



Macroeconomic Research

URUGUAY: Top themes for 2026

Uruguay: Top Themes for 2026

1. How fast will the economy grow in 2026?

- We forecast GDP growth of 1.8% in 2026, slightly below the estimated 2.0% in 2025.

2. What is our inflation scenario?

- We foresee inflation at 4.5% by the end of this year, in line with the central bank's target.

3. What do we expect for monetary policy?

- We anticipate the policy rate to remain at 6.5% throughout 2026. However, risks are tilted towards lower rates.

4. What is the balance of risks to the currency?

- Our exchange rate forecast for YE26 stands at UYU/USD 39.5 by YE26 reflecting a favorable external backdrop and gradual dollar weakening.

5. What are our projections for the fiscal framework?

- We forecast a nominal fiscal deficit of 4.0% of GDP in 2026, narrowing to 3.5% in 2027, in line with the official forecasts.

6. Scenario

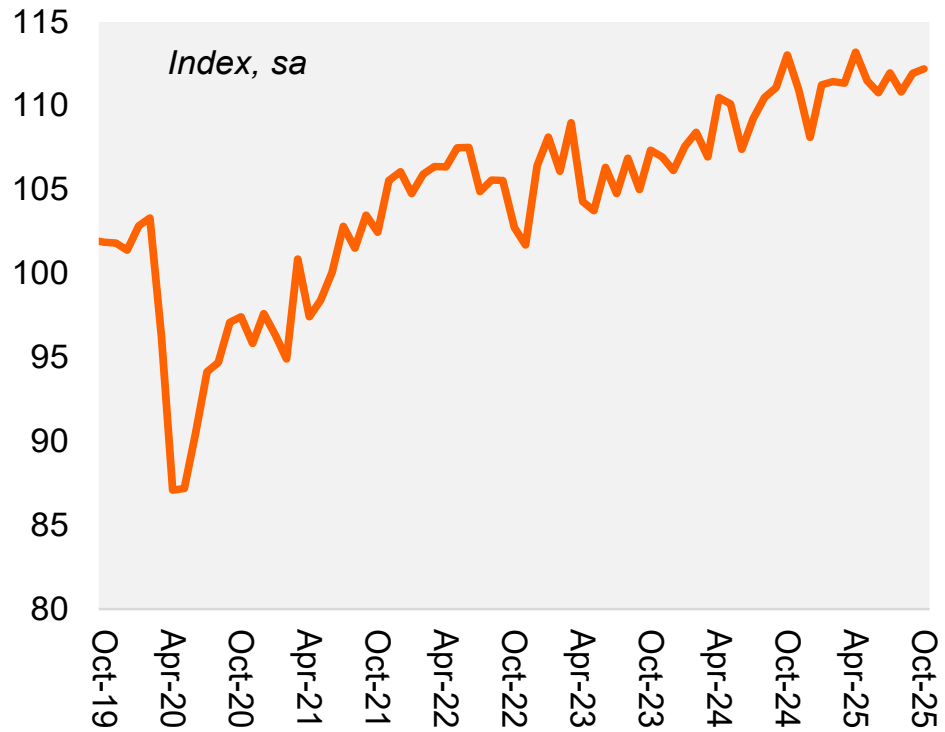
- The economy is slowing, and interest rates are falling. Our policy rate forecasts for YE26 and YE27 remain at 6.5%, with downside risks. With a supportive external environment, we expect the UYU to remain broadly stable in real terms.

1. How fast will the economy grow in 2026?

We forecast GDP growth of 1.8% in 2026, slightly below the estimated 2.0% in 2025.

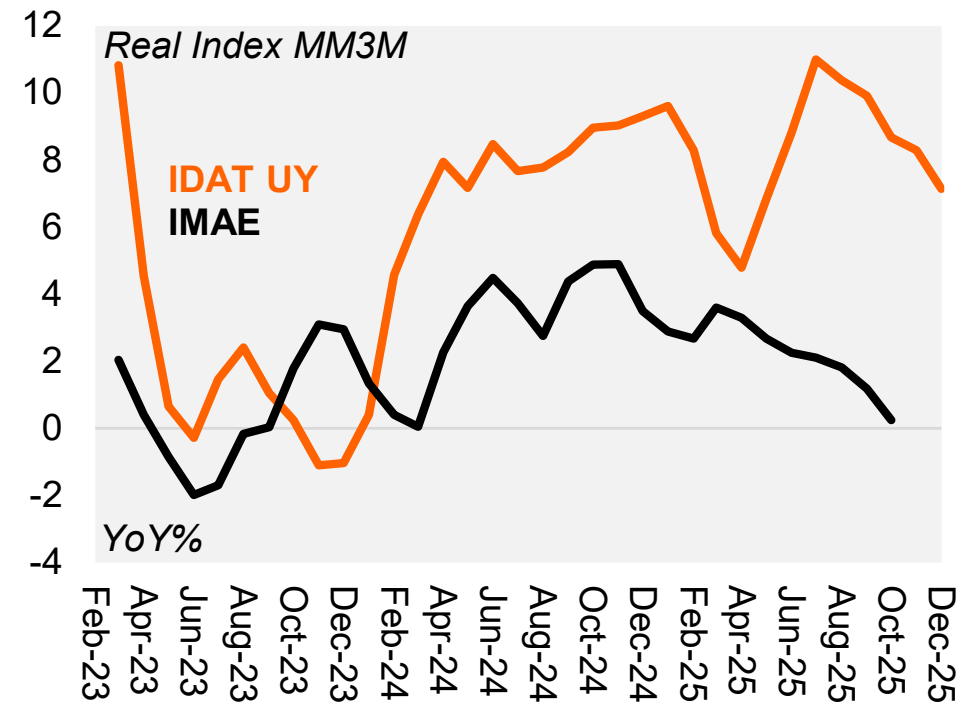
- Our activity indicator (IDAT-UY) shows that the economy continues to decelerate. In December 2025, the index was unchanged in seasonally adjusted terms, grew 4.9% year-over-year, accumulating an 8.0% rise in 2025.
- Against this backdrop, we continue to expect GDP growth of around 2.0% in 2025, reflecting weaker revised data and softening leading indicators. For 2026, we maintain our 1.8% growth forecast, supported by private consumption and spillovers from Argentina's macroeconomic adjustment.

Activity Index



Source: BCU

IDAT UY vs. IMAE



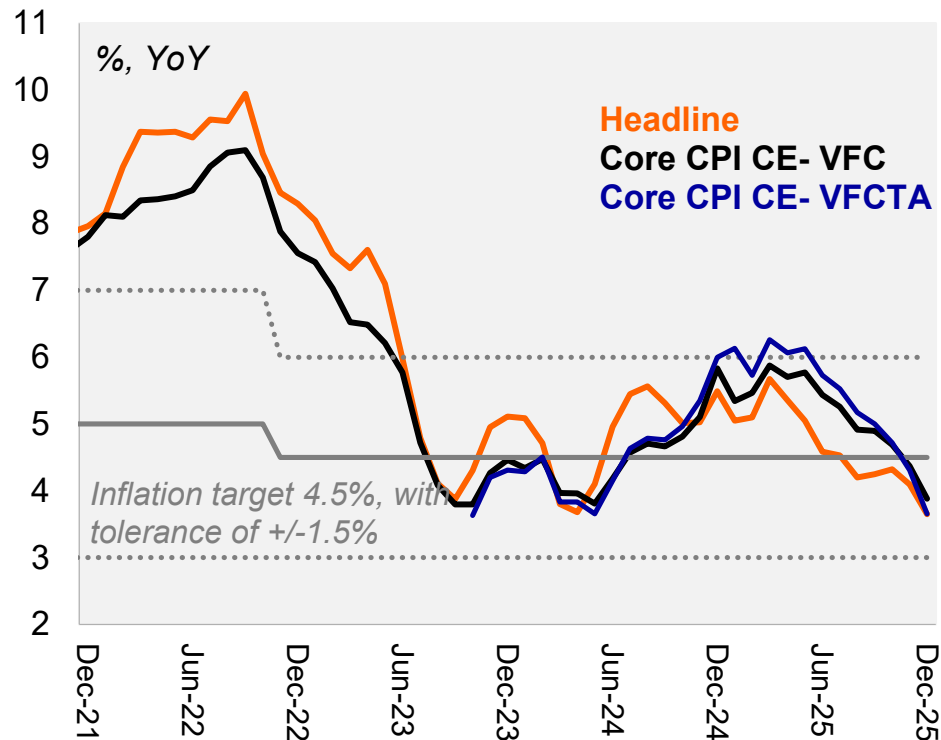
Source: Itaú, BCU

2. What is our inflation scenario?

We foresee inflation at 4.5% by YE26, at the central bank's inflation target.

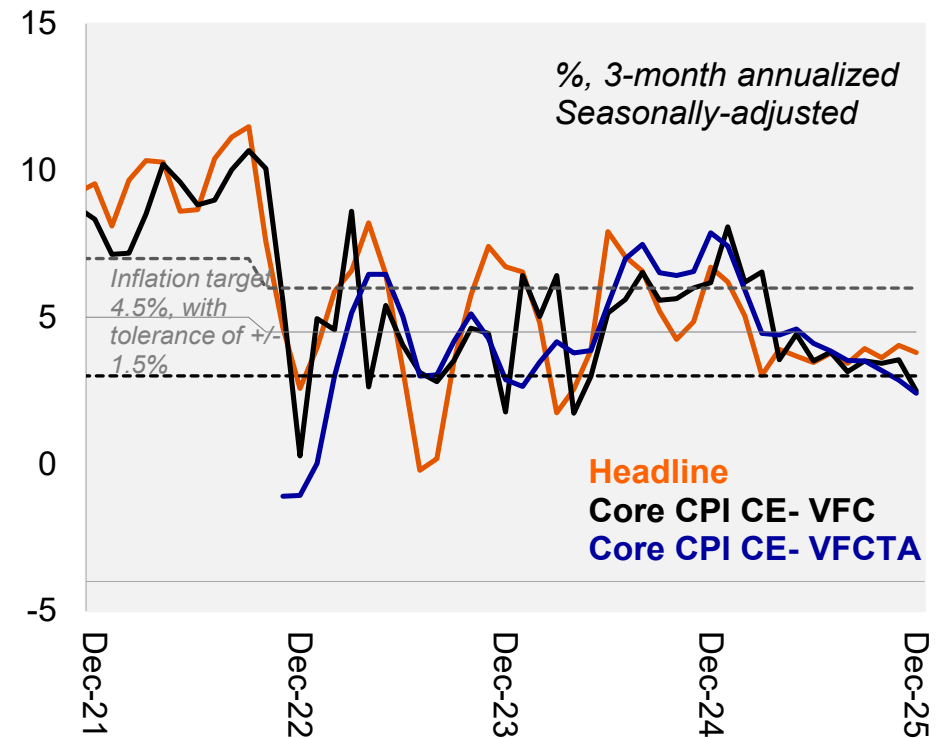
- Our inflation forecast for YE26 stands at 4.5%, in line with the central bank's target. This outlook is reinforced by a stable—albeit historically low—exchange rate, which continues to support a stronger UYU.

Annual inflation



Source: INE

Inflation at the margin



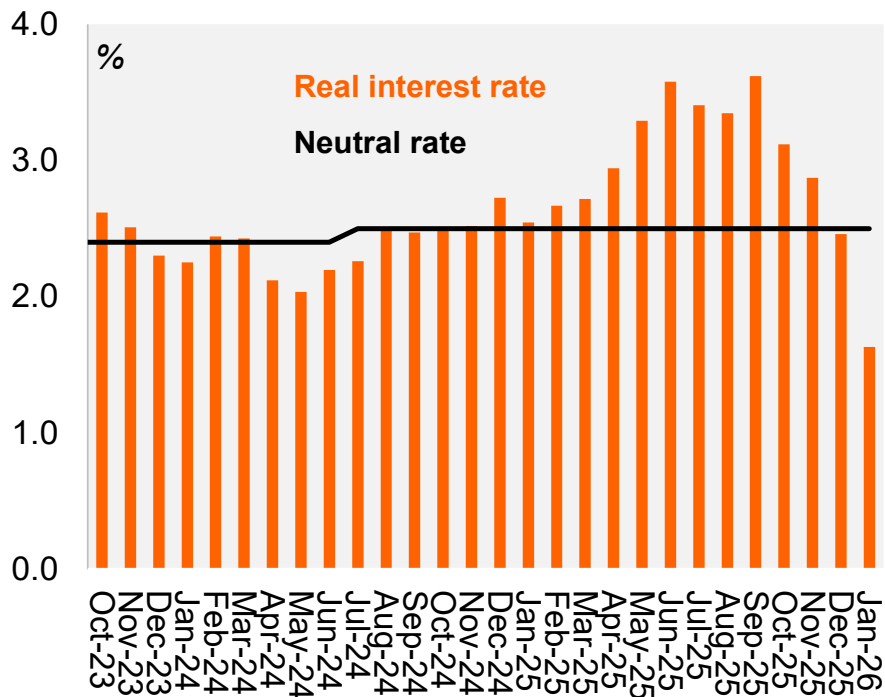
Source: INE

3. What do we expect for monetary policy?

Our terminal rate forecast stands at 6.50%, assuming that inflation and inflation expectations will converge toward the target.

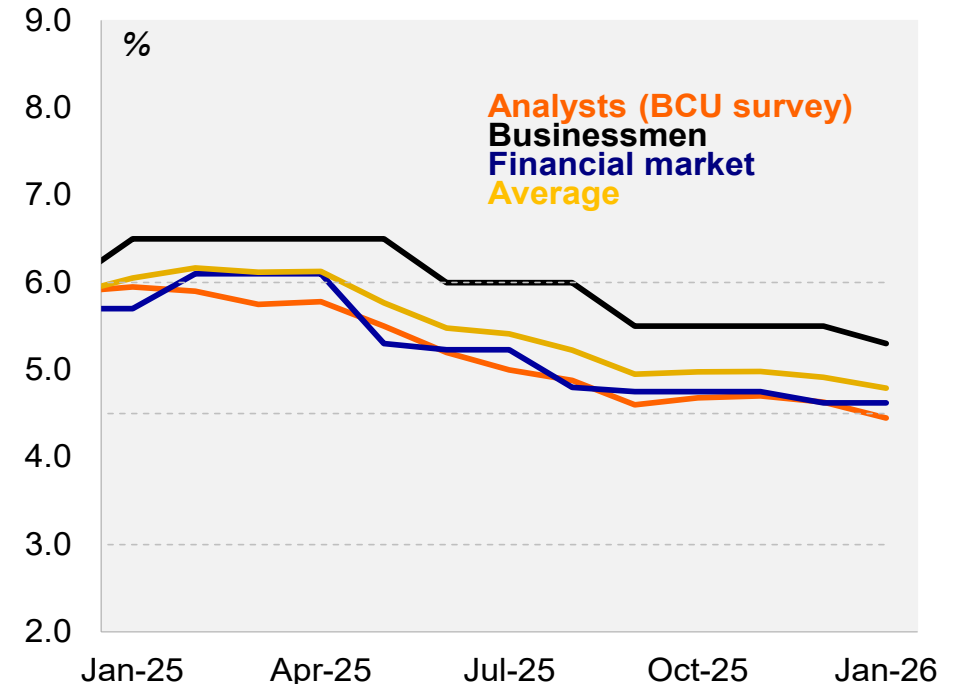
- The BCU brings forward the February decision with a large 100 bps cut to 6.50% in January.
- We cannot rule out further cuts or measures ahead, depending on the performance of UYU, inflation and activity.

Ex-ante real interest rate



Source: BCU, INE, Bevsa

24-month inflation expectations



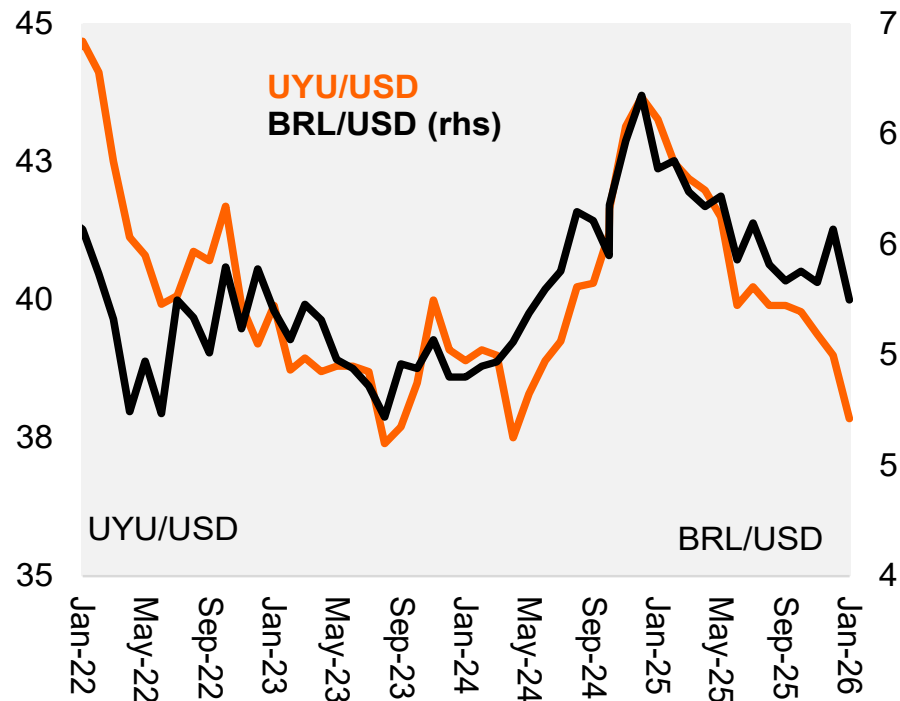
Source: BCU, INE, Bevsa

4. What is the balance of risks to the currency?

Our exchange rate forecast for YE26 stands at UYU/USD 39.5 by YE26 reflecting a favorable external backdrop and a global dollar weakness.

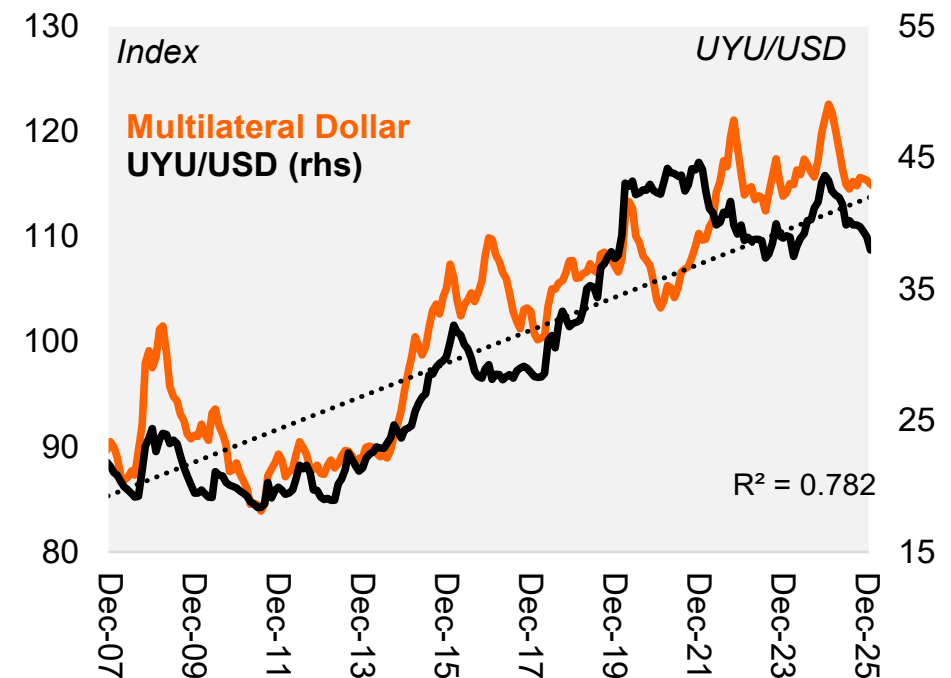
- An expansionary monetary policy stance along with potential reserve accumulation from the BCU in the FX market could pressure the UYU towards a depreciation.

FX market



Source: Bloomberg

Multilateral Dollar vs. FX UYU/USD



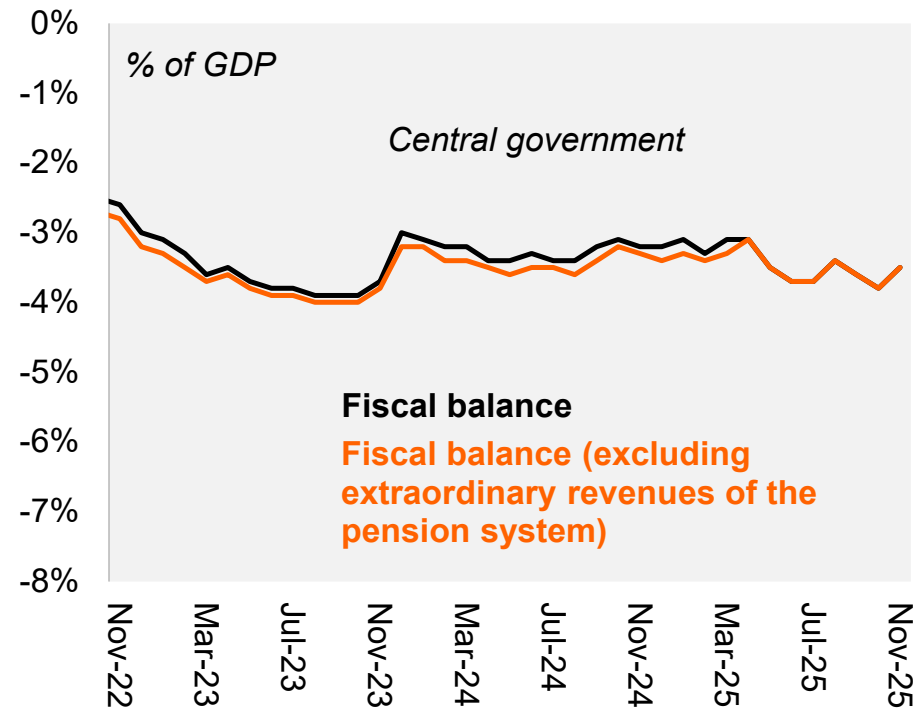
Source: FED St. Louis, Bloomberg

5. What are our projections for the fiscal framework?

We forecast a fiscal deficit of 4.0% of GDP in 2026, improving to 3.5% in 2027.

- The central government's 12-month nominal fiscal deficit fell to 3.5% of GDP in November, from 3.8% in October.
- Our expectation of weaker growth in 2026 limits the scope for improving the fiscal outlook this year.

Nominal fiscal balance



Source: Ministry of Economy and Finance

6. Uruguay | Scenario forecast

	2022	2023	2024	2025F		2026F		2027F	
				Current	Previous	Current	Previous	Current	Previous
Economic Activity									
Real GDP growth - %	4.8	0.7	3.1	2.0	2.0	1.8	1.8	2.0	2.0
Nominal GDP - USD bn	70.7	78.0	81.3	85.2	85.4	95.4	93.5	99.2	97.9
Population (millions)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Per Capita GDP - USD	20,253	22,282	23,174	24,241	24,304	27,083	26,520	28,151	27,780
Unemployment Rate - year avg	7.9	8.3	8.2	7.8	7.8	7.6	7.6	7.6	7.6
Inflation									
CPI - %	8.3	5.1	5.5	3.6	-	4.5	4.5	4.5	4.5
Interest Rate									
Reference rate - eop - %	11.50	9.00	8.75	7.50	-	6.50	7.25	6.50	7.25
Balance of Payments									
UYU / USD - eop	39.9	38.9	44.1	39.0	-	39.5	40.0	40.0	40.5
Trade Balance - USD bn	-0.8	-2.5	-1.4	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
Current Account - % GDP	-3.7	-3.4	-1.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Foreign Direct Investment - % GDP	4.5	5.5	2.0	1.5	1.5	1.5	1.5	1.5	1.5
International Reserves - USD bn	15.1	16.2	17.4	19.5	19.5	19.5	19.5	19.5	19.5
Public Finances									
Nominal Balance Central Gov. (*) - % GDP	-3.0	-3.3	-3.4	-4.1	-4.1	-4.0	-4.0	-3.5	-3.5
Gross Public Debt Central Gov. - % GDP	58.2	58.5	57.2	61.5	61.5	61.4	61.4	60.7	60.7

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

(*) Excludes extraordinary inflows to the Social Security Trust

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