

Uruguay

In 2011, the Uruguayan economy grew by about 5.5%, driven once again by private consumption, exports and private investment. Annual inflation is projected to close the year at over 8%, while the central government deficit is expected to stand at 0.6% of GDP. GDP is expected to expand by around 4% in 2012 due to a predicted slowdown in demand as a result of the euro zone debt crisis.

Domestic demand continued to underpin economic growth, against a backdrop of very low unemployment, increasing wage and pension purchasing power and internal and external inflationary pressures. Policies have therefore focused on controlling inflation and the exchange rate, managing public finances and borrowing, and precautionary measures to secure contingency financing in the event of sudden changes in market conditions.

In the rolling 12-month period to September 2011, the overall central government deficit stood at 0.6% of GDP, since the primary surplus equivalent to 1.8 points was counterbalanced by debt interest payments. In the same period, central government revenue expanded by 0.7 points of GDP year-on-year. Tax receipts were the main source of revenue and are expected to close the year at around 18.5% of GDP. Expenditure, measured as a proportion of GDP, was down slightly and mostly comprised transfers (pensions and social policies).

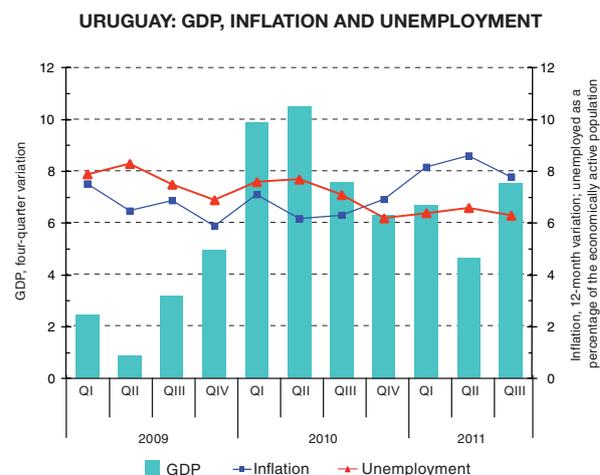
The gross debt of the overall public sector stood at US\$ 25.982 billion at the close of the first six months of 2011. The reserve assets of the overall public sector grew by more than US\$ 2.2 billion to US\$ 12.6 billion, bringing the net overall public sector debt down to US\$ 13.384 billion (26.4% of GDP).

The monetary policy benchmark rate was raised from 6.5% in December 2010 to 7.5% in March 2011 and 8.0% in June 2011 in response to inflationary pressures that pushed inflation above the annual target band of 4%-6%; 18-month inflation forecasts in November 2011 projected an annual rate of 6.8%. In addition, in the third quarter, greater use was made of short, medium and long-term sterilization instruments (monetary regulation notes denominated in pesos, and CPI-linked Central Bank of Uruguay notes). At the September meeting of the Monetary Policy Committee the benchmark rate was not changed.

Non-financial private sector deposits measured in equivalent dollars showed a year-on-year increase of 17% in the rolling 12-month period ended June 2011. Liquidity was high, and demand and savings deposits accounted for 83% of the total stock. In the year ended in June, credit to the resident private sector rose by 32% measured in equivalent dollars. Credit arrears remained at around 1.1%, and household borrowing, including home loans, held stable at around 20% of income.

Year-on-year, GDP grew by 6.6% in the first quarter of the year and by 4.8% in the second, representing an average increase of 5.7% compared with the first half of 2010. This led to more moderate growth projections for the economy in 2011.

In the first half of 2011 nearly all sectors of activity posted positive results, especially services (1.9 percentage-



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

point impact on GDP growth and annual growth of 6.1%), followed by transport, storage and communications (a 1.7 percentage-point impact on GDP growth and 12.5% annual growth), and commerce, restaurants and hotels (a 1.55 percentage-point impact and 11.0% year-on-year growth). The manufacturing industry grew at a slower pace (a 0.5 percentage-point impact and 3.4% growth), as did the primary sector (a 0.2 percentage-point impact and 2.8% growth). Construction expanded by 3.3% compared with the same period the previous year, contributing 0.3 percentage points to GDP growth.

On the spending front, private consumption grew by 9.6% in the first half of 2011, adding 6.7 percentage points to GDP, while government consumption expenditure increased by 2.9%, accounting for 0.3 percentage points of GDP. Investment expanded by 9.3% in the same period, contributing 1.8 percentage points to GDP growth. Goods and services exports slowed down compared with the previous year, growing by 4.3% and raising GDP by 1.4 percentage points. Goods and services imports were up by 19.7% year-on-year compared with the first half of 2010, equivalent to a 6.2 percentage-point negative impact on GDP growth.

Inflation was 8.4% for the 12-month period to November. Throughout the year it remained above the monetary policy target, fuelled by soaring non-tradable goods prices. The real exchange rate fell until June 2011 and subsequently stabilized following the depreciation of the peso against currencies of countries outside the region.

The labour market continued to expand compared with the same period of the previous year, with average national employment estimated at 60.1% for the first nine months of the year, 1.5 percentage points above the rate for the previous year. The activity ratio was estimated at 64.1% for that period, while the average unemployment rate was calculated at 6.2%. Between January and September average real wages rose by 3.7% compared with the same period of the previous year, which boosted domestic demand.

Goods export applications were up by 19.8% in the first ten months of 2011 compared with the same period in 2010, with exports valued at around US\$ 6.5 billion.

URUGUAY: MAIN ECONOMIC INDICATORS

	2009	2010	2011 ^a
Annual growth rates			
Gross domestic product	2.6	8.5	5.5
Per capita gross domestic product	2.2	8.1	5.2
Consumer prices	5.9	6.9	8.4 ^b
Real average wage	7.3	3.3	4.3 ^c
Money (M1)	11.9	28.1	18.9 ^d
Real effective exchange rate ^e	-2.4	-12.8	-2.6 ^f
Terms of trade	3.0	3.2	0.9
Annual average percentages			
Open urban unemployment rate	7.6	7.1	6.3 ^c
Central government			
overall balance / GDP	-1.5	-1.1	-0.6
Nominal deposit rate ^g	4.0	3.7	4.3 ^h
Nominal lending rate ⁱ	16.6	12.0	10.9 ^h
Millions of dollars			
Exports of goods and services	8 648	10 659	13 121
Imports of goods and services	7 967	9 892	12 510
Current account balance	-115	-466	-729
Capital and financial balance ^j	1 703	106	0
Overall balance	1 588	-361	-729

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary estimates.

^b Twelve-month variation to November 2011.

^c Estimate based on data from January to October.

^d Twelve-month variation to October 2011.

^e A negative rate indicates an appreciation of the currency in real terms.

^f January to October average, year-on-year variation.

^g Average rate for fixed-term deposits, 30-61 days.

^h January-November average.

ⁱ Business credit, 30-367 days.

^j Includes errors and omissions.

Goods imports excluding oil rose by 28.8% between January and October 2011 compared with the same period of 2010, totalling US\$ 7.031 billion. During this period, the trade balance accumulated a negative balance of US\$ 381 million and is expected to close the year in deficit.

The gap between national income and expenditure widened at the end of the first half of 2011, bringing the balance-of-payments current account deficit to around US\$ 1.0 billion in the 12-month rolling period ended in that month. The trade account also posted a deficit, leading to a negative current account balance.

In the first half of 2011, private-sector transactions resulted in the influx of US\$ 2.2 billion into the economy, boosting the central bank's reserves by US\$ 2 billion; the remainder was used to finance the current account deficit.