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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

The Uruguayan economy is significantly dependent on its neighbors, Brazil and Argentina. The country showed strong resilience during the Covid-19 pandemic and returned to its pre-pandemic level by mid-2021. After growing by 4.9% in 2022, economic activity decelerated to an estimated 1% in 2023 amid tighter financial conditions and the impact of a historic drought that affected agricultural production. In 2024, GDP growth is expected to be bolstered by the resurgence of exports and private consumption. The IMF forecasts growth at 3.3% this year and 2.9% in 2025.

Uruguay undertook significant structural fiscal consolidation during the period of 2020-2022, guided by amendments to the fiscal rule implemented in 2020. In 2023, the fiscal environment has been challenging due to the drought's impact, the reversal of real wage declines in previous years, and the government's tax reduction measures. The IMF estimated that the central government deficit expanded to 2.9% of GDP in 2023, up from 2% one year earlier, but it should gradually decrease to 2.3% by 2025. In April 2023, Congress endorsed a pension reform that, despite featuring long transition rules, will not yield fiscal savings for several years. Nonetheless, this reform stands as a robust testament to fiscal responsibility and enhances the long-term sustainability of the system. General government debt increased to 61.6% of GDP at end-2023 and is expected to remain stable over the forecast horizon. The foreign-currency debt ratio has dropped below 50%, indicating the government's continuous commitment to de-dollarizing the debt structure through a focus on domestic financing sources. Nevertheless, the ratio remains elevated. According to the National Institute of Statistics, the accumulated inflation during the year 2023 totaled 5.11% (compared to 8.3% one year earlier), falling within the target range established by the Central Bank of Uruguay (BCU), which was set between 3% and 6%. The IMF forecasts inflation at 5.9% this year and 5.5% in 2025.

The unemployment rate increased to 8.1% in 2023, from 7.9% one year earlier, and should remain stable in the medium term (IMF). Uruguay has one of the highest levels of GDP per capita in South America and a developing middle class (USD 28,851 in 2022, as per the World Bank). The country has had strong political and social stability for years, backed by a consolidated democracy and strong legal security, which makes it attractive to investors. Furthermore, the population living below the poverty line has decreased significantly in the past decade: at present, the percentage of households residing in poverty stands at 6.4%, as measured by the international poverty line of USD 6.85 per capita per day (World Bank).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	71.18	76.24	81.07	85.13	89.15
GDP <i>(Constant Prices, Annual % Change)</i>	4.9	1.0	3.3	2.9	2.6
GDP per Capita <i>(USD)</i>	20,022	21,378	22,659	23,721	24,766
General Government Balance <i>(in % of GDP)</i>	-2.0	-2.9	-2.5	-2.3	-2.1

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
General Government Gross Debt <i>(in % of GDP)</i>	59.3	61.6	61.4	61.7	61.6
Inflation Rate <i>(%)</i>	n/a	6.1	5.9	5.5	5.2
Unemployment Rate <i>(% of the Labour Force)</i>	7.9	8.1	8.0	8.0	8.0
Current Account <i>(billions USD)</i>	-2.50	-2.85	-2.71	-2.51	-2.31
Current Account <i>(in % of GDP)</i>	-3.5	-3.7	-3.3	-2.9	-2.6

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Uruguay's natural resources are very limited, mainly due to the country's size. There is a significant mining industry in the country, which mainly revolves around basalt, dolomite, limestone, quartz, granite, and marble. There is only one gold-producing mine in Uruguay, and the country is a major producer of cement and semi-precious stones, particularly agate and amethyst. Even though only around 11.6% of the land is arable, agriculture is the largest export sector in Uruguay. It accounts for 7.3% of the GDP and employs 8% of the active population. Uruguay has rich agricultural land and almost 90% of it is devoted to livestock breeding (cattle, sheep, horses, and pigs). Rice is the main crop, followed by wheat, maize, sugar cane, soybeans, and tobacco. Vegetable and fruit farming are also present throughout the country, as well as a prominent wine industry along the coast of the Rio de la Plata. In 2023, Uruguay's main export product was once again beef, accounting for 18% of the total exports. Sales amounted to USD 2.08 billion, 19% less than in 2022 (official governmental data).

The industrial sector contributes to 17.6% of the country's GDP and employs 18% of the active population. Agriculture and animal food processing account for half of the industrial activity. Other manufacturing activities include beverages (especially wine), textiles, construction materials, chemicals, oil, and coal. Additionally, Uruguay has recently invested heavily in the paper industry, which is expanding. The manufacturing sector as a whole is estimated to account for 10% of GDP. Uruguay's manufacturing industry production increased on average by 0.6% throughout 2023 compared to the previous year, driven by the manufacturing of paper and food, as reported by the National Institute of Statistics (INE). The divisions with the highest negative impact on the annual average were "Petroleum Refinery," with a decrease of 30.9%, and "Manufacture of Motor Vehicles," with a decline of 16.8%, resulting in negative impacts of 1.8 and 0.6 percentage points, respectively.

The services sector contributes to 63.2% of the GDP and employs 74% of the active population, mainly in finance and tourism. Particularly, the region around Punta del Este attracts a large number of visitors, which has driven the rise in building, leading to a construction boom in the area in recent years. The country welcomed 3.83 million tourists in 2023, marking a 55.5% increase year-on-year (data Ministry of Tourism). The structure of Uruguay's financial system comprises two public banks, nine private banks, and a diverse array of non-banking institutions.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	8.4	18.9	72.6
Value Added <i>(in % of GDP)</i>	7.3	17.6	63.2
Value Added <i>(Annual % Change)</i>	-2.9	1.8	6.4

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Uruguayan Peso (UYU) - Average Annual Exchange Rate For 1 USD	30.16	28.68	30.73	35.30	42.01

Source: World Bank - Latest available data.

FOREIGN TRADE

Uruguay has an open economy, with foreign trade representing 57% of its GDP, according to the World Bank's latest available data. In 2023, the ranking of exported products was led by beef, constituting 18% of the total exports. Cellulose held the second position with a comparable share, followed by dairy products, beverage concentrates, rice, meat by-products, wood, soybeans, and vehicles. The largest import category in 2023 was industrial supplies, accounting for 28% of the total, followed by vehicles and their parts (17%), and food and beverage (14%).

Uruguay's main export partners in 2023 were China, Brazil, the EU, the U.S., and Argentina. Other relevant export destinations included Turkey, Mexico, Chile, and Paraguay. In terms of imports, they mainly came from Brazil, China, the EU, and Argentina. Uruguay is a founding member of MERCOSUR and a member of ALADI, a trade association that includes ten South American countries as well as Cuba, Mexico, and Panama. Uruguay enjoys special preferential access to trade with several countries under ALADI's Economic Complementation Agreements.

As Uruguay mainly exports agricultural products, they are highly vulnerable to international price fluctuations. In 2023, imports of goods, excluding petroleum, derivatives, and energy, decreased by 2% compared to 2022, while exports declined by 13% compared to the previous year, which was a record year for exports. Service exports, on the other hand, totaled USD 6.07 billion in the twelve-month period ending in September 2023, with tourism exports rebounding.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	8,893	8,246	7,564	10,320	12,973
Exports of Goods (million USD)	7,498	7,680	6,864	9,541	11,185
Imports of Services (million USD)	4,580	4,751	3,450	3,687	5,101
Exports of Services (million USD)	5,471	5,357	3,722	3,699	5,449

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade (in % of GDP)	47.9	49.6	46.0	54.4	57.2
Trade Balance (million USD)	2,385	3,113	2,153	4,473	3,452
Trade Balance (Including Service) (million USD)	3,280	3,724	2,428	4,486	3,784
Imports of Goods and Services (Annual % Change)	0.6	1.3	-12.2	18.2	12.5
Exports of Goods and Services (Annual % Change)	-1.1	4.6	-16.3	11.7	11.1
Imports of Goods and Services (in % of GDP)	21.4	21.7	20.8	23.9	25.9

Foreign Trade Indicators	2018	2019	2020	2021	2022
Exports of Goods and Services <i>(in % of GDP)</i>	26.5	27.8	25.2	30.5	31.3

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	-5.7	5.4	3.1	2.4	2.2
Volume of imports of goods and services (Annual % change)	-0.7	6.3	3.7	3.4	3.2

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Uruguay is member of the [Latin American Integration Association](#). It also belongs to the [Mercosur](#), and has signed a free trade agreement with Mexico. The country have signed a trade agreement with 21 other countries in the São Paulo Round of the Global System of Trade Preferences among Developing Countries (GSTP).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
China	21.5%
Brazil	15.0%
Argentina	8.1%
United States	6.2%
Netherlands	2.6%
See More Countries	46.6%

Main Suppliers <i>(% of Imports)</i>	2022
Brazil	19.9%
China	18.1%
United States	15.8%
Argentina	11.5%
Germany	2.3%
See More Countries	32.4%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Luis Lacalle Pou (since March 1st, 2020)
Vice President: Beatriz Argimón (since March 1st, 2020)

Next Election Dates

Presidential: October 2024
Chamber of Senators: October 2024
Chamber of Representatives: October 2024

Main Political Parties

Uruguay has a multi-party system with three dominant political coalitions. Outside of these coalitions, it is extremely difficult for any other political party to achieve electoral success. The dominant political forces are:

- **Broad Front** (FA): centre-left; maintained majority since 2009; broad coalition of 21 groups, including the Movimiento de Participación Popular (MPP), the Partido Socialista (PS), and the Vertiente Artiguista (VA)
- **National Party** (PN): conservative party, nationalist, liberal, also referred to as the "White Party"
- **Open Cabildo** (Cabildo Abierto): right-wing, populist, conservative
- **Ecologist Radical Intransigent Party** (PERI): centre to centre-left, green politics, liberal
- **Colorado Party**: centre-right, a liberal and social-democratic party, the most elected party in Uruguayan history
- **Independent Party** (PI): centre, a social democratic and Christian socialist party, advocates "Third Way" - an alternative to the traditional left and right-wing politics
- **Popular Unity** (UP): coalition of left-wing and far-left, Marxist-communist, anti-imperialist
- **Party of the People** (Partido de la Gente): right-wing, populist, conservative
- **Green Animalist Party** (PVA): centre to centre-right, green conservatism, animal rights, direct democracy
- **Workers' Party** (Partido de los Trabajadores): far-left, Trotskyist, socialist
- **Digital Party** (Partido Digital): the party advocated for e-democracy and is against being labelled either right, centre, or left.

Executive Power

The President of the Republic is both the Head of State and the Head of Government and is elected by universal suffrage for a five-year term. While the President may be reelected any number of times, immediate reelection is not allowed by the Constitution.

Legislative Power

Parliament is bicameral. The General Assembly is made up of the Chamber of Senators, which is composed of 30 members directly elected to serve 5-year terms; and the Chamber of Representatives, composed of 99 members directly elected to serve 5-year terms.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of Uruguay please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).