

# Macro scenario - Uruguay



March 5, 2026

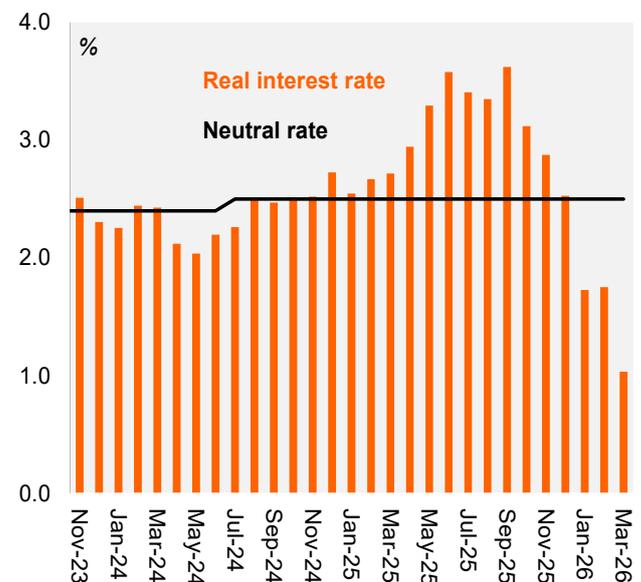
## Monetary Policy Swings to an Expansionary Stance

- ▶ We lowered our GDP growth for YE26 forecast to 1.5%, down from 1.8% due to the negative statistical carryover suggested by leading indicators. The drought will affect soybean production and introduce downside risks to our growth forecast for this year.
- ▶ Our inflation forecast for YE26 stands at 4.5%, in line with the central bank's target, implying a rebound later in the year. Our terminal rate forecast stands at 5.50% for YE26, assuming one 25bp cut in the next meeting. Uruguay currently has the lowest real ex-ante interest rate in the region, reflecting the expansionary stance of monetary policy.

### Inflation under control and weak activity drive the BCU to continue its easing cycle

In the recent monetary policy meeting, the central bank's Monetary Policy Committee (MPC) cut the policy rate by 75-bps to 5.75%. The easing cycle has accumulated 350 bps since July. The inflation outlook is under control and economic activity has slowed. The BCU highlighted that inflation and inflation expectations remain under control, while activity leading indicators surprised to the downside. In fact, according to the monthly GDP proxy, the economy entered a technical recession in 4Q25. Average inflation expectations for the two-year policy horizon fell to 4.67% (from 4.79% in the previous meeting), within the tolerance range for the ninth consecutive month. Following the March cut, the BCU is consolidating its expansionary stance by taking the ex-ante real policy rate down to 1.04%, below the BCU's neutral real rate estimate of 2.5%. Regarding the external front, the communiqué highlighted the recent increase in oil prices amid the US-Iran conflict and its potential impact on inflation. The MPC mentioned that inflation risks seem more balanced than in previous meetings. However, the BCU also mentioned that the main risk is inflation remaining below the target during the monetary policy horizon.

Ex-ante real interest rate



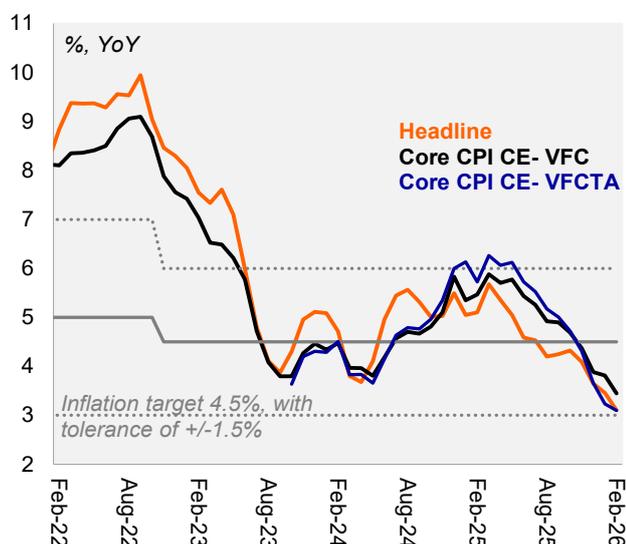
Source: BCU, INE, Bevsa

### Annual inflation hit a historical low

**Inflation rose by 0.35% MoM in February, well below our call and the BCU's survey median, both at 0.6% MoM.** The main monthly impact came from housing, electricity and water which rose by 1.52% MoM (incidence of 0.20 p.p.), given the reversal of the temporary energy discount in December and January. Moreover, furniture, household goods and other regular household items rose by 1.20% MoM and personal care, social protection and miscellaneous goods increased by 0.83% MoM. On the other hand, recreation, sports and culture prices fell by 0.95% MoM, clothing prices decreased by 1.60% MoM due to the liquidation of the

spring-summer season, and food and non-alcoholic beverages prices decline of 0.06% MoM due to lower fruits and meat prices.

### Annual inflation



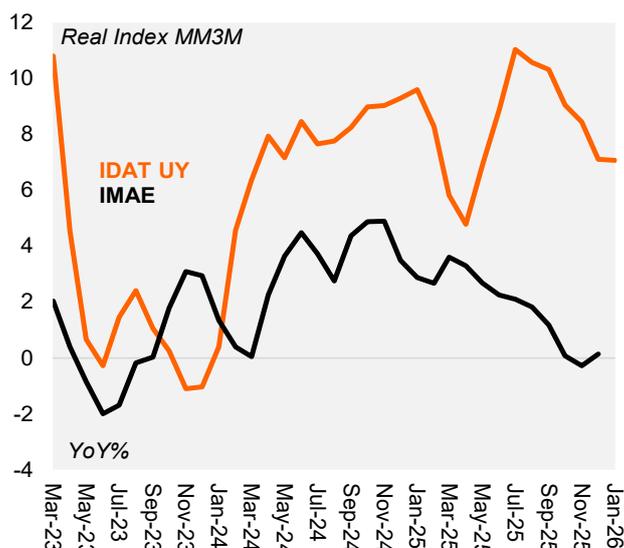
Source: INE

### Leading indicators anticipated a technical recession in 4Q25

**The central bank's monthly GDP proxy (IMAE) rose 2.1% yoy in December, after falling 0.7% in the previous month.** Thus, the IMAEP rose 0.1% yoy in 4Q25. On a sequential basis, the index rose 0.2% mom/sa in December after falling 1.0% in November. Thus, the IMAE fell by 0.6% qoq/sa in 4Q25 after falling 0.2% qoq/sa in 3Q25, marking a technical recession. According to the IMAE, activity rose 1.8% yoy in 2025, leaving a statistical carryover of -0.5% for 2026.

**Our own activity indicator (IDAT- UY) decelerated in the quarter ended in January on annual basis.** The IDAT-UY rose by 7.1% YoY in real terms in the period, unchanged from 4Q25 but down from 10.3% YoY in 3Q25. The IDAT goods expanded 7.4% YoY in real terms in the quarter ended in January, also unchanged versus 4Q25 but below the 9.2% expansion in 3Q25. Moreover, the IDAT services expanded by 6.0% YoY at the beginning of the year, from 6.2% YoY in 4Q25 and 11.1% YoY in 3Q25.

### IDAT UY vs. IMAE



Source: Itaú, BCU

### Fiscal stance in focus as economic momentum weakens

**The central government's 12-month nominal fiscal deficit reached 4.1% of GDP in January 2026, unchanged from the end of 2025.** Total real revenues rose 7.7% YoY in the quarter ended in January (6.9% YoY in 4Q25). On the expenditure side, real primary spending increased by 7.3% YoY, driven by pension and non-personnel spending (3.7% YoY and 19.4% YoY, respectively). This fiscal outcome unfolded as growth forecasts were revised somewhat down: in February 2026, the Expert Committee revised its 2026 GDP growth projection to a median of 1.8%, down from 2.0% in mid-2025, citing weaker external demand, slower private investment, and a negative statistical carry-over from 2025. The Committee also reaffirmed that Uruguay's potential GDP growth is expected to average 2.1% between 2026 and 2029, slightly below previous estimates.

### Further monetary easing amid lower activity

**We lowered our 2026 GDP growth forecast by 1.5%, down from 1.8% in our previous scenario due to the negative statistical carryover suggested by leading indicators.** The drought will affect soybean production and introduce downside risks to our growth forecast for this year.

**Our inflation forecast for YE26 stands at 4.5%, in line with the central bank's target, implying a**

**rebound later in the year.** While inflation has surprised to the downside recently and activity remains soft, the recent pressures on oil prices and weaker UYU at the margin amid the US and Iran conflict could lead to higher CPI readings in the coming months.

**Our terminal rate forecast stands at 5.50% for YE26, assuming one 25bp cut in the next meeting scheduled for 21 April.** Uruguay currently has the lowest real ex-ante interest rate in the region, reflecting the expansionary stance of monetary policy.

**Andrés Pérez M.  
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### Uruguay | Forecasts and Data

	2022	2023	2024	2025F		2026F		2027F	
				Current	Previous	Current	Previous	Current	Previous
<b>Economic Activity</b>									
Real GDP growth - %	4.8	0.7	3.1	<b>1.8</b>	2.0	<b>1.5</b>	1.8	<b>1.5</b>	2.0
Nominal GDP - USD bn	70.7	78.0	81.3	<b>85.2</b>	85.2	<b>94.9</b>	95.4	<b>98.3</b>	99.2
Population (millions)	3.5	3.5	3.5	<b>3.5</b>	3.5	<b>3.5</b>	3.5	<b>3.5</b>	3.5
Per Capita GDP - USD	20,253	22,282	23,174	<b>24,241</b>	24,241	<b>26,937</b>	27,083	<b>27,893</b>	28,151
Unemployment Rate - year avg	7.9	8.3	8.2	7.4	-	<b>7.6</b>	7.6	<b>7.6</b>	7.6
<b>Inflation</b>									
CPI - %	8.3	5.1	5.5	3.6	-	<b>4.5</b>	4.5	<b>4.5</b>	4.5
<b>Interest Rate</b>									
Reference rate - eop - %	11.50	9.00	8.75	7.50	-	<b>5.50</b>	6.50	<b>5.50</b>	6.50
<b>Balance of Payments</b>									
UYU / USD - eop	39.9	38.9	44.1	39.0	-	<b>39.5</b>	39.5	<b>40.0</b>	40.0
Trade Balance - USD bn	-0.8	-2.5	-1.4	-1.5	-	<b>-1.0</b>	-1.0	<b>-1.0</b>	-1.0
Current Account - % GDP	-3.7	-3.4	-1.0	<b>-0.2</b>	-0.2	<b>-0.2</b>	-0.2	<b>-0.2</b>	-0.2
Foreign Direct Investment - % GDP	4.5	5.5	2.0	<b>1.5</b>	1.5	<b>1.5</b>	1.5	<b>1.5</b>	1.5
International Reserves - USD bn	15.1	16.2	17.4	19.0	-	<b>19.5</b>	19.5	<b>19.5</b>	19.5
<b>Public Finance</b>									
Nominal Balance Central Gov. (*) - % GDP	-3.0	-3.3	-3.4	-4.1	-	<b>-4.0</b>	-4.0	<b>-3.5</b>	-3.5
Gross Public Debt Central Gov. - % GDP	58.2	58.5	57.2	<b>61.0</b>	61.5	<b>61.7</b>	61.4	<b>61.9</b>	60.7

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

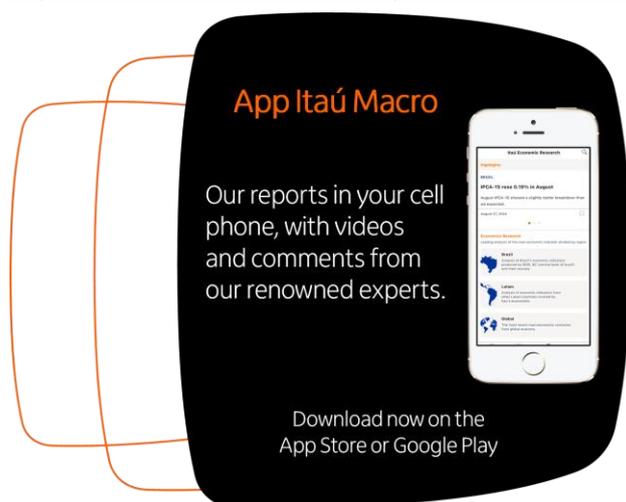
(\*) Excludes extraordinary inflows to the Social Security Trust

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