

FOCUS ON INTERNATIONAL TRADE

URUGUAY

THE ORIENTAL REPUBLIC OF URUGUAY TODAY

Location	The Oriental Republic of Uruguay is bounded on the northeast by Brazil, on the southeast by the Atlantic, on the south by the Rio de la Plata and on the west by Argentina.
Size	176,220 Sq. K.M. (68,040 Sq Miles), Land: 173,620 sq. km. and water: 2,600 sq. km.
Land boundaries	Total: 1,564 km. Border countries: Argentina 579 km, Brazil 985 km.
Coastline	660 km.
Maritime claims	Territorial sea: 12 nm, Contiguous zone: 24 nm and exclusive economic zone: 200 nm.
Elevation Extreme	Lowest point: Atlantic Ocean: 0 meter and Highest point: Cerro Catedral: 514 meter.
Irrigated land	2,100 sq. km.
Population	3,416,264 estimated for July 2023.
Population Density	19.5 per sq. km. estimated for 2023.
Population growth rate	0.27% estimated for 2023.
Life expectancy at birth	Total population: 78.66 years, male: 75.58 years and female: 81.86 years estimated for 2023.
Birth rate	12.65 births/1,000 populations estimated for 2023.
Death rate	9.12 deaths/1,000 populations estimated for 2023.
Net migration rate	-0.88 migrant(s)/1,000 populations estimated for 2023.
Literacy rate	Total population: 98.8%, male: 98.5% and female: 99%.Estimated for 2019.
Capital City	Montevideo
Other Large Cities	Salto, Paysandu, Las Piedras, Rivera, Mercedes, Mercedes, Maldonado, Melo and Tacuarembó.
Religion	There is no state religion but Roman Catholicism is predominant (47.1%).
Language	The official language is Spanish.
Climate	The climate is temperate, with an average temperature of 14°C—16°C (57°F—61°F) in winter and 21°C—28°C (70°F—82°F) in summer. The wettest months are March to June, but there is really no dry season.
International Relations	Uruguay is a member of the UN, WTO, OAS, Inter-American Development Bank, Mercosur, LAIA, IOM and the Antarctic Treaty.
Internet domain	.uy
International dialing code	+598
Currency	The unit of currency is the Uruguayan peso (UYP).

NATIONAL ECONOMY

After reaching pre-pandemic levels in mid-2021, real GDP grew by 4.9 percent in 2022 mainly driven by strong commodity exports and the service sector, including tourism. However, the economy decelerated in the second half of the year due to adverse external conditions and the effects of the most severe drought in forty years. Inflation remained above the target range in 2022 but, after peaking in September 2022 at 9.95 percent, it started to decline towards the end of the year, reaching 7.3 percent in March 2023.

In response to increased inflationary pressures, the Banco Central del Uruguay (BCU) appropriately tightened monetary policy during 2022. The BCU markedly raised the policy rate from 5.75 percent in December 2021 to 11.5 percent in December 2022. The BCU implemented an interest rate cut of 25 basis points in its April 2023 meeting, citing declining inflationary pressures. The fiscal deficit and government debt declined substantially over the last two years, reflecting the authorities' efforts to stay within the targets of the fiscal rule, while protecting the most vulnerable. After peaking at 68.1 percent of GDP in 2020, gross non-financial public sector (NFPS) debt reached 59.3 percent of GDP at the end of 2022, below its pre-pandemic level amid historically low sovereign spreads. The health of the financial sector remains sound, and banks have weathered the pandemic well.

The economy is expected to decelerate in 2023, with real GDP growth projected at 2 percent. Despite external headwinds, tighter financial conditions, and the impact of the drought, growth would be supported by a strong tourism season, increased cellulose production and exports, and robust private consumption as real wages recover. The growth outlook after 2023 is positive, but subject to external and domestic risks. Main macroeconomic risks are derived from a worsening of external financial conditions, deterioration of international geopolitical tensions, and the impact of the drought. Inflation is expected to decline to 7 percent in 2023 and fall within the target range in 2024. The authorities' strong track record of implementing sound macroeconomic policies in a challenging environment has improved the country's resilience to shocks. Overall fiscal risks are low.

Executive Board Assessment

In the course of Article IV consultation between IMF and Uruguay, Executive Directors of the IMF commended Uruguay's robust institutions and sound policies, which have supported the economy's resilience to shocks. Directors noted that the outlook, while positive, is subject to downside risks, including related to the current drought. They emphasized the need to consolidate progress made in upgrading the fiscal, monetary, and financial frameworks and continue with ambitious structural reforms to maintain Uruguay's strong resilience and support sustainable and inclusive growth.

Directors commended the authorities for meeting the fiscal rule targets for three consecutive years despite a challenging economic environment and concurred that the fiscal framework has strengthened policy credibility. They emphasized that continued strong compliance with the current fiscal rule is the priority in the current juncture. At the same time, many Directors considered that a more explicit debt objective could be a useful component of a medium-term fiscal strategy.

Directors agreed that a modest fiscal impulse is appropriate in 2023 and encouraged measures to put the debt on a downward path once the effect of the drought abates. They recommended measures to further rationalize tax expenditures, improve the targeting of subsidies, and reduce the wage bill, while continuing to take steps to preserve social cohesion. Directors also welcomed the recently approved pension reform, which should help to stabilize long-term pension spending.

Directors emphasized the need to maintain a tight monetary stance until price pressures and inflation expectations converge to the target band. They highlighted that this along with efforts to strengthen de jure central bank independence would help to further strengthen monetary policy credibility and support efforts to reduce dollarization. Directors agreed that the exchange rate should continue to act

as a shock absorber and that FX interventions should be limited to responding to disorderly market conditions.

Directors welcomed that the financial sector remains resilient and healthy. They indicated that efforts to further enhance financial supervision are essential to bolster resilience to shocks and improve confidence in the financial system. Directors also encouraged steps to promote domestic capital market development and encouraged continued progress in implementing the recent FSAP recommendations and toward creating a comprehensive AML/CFT national plan.

Directors noted that structural reforms remain critical to improve productivity and reinvigorate growth. They welcomed the recent reforms in the education system and indicated the need for further efforts to address long-standing human capital erosion and skill gaps. Directors also supported efforts to improve the efficiency and productivity of state-owned enterprises and enhance trade integration.

Directors commended Uruguay's leadership in climate change policy and recognized the authorities' efforts to integrate climate policies into their overall policy agenda, noting the successful issuance of a Sovereign Sustainability-Linked Bond. They recognized the significant progress in reducing greenhouse gas emissions intensity and encouraged the authorities to continue their efforts to transform Uruguay into a climate-resilient, green, and sustainable economy.

Uruguay: Selected Economic Indicators				
			Projections	
	2021	2022	2023	2024
Output, prices, and employment				
Real GDP (percent change)	5.3	4.9	2.0	3.0
GDP (US\$ billions)	61.4	71.2	76.5	80.5
Unemployment (in percent, pa)	9.4	7.9	8.2	8.1
Output gap (percent of potential output)	-2.0	-0.4	-0.6	-0.2
CPI inflation (in percent, end of period))	8.0	8.3	7.0	5.7
(Percent change, unless otherwise specified)				
Monetary and banking indicators 1/				
Base money	9.1	1.7	...	...
M2	16.2	1.7	...	...
Growth of credit to households (in real pesos)	4.4	6.4	...	...
Growth of credit to firms (in US\$)	7.0	19.1	...	...
Bank assets (in percent of GDP)	74.2	67.1	...	...
Private credit (in percent of GDP) 2/	27.0	26.1	...	...
(Percent of GDP, unless otherwise specified)				
Fiscal sector indicators 3/				
Revenue CG-BPS (A)	27.0	27.1	26.1	26.5
excluding <i>cincuentones</i>	26.7	27.0	26.1	26.5
Primary expenditure CG-BPS (B)	27.9	27.8	27.3	27.5
Primary balance of local governments (C)	0.1	0.1	0.1	0.1
Primary balance of BSE (D)	0.1	0.0	0.2	0.2
Primary balance NFPS (A-B+C+D)	-0.6	-0.5	-1.0	-0.7
excluding <i>cincuentones</i> 4/	-0.9	-0.6	-1.0	-0.7
Interest NFPS	2.0	2.0	1.9	2.0
Overall balance NFPS	-2.6	-2.5	-2.9	-2.7
excluding <i>cincuentones</i> 4/	-3.0	-2.7	-3.0	-2.8

Gross debt NFPS	63.4	59.3	61.6	61.9
Net debt NFPS	53.3	50.5	52.9	53.3
External indicators				
Merchandise exports, fob (US\$ billions)	15.7	17.2	15.5	16.6
Merchandise imports, fob (US\$ billions)	11.2	13.6	13.3	14.5
Terms of trade (percent change)	1.9	-4.7	1.0	0.7
Current account balance	-2.5	-3.2	-3.2	-3.0
Total external debt + non-resident deposits	79.4	78.0	79.1	77.4
Of which: External public debt	34.7	29.1	33.6	32.4
External debt service (in percent of exports of g&s)	57.7	53.7	61.8	52.7
Gross official reserves (US\$ billions)	17.0	15.1	16.1	16.3
In months of imports of goods and services	13.7	9.7	10.4	9.8
In percent of:				
Short-term external (STE) debt	221	169	221	215
STE debt plus banks' non-resident deposits	298	265	249	243
Sources: Banco Central del Uruguay, Ministerio de Economía y Finanzas, Instituto Nacional de Estadística, and Fund staff calculations.				
1/ Percent change of end-of-year data on one year ago.				
2/ Includes bank and non-bank credit.				
3/ Non-financial public sector (NFPS) includes the Central Government, Banco de Prevision Social, Banco de Seguros del Estado, and Non-Financial Public Enterprises.				
4/ Temporary proceeds resulting from the pension reform that allowed workers above 50 years old (and with certain income level) to voluntarily move back to the public pension system. Proceeds are projected to end in 2022.				

"NATIONAL ECONOMY" is based on IMF Executive Board Concludes 2023 Article IV Consultation with Uruguay May 17, 2023.

FOREIGN TRADE

Uruguay's total exports in 2016 were of the order of US\$ 7,042 million. It decreased to US\$ 6,854 million in 2020. Exports during the period from 2016 to 2020, in terms of percentage, grew highest (12.01%) in 2017 and fell maximum (-10.77%) in 2020 in comparison with 2016 and 2019 respectively. The annual average compound rate of growth worked out at -0.67%.

Imports, on the other hand, were of the order of US\$ 7,564 million in 2020 while in 2016 it was US\$ 8,137 million. Imports during the period from 2016 to 2020, in terms of percentage, grew highest (5.16%) in 2018 and fell maximum (-8.26%) in 2016 as compared to 2017 and 2019 respectively. The annual average compound growth rate worked out at -1.81%.

Volume of trade registered an annual average (compound) rate of growth of -1.28% from US\$ 15,179 million in 2016 to US\$ 14,418 million in 2020. Uruguay faced a deficit balance of trade payment during the said period.

Uruguay's export and import, volume and balance of trade between 2016 and 2020 along with their growth rates are given in **Table-I**.

Principal trading partners during the period under review were Brazil, Argentina, United States, China (inc. Hong Kong), Germany, United Kingdom, Italy, Spain, Chile and France etc.

Civil aviation is controlled by the Direccion General de Aviacion Civil and the Direccion General de Infraestructura Aeronautica. The main airport is at Carrasco, 21 km from Montevideo, and there are also airports at Payusandu, Rivera, Salto, Melo, Artigas, Punta del Este and Durazno. The national carrier is Pluna. In 2003 it operated domestic services and maintained routes to Asuncion, Buenos Aires, Madrid, Porto Alegre, Rio de Janeiro, Santiago and Sao Paulo. There are about 1,250 km navigable waterways, which provide an important means of transport. The major port is Montevideo.

BILATERAL TRADE WITH INDIA

Indo-Uruguay bilateral trade in 2018-19 was of the order of Rs. 1,569.51 crores. It increased to Rs.2,835.82 crores in 2022-23. The annual compound growth rate of volume of trade during the period from 2018-19 to 2021-22 was 15.94%. India enjoyed a surplus balance of trade during the year 2018-19 and 2019-20 (**see table II**). The average annual compound growth rates of exports and imports worked out at -0.46% and 51.58% respectively.

India's exports to, and imports from Uruguay of Merchandise Goods between 2018-19 and 2022-23 along with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and imported from Uruguay, during 2018-19 to 2022-23, along with their growth rates are depicted in **Table III** and **Table IV** respectively.

SOME IMPORTANT LINKS

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Names and addresses of the organizations engaged in foreign trade in Uruguay are:-

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11500 MONTEVIDEO

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Sources

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NOTICE

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TABLE - I**URUGUAY'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE****FROM 2016 TO 2020.**

(Figures in US MILLION DOLLARS)

<i>Year</i>	<i>Exports</i>	<i>Percentage Growth in Exports</i>	<i>Import</i>	<i>Percentage Growth in Imports</i>	<i>Volume of Trade</i>	<i>Percentage Growth in Vol. of Trade</i>	<i>Balance of Trade</i>
2016	7042		8137		15,179		-1095
2017	7888	12.01	8457	3.93	16,345	7.68	-569
2018	7498	-4.94	8893	5.16	16,391	0.28	-1395
2019	7681	2.44	8245	-7.29	15,926	-2.84	-564
2020	6854	-10.77	7564	-8.26	14,418	-9.47	-710
Annual Compound Growth Rate	-0.67		-1.81		-1.28		
NOTE :	Figures relate to calendar year, January to December.						
SOURCE :	UN COMTRADE PUBLICATION						

TABLE - II**INDIA'S EXPORT TO AND IMPORT FROM URUGUAY MERCHANDISE****GOODS DURING 2018-2019 TO 2022-2023**

(Value in Rs. CRORES)

Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2018-19	1268.14		301.37		1569.51		966.77
2019-20	1041.43	-17.88	406.73	34.96	1448.16	-7.73	634.70
2020-21	774.29	-25.65	1210.53	197.62	1984.82	37.06	-436.24
2021-22	1123.22	45.06	1204.44	-0.50	2327.66	17.27	-81.22
2022-23	1244.84	10.83	1590.98	32.09	2835.82	21.83	-346.14
Annual Compound Growth Rate	-0.46		51.58		15.94		
NOTE :	Figures relate to Financial Year April to March.						
SOURCE :	Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata 700 107.						

TABLE -III

INDIA'S MAJOR MERCHANDISE EXPORT TO URUGUAY

2018-2019 TO 2022-2023 AND THEIR GROWTH RATES

(Value in Rs. CRORES)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Motor Vehicle/Cars	153.33	155.50	146.74	154.72	242.30	1.42	-5.63	5.44	56.61
	Share in total export	12.09	14.93	18.95	13.77	19.46				
2	Indl. Machinery For Dairy Etc.	29.12	30.63	35.00	57.63	75.70	5.19	14.27	64.66	31.36
	Share in total export	2.30	2.94	4.52	5.13	6.08				
3	Agro Chemicals	64.67	38.59	21.50	62.30	72.37	-40.33	-44.29	189.77	16.16
	Share in total export	5.10	3.71	2.78	5.55	5.81				
4	Organic Chemicals	19.55	20.24	24.91	48.02	65.63	3.53	23.07	92.77	36.67
	Share in total export	1.54	1.94	3.22	4.28	5.27				
5	Bulk Drugs, Drugs Intermediates	39.05	51.81	40.11	67.81	63.51	32.68	-22.58	69.06	-6.34
	Share in total export	3.08	4.97	5.18	6.04	5.10				
6	RMG Cotton Inc. Accessories	54.29	38.85	31.42	37.43	55.78	-28.44	-19.12	19.13	49.02
	Share in total export	4.28	3.73	4.06	3.33	4.48				
7	Products Of Iron And Steel	92.37	9.58	6.61	20.47	53.80	-89.63	-31.00	209.68	162.82
	Share in total export	7.28	0.92	0.85	1.82	4.32				
8	Drugs Formulations, Biologicals	28.40	37.87	34.42	36.78	46.00	33.35	-9.11	6.86	25.07
	Share in total export	2.24	3.64	4.45	3.27	3.70				
9	Residual Chemicals And Allied Peods.	21.69	40.03	40.66	50.49	43.26	84.56	1.57	24.18	-14.32
	Share in total export	1.71	3.84	5.25	4.50	3.48				
10	Iron And Steel	34.11	14.55	46.84	178.96	40.10	-57.34	221.92	282.07	-77.59
	Share in total export	2.69	1.40	6.05	15.93	3.22				
	Total export to URUGUAY	1268.14	1041.43	774.29	1123.22	1244.84	-17.88	-25.65	45.06	10.83

NOTE : Figures relate to Financial Year, April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

TABLE -IV**INDIA'S MAJOR MERCHANDISE IMPORT FROM URUGUAY****2018-2019 TO 2022-2023 AND THEIR GROWTH RATES****(Value in Rs. CRORES)**

Sl. No	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Wood And Wood Products	0.32	157.19	766.45	1031.30	1417.79	49021.88	387.59	34.56	37.48
	Share in total imports	0.11	38.65	63.32	85.62	89.11				
2	Wool, Raw	53.57	21.95	18.02	28.67	40.57	-59.03	-17.90	59.10	41.51
	Share in total imports	17.78	5.40	1.49	2.38	2.55				
3	Inorganic Chemicals	21.28	29.84	21.34	25.40	35.89	40.23	-28.49	19.03	41.30
	Share in total imports.	7.06	7.34	1.76	2.11	2.26				
4	Iron Ore					33.24				
	Share in total import					2.09				
5	Marine Products		0.43	46.12		11.80		10625.58	-100.00	
	Share in total import		0.11	3.81		0.74				
6	Finished Leather	4.38	2.55	3.07	5.12	8.19	-41.78	20.39	66.78	59.96
	Share in total import	1.45	0.63	0.25	0.43	0.51				
7	Copper And Products Made Of Copr.		4.26	5.14	0.46	7.39		20.66	-91.05	1506.52
	Share in total import		1.05	0.42	0.04	0.46				
8	Woolen Yarn, Fabrics, Madeups Etc.	17.09	7.72	3.21	5.34	7.19	-54.83	-58.42	66.36	34.64
	Share in total import	5.67	1.90	0.27	0.44	0.45				
9	Residual Chemical And Allied Prods.	0.03	1.58		0.04	6.76	5166.67	-100.00		16800.00
	Cosmetic And Toiletries	0.01	0.39		0.00	0.42				
10	Iron And Steel	9.15	6.19	6.49	2.35	5.55	-32.35	4.85	-63.79	136.17
	Share in total import	3.04	1.52	0.54	0.20	0.35				
	Total import from URUGUAY	301.37	406.73	1210.53	1204.44	1590.98	34.96	197.62	-0.50	32.09

NOTE : Figures relate to Financial Year, April to March.**SOURCE** : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.