

Uruguay

Economic Summary



Uruguay is a market-oriented economy in which the State still plays a significant role. The economy performed well during most of the nineties, but in 1999-2002 suffered its worst banking and financial crisis in recent history, primarily caused by external factors. As a result, per capita GDP plummeted from \$6,300 in 1998 to about \$3,700 in 2002.

During the crisis, the U.S. provided a \$1.5 billion bridge loan which cleared the way for Uruguay to sign an agreement with the IMF. Uruguay repaid the U.S. loan in full within a few days. At the same time, the U.S. facilitated resumption of Uruguayan beef exports, a move that contributed to a fast recovery of the Uruguayan economy. The economy began to recover in 2003 and has grown robustly since 2004, driving real GDP above its pre-crisis levels. Per capita GDP climbed back to about \$7,000 by 2007. Adjusted by purchasing power parity, per capita GDP is about one-fourth the U.S.'s. Growth of about 7% is expected for 2008.

The left-of-center Frente Amplio, which took office in March 2005, continued implementing an orthodox macroeconomic policy, and promptly signed agreements with the IMF, the World Bank and the IDB. In late 2006, Uruguay made an early payment of its total IMF debt.

Uruguay has largely 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, which is in process of integrating Venezuela. The MERCOSUR Secretariat is located in Montevideo.

Imports from the United States plunged during the crisis but, following the economic upturn, resumed a sound pace of growth. The U.S. is currently Uruguay's fourth largest supplier of goods, mainly high-tech and capital. 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. As of mid-2008, sales to the U.S. dropped as main export products were being absorbed by other markets.

While the crisis impacted on poverty levels and caused substantial migration, social indicators remain outstanding 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. In November 2007, The Economist ranked Uruguay 27th in the world for having a "full democracy." Uruguay was the only South American country to receive this designation.

The 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. A 2007 decree provides for significant benefits to investors. About ninety American firms operate in Uruguay and, according to the U.S. Dept. of Commerce, the stock of U.S. direct investment amounts to \$350 million.

Uruguay and the U.S. signed an Open Skies Agreement in 2004, a Bilateral Investment Treaty in 2005, a Trade and Investment Framework Agreement in early 2007, and a Science and Technology Agreement in mid 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): 26.0% (2007)
Absence of ethnic problems

REAL SECTOR

Gross Domestic Product (billions): \$23.1 (2007), \$19.3 (2006), \$16.8 (2005)
GDP Real Growth Rate: 7.4% (2007), 7.0% ('06), 6.6% ('05), 11.8% ('04)
GDP Per Capita: \$6,950 (2007), \$5,828 ('06), \$5,100 ('05), \$3,900 ('04)
Industrial Production: 23% of GDP. Grew 8.0% in 2007
 Principal sectors: food, beverages & tobacco, chemicals, textiles
Agriculture & Livestock: 10% of GDP. Grew 2.8% in 2007
 Large areas devoted to livestock grazing, forestry, rice and soy
Commerce, Restaurants & Hotels: 14% of GDP. Grew 10.9% in 2007
Other Services: Over 60% of GDP

PUBLIC ACCOUNTS & RISK RATING

Budget Deficit (% GDP): -0.4% (2007), -0.6% (2006), -0.7% (2005)
Gross Public Debt: \$16.3 bill. (2007) - 71% of GDP, down from 109% in 2003
Sovereign Debt Risk Rating: BB-/Stable (S&P)
Country Risk: 285 basis points (July 2007)
Main Taxes: VAT -22%; Corporate Tax -25% (higher if firms distributes earnings); Personal Income Tax with rates ranging from 10% to 25%

LABOR

Labor Force: 1.5 million (1.35 million job holders, 135K unemployed)
Unemployment (Ann. Avg.): 9.2% (2007), 10.9% (2006), 12.1% (2005)
Official Monthly Minimum Wage Rate: \$212 (July 2008)
Average Monthly Household Income: \$1,100 (May 2008)
Unionization: Estimated at about 18.0% of job holders, but growing significantly due to changes in labor regulations since 2005.

EXTERNAL ACCOUNTS

EXPORTS (Goods, FOB): \$4.5 billion (2007; grew 13% over 2006)
Partners (2007): Brazil, U.S., Argentina, Mexico, Germany
Commodities: Meat, Rice, Leather, Wool, Fish, Dairy Products
Exports to U.S.: \$493 million (11% of 2007 total; down 6% over 2006)
Commodities to U.S.: Beef, Gasoline, Leather, Wood, Fish, Cheese
IMPORTS (Goods, CIF): \$5.5 billion (2007; grew 14% over 2006)
Partners (2007): Brazil, Argentina, U.S., China, Venezuela.
Commodities: Oil & Fuels, Machinery & Equipment, Fertilizers, Wheat
Imports from U.S.: \$413 mill. (7% of 2007 total; 25% growth over 2006)
Commodities from the U.S.: Electrical Motors, Computers & Parts, Fertilizers, Radio, TV & Telephony Equipment, Medical Equipment.
Import Tariffs vary between 0 and 35%. Mean tariff is 13%.
No import quotas apply.
Current Account Balance (% of GDP): -0.8 (2007), -1.9 (2006), +0.3 (2005)

MONEY & PRICES

Inflation Rate (CPI, Dec-Dec): 8.5% (2007), 6.4% (2006), 4.9% (2005)
Exchange Rate (Pesos per dollar, Ann. Avg): 23.5 ('07), 24.06 ('06), 24.47 ('05)
M1: \$1.6 billion (Feb. 08)

180 day interest rates:	In UY pesos	In US\$
Paid on Deposits	3.1	1.4
Charged on Loans	31.0	10.4