

Macroeconomic Research
Macro Scenario – Uruguay
December 2024

Uruguay: Higher inflation due to a weaker UYU

1. GDP expanded sequentially for the fifth consecutive quarter in 3Q24

- However, activity softened at the margin.

2. Inflation has been within the target range for the past eighteen months

- Headline inflation reached 5.0% YoY in November.

3. BCU on hold, with an eye on the FX market

- We expect the Board to maintain the policy rate at 8.5% in 2025.

4. High volatility in the FX market

- The UYU has depreciated mainly due to a stronger global dollar.

5. Fiscal accounts improved at the margin in October

- The central government's 12-month nominal fiscal deficit fell to 3.2% of GDP.

6. Scenario

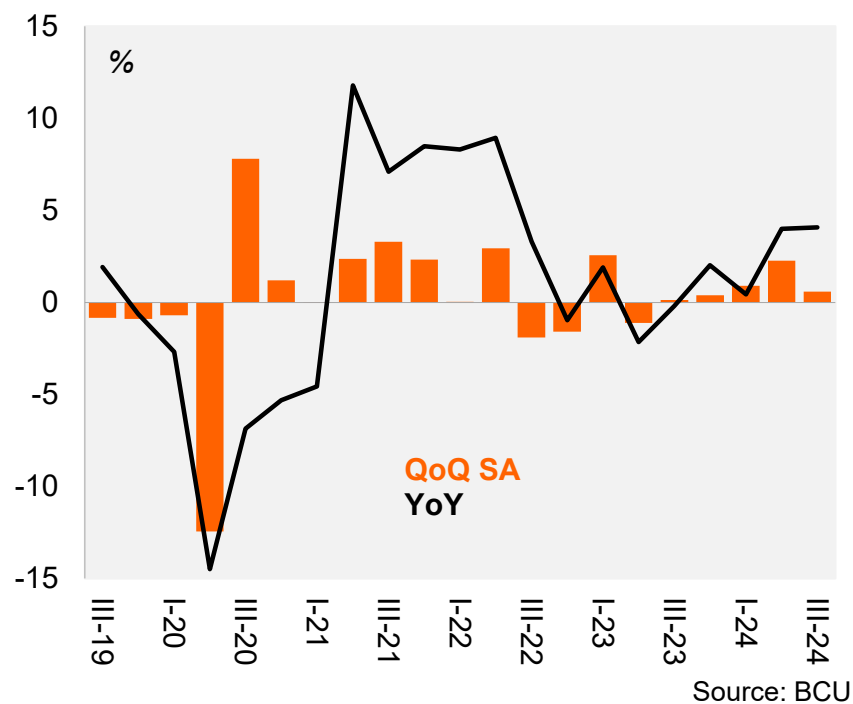
- We revised our YE24 and YE25 nominal exchange rate forecast to 44 UYU/USD and 46 UYU/USD from 42.5 UYU/USD and 44 UYU/USD in our previous scenario respectively, due to a stronger global dollar. Considering the weaker currency, we now expect 6.0% inflation by YE25.

1. GDP expanded sequentially for the fifth consecutive quarter in 3Q24

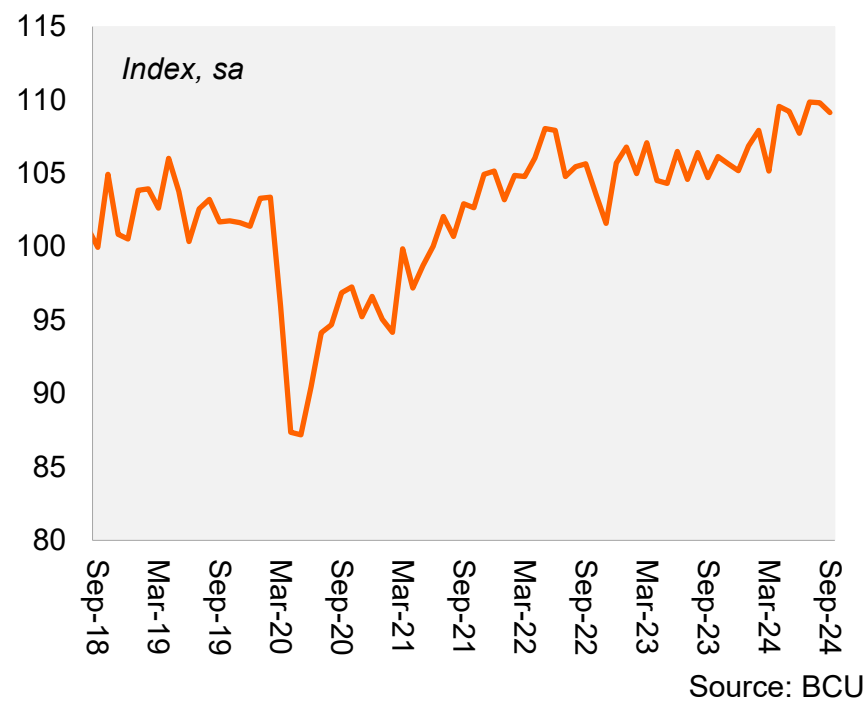
Activity softened at the margin.

- GDP grew by 0.6% QoQ/sa in 3Q24, expanding sequentially for the fifth consecutive quarter. Activity rose by 4.1% yoy in 3Q24.
- Domestic demand continues to decline. Domestic demand contracted 0.3% yoy in 3Q24 (from -1.2% in 2Q24), led by a sharp 8.6% yoy decline in gross capital formation (lower inventories).

GDP Growth



Activity Index

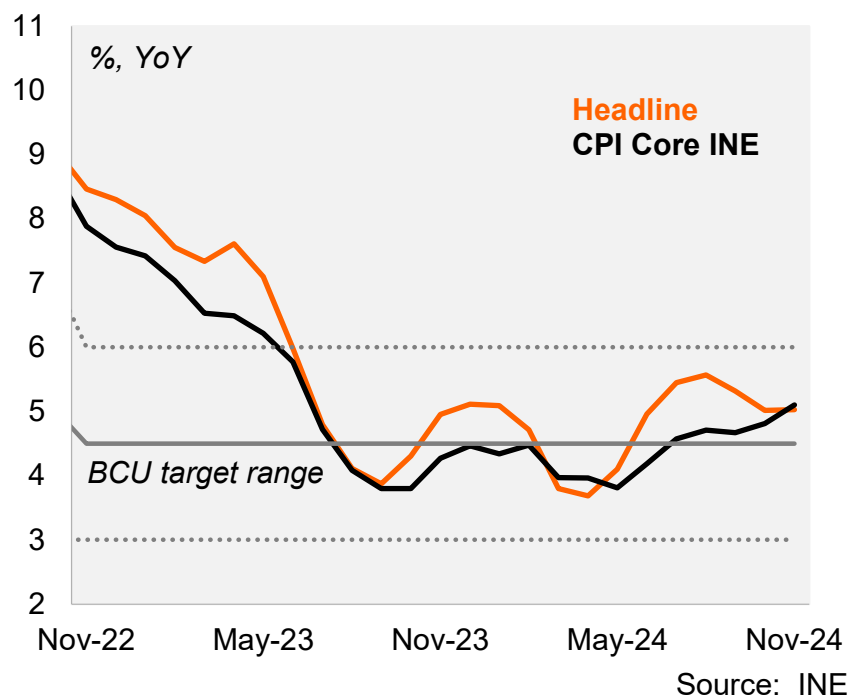


2. Inflation has been within the target range for the past eighteen months

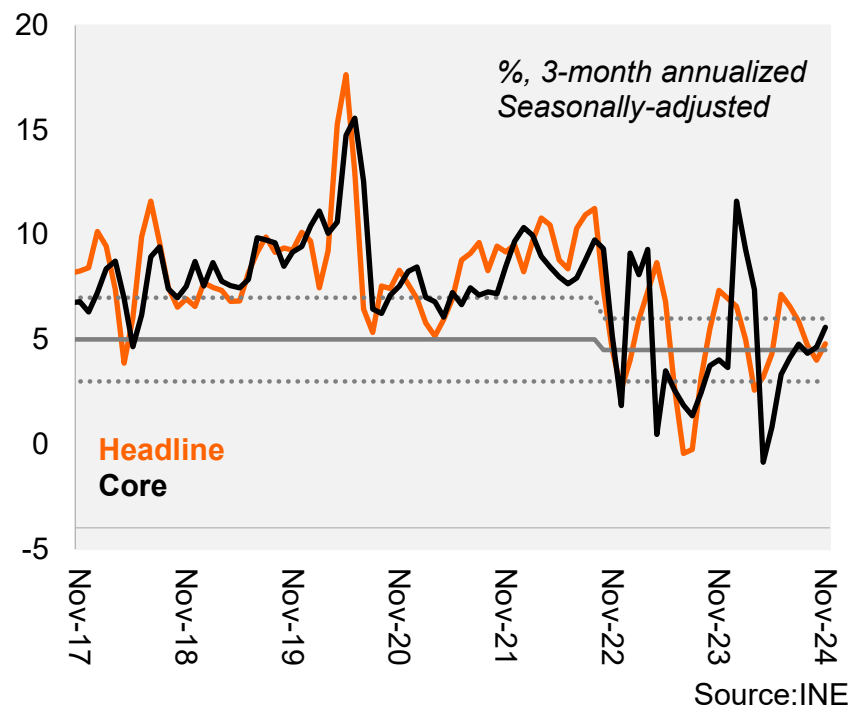
Headline inflation reached 5.0% YoY in November.

- Headline inflation rose by 0.36% MoM in November.
- On an annual basis, headline inflation remained virtually unchanged (5.03% from 5.01% in October), while core inflation rose to 5.1% from 4.8% in the previous month. We note that both readings remain within the Central Bank's inflation target of 4.5% +/- 1.5%.
- Reflecting the weaker currency, we now expect for YE25 an inflation about 6.0% (5.8% in our previous scenario).

Annual inflation



Inflation at the margin

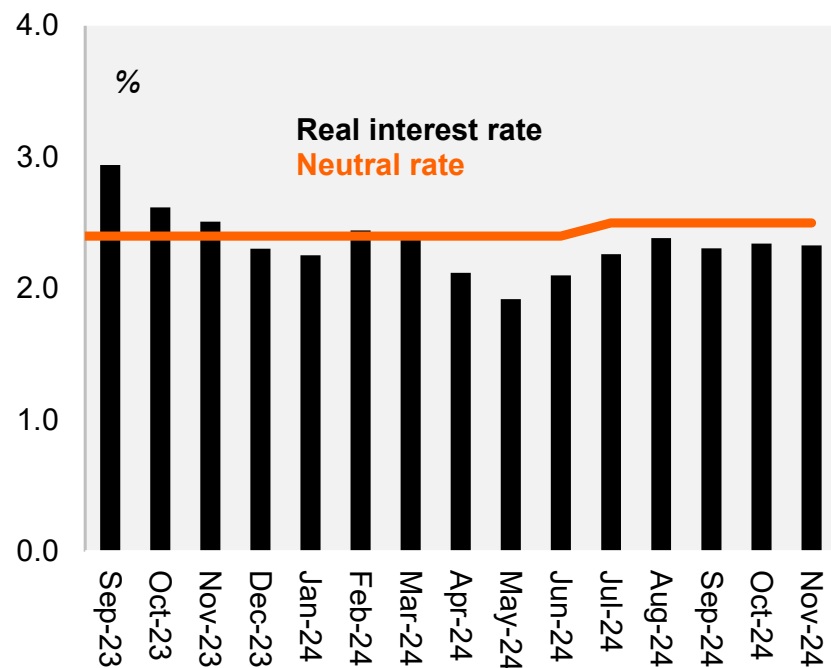


3. BCU on hold, with an eye on the FX market

We expect the Board to maintain the policy rate at 8.5% in 2025

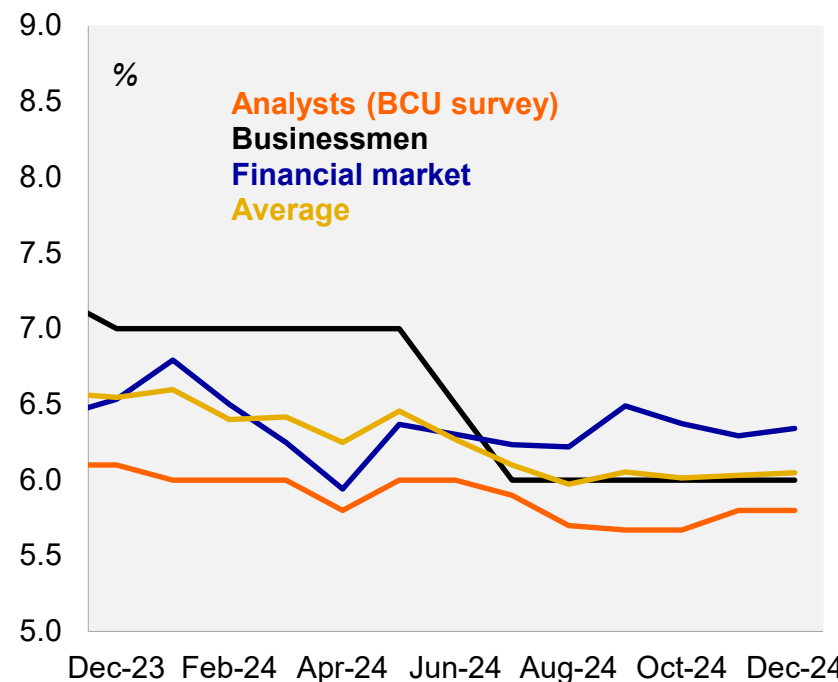
- The central bank's next monetary policy meeting is scheduled for December 23; we expect the Board to maintain the policy rate at 8.5%.
- In our view, the depreciation of the UYU calls for an additional layer of caution in future decisions. Moreover, fewer cuts being penciled for the Fed limits the room for additional rate cuts due to the narrowing interest-rate differential.

Ex-ante real interest rate



Source: BCU, INE, Bevsa

24-months inflation expectations



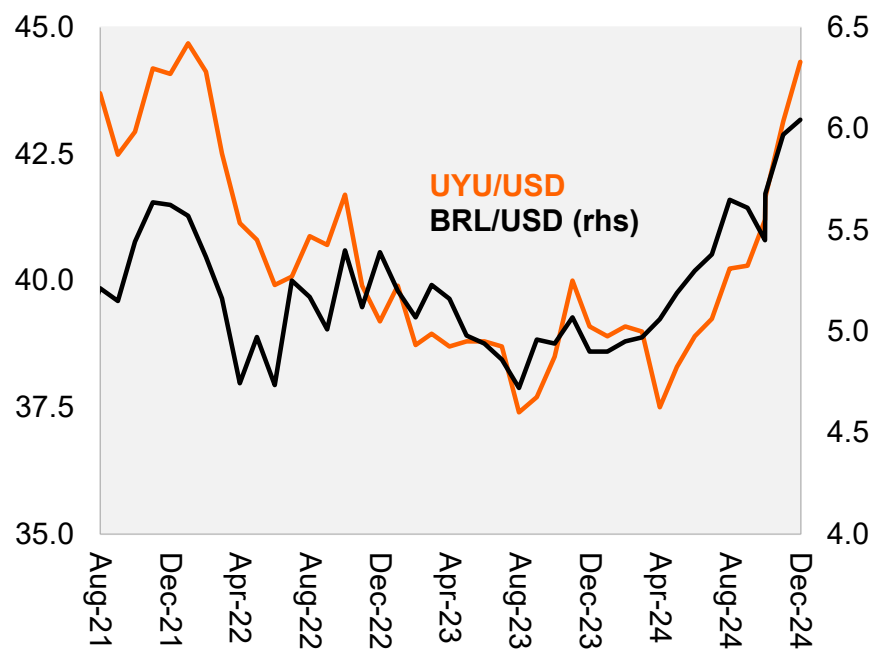
Source: BCU, INE, Bevsa

4. Exchange rate

The UYU has depreciated mainly due to a stronger global dollar.

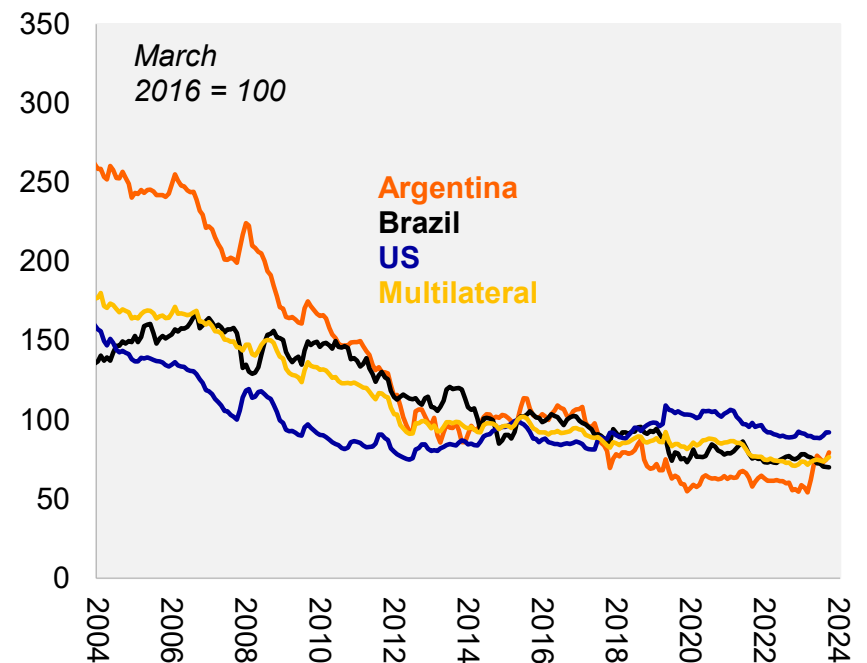
- In 4Q24, the UYU started a depreciation process that led to the highest nominal levels since January 2022. Thus, the UYU depreciated 14.5% YTD against the USD.
- We revised our YE24 nominal exchange rate forecast to 44 UYU/USD from 42.5 UYU/USD in our previous scenario.

FX market



Source: Bloomberg

Real exchange rate

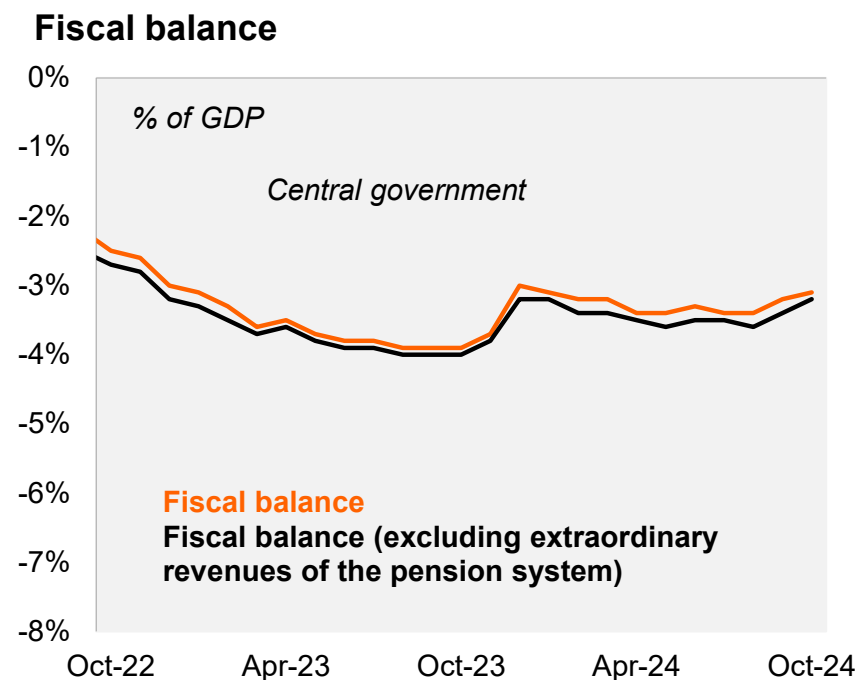


Source: BCU

5. Fiscal accounts improved at the margin in October

The central government's 12-month nominal fiscal deficit fell to 3.2% of GDP

- The central government's 12-month nominal fiscal deficit decreased to 3.2% of GDP in October, from 3.4% in September, reaching the same figure registered at the end of 2023.
- Tax revenues increased by 9.5% yoy in real terms in the period (from 9.7% yoy in 3Q24). Total real revenues increased by 7.9% yoy in the period, from 7.7% in 3Q24.
- Primary expenditures increased by 3.3% yoy in real terms in the period, while total expenditures expanded by 3.5% yoy led by pension and wages payments.



Source: Ministry of Economy and Finance

6. Uruguay | Scenario forecast

	2019	2020	2021	2022	2023	2024F		2025F		2026F
						Current	Previous	Current	Previous	Current
Economic Activity										
Real GDP growth - %	0.7	-6.3	5.3	4.9	0.4	3.0	3.0	2.3	2.3	2.5
Nominal GDP - USD bn	62.1	53.7	61.4	71.3	77.3	80.5	81.2	77.9	83.5	76.9
Population (millions)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Per Capita GDP - USD	17,908	15,461	17,616	20,418	21,665	22,962	22,702	22,158	23,254	21,813
Unemployment Rate - year avg	8.9	10.4	9.3	7.9	8.3	8.0	8.0	7.8	7.8	7.6
Inflation										
CPI - %	8.8	9.4	8.0	8.3	5.1	5.0	5.0	6.0	5.8	5.5
Interest Rate										
Reference rate - eop - %	8.57	4.50	5.75	11.50	9.00	8.50	8.50	8.50	8.50	8.00
Balance of Payments										
UYU / USD - eop	37.35	42.35	44.69	39.9	38.9	44.0	42.5	46.0	44.0	47.5
Trade Balance - USD bn	-0.1	-0.2	0.0	-0.8	-2.5	-1.0	-1.0	-1.0	-1.0	-1.0
Current Account - % GDP	1.2	-0.8	-2.5	-3.9	-3.6	-2.0	-2.0	-2.0	-2.0	-2.0
Foreign Direct Investment - % GDP	2.2	1.9	2.4	4.5	5.5	2.0	2.0	1.5	1.5	1.5
International Reserves - USD bn	14.5	16.2	17.0	15.1	16.2	18.5	18.0	18.5	18.5	18.5
Public Finances										
Nominal Balance Central Gov. (*) - % GDP	-4.0	-5.8	-4.2	-3.0	-3.3	-3.1	-3.1	-2.9	-2.9	-2.5
Gross Public Debt Central Gov. - % GDP	45.1	48.0	61.2	58.5	58.3	57.4	56.0	60.9	55.0	62.7

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

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

To access our reports and forecast visit our website:

<https://www.itaubba-pt/macroeconomic-analysis>

Relevant Information

1. This report has been prepared and released by the Macro Research Department of Itaú Unibanco S.A. (“Itaú Unibanco”). This report is not a product of the Equity Research Department of Itaú Unibanco or Itaú Corretora de Valores S.A. and shall not be construed as a research report (“relatório de análise”) for the purposes of Article 1 of the CVM Instruction NR. 20, dated 2021.
2. The exclusive purpose of this report is to provide macroeconomics information and it does not constitute and shall not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial product, or to participate in any particular trading strategy in any jurisdiction. The information herein is believed to be reliable as of the date on which this report was released and it has been obtained from public sources believed to be reliable. However, Itaú Unibanco does not make any explicit or implied representation or warranty as to the completeness, reliability or accuracy of such information, nor does this report intend to be a complete statement or summary of the markets or developments referred to herein. Itaú Unibanco has no obligation whatsoever to update, modify or amend this report and inform the reader accordingly.
3. The opinions contained herein reflect exclusively the personal views of the analyst responsible for this report and were prepared independently and autonomously, including in relation to Itaú Unibanco, Itaú Corretora de Valores S.A. and any other companies within their economic group.
4. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of Itaú Unibanco. Additional information on the financial products mentioned in this report may be available upon request. Itaú Unibanco and/or any other company within its economic group is not and shall not be liable for any investment decisions (or otherwise) based on the information provided herein.

Additional Note: This material does not take into consideration the objectives, financial situation or specific needs of any particular client. Clients must obtain financial, tax, legal, accounting, economic, credit and market advice on an individual basis, based on their personal characteristics and objectives, prior to making any decision based on the information contained herein. By accessing the material, you represent and confirm that you understand the risks related to the financial instruments described in this material and the laws in your jurisdiction relating to the provision and sale of financial service products. You acknowledge that this material contains proprietary information and you agree to keep this information confidential for your exclusive use.

For inquiries, suggestions, complaints, criticisms and compliments, talk to Itaú’s CSCC: 0800 728 0728. Or contact us through our portal <https://www.itaubba-pt/atendaitau/para-voce/>. If you are not satisfied with the proposed solution, please contact the Itaú Corporate Ombudsman: 0800 570 0011 (on weekdays from 9 AM to 6 PM) or our PO Box 67.600, São Paulo-SP, Zip Code 03162-971. Hearing impaired, every day, 24h, 0800 722 1722.