



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.

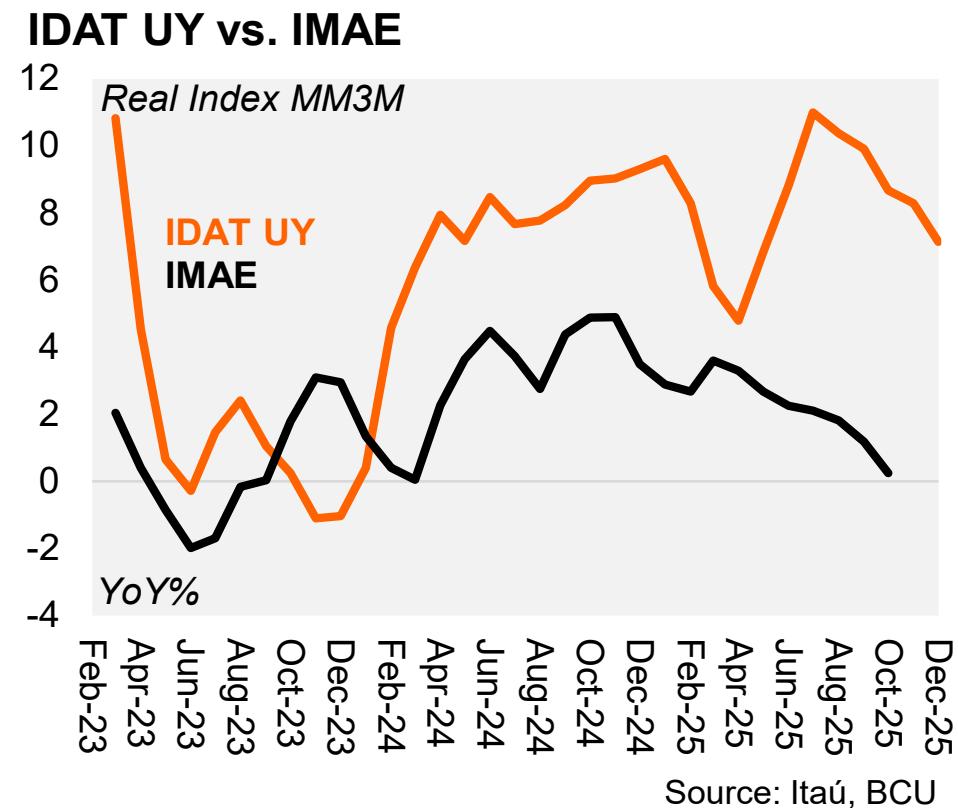
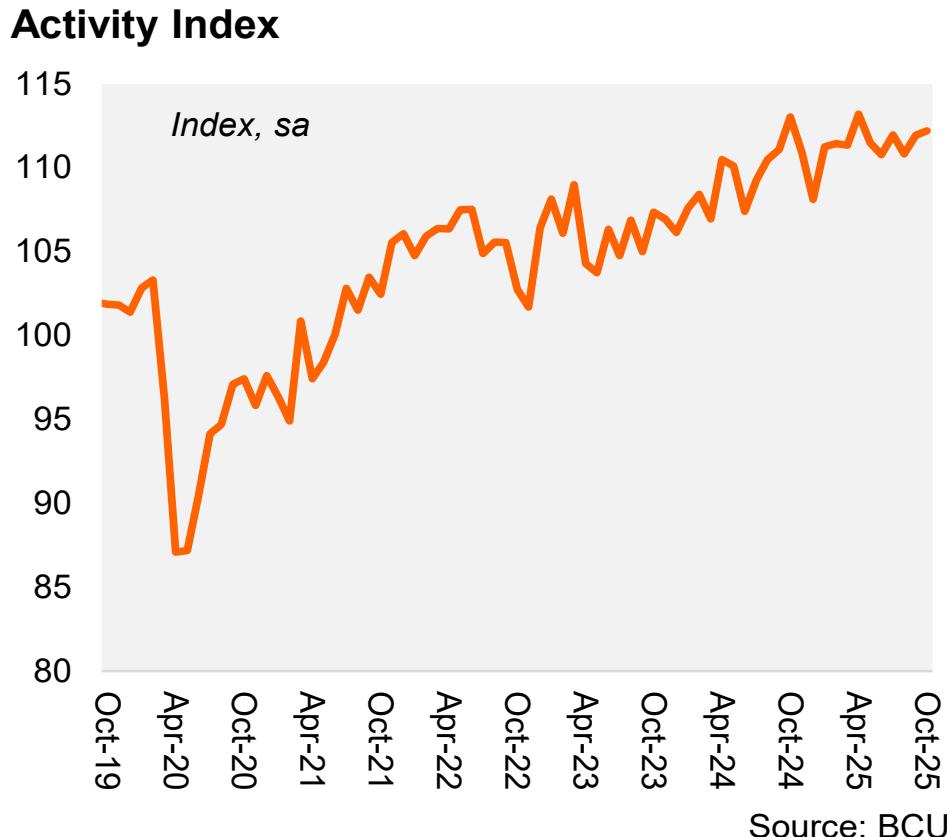
6. Scenario

- 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.

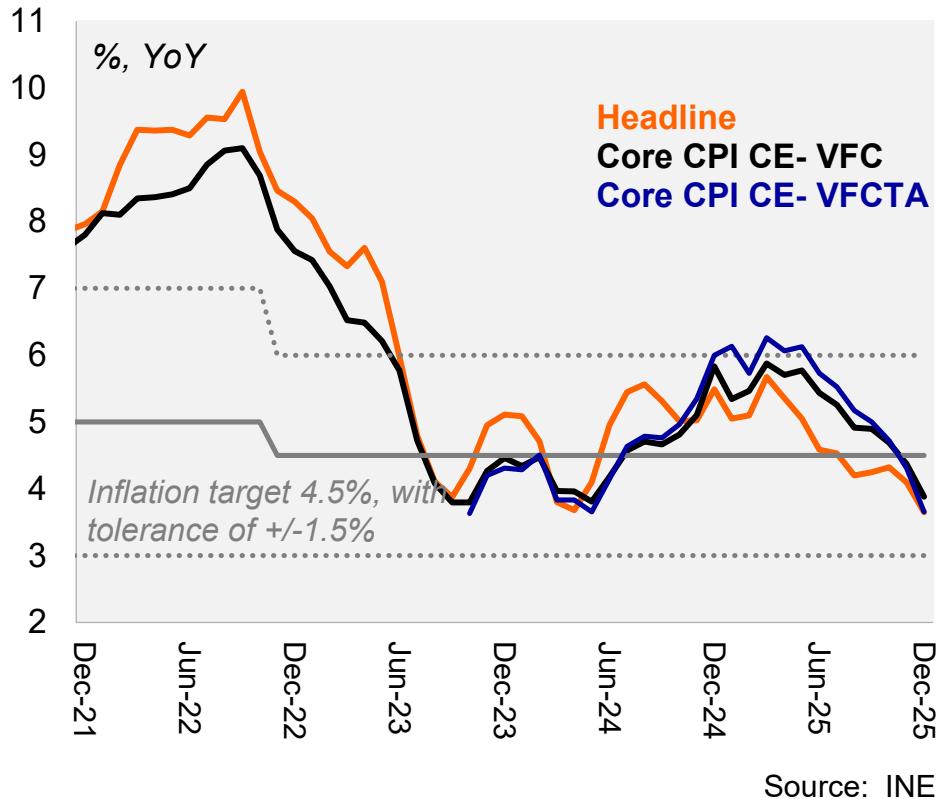


2. What is our inflation scenario?

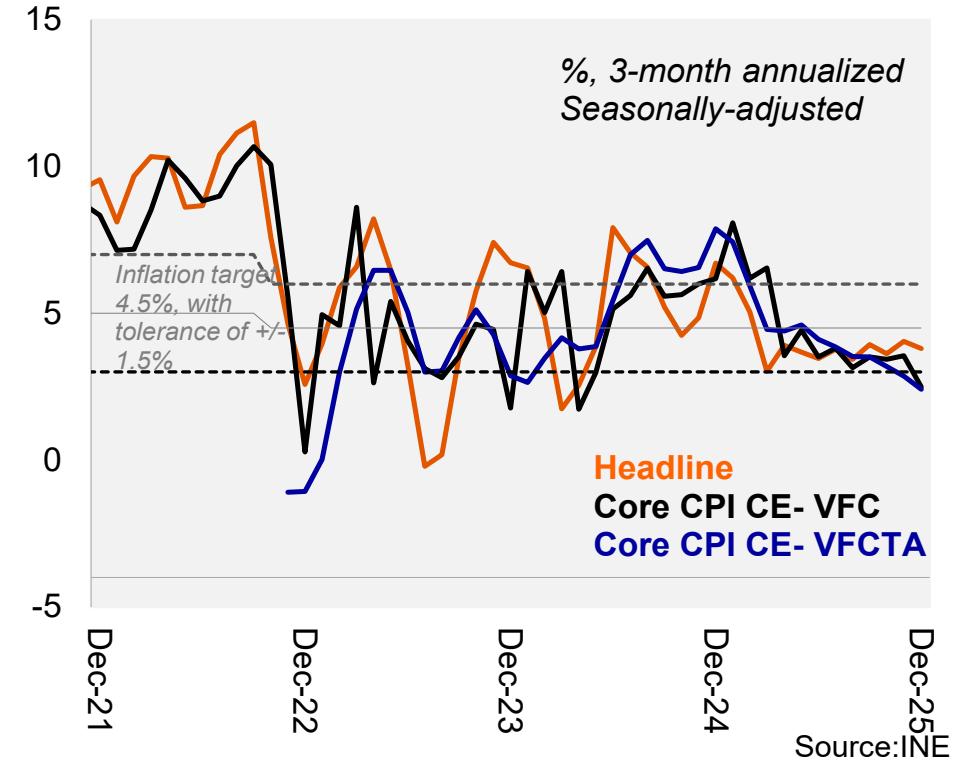
We foresee inflation at 4.5% by YE26, at the central bank's inflation target.

- 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



Inflation at the margin

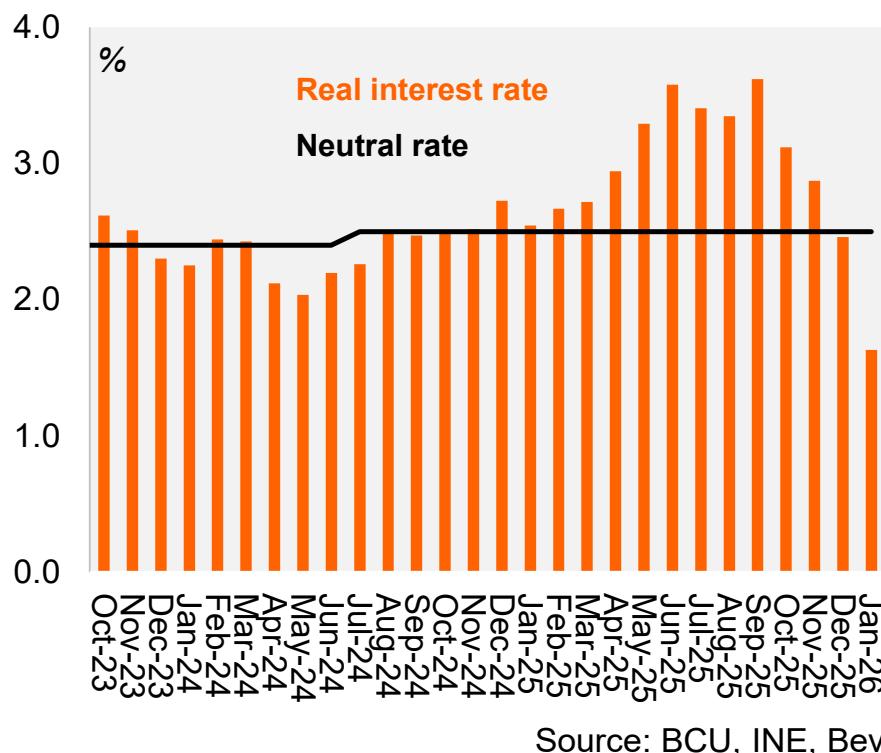


3. What do we expect for monetary policy?

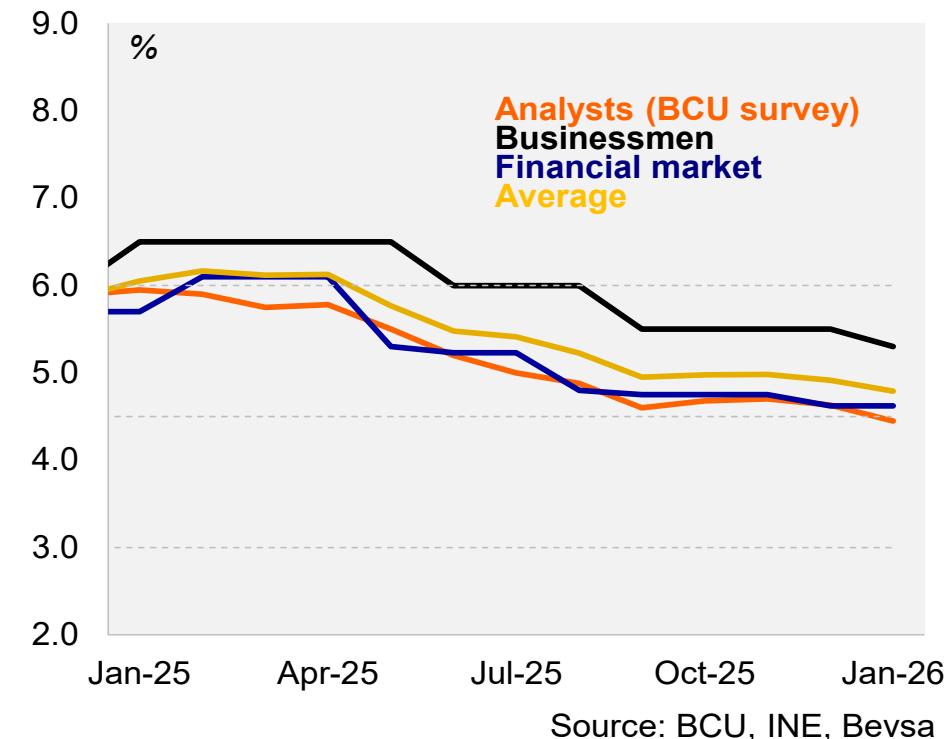
Our terminal rate forecast stands at 6.50%, assuming that inflation and inflation expectations will converge toward the target.

- 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



24-month inflation expectations

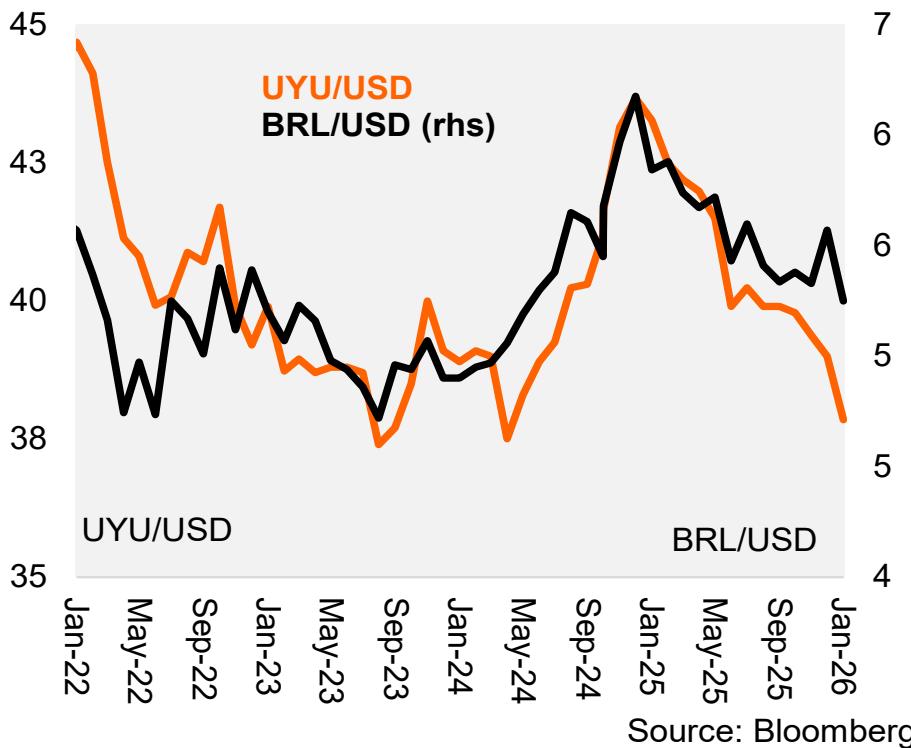


4. What is the balance of risks to the currency?

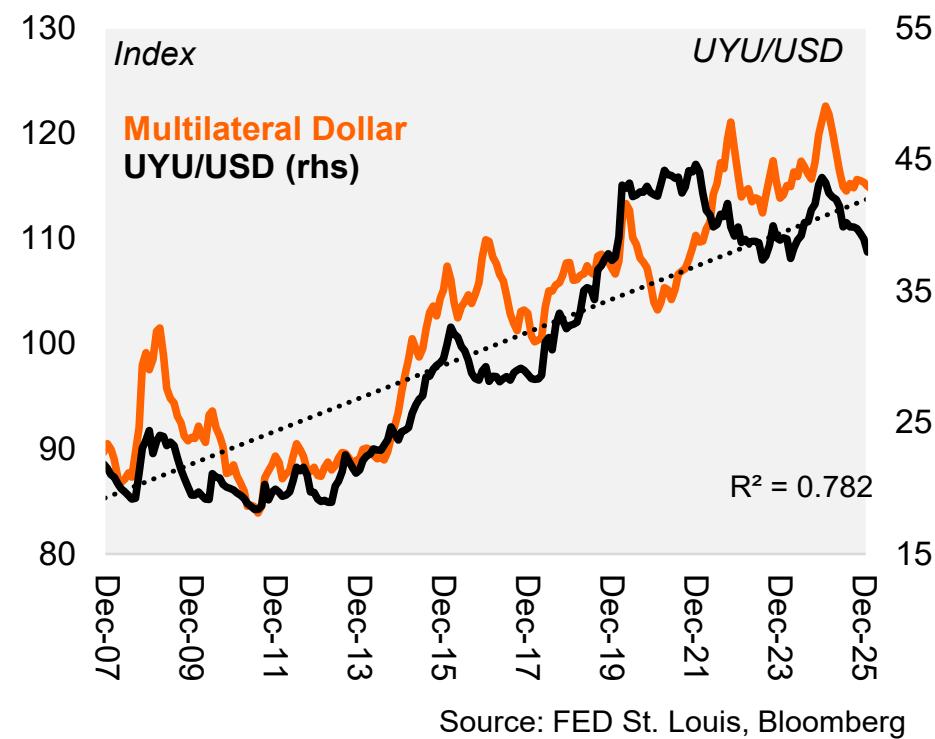
Our exchange rate forecast for YE26 stands at UYU/USD 39.5 by YE26 reflecting a favorable external backdrop and a global dollar weakness.

- 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



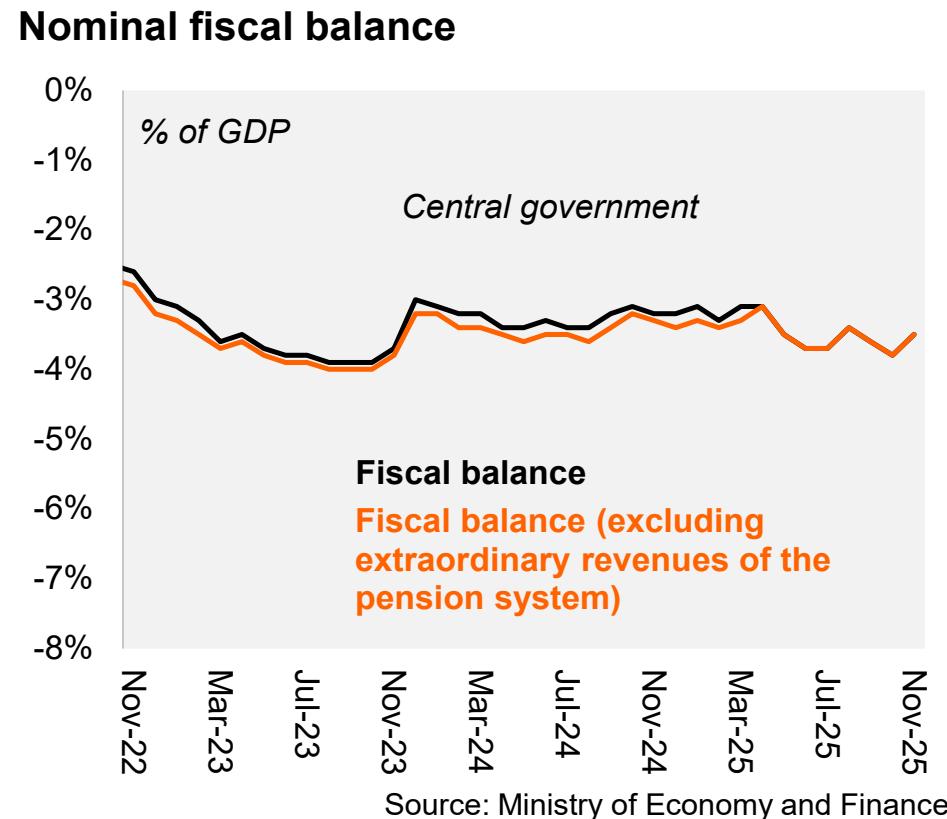
Multilateral Dollar vs. FX UYU/USD



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.



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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