

# Macro scenario - Uruguay



April 16, 2025

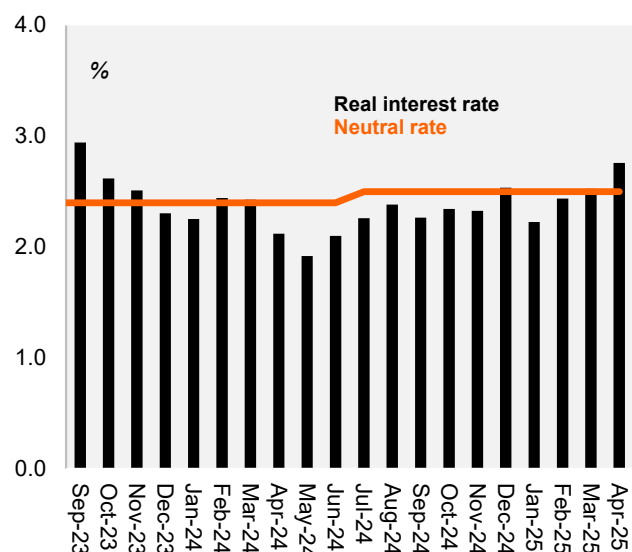
## The tightening cycle continues

- ▶ The BCU delivered a third consecutive 25-bp hike in April, with a unanimous decision under the new composition of the MPC. We expect the BCU to raise the policy rate by another 25 bp to a terminal rate of 9.50% in May. However, we cannot rule out a pause due to increased global policy uncertainty.
- ▶ Our YE25 inflation forecast is 5.5%, with risks tilted to the downside due to lower oil prices. Wage negotiations in the second half of the year will be key for inflation and managing inflation expectations.
- ▶ Our 2025 GDP growth forecast of 2.3% has upside risks, mainly due to last year's carryover. Private consumption and spillovers from the macroeconomic adjustment in Argentina will likely continue to support growth.

### BCU delivers a third consecutive 25 bps hike

**The central bank raised the policy rate by 25 bps to 9.25% in April, marking the third consecutive increase.** This decision, the first under the new monetary policy committee, aims to consolidate the inflation decline to 4.5% at the monetary policy horizon. The unanimous decision took the policy rate slightly above neutral; we estimate the ex-ante real policy rate at 2.75%, slightly above the BCU's 2.5% estimate of the neutral real rate. The statement mentioned that global uncertainty increased due to the announcement of tariff measures, raising the risk of a global economic slowdown. The impact of these measures is yet to be fully assessed, but the MPC believes the disinflation process could be further facilitated, partly due to declining commodity prices.

#### Ex-ante real interest rate



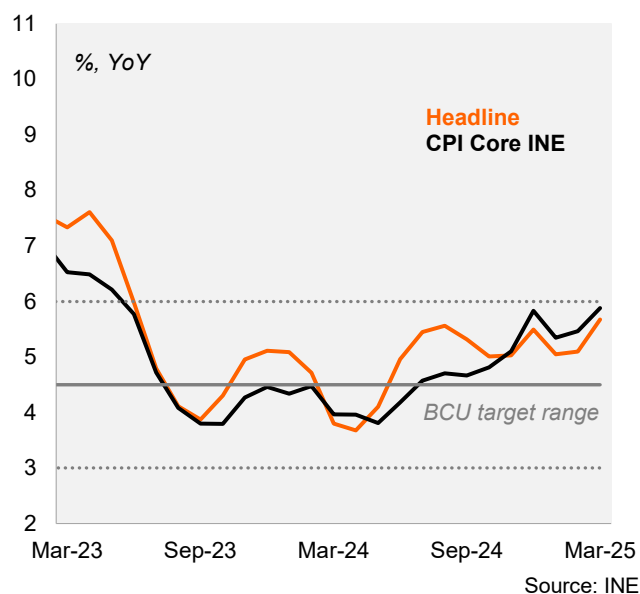
Source: INE, BCU, Bevsa

### Annual inflation accelerated in March

**Headline inflation rose by 0.57% MoM in March (up from 0.02% a year ago and below the 5-year median of 0.80%).** The main monthly impact came from the food basket, driven by volatile prices of fruits and legumes. Education services also increased, reflecting the annual adjustment. On the other hand, prices for restaurants and hotels fell, due to the end of the holiday season. Core inflation (excluding fruits, vegetables, and fuel prices) increased by 0.35% MoM, compared to -0.04% MoM in March 2024. On an annual basis,

headline inflation rose to 5.67% in March, while core inflation accelerated to 5.88% from 5.46% in the previous month. Despite the acceleration at the margin, both readings remain within the Central Bank's inflation target of  $4.5\% \pm 1.5\%$ .

### Annual inflation

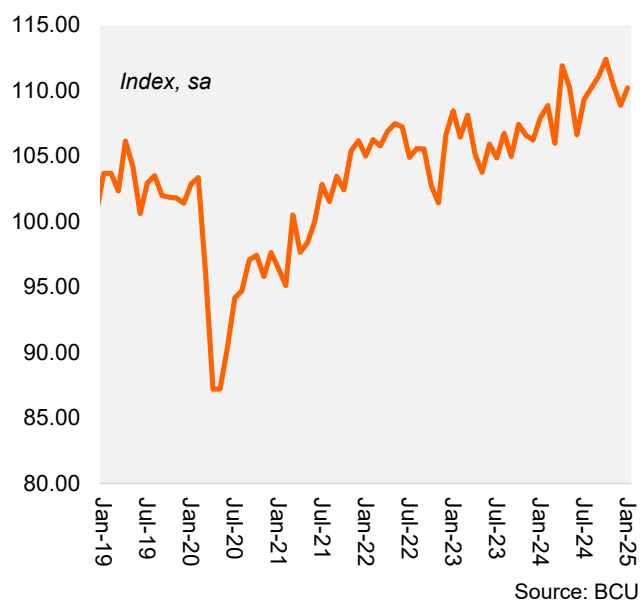


### Activity started 1Q25 on the right foot

The central bank's monthly GDP proxy (IMAE) rose by 2.9% YoY in January, leading to a 2.9% expansion in the quarter ending that month (3.5% YoY in 4Q24). On a sequential basis, the index rose by 1.2% MoM/SA in January after declining during the two previous months.

Meanwhile, the latest economic indicator from think tank Ceres shows that activity was positive in March, increasing by 0.2% MoM, marking the seventh consecutive month of growth. The diffusion index, which measures the number of sectors performing favorably, rose to 50% in March from 40% in February.

### Activity Index



### Fiscal deficit rose slightly in February

The central government's 12-month nominal fiscal deficit rose to 3.4% of GDP in February, from 3.3% in January. This fiscal balance measure excludes extraordinary income from the social security agency (asset transfers from individuals switching from the private pension system to the public pension system). Importantly, the Ministry of Finance published a budget deficit of 4.4% of GDP for February but clarified that this figure included anticipated wage, pension, and social security payments. The 12-month rolling figure will therefore be normalized for this effect in the March report, due on April 30. Tax revenues increased by 6.9% year-over-year in real terms during the period. Total real revenues increased by 5.1% year-over-year. Primary expenditure grew by 23.3% year-over-year in real terms, while total expenditure grew by 21.2% year-over-year, driven by the above-mentioned advance pension and wage payments.

### Nearing the end of the cycle

We expect the BCU to hike the policy rate by 25 bps to a terminal rate of 9.50% at the next monetary policy meeting on May 20. However, we cannot rule out the possibility of a pause in the cycle, given the greater global policy uncertainty.

**Our YE25 inflation forecast stands at 5.5%, but with a downside risk due to lower oil prices.** Wage negotiations, set to take place in the second half of the year, will be important for both inflation and inflation expectations.

**Our 2025 GDP growth forecast remains at 2.3%, with an upside risk due to last year's carryover.** On the demand side, private consumption is likely to continue supporting growth, along with spillovers from the macroeconomic adjustment in Argentina.

**We have revised our forecast for the 2025 nominal fiscal balance to -3.4% of GDP (from -2.9% of GDP in our previous scenario) due to higher-than-expected expenditures and lower revenues presented by the new economic authorities in Congress.** The new administration will present the budget for the next five years by mid-year.

**Andrés Pérez M.  
Diego Ciongo  
Soledad Castagna**

## Uruguay | Forecasts and Data

	2020	2021	2022	2023	2024	2025F		2026F	
						Current	Previous	Current	Previous
<b>Economic Activity</b>									
Real GDP growth - %	-7.4	5.6	4.8	0.7	3.1	<b>2.3</b>	2.3	<b>2.5</b>	2.5
Nominal GDP - USD bn	53.6	60.7	70.7	78.0	81.3	<b>80.4</b>	82.9	<b>82.9</b>	85.0
Population (millions)	3.5	3.5	3.5	3.5	3.5	<b>3.5</b>	3.5	<b>3.5</b>	3.5
Per Capita GDP - USD	15,426	17,424	20,253	22,282	23,174	<b>22,689</b>	23,575	<b>23,526</b>	24,109
Unemployment Rate - year avg	10.4	9.3	7.9	8.3	8.2	<b>7.8</b>	7.8	<b>7.6</b>	7.6
<b>Inflation</b>									
CPI - %	9.4	8.0	8.3	5.1	5.5	<b>5.5</b>	5.5	<b>5.2</b>	5.2
<b>Interest Rate</b>									
Reference rate - eop - %	4.50	5.75	11.50	9.00	8.75	<b>9.50</b>	9.50	<b>9.50</b>	9.50
<b>Balance of Payments</b>									
UYU / USD - eop	42.35	44.69	39.9	38.9	44.1	<b>45.3</b>	45.3	<b>46.8</b>	46.8
Trade Balance - USD bn	-0.2	0.0	-0.8	-2.5	-1.4	<b>-1.0</b>	-1.0	<b>-1.0</b>	-1.0
Current Account - % GDP	-0.7	-2.4	-3.7	-3.4	-1.0	<b>-2.0</b>	-2.0	<b>-2.0</b>	-2.0
Foreign Direct Investment - % GDP	1.9	2.4	4.5	5.5	2.0	<b>1.5</b>	1.5	<b>1.5</b>	1.5
International Reserves - USD bn	16.2	17.0	15.1	16.2	17.4	<b>18.5</b>	18.5	<b>18.5</b>	18.5
<b>Public Finances</b>									
Nominal Balance Central Gov. (*) - % GDP	-5.8	-4.2	-3.0	-3.3	-3.4	<b>-3.4</b>	-2.9	<b>-2.9</b>	-2.5
Gross Public Debt Central Gov. - % GDP	61.3	58.5	58.2	58.5	57.2	<b>59.9</b>	60.9	<b>59.6</b>	62.7

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

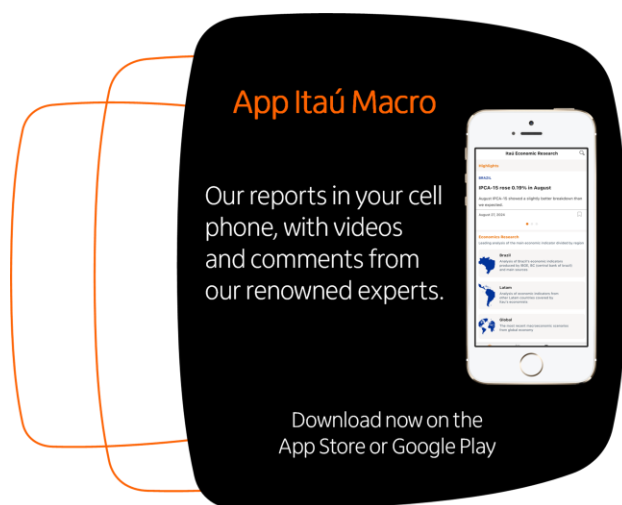
(\*) Excludes extraordinary inflows to the Social Security Trust Fund.

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