

## Uruguay

In 2010, the Uruguayan economy grew by about 9%, driven by private consumption, exports and private investment. Annual inflation is projected to close the year at 7.1%. The overall central government deficit is expected to stand at 1.4% of GDP, with the public-sector deficit at 1% of GDP. GDP is expected to expand by some 6% in 2011 on the strength of sustained growth in both domestic and external demand.

Year-on-year, GDP grew by 8.8% in the first quarter and by 10.4% in the second, representing an average increase of 9.6% compared with the first half of 2009, thus improving economic growth projections for 2010.

In 2010, all sectors of activity posted positive results, in particular the commerce, repair services, restaurant and hotel sector (which accounted for 1.8 percentage points of GDP growth and posted annual growth of 13.5%), the transport, storage and communications sector (1.7 percentage points of GDP growth and annual growth of 14.9%), and the services sector (1.2 percentage points of GDP growth and annual growth of 3.9%). The manufacturing industry grew at a slower rate (0.8 percentage points of GDP growth and annual growth of 5.2%), as did the primary sector (0.2 percentage points of GDP growth and annual growth of 2.6%). The construction sector posted no variation compared with the same period in 2009.

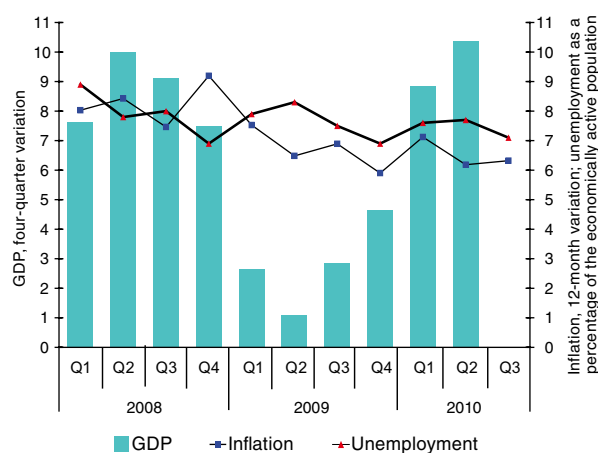
As to expenditure, the first half of 2010 saw an 8.8% increase in final consumption expenditure, which accounted for 7.1 percentage points of GDP growth. This increase reflected a 9.4% rise in private consumption (6.5 percentage points of GDP growth) and a 5.1% increase in government final consumption expenditure. Investment expanded by 11.5% in the same period, representing 2.2 percentage points of GDP growth. Exports of goods and services rose by 10.5% (3.4 percentage points of GDP growth); imports of goods and services rose more (14.1%, representing 4.2 percentage points of GDP growth).

In the rolling 12-month period to September 2010, the public sector recorded an overall deficit of 0.6 percentage points of GDP since the primary surplus of 2.4% was counterbalanced by interest payments equivalent to 3% of GDP. In the same period, non-financial public sector revenues accounted for 29.3 percentage points of GDP, tax receipts reached 17

percentage points of GDP, social security contributions represented 6.4 percentage points of GDP and the primary balance of public enterprises stood at 2.5 percentage points of GDP. With regard to expenditures to September, pensions payments were equivalent to 8.9% of GDP; transfers stood at 6.2% of GDP and wages at 4.8%.

The central government deficit is expected to close the year at 1.4% of GDP, following a positive primary balance of 1.1%. This deficit is attributable to the fact that total revenue was equivalent to 20.5% of GDP, while expenditure stood at 21.9% of GDP. In 2010, the fiscal situation improved and the central government deficit decreased by 0.1 percentage points compared with 2009. Gross external debt fell below US\$ 13.7 billion at the close of the first half of the year. Overall public-sector debt remained at about US\$ 21.9 billion; central bank debt was up by 10% over year-end 2009.

URUGUAY: GDP, INFLATION AND UNEMPLOYMENT



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

The monetary policy benchmark rate increased from 6.25% to 6.5% in September in response to the inflationary pressures detected by the central bank's Monetary Policy Committee. Furthermore, an 18-month horizon was set for meeting the 4%-to-6% target inflation range.

In the first 10 months of the year, the balance of deposits in the financial system rose by 14%, measured in dollars, driven by the 16% increase in deposits by residents and the 6% rise in deposits by non-residents. Gross banking system credit to the non-financial sector, estimated in dollars, expanded by 10% during the same period.

Towards the middle of the year, the Ministry of Economic Affairs and Finance announced that it would intervene in the foreign-exchange market in order to contain the fall of the dollar. This drove the price of the dollar up as expectations brightened. However, a few months later those expectations dimmed in view of the volatility of the dollar in the international markets and the heavy inflow of dollars into the market.

In the rolling 12-month period to June 2010 (the latest figures available), the balance-of-payments current account posted a surplus equivalent to 0.4% of GDP, thanks to the positive trade balance. It is expected to show a small surplus of about 0.5 percentage points of GDP at the end of the year.

The labour market remained steady compared with the same period in the previous year, with the average national employment rate at an estimated 58.5% for the first nine months of the year. The participation rate was estimated at 63% for that period, while the average unemployment rate was calculated at 7.1%. The average wage index, which measures the price component of wages, rose by 9.4% in nominal terms in the 12-month period to September. Average household income (not including imputed rental income) increased by 9.7% in the first nine months of the year in relation to the same period the previous year; this boosted domestic demand. Poor households made up 14.7% of all households, with 20.9% of the population living in poor households.

Inflation stood at 7.1% for the period from January to October, slightly above the upper limit of the target range set by the central bank as part of its monetary policy. The upward trend in tradable goods prices in the domestic market was checked by the fiscal adjustment measures taken to contain inflation, based on the non-adjustment of administered prices (fuels, urban transport and health care). To some extent, the depreciation of the dollar in the final months of the year helped to offset the rise in domestic prices.

#### URUGUAY: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	8.5	2.9	9.0
Per capita gross domestic product	8.2	2.5	8.6
Consumer prices	9.2	5.9	6.9 <sup>b</sup>
Average real wage	3.6	7.3	3.2 <sup>c</sup>
Money (M1)	17.5	11.9	29.1 <sup>d</sup>
Real effective exchange rate <sup>e</sup>	-5.5	-2.1	-14.2 <sup>f</sup>
Terms of trade	6.0	3.0	2.8
<b>Annual average percentages</b>			
Urban unemployment rate	7.9	7.7	7.1 <sup>g</sup>
Central government			
overall balance / GDP	-1.1	-1.5	-1.4
Nominal deposit rate	3.2	4.0	3.6 <sup>h</sup>
Nominal lending rate	13.1	16.6	12.2 <sup>h</sup>
<b>Millions of dollars</b>			
Exports of goods and services	9 372	8 557	10 545
Imports of goods and services	10 270	7 794	8 951
Current account	-1 486	215	833
Capital and financial account <sup>i</sup>	3 718	1 374	-797
Overall balance	2 233	1 588	36

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

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Estimate based on data from January to September.

<sup>d</sup> Twelve-month variation to October 2010.

<sup>e</sup> A negative rate indicates an appreciation of the currency in real terms.

<sup>f</sup> Year-on-year variation, January to October average.

<sup>g</sup> Estimate based on data from January to October.

<sup>h</sup> Average from January to October.

<sup>i</sup> Includes errors and omissions.

The real exchange rate plummeted early in the year. It rebounded following Ministry of Economic Affairs and Finance announcements on the exchange rate, only to fall again as stakeholder expectations adjusted. By September 2010 the real exchange rate stood at the same level as in December 2009.

The external market for goods produced in Uruguay improved over the year and export applications were up by 23.2% in current dollars in the first 10 months of the year, reaching a value of over US\$ 5.5 billion. The agricultural sector's share of total export value continued to grow during this period. The items that accounted for the largest share of total exports were soybeans (12.7%), frozen beef (12.1%), rice (5.8%), wheat (4.7%) and wood in the rough (3.6%). With regard to technology content, primary products accounted for 56.7% of exports and natural-resource-based manufactures for 17.1%.

The main export destinations remained unchanged. Brazil continued to be the principal buyer of Uruguayan products, accounting for 20.7% of total exports. Other major export destinations included the Nueva Palmira free zone (11.1%), Argentina (7.4%), China (5.8%), the Russian Federation (5.2%) and the Bolivarian

Republic of Venezuela (3.7%).<sup>1</sup> During the period under consideration, exports to certain destinations shot up, especially to China (67.2%), the Russian Federation (55.6%) and Argentina (45.5%). In terms of exports to specific economic blocs, the Southern Common Market (MERCOSUR) was the principal destination, accounting for 30.6% of total exports, followed by the European Union at 14.8%.

Goods imports rose by 4.7% between January and October to reach 5.46 billion current dollars. Uruguay's

main suppliers were Brazil (21%) and Argentina (20%), followed by China, the United States and Germany. Goods in transit that enter Uruguayan customs territory for logistical reasons and onshipment to other destinations reached US\$ 4.940 billion during the period. These goods originate primarily from the free zone in Uruguay (26%), China (17%), the United States (9%), Argentina (5%) and France (5%). During this period, the trade balance grew by US\$ 95 million and is expected to close the year in equilibrium.

---

<sup>1</sup> The port in the Nueva Palmira free zone is one of the main points of departure for Uruguayan exports. The main export destinations are the port of Rotterdam in the Netherlands, China and Brazil. The main exports are soybean, wood pulp and wheat.