

# Macro scenario - Uruguay



September 24, 2025

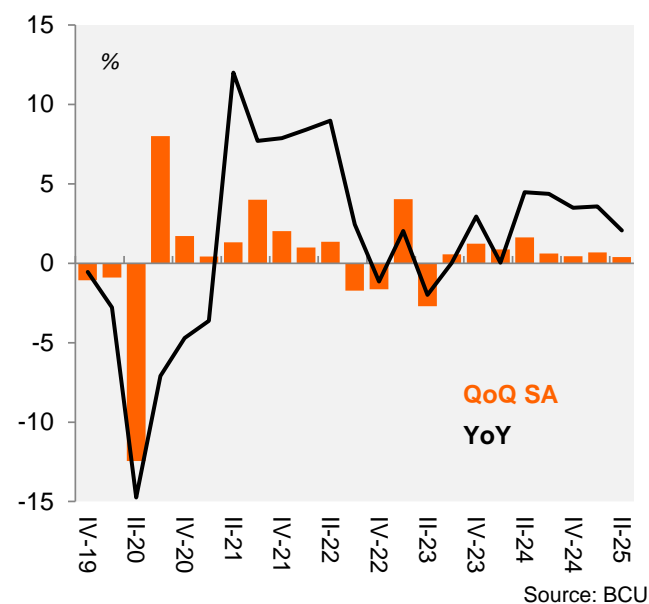
## Revising inflation down

- ▶ Our GDP growth forecast for 2025 remains at 2.3%. However, we lowered our 2026 forecast from 2.0% to 1.8% in our previous scenario, mainly due to spillovers from Argentina.
- ▶ We lowered our YE25 inflation forecast to 3.6% from 4.5% in our previous scenario, following persistent downside inflation surprises and our call for an even stronger UYU. We revised our exchange rate forecast to UYU/USD 40.5 by YE25, from 41.7 in our previous scenario amid a benign external scenario and broad dollar weakness.
- ▶ We continue to expect a monetary policy rate at 8.0% by the end of 2025. Although we now expect for YE26 a policy rate at 7.25% down from 7.5% in our previous scenario.

## Activity decelerated sequentially in 2Q25

**GDP rose by 2.1% yoy in 2Q25, down from 3.6% in 1Q25.** At the margin, GDP decelerated to 0.4% qoq/sa in 2Q25, down from a revised 0.68% in 1Q25, marking the eighth consecutive quarter of sequential expansion. Thus, the statistical carryover for 2025 stands at 2.0%. Domestic demand rose by 2.2% yoy in 2Q25 (3.9% in 1Q25). This increase was led by a 1.7% YoY rise in consumption, driven by private expenditure (2.3% YoY), partially offset by lower public expenditures (-0.5% YoY). Moreover, gross capital formation rose by 4.7% yoy, due to an increased accumulation of stocks, primarily grains, resulting from a larger summer crop harvest. Exports of goods and services rose by a mere 0.5% yoy (from 3.8% in 1Q25), due to increased sales of cellulose, soybeans, and meat, while sales of rice and electricity decreased. Notably, there was an increase in exported business services and tourism, the latter associated with a greater inflow of Argentine tourists. Imports of goods and services rose by 0.7% yoy (from 4.9% yoy in 1Q25) due to higher imports of durable goods, pharmaceuticals, apparel, and meat.

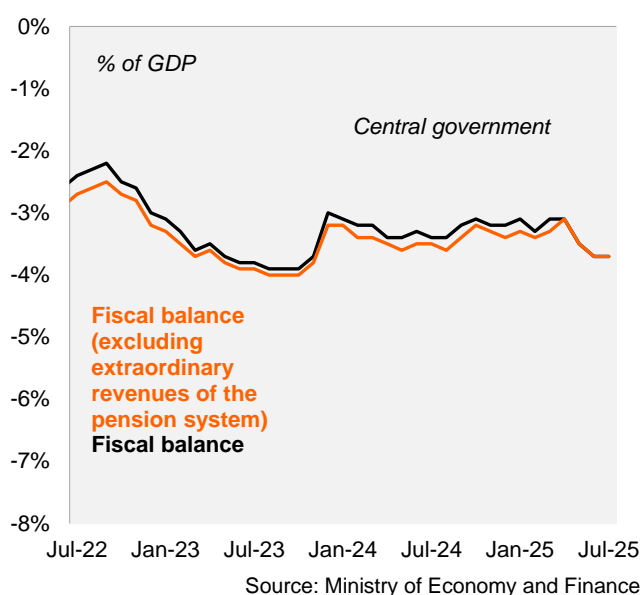
### GDP Growth



## Fiscal deficit should gradually widen in 4Q25

**The central government's 12-month nominal fiscal deficit rose to 3.7% of GDP in July 2025, unchanged from June.** Total real revenues fell 2.3% YoY in the quarter ended in July (-2.1% in 2Q25), in line with the deceleration of economic activity. On the expenditure side, real primary spending increased by 6.9% YoY, driven by non-personnel spending, which increased by 11.2% YoY in the quarter ended in July.

**Nominal fiscal balance**



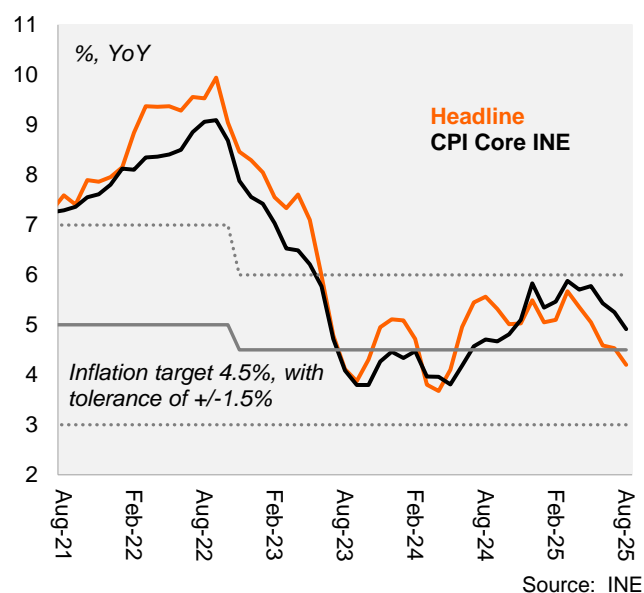
In line with Uruguay's institutional framework, the government presented the budget bill for the 2025-2029 period to Congress on August 31, outlining three major priorities: 1) higher growth to foster better jobs, 2) strengthening social protection, and 3) improving security. The document outlines the government's fiscal five-year roadmap, based on certain macroeconomic assumptions. Fiscal policy will be managed considering net debt of 65% of GDP as a medium-term anchor, consistent with the sustainability of the fiscal accounts. Net debt reached 59.5% of GDP in 2Q25. In our view, the macroeconomic scenario included in the Budget bill appears ambitious but feasible, considering our view for lower expected growth in Uruguay's main trading partners and the growth observed over the last decade, which averaged 1.2% per year. Finally, the fiscal balance in the bill assumes fiscal consolidation starting only in 2027, based on higher tax collection through increased efficiency of the general tax authority and new taxes.<sup>1</sup>

<sup>1</sup> See our note see our note on the topic [here](#).

## Downside inflation surprises seem to be the new normal

**Inflation has consistently surprised to the downside for the past five months.** CPI unexpectedly fell by 0.03% MoM in August (from +0.29 a year ago and a 5-year median of +0.54%), likely supported by a stronger UYU.<sup>2</sup> Using our own seasonally adjusted figures, the three-month annualized headline inflation fell to 3.4% in August (down from 3.8% in July), while core inflation was 3.1% (down from 3.8% in the previous month). On an annual basis, headline inflation fell to 4.2% in August (from 4.53% in July), while core decreased to 4.92% from 5.25% in the previous month. Cumulative inflation in the year through August reaches 2.75%. Both readings have remained within the Central Bank's inflation target of  $4.5\% \pm 1.5\%$  for the past two years.

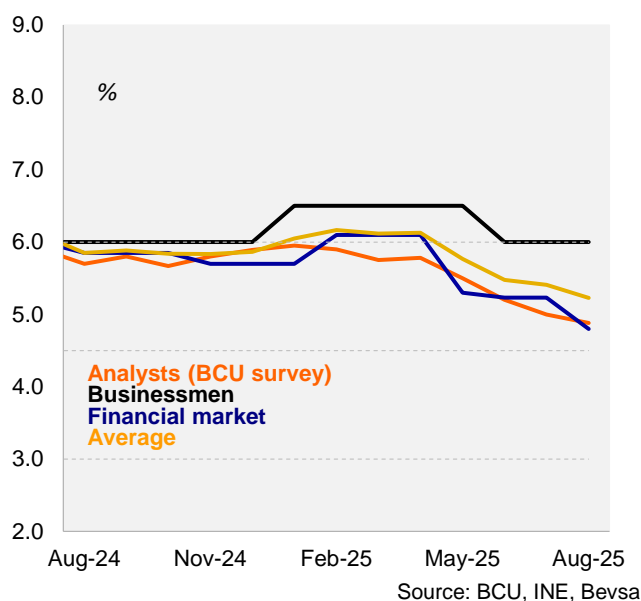
**Annual inflation**



**Well-behaved inflation, along with other factors, is contributing to a gradual and welcome decline in inflation expectations.** Two-year ahead survey-based inflation expectations, as measured by the BCU's analyst survey, fell again in August to 4.88%, the lowest on record. However, inflation expectations from firms have been stuck at 6% for several months, an issue that was highlighted by the BCU in the last COPOM meeting.

<sup>2</sup> Our report on August CPI is available [here](#).

## 24-month inflation expectations



## Revising inflation lower

**Our 2025 GDP growth forecast stands at 2.3%.** The upside revision to 1Q25 GDP data reduces the downside risks for our call given a higher statistical carryover. However, we lowered our 2026 GDP growth forecast to 1.8%, from 2.0%, partly due to spillovers from Argentina (effects of a weaker ARS).

**We lowered our YE25 inflation forecast to 3.6%, down from 4.5% in our previous scenario, because the latest prints were significantly lower than expected, combined with our view of an even stronger UYU by year end.**

**We revised our exchange rate forecast to UYU/USD 40.5 by YE25, from 41.7 in our previous scenario amid a benign external scenario and global dollar weakness.**

**Our BCU forecast considers continuous cuts during the remainder of 2025, ending the year at 8.0%.** We revised our YE26 policy rate down slightly to 7.25% from 7.5% in our previous scenario.

**We revised our central government's fiscal deficit forecast for 2025 and 2026 to 4.1% of GDP and 4.0% for 2026, respectively (-4.0% and -3.5% in our previous scenario).** The figures are in line with the estimations included in the Budget bill recently submitted to Congress.

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

## More cuts to come

**In the last monetary policy meeting held in August, the central bank (BCU) unanimously cut the monetary policy rate by 25 bps for the second consecutive meeting, to 8.75%.** The central bank's statement highlighted that average inflation expectations stand at 5.23%, within the tolerance range for the fourth month in a row. We estimate the ex-ante real policy rate at 3.35% (also including the expectations from businessmen), placing the policy rate still in contractionary territory, above the center of the BCU's neutral real rate range estimate of 2.5%. The Central Bank mentioned that there may be room to continue reviewing the policy rate downward if inflation and inflation expectations continue to decline, particularly among businesses.

## 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>1.8</b>	2.0
Nominal GDP - USD bn	53.6	60.7	70.7	78.0	81.3	<b>85.1</b>	84.6	<b>90.9</b>	89.1
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>24,193</b>	24,050	<b>25,798</b>	25,286
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>3.6</b>	4.5	<b>4.5</b>	4.5
<b>Interest Rate</b>									
Reference rate - eop - %	4.50	5.75	11.50	9.00	8.75	<b>8.00</b>	8.00	<b>7.25</b>	7.50
<b>Balance of Payments</b>									
UYU / USD - eop	42.35	44.69	39.9	38.9	44.1	<b>40.5</b>	41.7	<b>41.0</b>	42.5
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>-0.2</b>	-0.2	<b>-0.2</b>	-0.2
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>19.5</b>	19.5	<b>19.5</b>	19.5
<b>Public Finances</b>									
Nominal Balance Central Gov. (*) - % GDP	-5.8	-4.2	-3.0	-3.3	-3.4	<b>-4.1</b>	-4.0	<b>-4.0</b>	-3.5
Gross Public Debt Central Gov. - % GDP	61.3	58.5	58.2	58.5	57.2	<b>61.5</b>	61.2	<b>61.4</b>	60.5

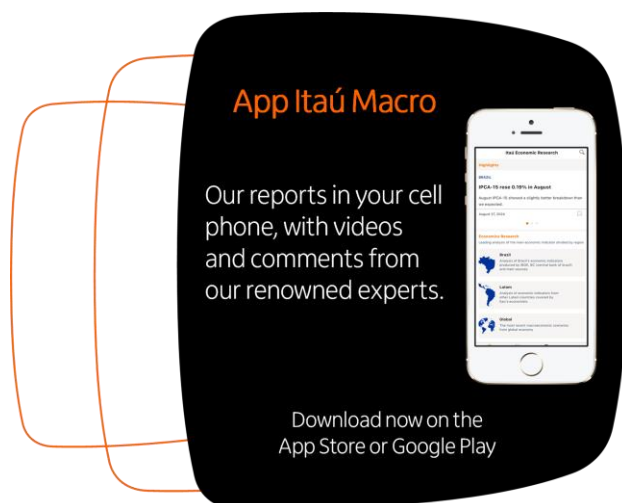
Source: FMI, Haver, Bloomberg, BCU, Itaú.

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

## Macro Research – Itaú

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