

Macro scenario - Uruguay



October 14, 2025

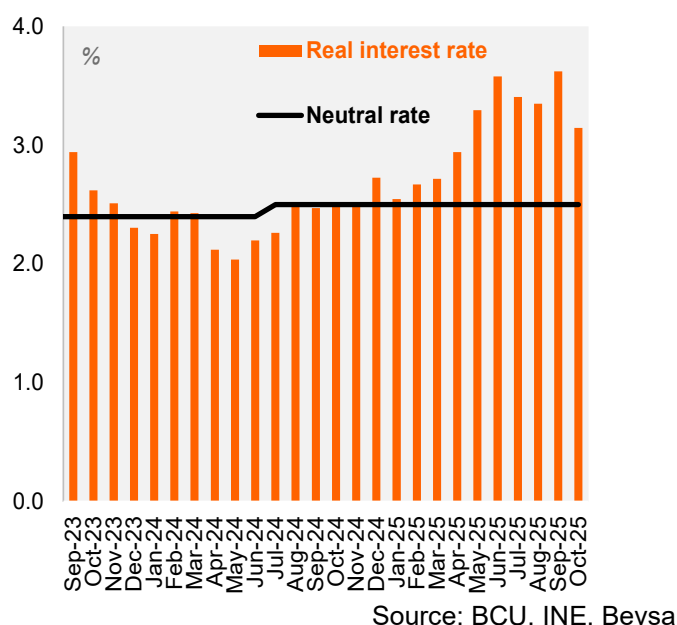
Monetary policy cuts continue

- ▶ We maintained our YE25 inflation forecast at 3.6% and our exchange rate forecast at UYU/USD 40.5 for the YE25, aided by a weaker global dollar.
- ▶ Our 2025 GDP growth forecast remains at 2.3% despite signals of softer activity at the margin.

BCU surprises with a larger cut in October

The central bank's Monetary Policy Committee (MPC) unanimously cut the policy rate by 50-bps to 8.25% in October, reducing the restrictiveness of the contractionary stance of monetary policy. The central bank's statement emphasized that monetary policy is gaining credibility in the context of historically low inflation expectations, particularly noting the downward revision of firm inflation expectations to 5.5% (from 6.0%), which entered the tolerance range for the first time. Thus, average inflation expectations at the policy horizon (PH) stand at 4.95%, within the tolerance range for the fifth consecutive month. Consequently, we estimate the ex-ante real policy rate at 3.14%, above the center of the BCU's neutral real rate range estimate of 2.5%. Furthermore, the BCU stated that the projections for economic activity within the PH were slightly lowered due to the regional situation, though they remain within potential. The BCU expects inflation to be slightly below the previous quarter's forecast, though it will converge toward the target in the PH.

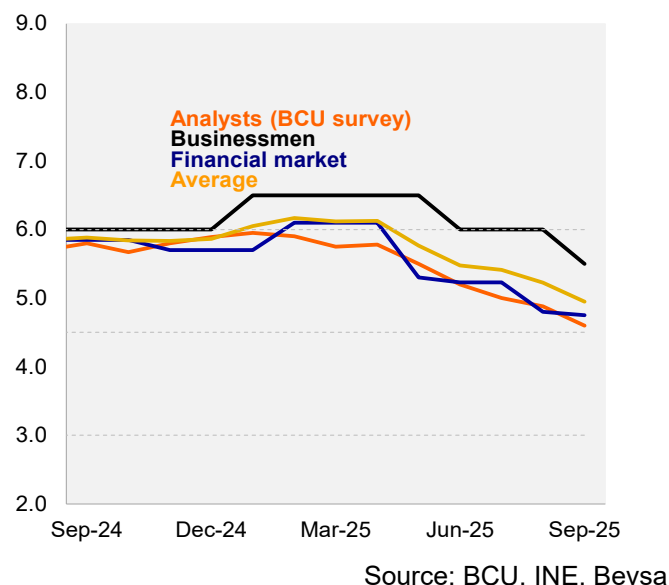
Ex-ante real interest rate



It's all about falling inflation expectations

An upside inflation surprise in September. Inflation rose by 0.42% MoM in September, above our forecast and market expectations according to the BCU's survey (0.25% MoM and 0.33% MoM, respectively). The positive surprise broke a string of downside inflation surprises in recent months. Core inflation (excluding fruits & vegetables and fuel prices) increased by 0.32% MoM, from 0.34% MoM in September 2024. On an annual basis, headline inflation slightly rose to 4.25% in September (from 4.20% in August), while core decreased to 4.90% from 4.92% in the previous month. Both readings remain within the tolerance range of the Central Bank's 4.5% $\pm$ 1.5% inflation target. Using our own seasonally adjusted figures, the three-month annualized headline inflation rose to 4.0% in September (up from 3.5% in August), while core inflation was 3.5% (up from 3.2% in the previous month). In addition to well-behaved annual inflation, survey-based inflation expectations continue to gradually converge to the target, as mentioned earlier.

24-month inflation expectations

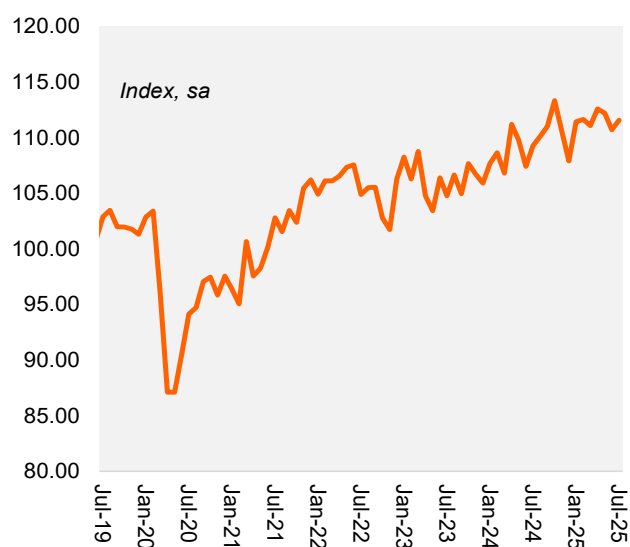


Leading indicators point to a softer start for 3Q25

The central bank's monthly GDP proxy (IMAE) rose 1.8% yoy in July, leading to a 2.2% expansion in the quarter ended in July (2.1% yoy in 2Q25). On a sequential basis, the index rose 0.8% mom/sa in July after falling 1.3% mom/sa in June. However, the IMAE fell by 0.3% qoq/sa in the quarter ended in July. The statistical carryover for 2025 stood at 2.0%.

Leading activity indicators cooled. The CERES Leading Index (ILC) was essentially flat again in September (-0.02% MoM SA), marking the first non-positive rate of the year. The initial slowdown and neutral rate in September are signs of some cooling in the economy. The Diffusion Index (DI) was 43% in September, indicating that less than half of the variables that make up the ILC grew.

Activity Index (IMAE)



Source: BCU

Fiscal deficit improves in August

The central government's 12-month nominal fiscal deficit fell to 3.4% of GDP in August 2025, from a deficit of 3.7% in July. Total real revenues rose 3.8% YoY in the quarter ended in August (-2.1% in 2Q25). On the expenditure side, real primary spending increased by 3.7% YoY, driven by non-personnel spending, which increased by 7.4% in the quarter ended in August. Considering the fiscal deficit forecast included in the recently sent draft budget, which envisages a deficit of 4.1% of GDP for yearend, the recent data was better than expected. That said, we cannot rule out an acceleration in spending in 4Q25.

More cuts this year

Our 2025 GDP growth forecast stands at 2.3%, despite signals of softer activity at the margin. We maintained our YE25 inflation forecast at 3.6% amid a stronger UYU.

We maintained our exchange rate forecast at UYU/USD 40.5 by YE25 given a persistent weaker global dollar.

We now expect the BCU to cut the policy rate to 7.75% by the end of 2025, down from 8.0% in our previous scenario. However, we maintained our YE26 policy rate at 7.25%, assuming inflation expectations fall further to the target.

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Uruguay | Forecasts and Data

	2020	2021	2022	2023	2024	2025F		2026F	
						Current	Previous	Current	Previous
Economic Activity									
Real GDP growth - %	-7.4	5.6	4.8	0.7	3.1	2.3	2.3	1.8	1.8
Nominal GDP - USD bn	53.6	60.7	70.7	78.0	81.3	85.1	85.1	91.0	90.9
Population (millions)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Per Capita GDP - USD	15,426	17,424	20,253	22,282	23,174	24,199	24,193	25,828	25,798
Unemployment Rate - year avg	10.4	9.3	7.9	8.3	8.2	7.8	7.8	7.6	7.6
Inflation									
CPI - %	9.4	8.0	8.3	5.1	5.5	3.6	3.6	4.5	4.5
Interest Rate									
Reference rate - eop - %	4.50	5.75	11.50	9.00	8.75	7.75	8.00	7.25	7.25
Balance of Payments									
UYU / USD - eop	42.35	44.69	39.9	38.9	44.1	40.5	40.5	41.0	41.0
Trade Balance - USD bn	-0.2	0.0	-0.8	-2.5	-1.4	-1.0	-1.0	-1.0	-1.0
Current Account - % GDP	-0.7	-2.4	-3.7	-3.4	-1.0	-0.2	-0.2	-0.2	-0.2
Foreign Direct Investment - % GDP	1.9	2.4	4.5	5.5	2.0	1.5	1.5	1.5	1.5
International Reserves - USD bn	16.2	17.0	15.1	16.2	17.4	19.5	19.5	19.5	19.5
Public Finances									
Nominal Balance Central Gov. (*) - % GDP	-5.8	-4.2	-3.0	-3.3	-3.4	-4.1	-4.1	-4.0	-4.0
Gross Public Debt Central Gov. - % GDP	61.3	58.5	58.2	58.5	57.2	61.5	61.5	61.4	61.4

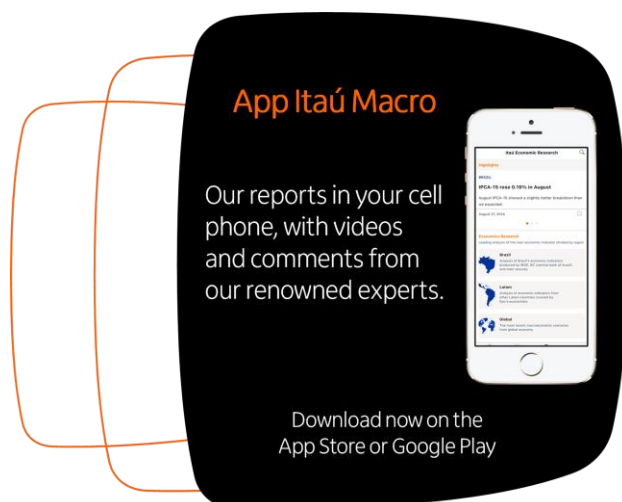
Source: FMI, Haver, Bloomberg, BCU, Itaú.

(*) Excludes extraordinary inflows to the Social Security Trust Fund.

Macro Research – Itaú

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