
Country Report

Uruguay

December 2011

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Economist Intelligence Unit

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Executive summary

Highlights

December 2011

- Outlook for 2012-13**
- The president, José Mujica of the centre-left FA coalition, will struggle to implement elements of his policy agenda owing to pressure from the left of the ruling coalition and its close allies in the powerful unions.
 - Overall, policymaking will remain supportive of business, coupling prudent macroeconomic policy with a welcoming environment for investment.
 - We expect GDP growth to slow from 5.7% in 2011 to an annual average 3.9% in 2012-13, on the assumption that weakening confidence will hit investment and employment, and that lower external demand will hit exports.
 - With GDP growth in Uruguay's main trade partners slowing, there will be pressures from the left of the ruling coalition for the government to focus more of its efforts on poverty reduction and income redistribution.
 - We expect a widening current-account deficit and volatile portfolio flows to produce some currency weakening pressures in the forecast period, bringing the exchange rate to Ps22.5US\$1 by end-2013.
 - Although the current account will register a deficit in 2012-13, reflecting continuing trade and income imbalances, it will remain manageable and covered by inflows of FDI.
- Monthly review**
- Education reform has moved up the political agenda but it is proving tricky to agree a reform that satisfies all parties and the teachers' unions. If an agreement is not reached, Mr Mujica's image will be tarnished.
 - Mr Mujica has come in for some criticism for his handling of a diplomatic spat that emerged in the wake of the G20 summit in early November, and in particular for a reluctance to criticise Argentina.
 - The weakening GDP growth outlook continues to be the immediate concern for policymakers; secondary to this appears to come inflation control (although inflation remains well above the target rate).
 - A relatively firm peso should provide some support in anchoring inflation expectations, which drifted upwards earlier this year. But inflation remains well above target and the BCU has not made inflation-reduction the priority.
 - Although third-quarter GDP growth data are not due to be published until mid-December, available indicators (trade, employment and industrial production) suggest that there has been some deceleration of activity.
 - According to preliminary estimates from the Ministry of Livestock, Agriculture and Fishing, Uruguay is set to register a record wheat harvest in the 2011/12 harvest year, but this has raised questions about grains storage capacity.

Outlook for 2012-13

Political outlook

Political stability Although governability is generally good, persistent tensions among various factions of the ruling centre-left Frente Amplio (FA) coalition will create difficulties for the president, José Mujica, particularly as he attempts to implement key reforms to the civil service and the education system and upgrade a creaky infrastructure. To try to drive his agenda forward, Mr Mujica now faces a delicate balancing act to maintain good working relations both within his own coalition and with the right-wing opposition. The Economist Intelligence Unit expects that although there will be pressures from the left of the coalition to give increased focus to income redistribution, the government will, overall, pursue sound economic policies. We also believe that, despite current internal problems, a split in the ruling coalition appears unlikely, given its history of electoral success. There is also a possibility that proposed reforms to the FA's party structure will produce a leadership that is more amenable to co-operation with the centrist president. However, such reforms will not be easy to push through in the face of opposition from the small extreme-left groups that dominate the party leadership, and we do not currently include their passage in our baseline scenario. Instead, we assume that the president will continue to require opposition support to secure many important policy goals, including improvements to public security. With the centre-right opposition hoping to recapture key centrist voters ahead of the 2014 election, we expect that, overall, this support will be forthcoming, although elements of the opposition will become more obstructionist as the presidential election nears.

Election watch There are no elections scheduled for 2012-13, but all the main political parties will be gearing up as the forecast period progresses for the general election in October 2014. We assume that divisions within the opposition will persist, allowing the FA to maintain a leading position heading into the October 2014 general election, despite its own internal discord. The FA's chances have, however, been thrown into some doubt following the unexpected announcement by Tabaré Vázquez, a pragmatic, unifying figure in the FA coalition and a popular former president, that he was retiring from politics. FA leaders have pressed Mr Vázquez to reconsider (he is currently the only FA politician considered able to unify the various leftist and centre-left parties in the coalition), and we think there is still a good chance that he will run, in which case he will be the strong favourite. If he does not, the FA will face a difficult drawn-out candidate selection process and the race could be much closer. To the FA's advantage, the main opposition party, the centre-right Partido Nacional (PN, or Partido Blanco) remains weak and its leadership divided. The opposition has not fully recovered from its historic loss in 2005, when Mr Vázquez's election resulted in the first left-wing government in Uruguay's history. Pedro Bordaberry, of the other main opposition party, the Partido Colorado (PC), is emerging as a strong potential challenger, but he appears too

far to the right of the political spectrum to be able to win the presidency in a country with a large base of centrist and centre-left voters.

International relations Foreign policy will continue to give precedence to deepening political and economic ties within the Mercado Común del Sur (Mercosur, an imperfect customs union between Uruguay, Paraguay, Brazil and Argentina). The process will be hampered by policy unpredictability in partner countries, in particular in Argentina, and by a growing trend towards protectionism in both Argentina and Brazil. Nonetheless, Mr Mujica's good relationship with both the president of Brazil, Dilma Rousseff, and the president of Argentina, Cristina Fernández de Kirchner, will support efforts to smooth imbalances within the customs union.

Economic policy outlook

Policy trends Policymaking will, overall, continue to be supportive of business, combining prudent macroeconomic policy with a generally welcome environment for investment. That said, and particularly with the global economy weakening and growth in Uruguay's main trade partners slowing, there will be continuing pressures from the left of the ruling coalition for the government to focus more of its efforts on poverty reduction and income redistribution. This will increase pressures to raise public expenditure, which would complicate efforts to reduce the public debt ratio and combat inflation (which is currently well above the target range of 4-6%). It also risks producing inconsistencies in the government's investment promotion policy. The government has, for example, recently pushed through framework legislation to guide public-private partnerships (PPPs), which will boost private investment in infrastructure, but it is also proposing a controversial tax on agricultural landholdings, which is seen as an attempt to appease the extreme left of the governing coalition. There is a risk in the coming months of new legislation limiting foreign land ownership. We continue to believe that the generally orthodox, pro-business stance is not at risk, but growing policy differences within the coalition introduces some uncertainties into our forecasts.

Fiscal policy Fiscal policy should remain disciplined, in line with the key fiscal policy goal of reducing the public debt ratio from an estimated 52.5% of GDP in 2011 to below 40% (as part of a broader effort to regain an investment grade credit rating) by the end of Mr Mujica's term in 2014. To have a chance of meeting this goal, the consolidated public-sector deficit will have to be restricted to close to 1% of GDP. There has been some fiscal slippage this year as a result of higher energy input costs for state enterprises, but in the absence of further price shocks, we expect renewed tightening and moderate growth in revenue in 2012-13. This will bring the deficit down to 1% of GDP in 2013, keeping it roughly on track with the government's 2013 target of 0.9% of GDP. There are, however, growing risks to this forecast, mainly reflecting the possible impact of a more severe global downturn than we are currently projecting. The government has scope to undertake countercyclical stimulus if necessary, and in the event of a renewed global recession (and depending on how badly this affects China, Brazil and Argentina), we would expect the deficit to widen to well above 2% of GDP, as

revenue is hit and expenditure is raised. There are also risks stemming from a proposed tax reform, which will reduce the rate of value-added tax (VAT) and increase the tax threshold, but raise the top rate of income tax. The government states that the changes will be revenue neutral, but this is based on expectations of further improvements in tax collection efficiency that may not be met (collection efficiency is already high).

Even if the government is forced to provide renewed fiscal stimulus and the debt ratios start to rise again in the short term, we expect that financing is unlikely to prove problematic. The government has already pre-financed most payments for 2012, and perceptions of Uruguay's creditworthiness have improved steadily over recent years.

Monetary policy

Worsening prospects for the economy mean that, although inflation remains above the 4-6% target band (and will do for some time), we expect the Banco Central del Uruguay (BCU, the Central Bank) to keep its monetary policy rate on hold at 8% for the rest of the year. We do not currently see scope for easing either this year or in 2012, but, particularly with central banks in both the OECD and Brazil already shifting to a looser stance, a deterioration of the global economy beyond our current forecast would probably prompt renewed rate cuts, as in 2009. However, serious currency volatility, stemming from developments in the euro zone for example, could also force temporary sharp rate hikes, as occurred in late 2008.

Economic forecast

International assumptions

International assumptions summary

(% unless otherwise indicated)

	2010	2011	2012	2013
Real GDP growth				
World	4.9	3.8	3.3	4.0
Argentina	9.2	8.5	3.5	3.9
Brazil	7.5	3.0	3.5	4.5
Exchange rates				
R:US\$	1.760	1.663	1.785	1.869
US\$:€	1.328	1.395	1.283	1.253
SDR:US\$	0.652	0.627	0.642	0.654
Financial indicators				
¥ 3-month money market rate	0.15	0.15	0.31	0.50
US\$ 3-month commercial paper rate	0.23	0.19	0.20	0.36
Commodity prices				
Oil (Brent; US\$/b)	79.6	111.0	95.0	97.5
Gold (US\$/troy oz)	1,224.7	1,581.6	1,805.0	1,312.5
Food, feedstuffs & beverages (% change in US\$ terms)	10.7	31.2	-11.6	-7.9
Industrial raw materials (% change in US\$ terms)	45.4	22.8	-11.1	2.2

Note. Regional GDP growth rates weighted using purchasing power parity exchange rates.

Economic growth

With a weaker economic outlook for Uruguay's main trade partners, we expect GDP growth to slow from an estimated 5.7% in 2011 to an annual average 3.9% in 2012-13, and we consider there to be a high risk of a global recession, which

would prompt downgrades to these forecasts. In the short term, we expect growth to be supported by still-robust private consumption, on the back of historically high employment rates and strong real wage rises in recent months. But assuming that concerns over the global economy hit investment and employment prospects, both private consumption and fixed investment will moderate steadily. Our forecasts assume, however, that fixed investment will continue to be supported by some large-scale foreign investment projects and public-private investment in infrastructure (which will be boosted by recent framework legislation to facilitate PPP projects).

On the supply side, growth in agriculture will be sustained by high (albeit falling) soft commodity prices. Trends in manufacturing will depend on demand from Brazil and, to a lesser extent, Argentina. Manufacturing output growth has been moderating steadily in recent quarters, and we expect continued deceleration in the forecast period—assuming a softening of external demand—which also reflects recent real currency appreciation. Services growth should remain solid for the rest of 2011, given recent real wage gains, but it will slow in line with the rest of the economy in 2012.

Inflation Despite recent monetary tightening, high prices for Uruguayan commodity imports (only partly mitigated by currency appreciation) and strong domestic demand have produced sustained inflationary pressures, which will cause inflation to end the year at 7.8%, well above the target range of 4-6%. The scale of the supply-side pressures is evident in recent data on producer price inflation, which skyrocketed to above 20% early this year, despite continued currency appreciation. It has slowed since then, to 11.7% in October. However, with domestic demand remaining relatively solid in the short term—suggesting that producers will be able to pass on high input costs to consumers—and second-round wage effects from recent food price inflation set to kick in, inflation will remain above target for most of the forecast period, moving back to 6% only in early 2013, on the back of a further decline in commodity prices and weaker domestic demand. There are some upward risks to this forecast, given a recent upward drift in longer-term inflation expectations and the weakening credibility of the inflation target, particularly with the Central Bank now not expected to raise rates within the forecast period.

Exchange rates Market jitters related to fears of a global recession have produced a modest nominal depreciation of the peso in recent months, to Ps20.2:US\$1 in mid-November, after a year of steady appreciation. Although longer-term capital inflows should remain relatively solid, we expect the combination of a deteriorating current-account deficit and volatile portfolio flows to produce further weakening pressures in the outlook period, bringing the exchange rate to Ps22.5:US\$1 by end-2013. There are, moreover, some risks of temporary overshooting in response to global market volatility, although reserves levels should be sufficient to intervene in this event if necessary. Bearing in mind our forecast that inflation will remain relatively high for much of the forecast period, our baseline forecasts still suggest some further modest real currency appreciation. The real effective exchange rate (REER) will in fact be close to 20%

stronger than its long-term average (1990-2010), partly reflecting an improvement in Uruguay's fundamentals and terms of trade.

External sector The current account will continue to widen in 2012-13, but will remain manageable, at 2.7% of GDP in 2013. The key driver of the deterioration will be the trade deficit, which will continue to widen as import demand is sustained by still-solid private consumption and investment growth, while exports are hit by growing competitiveness problems. The income deficit will also widen, as outward profit remittances from foreign investors outweigh an increase in investment income inflows. The services surplus will widen thanks to strong growth in inward tourism, which will outweigh a rise in freight costs. The small transfers surplus will be relatively stable as a percentage of GDP.

Forecast summary

(% unless otherwise indicated)

	2010 ^a	2011 ^a	2012 ^b	2013 ^b
Real GDP growth	8.5	5.7	3.9	3.9
Industrial production growth	9.5	1.6	3.2	3.2
Gross agricultural production growth	1.1	4.3	4.0	5.0
Unemployment rate (av)	6.7	6.0	6.2	6.0
Consumer price inflation (av)	6.7	8.0	6.6	6.0
Consumer price inflation (end-period)	6.9	7.8	6.2	5.8
Short-term lending rate	10.3	10.1	10.8	10.3
Non-financial public-sector balance (% of GDP)	-1.2	-1.4	-1.2	-1.0
Exports of goods fob (US\$ bn)	8.1	9.7	9.6	10.0
Imports of goods fob (US\$ bn)	8.3	10.6	10.7	11.5
Current-account balance (US\$ bn)	-0.4	-0.9	-1.0	-1.4
Current-account balance (% of GDP)	-1.1	-1.8 ^c	-2.0	-2.7
External debt (year-end; US\$ bn)	12.2	11.9 ^c	12.5	13.1
Exchange rate Ps:US\$ (av)	20.06	19.40	21.01	22.03
Exchange rate Ps:US\$ (end-period)	20.09	20.47	21.47	22.48
Exchange rate Ps:€ (end-period)	26.91	27.32	27.05	27.65
Exchange rate Ps:SDR (end-period)	31.53	32.35	33.02	34.18

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates.

Monthly review: December 2011

The political scene

Education reform comes to the top of the political agenda

The issue of educational reform is becoming a tricky one for the government. At the start of president José Mujica's term in 2010, a multiparty agreement on improving education outcomes was agreed but made little progress. In an attempt to seize the initiative from the government, the opposition Partido Colorado (PC), led by senator Pedro Bordaberry, began to press the government on the issue in September (October 2011, The political scene), threatening to put their own proposals for education reform to a national referendum if the government did not finally make some progress on the issue. With the issue back on the political agenda, in mid-October the Senate (the upper house) passed a declaration requesting that the board of directors of the Administración Nacional de Educación Pública (ANEP, the national public education administration) present an agenda for the improvement of the education system within 45 days. Mr Mujica has since emphasised that he wants to reach consensus across the political spectrum on the agenda (now known as ProMejora), but the development of a reform that successfully combines ideas coming from across the political spectrum, from the radical left to the centre right, will be a formidable challenge for the government.

With the project due to be sent to Congress for debate shortly, the details that have been disclosed about the project have had a very mixed reception. According to available details, the ProMejora project will attempt to decentralise Uruguay's rigid education system, encouraging a more active role for school principals and faculty members, particularly in developing techniques for improving the quality of teaching. Under the plan, 20 schools, mostly junior high schools (grades 7 to 9), will be selected to participate in a three-year pilot programme at the beginning of the coming school year (in March 2012). The pilot schools will have human resources and financial support from ANEP but will in turn be subject to close monitoring and evaluation. In a blow to the government, however, the Federation of Secondary School Teachers and the Secondary Education Council have both stated that they will not support the project. The teachers' federation claims in particular that ProMejora replicates the "neoliberal" Chilean model and that this will generate a divide between schooling for the wealthy and for the poor. If some agreement is not reached, perhaps with Mr Mujica's intervention, a window of opportunity for education reform will close, at some cost to Mr Mujica's image.

Although Uruguay's educational indicators have traditionally been among the best in Latin America, the need for reforms is evident in the most recent OECD's programme for international student assessment (PISA) tests (from 2009). Although Uruguay placed second only to Chile in the Latin America rankings, it ranked just 48th out of 66 participating countries globally in reading and mathematics, and 47th place in science. Since it first came to power in 2005, the Frente Amplio (FA) coalition has increased the public education budget to 4.5% of GDP and raised teachers' wages considerably. Uruguay was

also the first country in the world to adopt the One Laptop per Child initiative intended to achieve universal computer access for education. But these initiatives, have not, at least so far, produced an improvement in outcomes. Mr Mujica himself spoke of an "education emergency" at the start of his administration, with some of the system's main problems including overcrowded secondary classrooms, high secondary student drop out rates and teacher absenteeism, violence and insecurity in secondary schools, and run-down public school buildings.

Relations with Argentina strained over tax haven claims

Mr Mujica has come in for some criticism for his handling of a diplomatic spat that emerged in the wake of the G20 summit, and in particular for his reluctance to criticise the Argentinian government. At the end of the G20 presidential summit in France on November 3rd, the French president, Nicolas Sarkozy, included Uruguay on a list of tax havens and warned that if those countries did not exchange tax data, they would become outcasts of the international community (a more moderate text passed at the summit meeting did not mention the names of non co-operative states). The Uruguayan government was initially angered at its inclusion on the list (Uruguay was taken off the OECD's "black list" of tax havens in 2009, although it remains on the "grey list" of jurisdictions that are considered to require further action to meet international standards), and recalled its ambassador from Paris and submitted a formal complaint to the French embassy in Montevideo (the capital). In the Senate, all political sectors rejected Mr Sarkozy's statements, noting that banking secrecy has been limited substantially and that ten tax information exchange treaties had been signed in the past few years, including one with France.

As local sentiment increased that Argentina was responsible for Uruguay's inclusion on the list, the government has been criticised for its failure to take a tough stand with Argentina. According to opposition politicians, the Argentinian government had sought Mr Sarkozy's backing in retaliation for Uruguay's failure to agree an exchange of information on offshore banking deposits and real estate investments between the two countries (significant flight capital from Argentina is destined for Uruguay, and Argentina has been seeking an exchange of information agreement for some time). Criticism of Argentina was stoked by the country's refusal to support a Mercado Común del Sur (Mercosur, the Southern Cone customs union) declaration supporting Uruguay and criticising Mr Sarkozy (this declaration was backed by Brazil and Paraguay, as well as by Mexico). In this context, the government's reluctance to implicate the Argentinian government went down badly with voters. Among other things, Mr Mujica made an ill-judged comment on television asking for Uruguayans not to jeopardise the coming tourism season (Argentines account for about 70% of total foreign visitors).

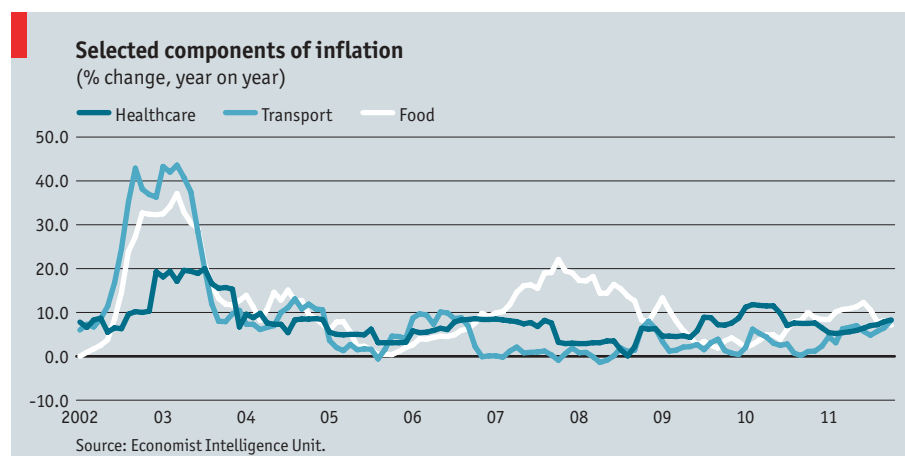
Although the Mujica administration has harshly criticised its appearance on the G20's list of tax havens, and despite the opposition's insistence that it not give in to Argentina's demands, the government does now appear more willing to finally negotiate some sort of information-exchange agreement both with Argentina and with Brazil. However, in exchange for allowing an exchange of information agreement, Uruguay seems likely to insist on double taxation treaties to protect investors.

Economic policy

Policymakers' concerns over a slowing economy

The weakening economic growth outlook continues to be the immediate concern for policymakers; secondary to this appears to come inflation control (although inflation remains well above the target rate). The GDP growth expectations of local analysts continue to fall; the monthly survey by the Banco Central del Uruguay (BCU, the Central Bank) in November reported a consensus GDP growth forecast of 5.8% for 2011, down from a peak of 6.7% in July (expectations had risen throughout the first seven months of the year). Expectations for GDP growth in 2012 have fallen from 4.8% to 4.2% in the same period (still slightly above the Economist Intelligence Unit's forecast of 3.9%). Despite uncertainty among the corporate sector at present in the face of a deteriorating global situation, local markets have remained relatively stable. The peso has weakened only slightly in recent months against the dollar, to Ps20.2:US\$1 in mid-November, compared with Ps19.9:US\$1 in January 2011 and Ps18.5:US\$1 in June-July. This has in fact heightened concerns over export competitiveness, as Uruguay's two key trade partners, Argentina and Brazil, have seen greater falls against the dollar in recent months.

The relatively firm peso should at least provide some support in anchoring inflation expectations, which drifted upwards earlier this year. But inflation remains well above target and against a backdrop of gloomier growth prospects, the BCU does not appear to be making inflation-reduction the absolute priority. Prices rose by 0.7% in October, pushing 12-month inflation up to 7.9%, well above the target range of 4-6%. The decline of soft commodity prices in the past six months has brought some relief, but, of particular concern to policymakers, this has been offset by high and rising non-tradeables prices (such as health, education and other goods and services). Also of concern for policymakers is the fact that inflation remains above target despite the Administración Nacional de Combustibles Alcohol y Portland (ANCAP, the state oil company) absorbing the cost of higher oil prices, protecting consumers from the inflationary effect of higher fuel prices. This is estimated by ANCAP to have cost the company US\$120m this year. Despite the fiscal cost, the rate of inflation has barely ticked down this year, and ANCAP will struggle to absorb the higher costs indefinitely.



Economic performance

Available indicators suggest some slowdown

Although third-quarter GDP growth data are not due to be published until mid-December, signs are that there has been some deceleration of activity. Official trade data are only available up to August, but preliminary figures from Uruguay XXI, the export promotion agency, show export earnings growth falling from 23% year on year in August (and 20% in January-August compared to the same period a year earlier) to 19% in September and just 6% in October. This partly reflects lower prices for Uruguay's commodity exports, but falling demand in Uruguay's trade partners appears to be having an impact. Exporters also continue to express concern over the appreciation of the peso against the Brazilian Real and Argentinian peso in recent months. In a signal that a strong exchange rate could indeed be hitting the trade balance, Uruguay XXI also estimates that growth in the import bill, while slowing, remained relatively firm in October, at 19%, bringing January-October growth in import spending to 28% year on year. Firm import demand is also likely to reflect the strength of consumer demand, which will have been sustained by strong real wage growth. According to the latest official statistics, nominal wages rose by 14.3% in September, bringing growth in the third quarter to 14.2%. In real terms, wages were up by 6% in September and 5.9% in the third quarter. This is the highest level since the fourth quarter of 2009, and although it seems likely to slow in coming quarters, should provide some support to private consumption in the near term. Meanwhile, although unemployment started to tick up in August-September, at 6% in September it remains below year-earlier levels and close to an all-time low. Having turned negative in June-July, manufacturing employment actually recovered slightly in August-September, suggesting that after an adjustment, manufacturing activity is resuming a positive (albeit slow) growth path. Industrial output will, however, be hit by the temporary closure of the ANCAP refinery in September.

Good outlook for wheat harvest

According to preliminary estimates from the Ministry of Livestock, Agriculture and Fishing, Uruguay is set to register a record wheat harvest in the 2011/12 harvest year. Recent years have seen investment in both area sown and in productivity, helping to increase the harvest. However, with grains prices falling this year (owing to strong global supply) after several years of high prices, there are concerns that the industry does not have the capacity to invest in greater storage facilities for the bumper crop. The high stock of stored wheat is not an issue now, but storage capacity might become problematic towards the end of the Southern hemisphere summer (December to February) when other crops, such as soybeans, are harvested. In addition, the record crop is coinciding with global oversupply, which will have ramifications for both profit and volumes that the country is able to export. The latest estimates suggest that this year's grains crop will top 2m tonnes. Only 30% of the harvest has so far been sold (including forward orders), and prices for the rest of the harvest are expected to fall, with global supply still rising. Storage capacity was running at 2.8m tonnes at the start of 2011, but although this will be sufficient to cover the whole country's harvest, many of the silos are in the north of the country, far from Uruguay's ports, and bottlenecks appear likely.

Data and charts

Annual data and forecast

	2007 ^a	2008 ^a	2009 ^a	2010 ^a	2011 ^a	2012 ^b	2013 ^b
GDP							
Nominal GDP (US\$ m)	23,951.9	31,177.7	31,510.9	41,264.0	48,514.3 ^c	49,698.3	52,296.1
Nominal GDP (Ps m)	562,177	653,151	711,137	827,726	941,023 ^c	1,043,962	1,152,242
Real GDP growth (%)	7.3	8.6	2.6	8.5	5.7	3.9	3.9
Expenditure on GDP (% real change)							
Private consumption	6.5	8.7	2.1	11.4	6.3	4.2	4.1
Government consumption	5.6	5.6	3.9	2.2	3.5	3.6	3.6
Gross fixed investment	11.4	19.6	-6.3	14.4	8.5	4.0	5.3
Exports of goods & services	7.4	10.0	2.5	9.1	4.3	2.0	2.0
Imports of goods & services	5.3	22.1	-8.6	16.5	7.5	3.5	3.3
Origin of GDP (% real change)							
Agriculture	-6.2	5.7	3.7	1.1	4.3	4.0	5.0
Industry	11.5	6.1	-1.6	9.5	1.6	3.2	3.2
Services	7.6	9.8	3.9	8.9	7.1	4.1	4.0
Population and income							
Population (m)	3.3	3.3	3.3	3.4 ^c	3.4 ^c	3.4	3.4
GDP per head (US\$ at PPP)	11,469	12,692	13,114	14,339 ^c	15,368 ^c	16,303	17,288
Recorded unemployment (av; %)	9.2	7.6	7.3	6.7	6.0	6.2	6.0
Fiscal indicators (% of GDP)							
Public-sector balance	0.0	-1.5	-1.7	-1.2	-1.4	-1.2	-1.0
Public-sector debt interest payments	3.4	2.9	2.8	2.9	2.8	2.7	2.7
Public-sector primary balance	3.4	1.4	1.1	1.7	1.3	1.5	1.7
Gross public debt	62.4	61.6	60.4	55.9	52.5	50.5	48.3
Prices and financial indicators							
Exchange rate Ps:US\$ (end-period)	21.50	24.35	19.63	20.09	20.47	21.47	22.48
Consumer prices (end-period, %)	8.5	9.2	5.9	6.9	7.8	6.2	5.8
Producer prices (av, %)	11.8	16.9	2.1	7.6	16.0	8.2	7.0
Stock of money M1 (% change)	31.8	17.5	11.9	28.1	18.0	14.3	14.3
Stock of money M2 (% change)	31.0	17.3	14.9	31.0	24.0	16.5	16.5
Lending interest rate (av; %)	8.9	12.5	15.3	10.3	10.1	10.8	10.3
Current account (US\$ m)							
Trade balance	-545	-1,715	-269	-251	-864	-1,069	-1,549
Goods: exports fob	5,100	7,096	6,408	8,069	9,721	9,645	9,967
Goods: imports fob	-5,645	-8,810	-6,677	-8,320	-10,585	-10,714	-11,515
Services balance	704	754	959	1,042	1,342	1,475	1,624
Income balance	-516	-917	-933	-1,351	-1,459	-1,531	-1,635
Current transfers balance	137	149	138	118	120	125	129
Current-account balance	-221	-1,729	-105	-442	-860	-1,000	-1,430
External debt (US\$ m)							
Debt stock	11,523	10,985	12,159	12,248	11,939 ^c	12,459	13,122
Debt service paid	1,228	1,482	1,903	1,437	1,360 ^c	1,460	1,470
Principal repayments	539	910	1,323	824	749 ^c	821	771
Interest	689	572	580	613	610 ^c	639	699
International reserves (US\$ m)							
Total international reserves	4,121	6,360	8,038	7,656	10,655	11,116	11,414

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates.

Source: IMF, *International Financial Statistics*.

Quarterly data

	2009	2010				2011		
	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Non-financial public sector finance (Ps m)								
Revenue	54,614	62,168	54,628	58,386	62,268	66,725	61,527	66,001
Expenditure	54,480	54,690	48,791	54,748	61,720	57,838	58,790	57,917
Balance	134	7,478	5,837	3,638	548	8,887	2,737	8,084
Output								
Manufacturing index (2006=100)	117.0	113.4	119.6	114.8	124.2	120.8	124.3	119.9
Wages & prices								
Wages (real salary index; Dec 2002=100)	109.1	113.7	113.0	112.0	112.3	116.4	116.3	118.5
Consumer prices (Mar 1997=100)	93.2	95.0	96.2	98.3	99.7	102.4	104.4	106.1
Consumer prices (% change, year on year)	6.3	6.7	6.9	6.3	6.9	7.7	8.5	7.9
Producer prices, domestic (Mar 2010=100)	101.5	100.7	101.0	110.6	112.0	118.8	123.1	124.6
Financial indicators								
Exchange rate Ps:US\$ (av)	20.33	19.65	19.69	20.84	20.06	19.60	18.79	n/a
Exchange rate Ps:US\$ (end-period)	19.63	19.45	21.12	20.30	20.09	19.19	18.40	n/a
Peso interest rates								
Deposit rate (av; %)	4.23	4.13	4.30	4.13	4.11	4.40	4.71	n/a
Lending rate (av; %)	14.45	11.55	10.34	9.76	9.66	9.40	9.65	n/a
Foreign currency interest rates								
Deposit rate (av; %)	0.44	0.47	0.44	0.40	0.36	0.34	0.24	n/a
Lending rate (av; %)	5.74	5.75	5.52	5.57	5.30	5.39	5.06	n/a
M1 (end-period; Ps m)	61,844	64,547	64,903	64,270	79,252	74,764	76,038	77,377
M1 (% change, year on year)	11.9	25.5	25.7	25.3	28.1	15.8	17.2	20.4
M2 (end-period; Ps m)	95,098	102,882	104,021	107,242	124,585	125,919	131,264	135,158
M2 (% change, year on year)	14.9	28.1	27.4	31.2	31.0	22.4	26.2	26.0
Foreign trade (US\$ m)								
Exports fob	1,383.2	1,288.1	1,958.9	1,762.8	1,725.0	1,683.8	2,182.1	n/a
Imports cif	1,879.6	1,755.5	2,045.2	2,117.7	2,703.3	2,599.5	2,747.3	2,652.4
Trade balance	-496.5	-467.4	-86.3	-354.9	-978.3	-915.7	-565.2	n/a
Balance of payments (US\$ m)								
Merchandise trade balance fob-fob	-183.3	-93.4	349.6	64.9	-582.0	-466.2	-66.6	n/a
Services balances	285.4	600.4	89.7	76.7	261.8	944.9	59.1	n/a
Income balance	-251.7	-376.0	-317.0	-388.0	-270.0	-435.0	-315.0	n/a
Net transfer payments	40.2	31.4	31.8	30.7	24.1	29.3	33.2	n/a
Current-account balance	-109.3	161.9	153.6	-215.3	-566.6	72.5	-289.1	n/a
Reserves excl gold (end-period)	8,029	8,052	7,499	7,903	7,644	7,743	9,755	10,207

Sources: Banco Central del Uruguay, *Boletín Estadístico*; IMF, *International Financial Statistics*; Instituto Nacional de Estadística.

Monthly data

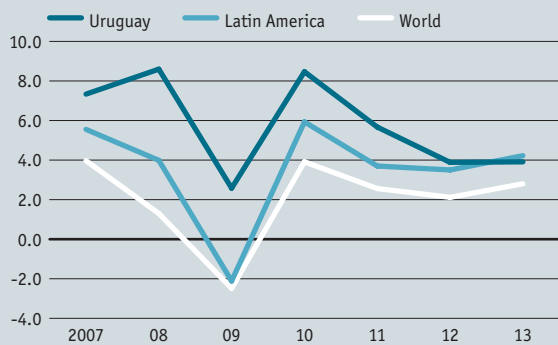
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate Ps:US\$ (av)												
2009	23.3	23.3	24.0	24.0	23.7	23.4	23.4	22.9	21.9	20.8	20.5	19.7
2010	19.6	19.8	19.6	19.3	19.3	20.5	21.1	20.9	20.6	20.2	20.0	20.0
2011	19.9	19.6	19.3	19.0	18.9	18.5	18.5	18.8	19.6	n/a	n/a	n/a
Exchange rate Ps:US\$ (end-period)												
2009	22.7	23.8	24.1	23.9	23.4	23.4	23.3	22.5	21.5	20.8	20.1	19.6
2010	19.6	19.8	19.5	19.2	19.1	21.1	20.9	20.8	20.3	20.0	20.0	20.1
2011	19.7	19.5	19.2	19.0	18.6	18.4	18.4	18.6	20.3	n/a	n/a	n/a
Budget revenue (Ps m)—non-financial public sector												
2009	20,469	13,879	14,962	15,580	14,009	13,383	17,850	15,093	17,930	17,704	17,685	18,692
2010	22,409	17,785	19,336	20,368	17,938	17,550	20,023	19,615	18,816	14,816	23,875	22,765
2011	24,660	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Budget expenditure (Ps m)—non-financial public sector												
2009	15,265	14,042	16,797	13,323	13,678	16,157	17,512	14,939	15,974	15,676	14,211	24,593
2010	14,603	17,044	25,782	8,407	18,860	21,523	17,297	18,789	18,662	14,998	17,360	29,520
2011	17,524	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Budget balance (Ps m)—non-financial public sector												
2009	5,203	-162	-1,835	2,257	331	-2,774	338	154	1,956	2,028	3,473	-5,901
2010	7,806	741	-6,446	11,961	-923	-3,973	2,725	826	154	-182	6,516	-6,755
2011	7,136	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M1 (% change, year on year)												
2009	18.5	17.4	12.0	13.1	12.6	11.2	10.0	7.9	9.6	17.3	16.8	11.9
2010	15.8	17.7	25.5	16.5	23.6	25.7	25.5	28.5	25.3	29.1	32.1	28.1
2011	24.8	20.8	15.8	25.3	20.1	17.2	20.0	17.5	20.4	n/a	n/a	n/a
M2 (% change, year on year)												
2009	18.9	16.0	10.4	9.6	10.4	7.5	5.4	4.0	7.9	14.0	15.0	14.9
2010	14.7	17.0	28.1	18.0	22.5	27.4	27.8	29.9	31.2	30.7	34.5	31.0
2011	31.3	29.7	22.4	33.8	28.4	26.2	26.3	25.0	26.0	n/a	n/a	n/a
Deposit rate (av; %)												
2009	4.5	4.6	4.7	4.4	4.3	4.4	4.6	4.3	4.3	4.3	4.2	4.2
2010	4.4	4.0	4.0	4.5	4.0	4.4	4.1	4.3	4.0	3.9	4.3	4.2
2011	4.3	4.5	4.5	4.4	4.7	5.1	4.2	4.7	n/a	n/a	n/a	n/a
Lending rate (av; %)												
2009	17.3	17.7	16.3	15.4	15.3	14.8	14.8	14.8	13.6	13.4	15.0	14.9
2010	11.9	12.0	10.7	10.6	10.7	9.8	10.4	9.7	9.2	9.6	9.7	9.7
2011	9.4	9.4	9.5	9.4	9.5	10.1	10.1	10.6	n/a	n/a	n/a	n/a
Real salary index (Jul 2008=100)												
2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Unemployment rate (% of the labour force)												
2009	7.6	7.3	7.7	8.3	8.1	7.5	7.0	7.2	7.3	6.4	7.1	6.3
2010	6.3	7.5	7.5	6.9	7.9	6.7	7.0	6.2	6.3	6.2	6.1	5.4
2011	6.1	6.3	6.4	6.6	6.4	5.5	6.2	5.9	6.0	n/a	n/a	n/a
Consumer prices (av; % change, year on year)												
2009	9.2	7.9	7.5	7.1	6.6	6.5	7.1	7.3	6.9	6.5	6.4	5.9
2010	6.1	6.9	7.1	7.4	7.1	6.2	6.3	6.2	6.3	7.0	6.9	6.9
2011	7.3	7.7	8.2	8.3	8.5	8.6	8.2	7.6	7.8	7.9	n/a	n/a

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Producer prices (av; % change, year on year)												
2009	6.6	4.7	5.7	3.1	-0.1	-1.0	-1.8	-3.3	-2.3	-0.7	6.2	10.6
2010	7.4	6.4	2.7	3.6	4.7	4.6	9.2	10.7	10.5	12.4	10.1	8.4
2011	13.9	16.9	23.3	23.5	22.7	19.3	13.8	12.3	12.0	11.7	n/a	n/a
Goods exports fob (US\$ m)												
2009	348	372	360	410	560	518	522	490	442	487	429	467
2010	407	403	478	583	650	726	588	608	567	565	545	615
2011	544	575	565	674	785	723	694	750	n/a	n/a	n/a	n/a
Goods imports cif (US\$ m)												
2009	475	511	499	507	524	625	672	645	569	594	612	673
2010	513	459	784	629	670	746	684	678	756	750	901	1,052
2011	842	768	990	811	1,017	920	863	900	889	n/a	n/a	n/a
Trade balance (fob-cif basis) (US\$ m)												
2009	-127	-140	-139	-96	36	-107	-150	-155	-127	-107	-183	-206
2010	-106	-56	-306	-46	-20	-20	-96	-70	-189	-186	-355	-437
2011	-298	-193	-425	-136	-232	-197	-169	-150	n/a	n/a	n/a	n/a
Foreign-exchange reserves excl gold (US\$ m)												
2009	6,206	6,664	6,957	6,859	7,092	7,430	7,399	7,694	8,060	7,866	7,990	8,029
2010	8,032	8,224	8,052	7,737	7,638	7,499	7,596	7,761	7,903	8,011	7,934	7,644
2011	7,496	7,792	7,743	8,111	8,721	9,755	10,124	10,515	10,207	n/a	n/a	n/a

Sources: IMF, *International Financial Statistics*; Haver Analytics.

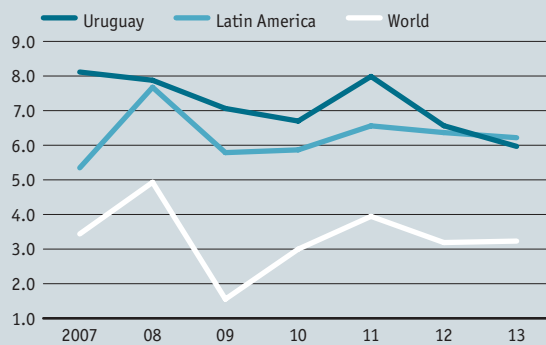
Annual trends charts

Real GDP growth
(% change)



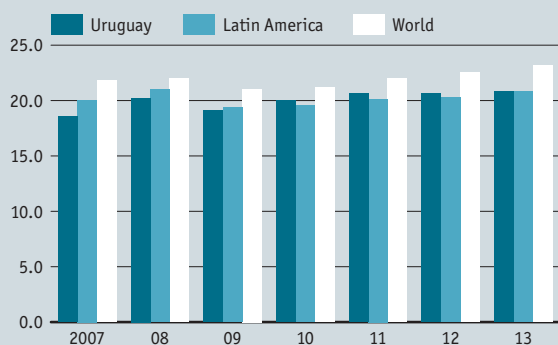
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



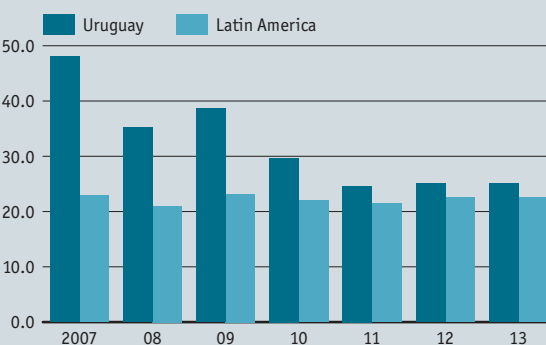
Source: Economist Intelligence Unit.

Gross fixed investment
(% of GDP)



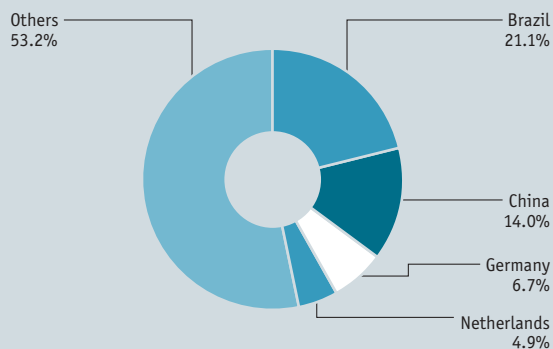
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



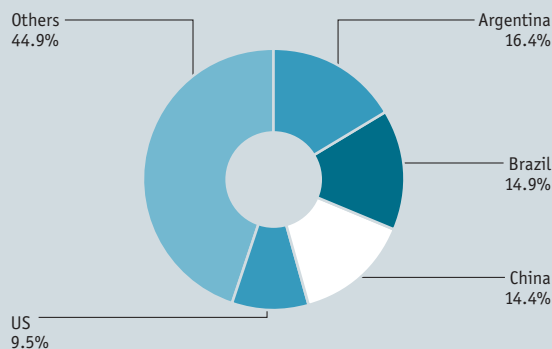
Source: Economist Intelligence Unit.

Main destination of exports, 2010
(share of total)



Source: Economist Intelligence Unit.

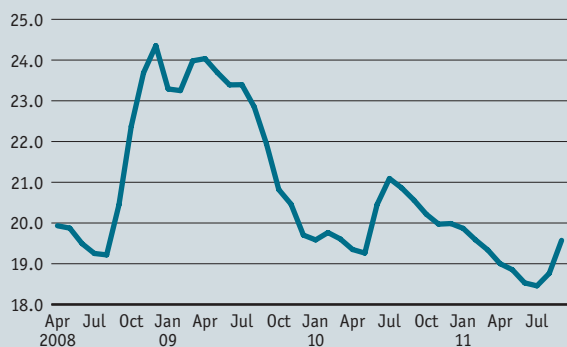
Main origin of imports, 2010
(share of total)



Source: Economist Intelligence Unit.

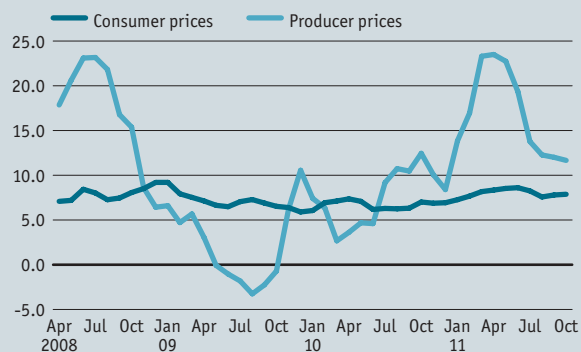
Monthly trends charts

Exchange rate
(P\$:US\$; av)



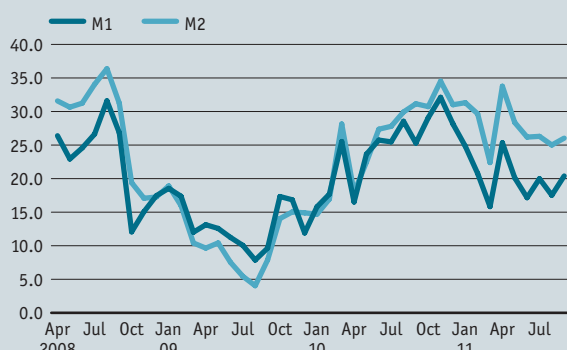
Source: Economist Intelligence Unit.

Price inflation
(% change, year on year)



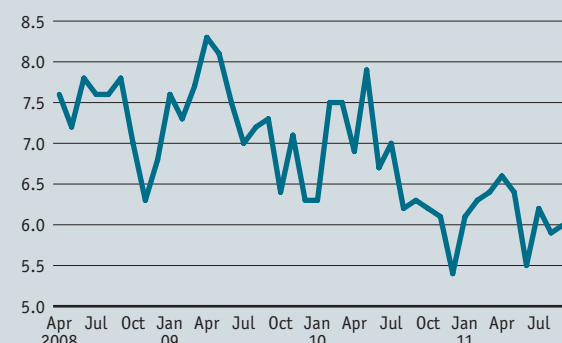
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



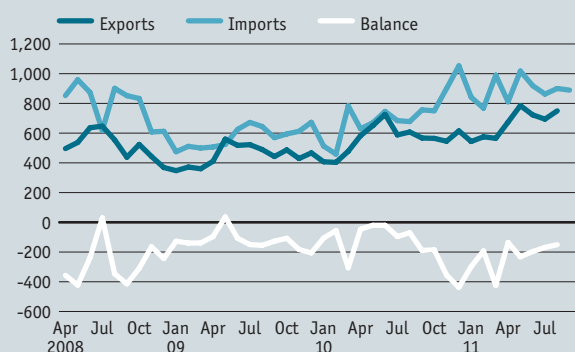
Source: Economist Intelligence Unit.

Unemployment rate
(%)



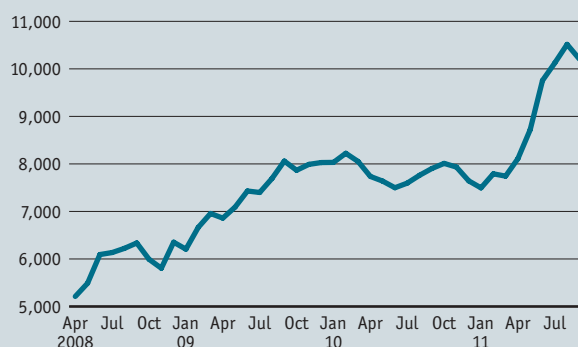
Source: Economist Intelligence Unit.

Foreign trade
(US\$ m; goods only)



Source: Economist Intelligence Unit.

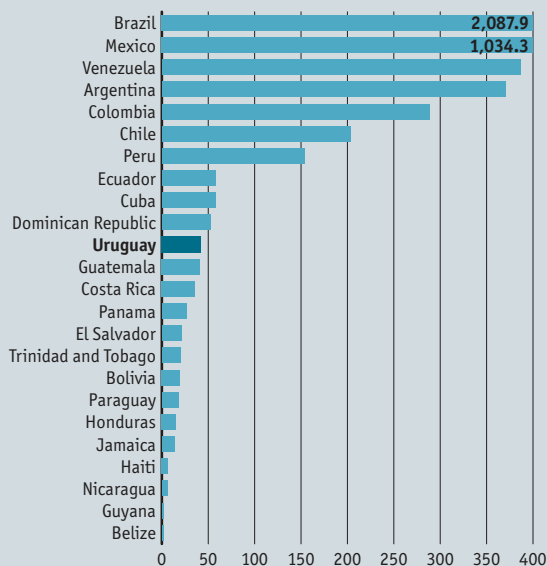
Foreign-exchange reserves
(US\$ m)



Source: Economist Intelligence Unit.

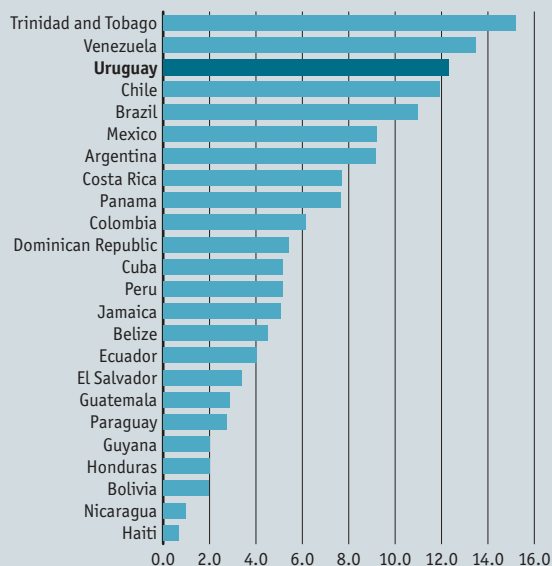
Comparative economic indicators, 2010

Gross domestic product
(US\$ bn; market exchange rates)



Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product per head
(US\$ '000; market exchange rates)



Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Consumer prices
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Country snapshot

Basic data

Land area	176,065 sq km, of which 80% is suitable for agricultural or livestock production
Population	3,334,052 (end-June 2008; official estimate)
Main towns	Population in '000 (2004 census)
	Montevideo (capital) 1,326
	Canelones 485
	Maldonado 140
	Salto 123
	Colonia 119
	Paysandú 113
Climate	Temperate
Weather in Montevideo (altitude 22 metres)	Hottest month, January, 17-28°C; (average daily minimum and maximum); coldest month, July, 6-14°C; driest month, February; 66 mm average rainfall; wettest month, April, 99 mm average rainfall
Language	Spanish
Measures	Metric system
Currency	1 peso (Ps) = 100 centésimos; average exchange rate in 2010: Ps20.06:US\$1
Time	3 hours behind GMT
Public holidays	January 1st (New Year's Day); January 6th (Epiphany); February 27th-28th (Carnival); Maundy Thursday and Good Friday; April 17th (Landing of the 33 Patriots Day); May 1st (Labour Day); May 22nd (Battle of Las Piedras Day); June 19th (birth of General José Artigas); July 18th (Constitution Day); August 25th (Independence Day); November 2nd (All Souls' Day); Christmas Day

Political structure

Official name	Oriental Republic of Uruguay	
Form of government	Presidential	
The executive	The president, who is directly elected for a five-year term, appoints a council of ministers, comprising the ministers of administrative departments and their deputies; the vice-president is president of parliament	
Head of state	Elected president; José Mujica, assumed office on March 1st 2010 for a five-year period that will end in March 2015	
National legislature	Bicameral parliament elected for five-year terms by proportional representation; 31-member Senate (the upper house), 99-member Chamber of Deputies (the lower house)	
Legal system	Supreme Court elected by the legislature; the Supreme Court nominates all other justices	
National elections	Presidential and parliamentary elections held on October 25th 2009; a second-round presidential election on November 29th 2009 was won by Mr Mujica; the next presidential and parliamentary elections will be held in October 2014; the last municipal elections were held in May 2010; the next municipal elections are due in May 2015	
National government	Mr Mujica governs with the support of the Frente Amplio (FA), a broad coalition of 21 political groups ranging from the centre-left to the radical left. The main parties in the FA are the Movimiento de Participación Popular (MPP); the Frente Liber Seregni (FLS), the Partido Socialista (PS) and the Vertiente Artiguista (VA)	
Main political organisations	Government: Frente Amplio (FA) Opposition: Partido Nacional (PN), Partido Colorado (PC), Partido Independiente (PI)	
	President	José Mujica Cordano (FA)
	Vice-president	Danilo Astori (FA)
Key ministers	Defence	Eleuterio Fernández Huidobro (FA)
	Economy & finance	Fernando Lorenzo (FA/FLS)
	Education & culture	Ricardo Ehrlich (FA/MPP)
	Foreign affairs	Luis Almagro (FA/MPP)
	Housing & environment	Graciela Muslera (FA/MPP)
	Industry, energy & mining	Roberto Kreimerman (FA/PS)
	Interior	Eduardo Bonomi (FA/MPP)
	Labour & social security	Eduardo Brenta (FA/VA)
	Livestock, agriculture & fishing	Tabaré Aguerre (FA/Independent)
	Planning & budget	Gabriel Frugoni (FA/MPP)
	Public health	Jorge Venegas (FA/PCU)
	Social development	Daniel Olesker (FA/PS)
	Tourism & sports	Héctor Lescano (FA/FLS)
	Transport & public works	Enrique Pintado (FA/FLS)
Central Bank president	Mario Bergara (FA/independent)	