Uruguay
Economic Summary

Uruguay is a market-oriented economy in which the State still plays a significant role. From 1999 through 2002 it suffered its worst economic and financial crisis in recent history. The crisis stemmed mainly from external factors, had a strong social impact, and took a major toll on GDP, employment and wages. Rising levels of poverty prompted a substantial increase in emigration. During the crisis, the U.S. provided a $1.5 billion bridge loan that cleared the way for Uruguay to sign an agreement with the IMF, and facilitated the resumption of Uruguay's beef exports.

The economy began to recover in 2003 and has grown robustly since then, with annual average rates of 6.5% in 2004-2008. Growth has been 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 in Uruguay, have also increased significantly. FDI rose from rates of under 2% of GDP before the crisis to 6% of GDP in 2008, led by investments in agriculture, construction and industry.

The 2008/2009 global financial crisis put a brake on growth, mainly through lower foreign trade and investment. Notwithstanding, Uruguay managed to avoid a recession and keep a positive growth rate of 2.9% in 2009. Growth of 4.0/4.5% is expected for 2010. The fiscal deficit increased in 2009, as a result of stimulus spending and public sector investment, but remains manageable. The global financial crisis has not affected Uruguay's banking system, which remains sound.

A left-of-center Frente Amplio administration, which ruled for the first time in 2005-2010, continued Uruguay's tradition of implementing prudent macroeconomic policies. It 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 investment in infrastructure and the reduction of poverty. President Mujica has announced that he will preserve previous economic policies, and has sent positive signals to local and foreign investors.

A decree passed in 2007 provides significant incentives to local and foreign investors. Uruguay's investment climate is generally positive. Foreign and national investors are treated alike, there is fully free remittance of capital and profits, and investments are allowed without prior authorization. Twelve free trade zones are located throughout the country. While most are dedicated almost exclusively to warehousing, three host a wide variety of tenants performing a various services (e.g., financial, software and call centers).

Adjusted by purchasing power parity, per capita GDP is about one-fourth the U.S.´s. 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. Social indicators remain high by Latin American standards.

Uruguay has diversified its trade in recent years and reduced its longstanding dependency on Argentina and Brazil. 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. The U.S. is currently Uruguay's fourth largest supplier of goods, mainly high-tech and machinery. Uruguay sells mostly beef and agricultural products to the U.S. Booming sales of beef and gasoline turned the U.S. into Uruguay's largest single market in 2004/2005 and second largest in 2006/2007. Sales to the U.S. dropped significantly in 2008 and 2009 as principal export products shifted to other markets.

Uruguay has BITs with several countries –including one with the U.S. signed in 2005–, and several Double Taxation Agreements (not with the U.S.). Uruguay and the U.S. 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. About one-hundred American firms operate in Uruguay and, according to the U.S. Dept. of Commerce, the stock of U.S. direct investment amounted to $569 million in 2008.

GENERAL INDICATORS

Area: 68,036 sq. miles — About the same as Oklahoma or Washington
Population: 3.3 million
Annual Population Growth Rate: 0.3%
Montevideo (Capital): 43% of total population
Life Expectancy at Birth: 75.7 years (2006)
Literacy Rate: 97.7%
Households with access to safe water: 98.0%
Poverty level (% of population): 20.5% (2008)

REAL SECTOR

GDP (billions of $): 31.5 (2009), 31.2 (2008), 23.93 (2007), 19.8 (2006)
GDP Real Growth Rate: 2.9% (2009), 8.5% (2008), 7.5% (2007), 4.3% (2006)
GDP Per Capita: $9,457 (2009), $9,357 (2008), $7,209 (2007), $5,977 (2006)
Industry: 14% of GDP. Down 4.0% in 2009. Up 17% in 2008. Principal sectors: food, beverages & tobacco, chemicals, textiles
Agriculture & Livestock: 9% of GDP. Grew 3% in 2009 and 5.7% in 2008. Large areas devoted to livestock grazing, forestry, rice and soy.
Commerce: 14% of GDP. Up 1.0% in 2009 and 11.3% in 2008
Other Services: Over 60% of GDP

PUBLIC ACCOUNTS & RISK RATING

Budget Deficit (% GDP): -2.2% (Nov. 09), -1.4% (2008), 0.0% (2007)
Gross Public Debt: $21.7 bill., 69% of GDP (2009). Down from 101% in 2003
Sovereign Debt Risk Rating: BB-/Stable (S&P) (May 2010)
Country Risk: 163 basis points (Avg. April 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: 1.5 million (1.35 million job holders, 135K unemployed)
Unemployment: 7.3% (Avg. 09), 7.6% (Avg. 2008), 9.2% (Avg. 2007)
Official Monthly Minimum Wage Rate: $250 (April 2010)
Average Monthly Household Income: $1,413 (March 2010)

EXTERNAL ACCOUNTS

EXPORTS OF GOODS (2009): $5.5 billion. Down 7.8% over 2008.
Partners: Brazil, China, Argentina, Russia, Venezuela, U.S.
Goods: Beef, Soy, Rice, Wood, Dairy Products, Malt
EXPORTS TO U.S.: *$180 million (3.3% of 2009 total; down 16% over 2008)*
Goods to U.S.: *Beef, Wood, Leather, Food Preparations, Soy*
IMPORTS OF GOODS (2009): $6.3 billion. Down 28% over 2008.
Partners: Brazil, Argentina, China, U.S., Venezuela, Germany
Goods: Crude Oil, Fuels, Telephony and Comp. Equipm., Vehicles, Generators
IMPORTS FROM U.S.: *$617 mill. (10% of 2009 total; 17% growth over 2008)*
Goods from the U.S.: *Fuels, Fertilizers, Computer & Teleph. Equip., Agicultural Machinery*
Import Tariffs vary between 0 and 35%. Mean tariff in 2008 was 10.5%.
Current Account (% of GDP): +0.8% (2009), -4.8 (2008), -0.9 (2007)
No import quotas apply.

MONEY & PRICES

Inflation (CPI, Dec-Dec): 5.9% (2009) 9.2% ('08), 8.5% ('07), 6.4% ('06)
Exchange Rate (Pesos per dollar): 19.2 (April 2010), 19.7 (Dec.09), 24.3 (Dec.08)

Interest rates (Avg. March 2010):	In UY pesos	In US$
Paid on Deposits	4.8	0.6
Charged on Loans	22.0	5.7

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