end, in the Eurozone, and remains underway in China.

Risks

Lingering policy uncertainty and rising US risk premium are important sources of concern. Tariff risks have risen, but now appear more balanced.

Main messages. Local, Overview

Uruguay enters a phase of economic slowdown

GDP growth decelerates to 2.1% in 2025. This reflects weak household consumption, driven by limited labor market momentum, a subdued recovery in real wages, and the absence of major new investment announcements.

Improving fiscal performance is the major challenge

Fiscal consolidation stalled in 2024, failing to comply with two of the three pillars that constitute the fiscal rule, thereby revealing the inflexibility of pension-related expenditure. The outlook for 2025 appears challenging, with limited room for manoeuvre to steer public accounts back on track.

External sector provides resilience

Despite a complex global environment, the external sector remains resilient, supported by a stable current account balance. This is largely due to strong pulp exports and greater diversification of export destinations, which help reduce external vulnerability. Tourism is also expected to normalize in 2025, adding further support to external balances

Prices and Exchange rate

Inflation is projected to reach 5.4% in 2025, remaining above the Central Bank's 4.5% target, which suggests that monetary policy will remain in a restrictive stance. The Uruguayan peso is expected to retain its relative strength, with the exchange rate projected at UYU/USD 42.1 by December 2025

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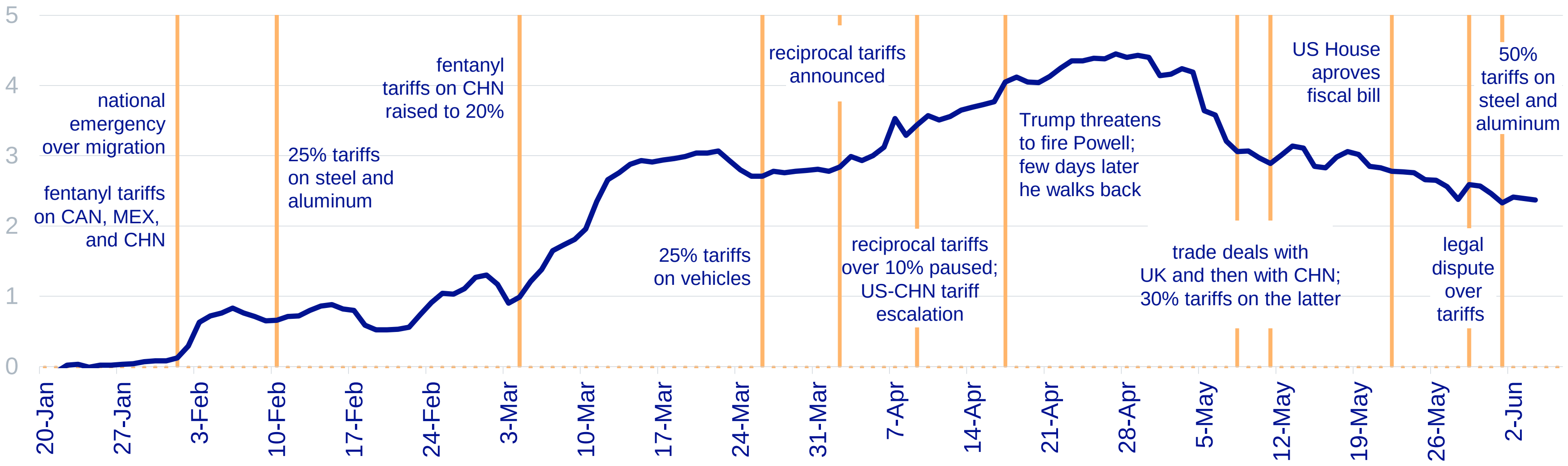
1. URUGUAY ECONOMIC OUTLOOK

Global outlook

Uncertainty remains in place

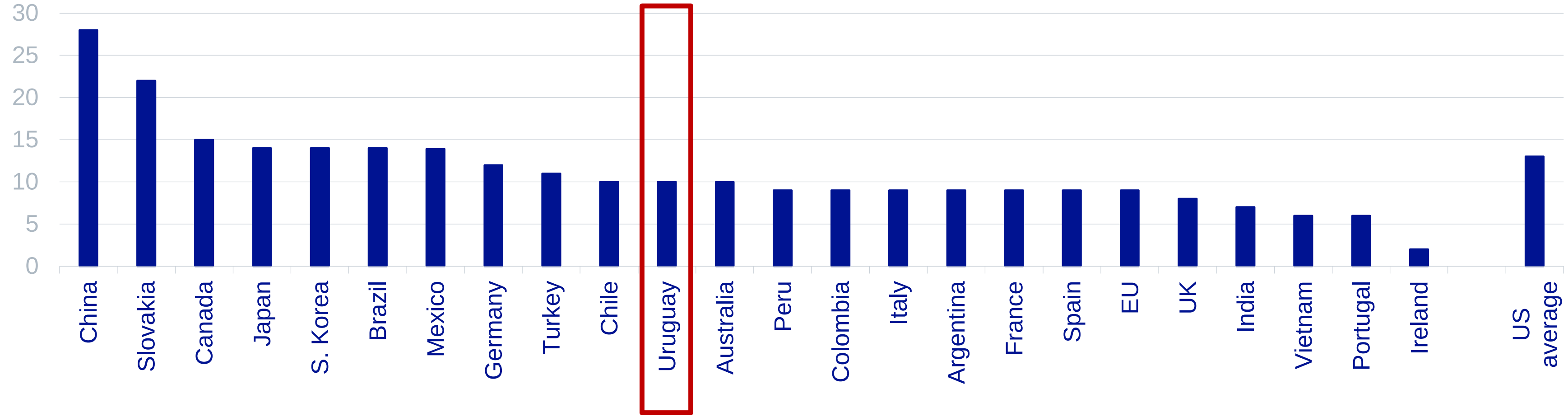
BBVA RESEARCH ECONOMIC POLICY UNCERTAINTY INDEX (*)
(28-DAY MOVING AVERAGE, AVERAGE SINCE 2017 EQUALS TO ZERO)



(*) Last available data: June 4, 2025
Source: BBVA Research.

US tariffs have risen sharply and erratically

US TARIFFS: ESTIMATED INCREASE SINCE THE BEGINNING OF 2025 UNTIL JUNE 9, 2025 (*)
(PP)

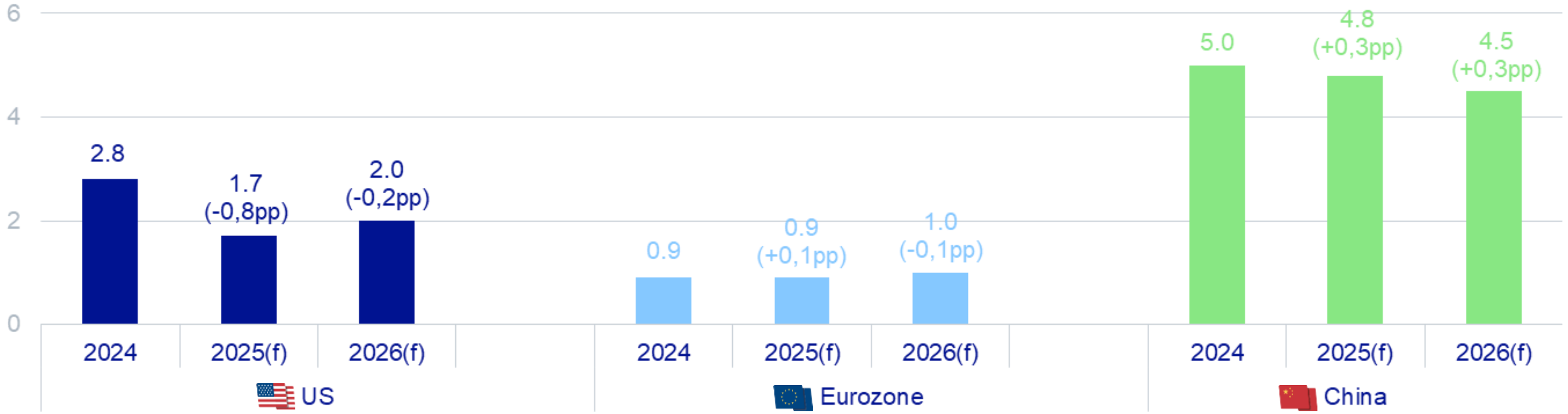


(*) Based on i) 25% tariffs on vehicles and vehicles parts and 50% tariffs o aluminum and steel (lower rates for the UK, Mexico and Canada), ii) 0% tariffs on pharmaceutical goods, oil, copper and selected electronic goods, iii) fentanyl tariffs on China, Mexico and Canada, and iv) 10% reciprocal tariffs.
Source: BBVA Research.

After some de-escalation, US tariffs rose again in late May/25, with levies on steel and aluminum reaching 50%; trade negotiations continue, and disputes over the legal validity of the tariffs remain unresolved

Growth prospects have deteriorated in the US, but not in China or the Eurozone

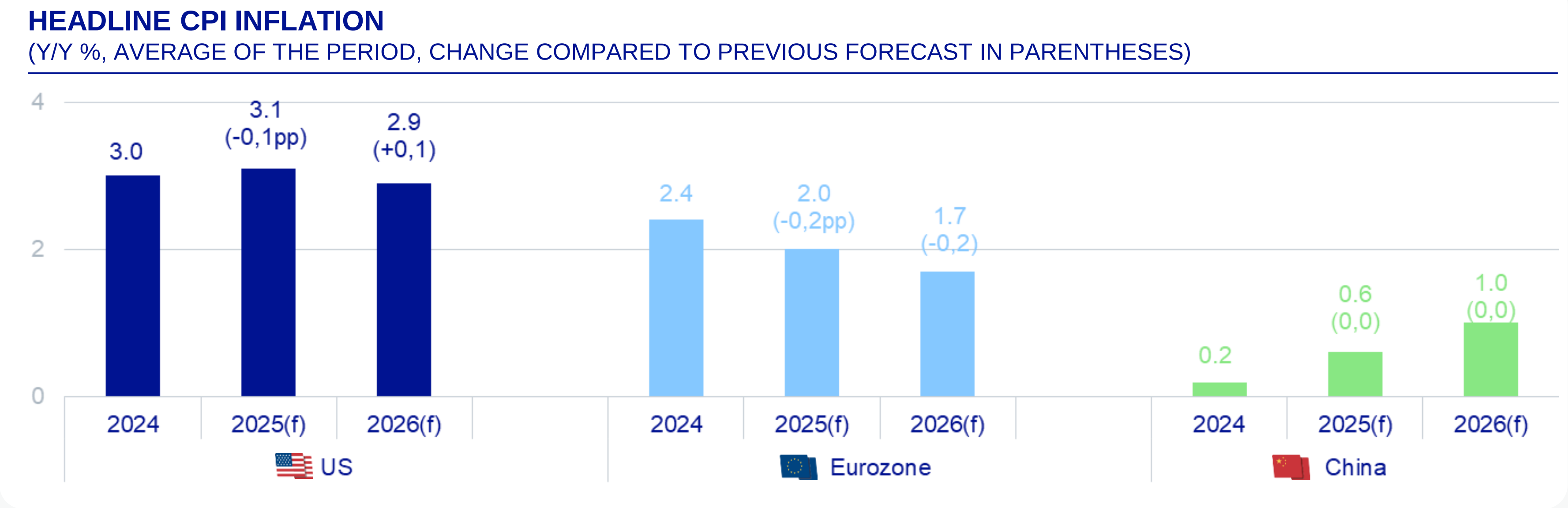
GDP GROWTH (*)
(%, CHANGE COMPARED TO PREVIOUS FORECAST IN PARENTHESES)



(*) Global GDP grew by 3.4% in 2024 and is forecast to expand by 3.0% in 2025 and 3.1% in 2026, respectively three and two decimal points below the expected in 1Q25.
(f): forecast.
Source: BBVA Research

Weaker US growth on higher uncertainty and weaker 1Q25 data (to be partially offset by a 2Q25 rebound); growth will be backed by lower US tariffs and economic stimuli in China, and by defense and infrastructure spending as well as by lower inflation and interest rates in the Eurozone

Inflation is still likely to rebound in the US following tariff hikes, and to remain contained in the Eurozone and China



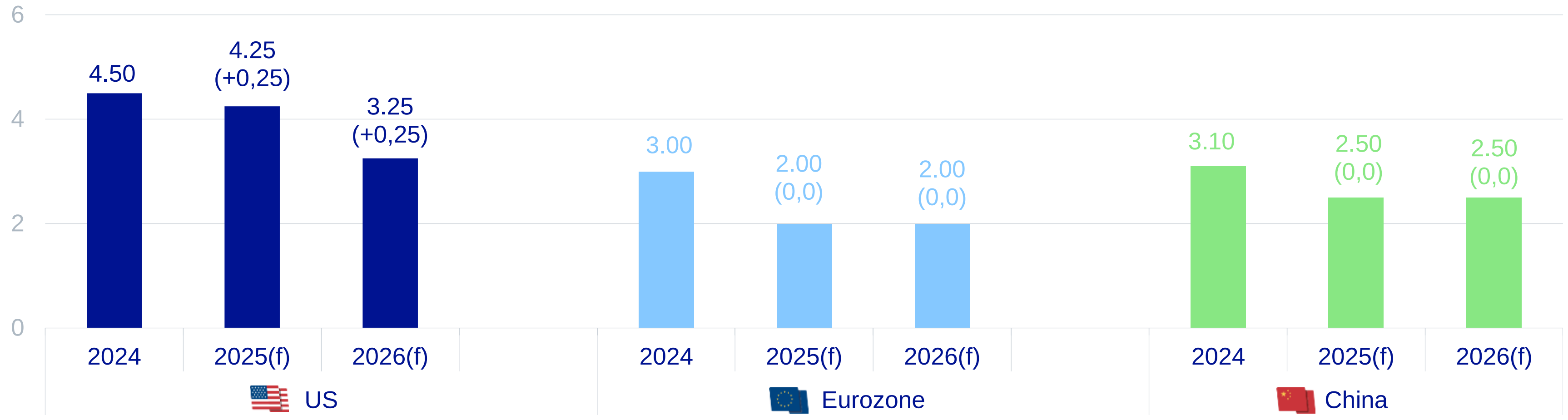
(f): forecast.
Source: BBVA Research

Lower energy prices and weak demand pressures support controlled inflation, except in the US, where tariffs are likely to raise production costs—at least in the short term; a stronger euro is also likely to keep price pressures limited in Europe

The Fed will keep rates unchanged for longer given tariff uncertainty; ECB monetary tightening is (likely) over

POLICY INTEREST RATES (*)

(%, END OF PERIOD, CHANGE COMPARED TO PREVIOUS FORECAST IN PARENTHESES)

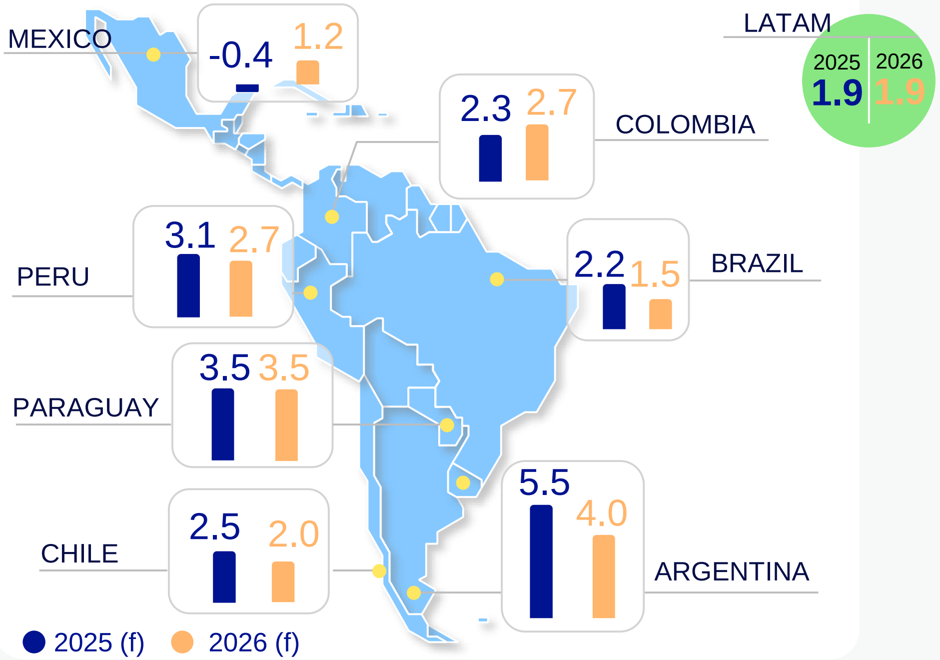


(f): forecast.
(*) In the case of the Eurozone, interest rates of the deposit facility.
Source: BBVA Research.

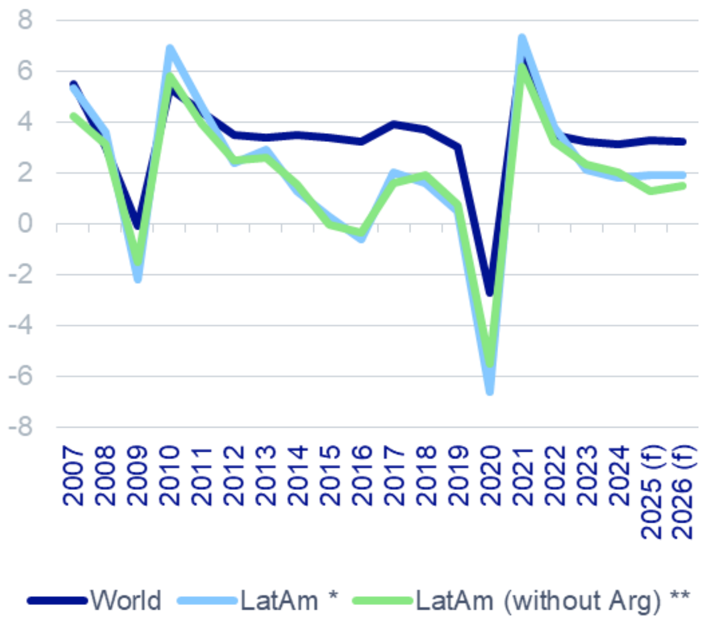
The Fed is expected to cut rates once this year (in 4Q25), but the easing cycle would continue in 2026, at least if inflation rebound on tariffs proves to be temporary; in the Eurozone, rates are forecast to remain at 2%, but growth concerns and controlled inflation could pave the way for extra cuts

The region will maintain a lower growth rate than the world average, around 1.9%

GDP GROWTH
(ANNUAL CHANGE, %)



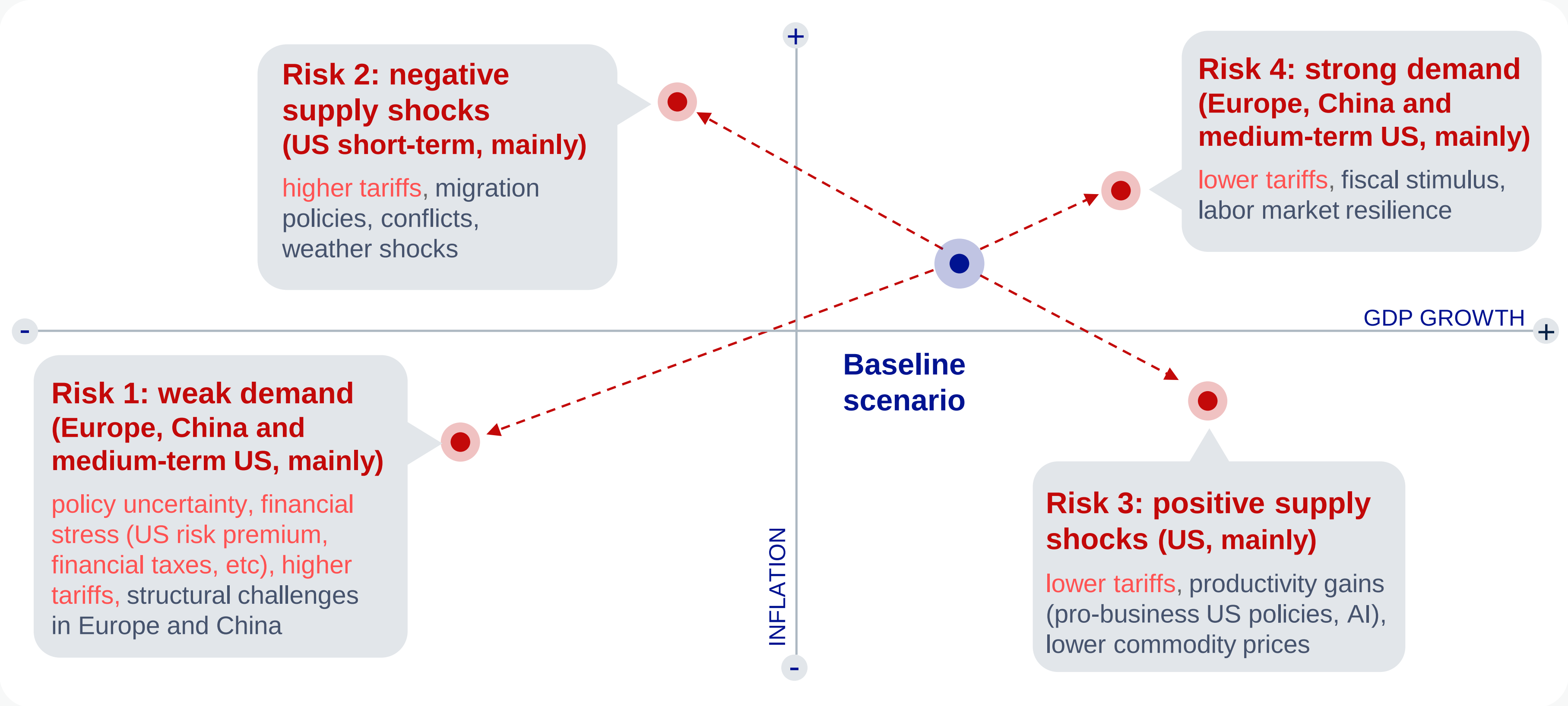
WORLD AND LATAM GDP
(ANNUAL CHANGE, %)



(f): forecast
Source: BBVA Research.

(f): forecast BBVA Research. (**): Includes Brazil, Chile, Colombia, Mexico, Peru, Paraguay and Uruguay. (*): Includes Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru and Uruguay.

Risks: mainly on greater uncertainty and rising US risk premium; tariff risks are also higher, but more balanced

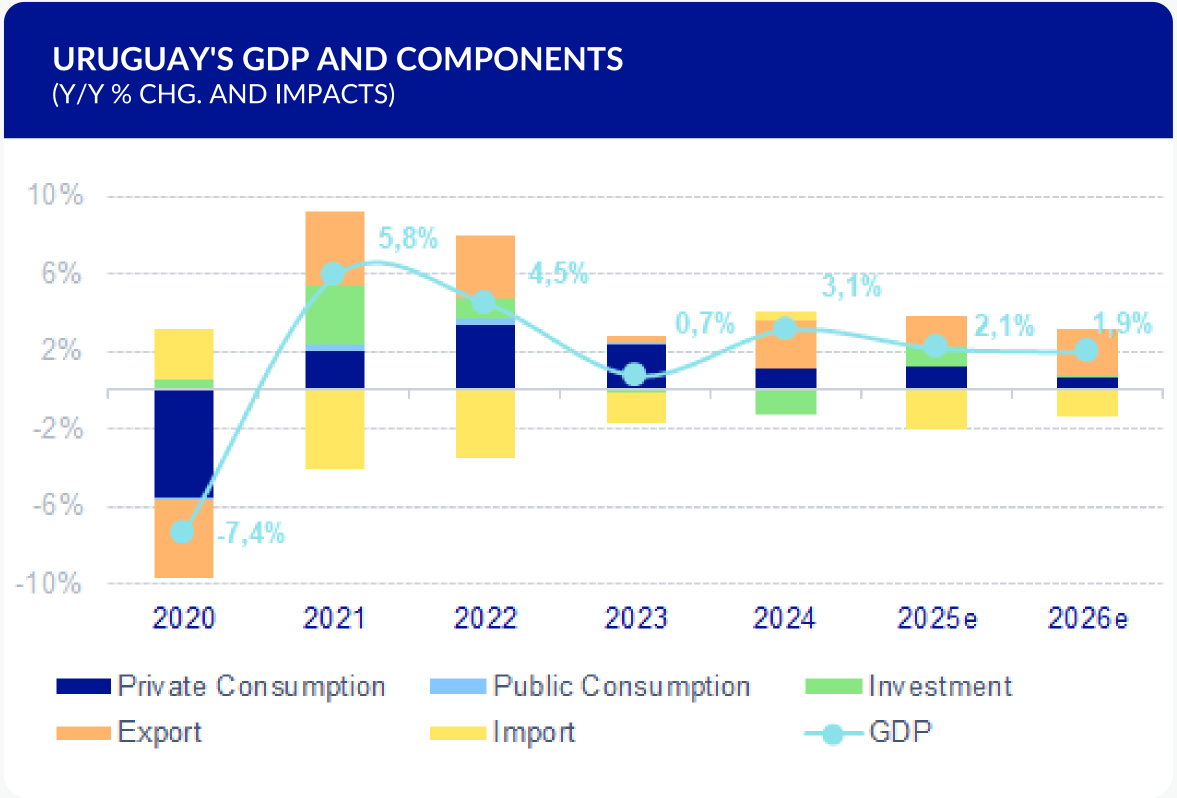


2. URUGUAY ECONOMIC OUTLOOK

Local overview

Growth slows following the 2024 rebound

We expect a growth of 2.1% for 2025 and 1.9% for 2026, slightly lower than the Potential GDP of 2.5% (MEF)



Source: BCU and BBVA Research

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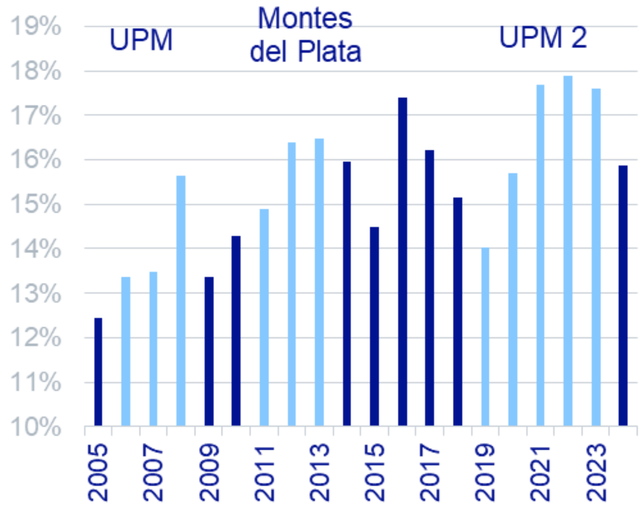
Investment slows with completion of UPM2 and Railroad

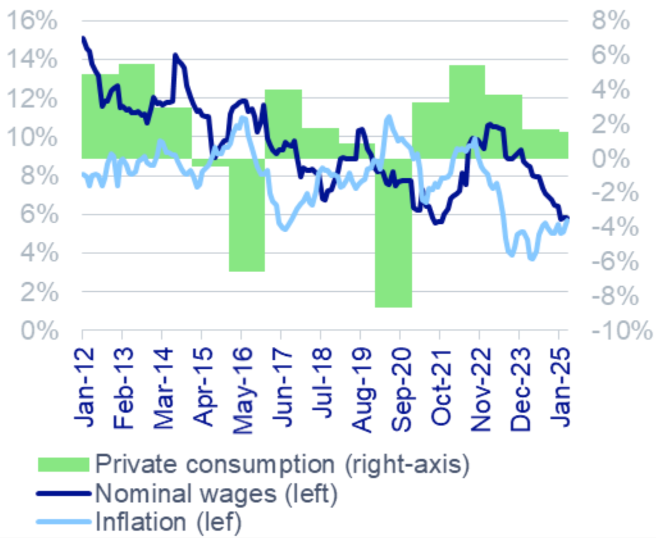
Consumption grows in a limited way due to a slight rise in real wages

PRIVATE INVESTMENT
(% OF GDP)



Source: BBVA Research, BCU, INE

PRIVATE CONSUMPTION, WAGES & INFLATION
(Y/Y % CHG.)



Source: BBVA Research, BCU, INE

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The economy remained strong in 1Q25

The IMAE closed the quarter with a growth of 2.2% Y/Y

- Most leading indicators show growth in the first three months of the year.
- The industry is growing even without a refinery: ANCAP's La Teja had its scheduled closure for maintenance between Sep-23 and May-24 (1Q25 growth is due to the base effect).
- VAT collection in real terms has performed well in recent quarters in line with the dynamism of private consumption.
- Capital goods imports recover significantly.
- The CCI measured by the consulting firm Equipos remains moderately optimistic.

Indicators (Y/Y % chg.)	1Q2024	2Q2024	3Q2024	4Q2024	1Q2025
IMAE	0.0%	4.5%	4.4%	3.5%	2.2%
Industrial output	-5.5%	1.8%	4.1%	6.3%	9.3%
Industrial output (without refinery)	1.1%	5.4%	2.7%	0.8%	2.5%
VAT collection (real)	0.2%	5.9%	5.9%	6.0%	8.8%
Imports of capital goods	-7.0%	1.5%	-7.5%	9.6%	19.5%
Car sales	4.3%	4.4%	4.9%	5.1%	15.7%
Employment	2.2%	1.1%	1.2%	2.0%	1.2%
BCU exports	-8.8%	20.1%	20.1%	17.7%	11.5%
Consumer confidence index (CCI)	M.O. *	M.O.	M.O.	M.O.	M.O.

*Moderately optimistic

Source: BBVA Research, based on data from BCU, INE, MEF, ACAU, Equipos

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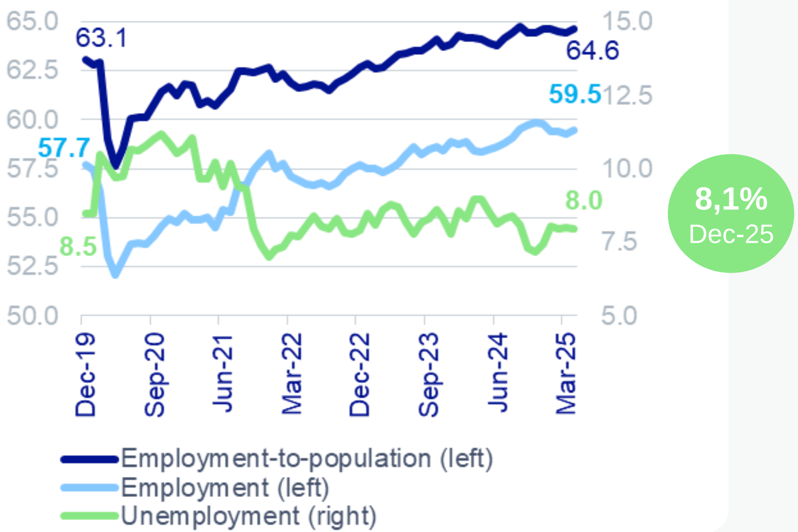
A stagnant labor market in 2025

The slowdown in activity is slowing job creation while wages are weakening

ACTIVITY, EMPLOYMENT AND UNEMPLOYMENT RATE
(AS % OF WAP AND EAP)



Source: BBVA Research, with data from INE

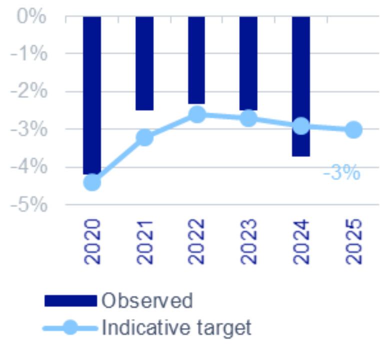
NOMINAL WAGES, REAL WAGES AND INFLATION
(Y/Y % CHG., AVERAGE)

Source: BBVA Research, with data from INE

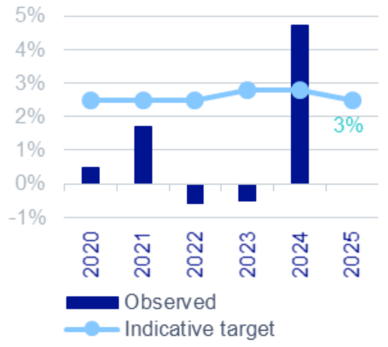
Fiscal consolidation at an impasse in 2024

Non-compliance with fiscal rule pillars 1 and 2 while pillar 3 was met due to a safeguard clause

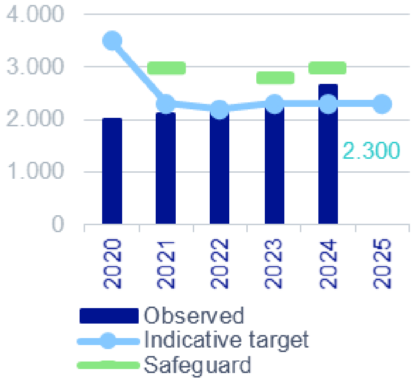
Pillar 1:
Structural fiscal balance
CG + SS (% GDP)



Pillar 2: % chg. of the
Real Primary Expenditure
of the GC+BPS



Pillar 3:
Net debt ceiling
(millions of dollars)



Source: BBVA Research and MEF

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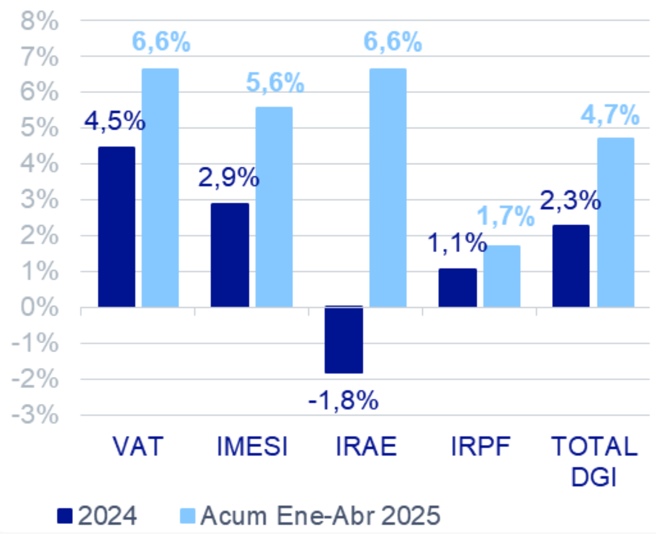
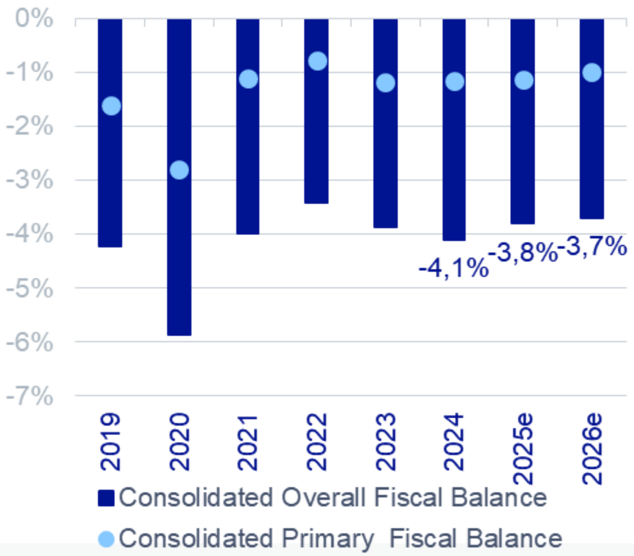
Limited room to maneuver to achieve consolidation

Tax collection is improving, but expenditures remain resistant to decrease

TAX COLLECTION
(Y/Y % CHG. IN REAL TERMS)



CONSOLIDATED PRIMARY AND OVERALL FISCAL BALANCE (AS PERCENTAGE OF GDP)



Source: BBVA Research, BCU, INE

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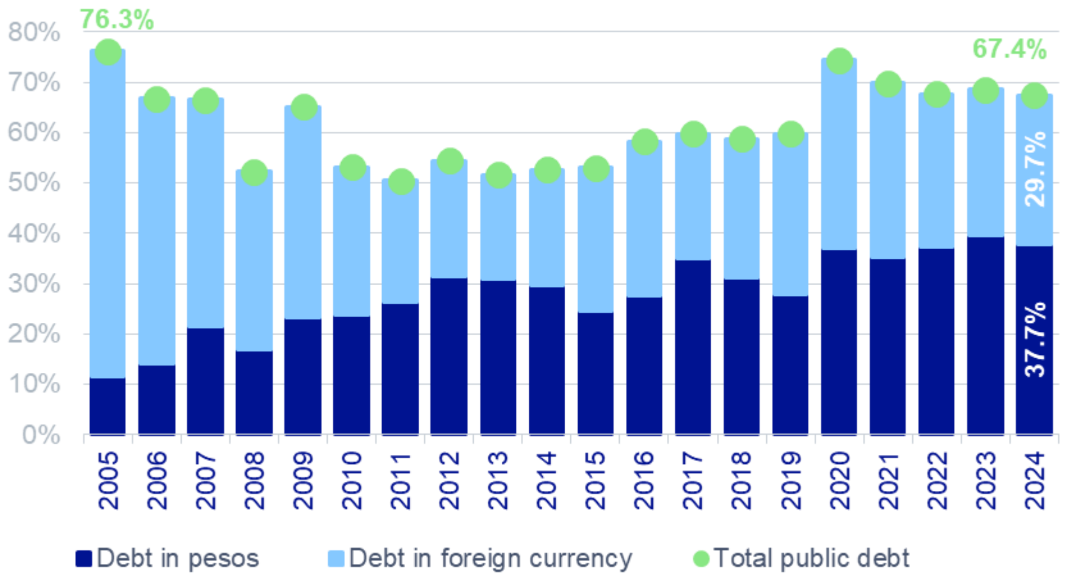
Debt remains at around 67.4% of GDP

The net debt of the Central Government reported by the MEF closed 2024 at 53.3% of GDP.

GROSS AND NET PUBLIC SECTOR DEBT
(% OF GDP)

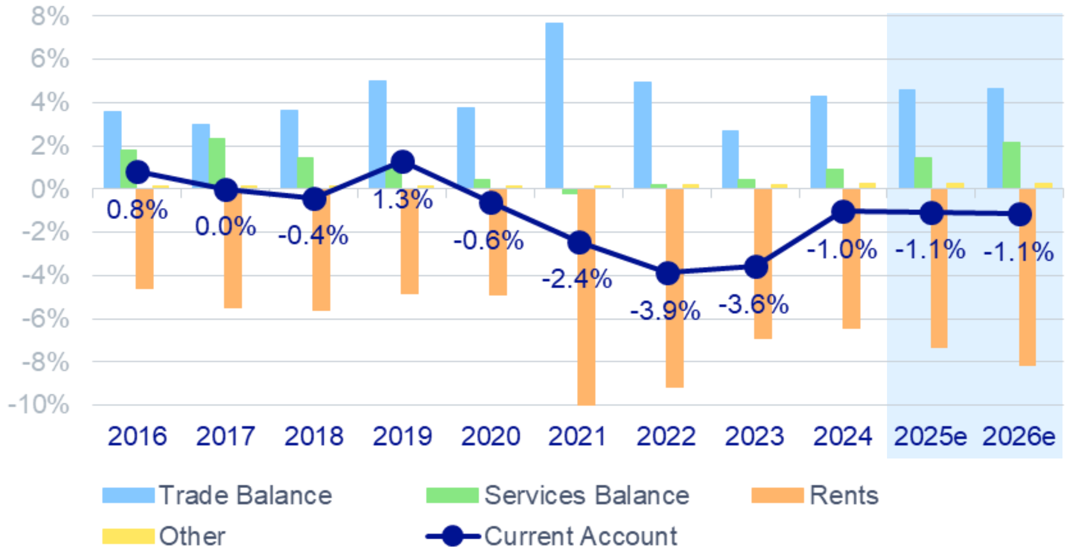


Source: BBVA Research on BCU data

The current account will stabilize in 2025

After improving in 2024, the current account will stand at -1% of GDP in 2025

CURRENT ACCOUNT & COMPONENTS
(AS A PERCENTAGE OF GDP)



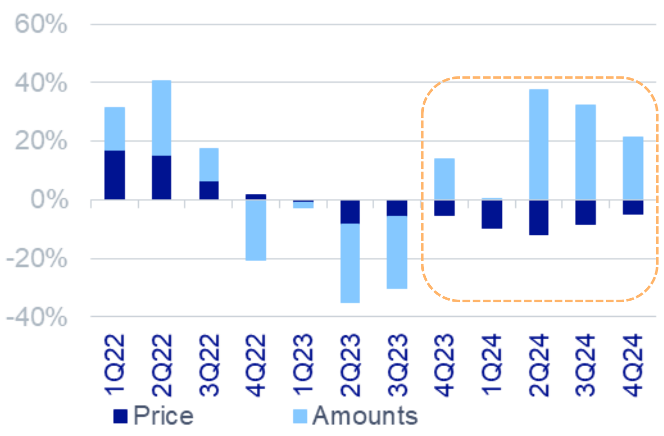
Source: BBVA Research and BCU

Export prices are not helping...

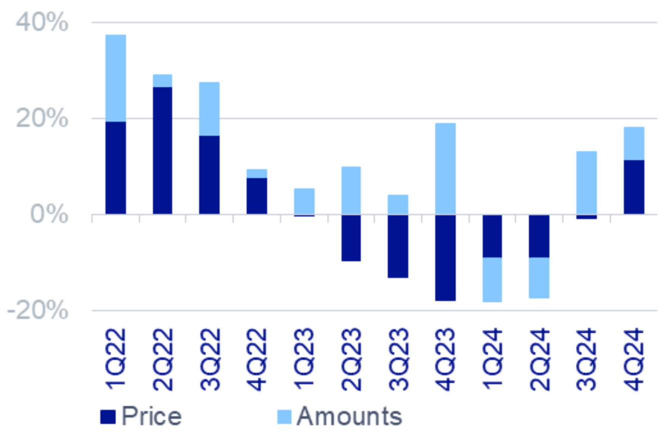
The terms of trade fell 6.8% in 2024

PRICES AND QUANTITIES OF FOREIGN TRADE
(Y/Y % CHG.

EXPORTS



IMPORTS



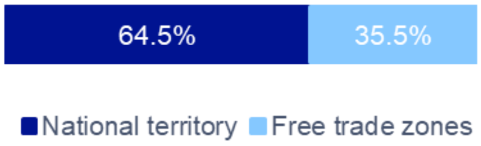
Source: BBVA Research and BCU

… and they are reducing the slack in the trade balance

Exports remain firm, but there is greater import pressure

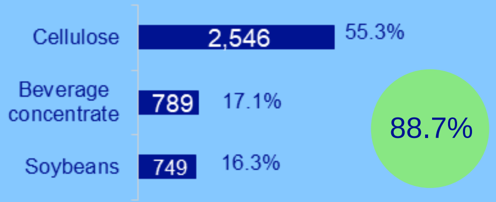
EXPORT AND IMPORT TREND
(IN MILLION OF DOLLARS)

ORIGIN OF EXPORTS
(%, 2024)



FREE TRADE ZONES
IN 2024

+34.5%



Source: BBVA Research and Uruguay XXI

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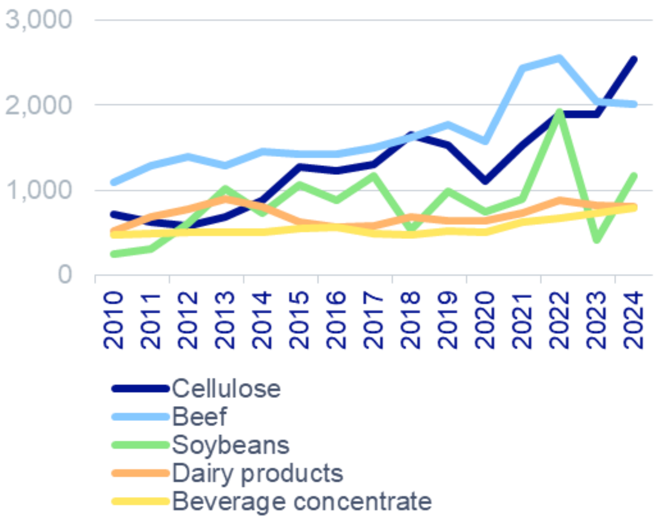
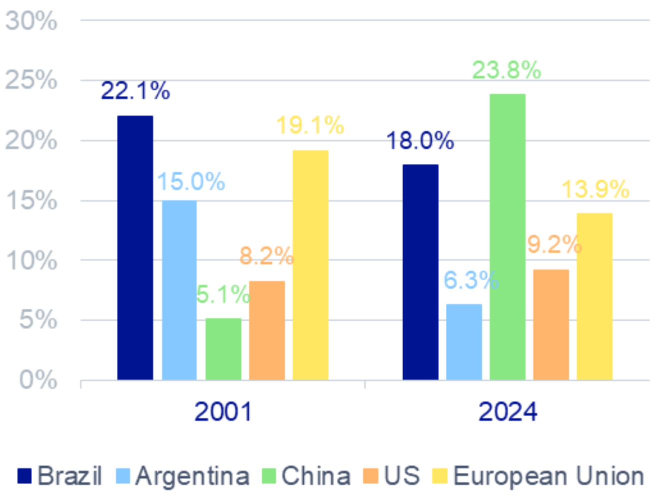
Cellulose and meat at the top of exports

China and Brazil solidify their positions as main export destinations

MAIN EXPORTED PRODUCTS
(IN MILLION OF USD)



MAIN DESTINATIONS
(AS A SHARE OF TOTAL EXPORTS)



Source: BBVA Research, with data from Uruguay XXI

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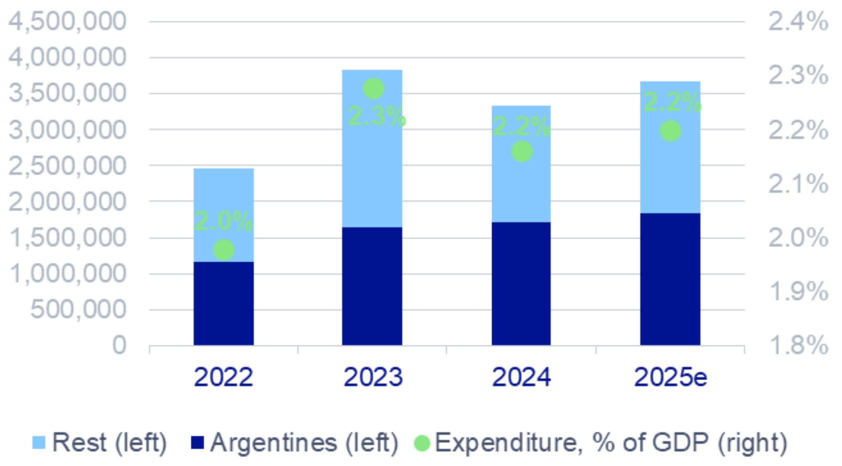
Modest improvement in tourism accounts

Smaller price gap with Argentina

INBOUND TOURISM
(NUMBER OF VISITORS AND EXPENDITURE AS % OF GDP)



- **We expect a modest increase in the number of visitors, mainly coming from Argentina.**
- **However, tourism spending will register only an increase of a few tenths in dollar revenues, since Argentine tourists generally spend less than those of other nationalities.**
- **The improvement in tourism is impacting retail and service sectors, which help drive economic activity.**

Source: BBVA Research and Uruguay's Ministry of Tourism

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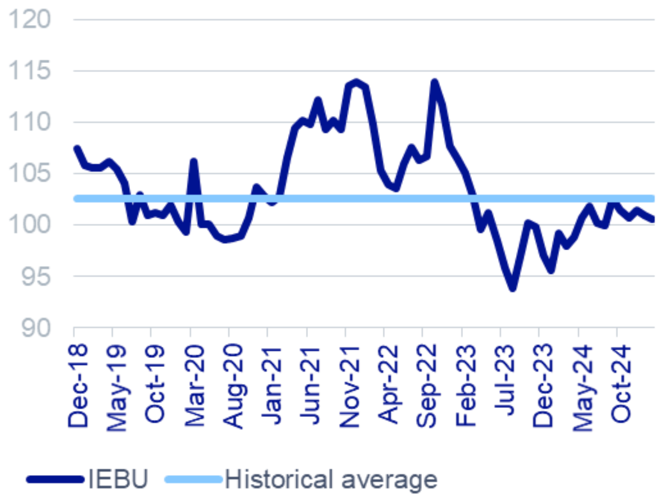
The peso consolidates its strength

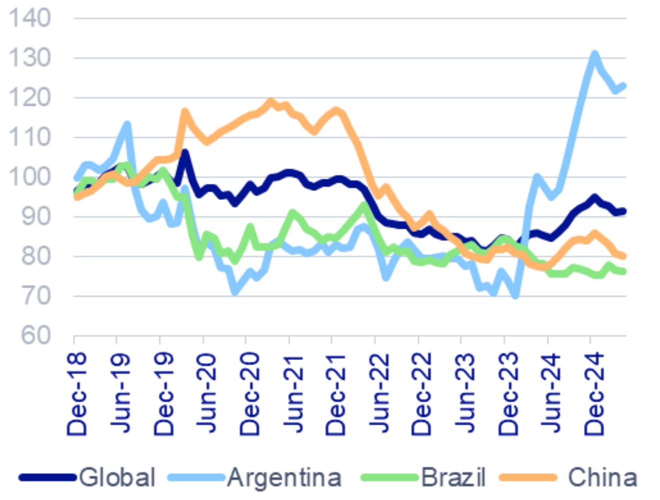
We expect the exchange rate to reach UYU/USD 44 by Dec. 2025

GROSS UNIT SURPLUS OF THE EXPORT INDUSTRY (base 100 = 2016)



Source: BCU and BBVA Research

REAL EFFECTIVE EXCHANGE RATE (base 100 = 2019)



Source: BCU and BBVA Research

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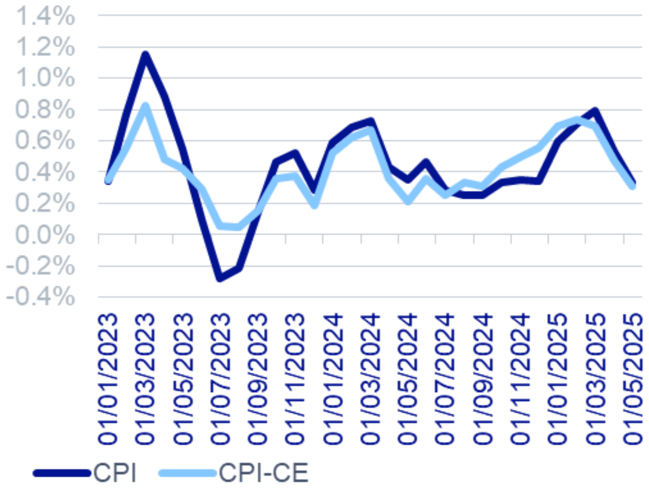
Inflation shows signs of resilience

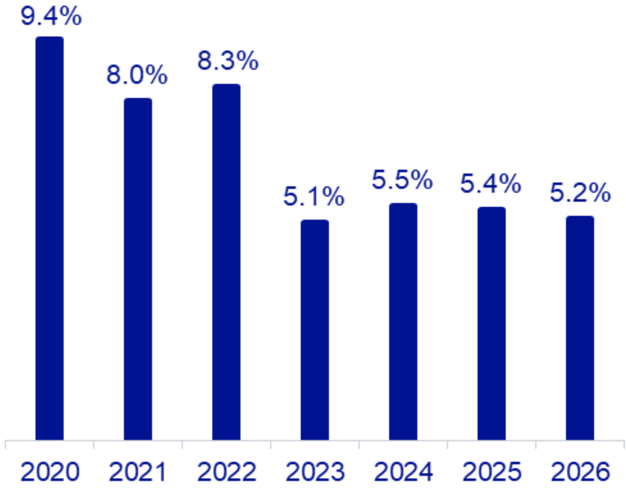
Expectations validate a decline although higher than the target of 4.5%

INFLATION: HEADLINE AND CORE LEVELS
(Y/Y % CHG. 3-MONTH MOVING AVG.)



Source: BCU and BBA Research

INFLATION
(Y/Y % CHG.)



Source: BCU and BBA Research

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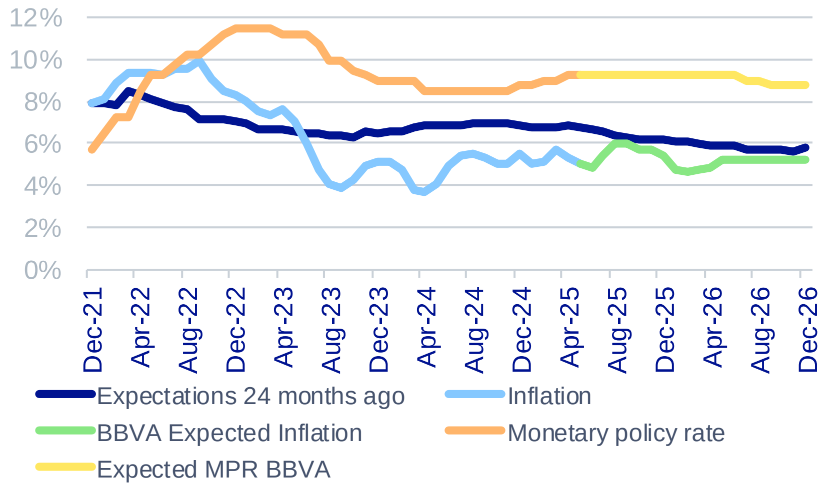
New authorities, same commitment

MONETARY POLICY RATE, INFLATION AND EXPECTATIONS



Source: BBVA Research and Uruguay's Ministry of Tourism

- **Inflation will remain the main objective of the BCU's policy.**
- **The quality of monetary policy communication has made a remarkable leap, but there is still room for improvement among certain economic agents.**
- **We expect monetary policy to remain in a contractionary phase for at least the next 24 month.**

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Macroeconomic Forecast

Uruguay	2022	2023	2024	2025e	2026e
GDP (% YoY)	4.5	0.7	3.1	2.1	1.9
Inflation (% YoY eop)	8.3	5.1	5.5	5.4	5.2
Inflation (% YoY ave)	9.1	5.9	4.8	5.4	5.1
Exchange rate (vs USD eop)	38.9	39.3	43.9	42.1	44.3
Exchange rate (vs USD ave)	41.2	38.8	40.2	42.2	43.3
Monetary Policy Rate (% eop)	11.5	9.0	8.8	9.3	8.8
Monetary Policy Rate (% ave)	9.3	10.6	8.6	9.2	9.1
Unenployment rate (%, eop)	7.9	7.8	7.4	8.1	8.0
Fiscal Balance (% GDP)	-3.4	-3.9	-4.1	-3.8	-3.7
Current Account (% GDP)	-3.9	-3.6	-1.0	-1.1	-1.1

Fuente: BBVA Research

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