



Key Highlights

- Economic growth was 3.4% in 2025Q1 compared to the same period in 2024. The monthly economic indicator increased by 2.6% in March 2025 compared to the same month in the previous year.
- Uruguay's interannual inflation reached 5.05% in May 2025, marking a historic 24-month streak within the Central Bank's 3%-6% target range. It was the longest period since the implementation of the Inflation Targeting regime in 2005.
- The Monetary Policy Committee of the Central Bank kept the policy reference rate at 9.25%, in line with a slowdown in inflation expectations.
- The aggregate profit of banks represented a return on assets of 3.1% and a return on equity of 27.1% as of December 2024, reflecting the better performance of the Uruguayan banking system in the last 10 years.
- Uruguay is the second-best country in Latin America to invest in, according to the Global Opportunity Index of 2025, elaborated by the Milken Institute.
- The first green H2 project for heavy-duty transportation is making progress.

I. Real Sector

1.1 Real GDP 2025Q1

In the first quarter of 2025, GDP showed a growth of 3.4% in relation to the same quarter of 2024. From the production perspective, the positive impact of activities in Manufacturing Industry, Health, Education, Real estate activities and Other services, and Commerce, restaurants and hotels stands out, partially counteracted by lower activity in Electricity, Gas and Water.

From the demand perspective, an increase was registered in both internal and external demand. Regarding internal demand, there was an increase in Final Consumption Expenditure (due to both higher Household Final Consumption Expenditure and Government and Non-Profit Institutions Serving Households Final Consumption Expenditure), and Gross Capital Formation, due to higher Gross Fixed Capital Formation and lower inventory destocking.

1.1 Real GDP 2024 (annual)

Economic activity in 2024 recorded an annual growth of 3.1% compared to 2023. In 2024Q4, GDP increased by 3.5% compared to the same quarter of 2023. In seasonally adjusted terms, economic activity grew by 0.3% compared to the third quarter of 2024.

Demand and Supply Components

On the production front, the Manufacturing Industry, Electricity, Gas, and Water, as well as Financial Services, were the drivers of growth, which was partially offset by lower activity in Transportation and Storage, as well as Information and Communication.

The Agricultural, Fishing, and Mining sector expanded by 11.3% in 2024 compared to the previous year, driven by growth in agricultural and forestry activities, while livestock activity remained stable in 2024.

The Electricity, Gas, and Water sector, in turn, grew by 19.6%, mainly due to increased renewable energy generation and higher electricity exports to neighbouring countries.

The dynamism in Trade, Accommodation, and Food and Beverage Services was driven by higher trade in soybeans and fuels. Meanwhile, the expansion of accommodation and food services was attributed to the reversal of outbound tourism spending to Argentina in 2023.

The Manufacturing Industry grew by 3.2%, driven by increased pulp production, partially offset by a decline in oil refining due to a transitory stop in the refinery.

Likewise, Financial Services expanded by 4.8% in 2024, in line with the high profits recorded in the banking system.

On the expenditure front, the real GDP growth was explained by an increase in net external demand and, to a lesser extent, by an expansion in domestic demand compared to 2023. In that regard, exports of goods and services increased by 8.3% in 2024, while total imports fell by 1.5%, improving the trade balance.

Likewise, total consumption rose by 1.7% in 2024, driven by growth in both household consumption (1.7%) and government spending (2.0%).

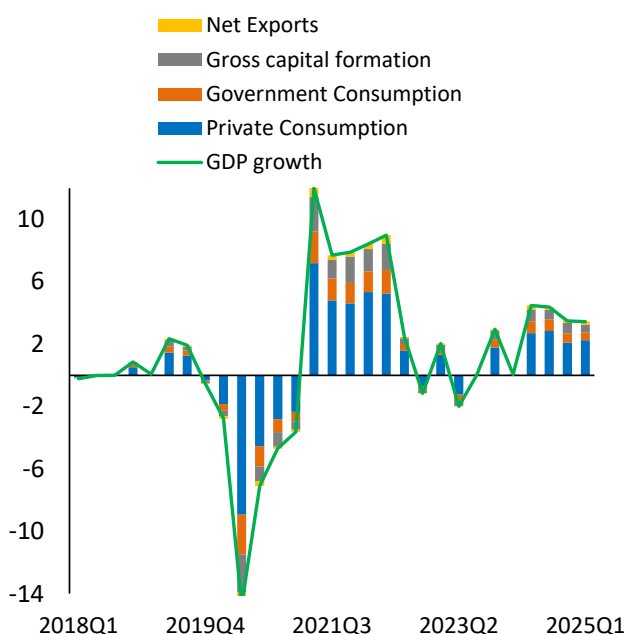
In turn, Gross capital formation contracted by 7% in the last year, mainly driven by a 1.3% decline in gross fixed capital formation and a rundown of inventories.

Monthly Economic Activity Indicator (IMAE)

In March 2025, the IMAE showed a 4.3% increase compared to the same month in 2024 and a 0.5% decrease in seasonally adjusted terms compared to February, signalling an improvement in the recent evolution of the country's economic activity.

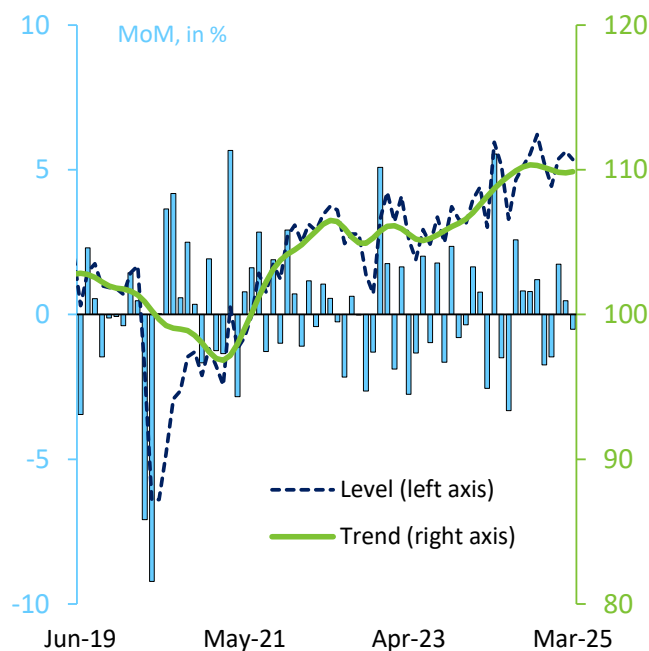
The IMAE is a synthetic indicator that summarises the activity of the different branches of the economy in a given month, measured at constant 2016 prices. The calculation is based on multiple supply-side indicators weighted by the share of economic activities within the GDP.

Figure 1: Contribution to Real GDP Growth by Expenditure
(YoY, quarterly)



Source: Central Bank of Uruguay

Figure 2: Monthly Economic Activity Indicator (IMAE)
(In seasonally adjusted terms)



Source: Central Bank of Uruguay

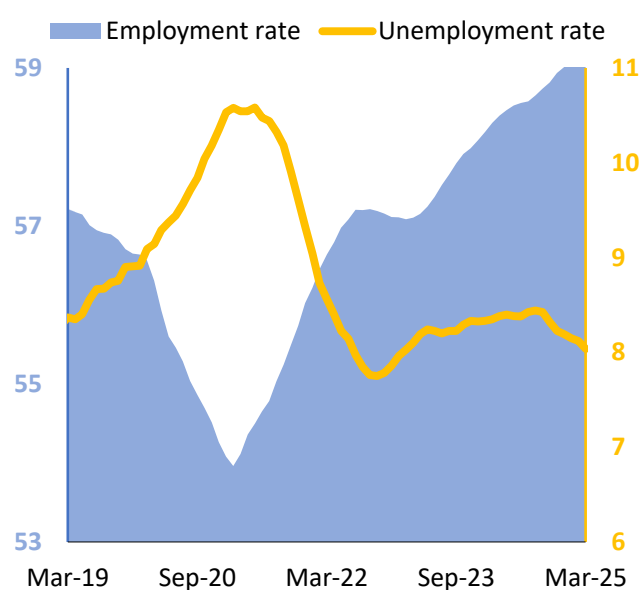
II. Labour market

In March 2025, Uruguay's unemployment rate stood at 8%, slightly surpassing the 7.9% recorded in the previous month, according to the National Institute of Statistics (INE). In this regard, the INE indicates that the number of employed people is approximately 1.9 million.

The statistics agency also stated that in March, the activity rate nationwide was 64.5%, and the employment rate was 59.3%. Montevideo recorded an activity rate of 65.2%, an employment rate of 60.5%, and an unemployment rate of 7.1%, whereas the rest of the country reported rates of 64%, 58.5%, and 8.6%, respectively.

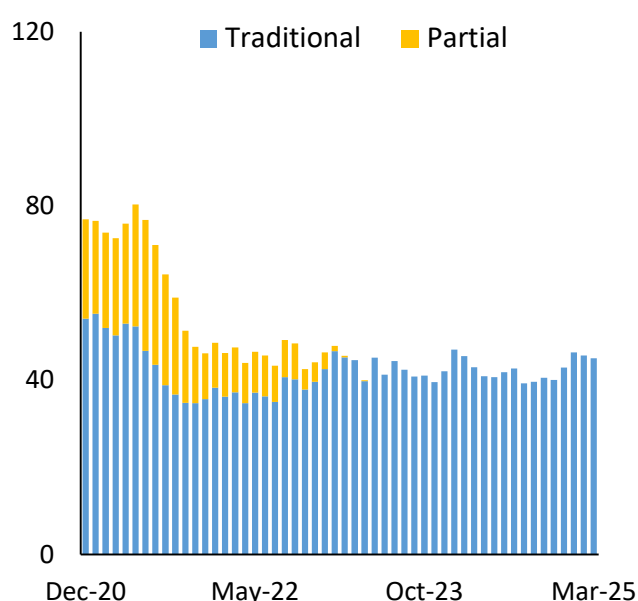
In 2024, Uruguay recorded a net creation of approximately 35,000 new jobs compared to the previous year. This growth resulted in an employment rate of 59.8% by the end of the year. Commerce, Services, and Construction sectors drove the job creation last year.

Figure 3: Unemployment and Employment Rate
(Average of last 12 months, in %)



Source: National Institute of Statistics

Figure 4: Unemployment Insurance
(Number of beneficiaries, in thousands, by the regime)



Note: The traditional regime refers to the full unemployment insurance benefit as stipulated by Uruguayan law, whereas the partial regime implies that employees maintain their job relationship while working part-time.
Source: Social Security Institute

III. External Sector

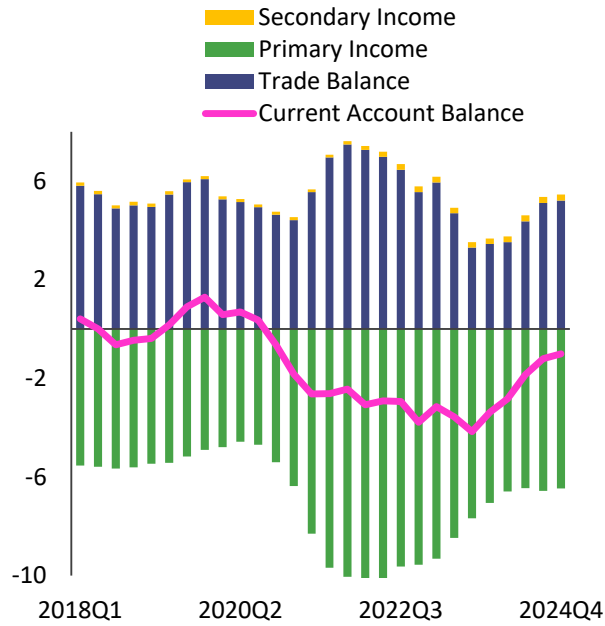
Uruguay's external position improved significantly in 2024, with the Current Account of the Balance of Payment (CAB) narrowing to a four-year low of USD 821 million, equivalent to 1% of GDP, and down from USD 1.8 billion (3.4% of GDP) in 2023. This result was primarily due to an increase in the trade surplus of goods and services, which rose from 2.7% of GDP in 2023 to 4.2% of GDP in 2024. The surge in cellulose exports and the recovery of soybean production, following the 2022/2023 drought, were the key drivers for this recovery.

Additionally, the Primary Income decreased its deficit by USD 267 million, primarily driven by an increase in foreign direct investment (FDI) inflows from companies in the country.

The Financial Account recorded a net lending of USD 415 million. In turn, Other Investment, Portfolio and Financial Derivatives registered net inflows of USD 3.1 billion, while FDI recorded net outflows of USD 2.4 billion.

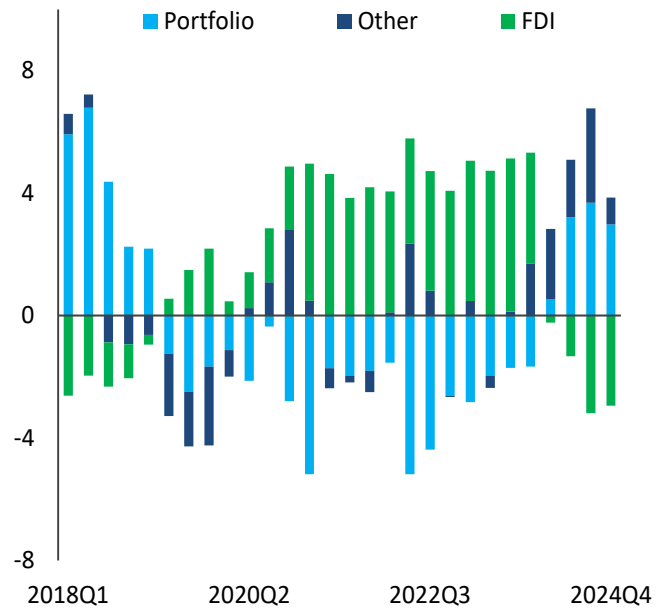
International Reserve Assets increased by USD 1.1 billion in 2024, totalling USD 17.4 billion, mainly due to an increase in net purchases of foreign currency held by the Central Bank and an increase in the deposits from the banking system. As of the end of May, the stock of international reserves continued to increase, reaching around USD 19 billion (equivalent to 23.5% of GDP, one of the highest in Latin America).

Figure 5: Current Account Balance
(Rolling 4-quarters, in % of GDP)



Source: Central Bank of Uruguay

Figure 6: Key Components of Net Capital Inflows
(Rolling 4-quarters, in % of GDP)



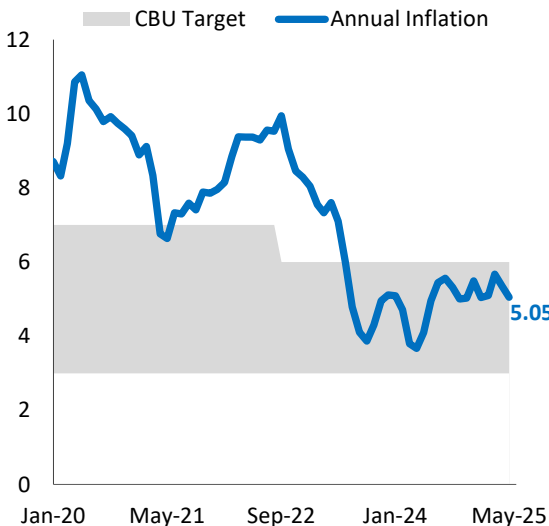
Source: Central Bank of Uruguay
Note: "Other" includes Other Investments and Financial Derivatives from the Financial Account of the Balance of Payments. Changes in Central Bank Reserve Assets are not included.

IV. Inflation and Monetary Indicators

Consumer prices grew by 0.11% in May, below the market expectations (0.29%). The annual inflation decelerated to 5.05% in May (from 5.36% in the previous month), remaining within the target range for 24 consecutive months –the most extended period since the introduction of the inflation target regime. The reading in May was primarily driven by food, mainly due to declines in the prices of meat and vegetables. Meanwhile, transportation prices experienced deflation for the third consecutive month, driven by the decline in oil prices.

In the fifth month of the year, annual inflation slowed notably in several categories, including Food and Non-alcoholic Beverages item (4.7%); Transportation (4.4%); Restaurants and Food Services (6.6%); and Housing and Utilities (4.3%). Clothing and Footwear prices, in turn, dropped 1.1% in the mobile year ended in May. Before the May print, market inflation expectations decelerated to 5.36% by the end of 2025, compared to the previous estimate of 5.50%.

Figure 7: Inflation
(In %, YoY)



On May 27th, the Monetary Policy Committee (MPC) of the Central Bank kept the policy reference rate at 9.25%, the highest since 2023, to support the ongoing convergence of inflation toward the 4.5% target. The MPC's communiqué highlighted that core inflation remains high and persistent.

Given that two-year inflation expectations continue to hover around the upper limit, the MPC reaffirmed its commitment to maintaining a "restrictive stance" of monetary policy to bring inflation down to the policy target of 4.5% over the economic policy horizon.

Regarding the FX market, the Uruguayan peso experienced a depreciation during the last quarter of 2024, reaching UYU 44.73 per US Dollar in December. However, this trend reversed in 2025, initiating a process of appreciation against the US Dollar.

Despite this general appreciation in 2025, the Uruguayan peso recorded an average depreciation of 1.0% in Q1 2025 compared to the previous quarter. This is because the intensity of the current appreciation has been less sharp than the previous depreciation. In May, the Uruguayan peso appreciated by 1.5% on a monthly basis, closing the interbank rate at UYU 41.68 per US Dollar.

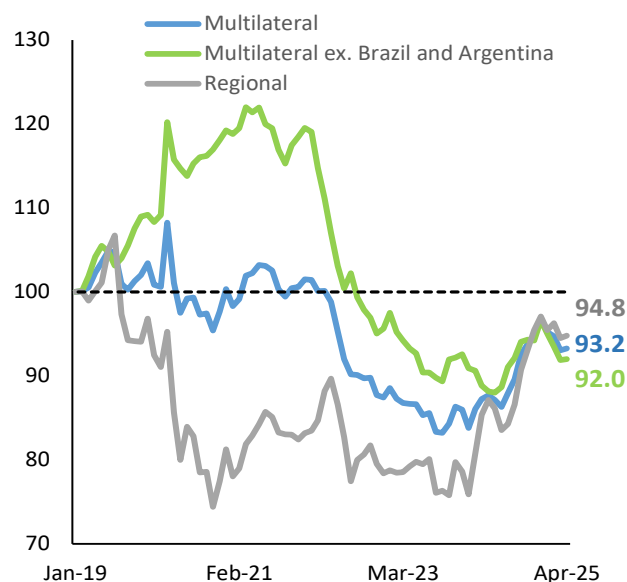
The real effective exchange rate (REER) showed a 9.1% depreciation in the first four months of 2025 compared to the same period of the previous year. Moreover, price competitiveness within the region increased by 15.8%, driven by a strong appreciation of the Argentine peso. Measured in extra-regional terms, the REER depreciated by 3.9% during this period.

Figure 8: Nominal Exchange Rate
(Pesos per Dollar)



Source: Central Bank of Uruguay

Figure 9: Real Effective Exchange Rate
(Index base 100 = 2019)



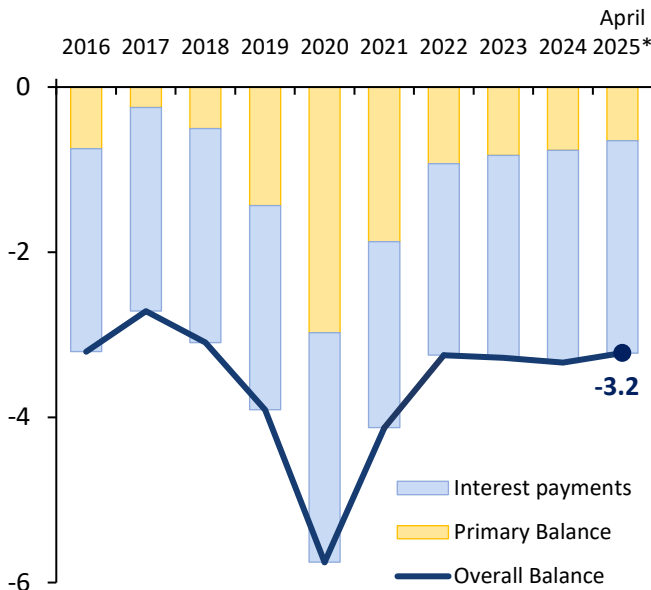
Note 1: The Regional Real Effective Exchange Rate is a weighted average of the REER of Argentina and Brazil.

Note 2: An upward movement in the index means a real exchange depreciation—source: Central Bank of Uruguay.

V. Fiscal and Debt Indicators

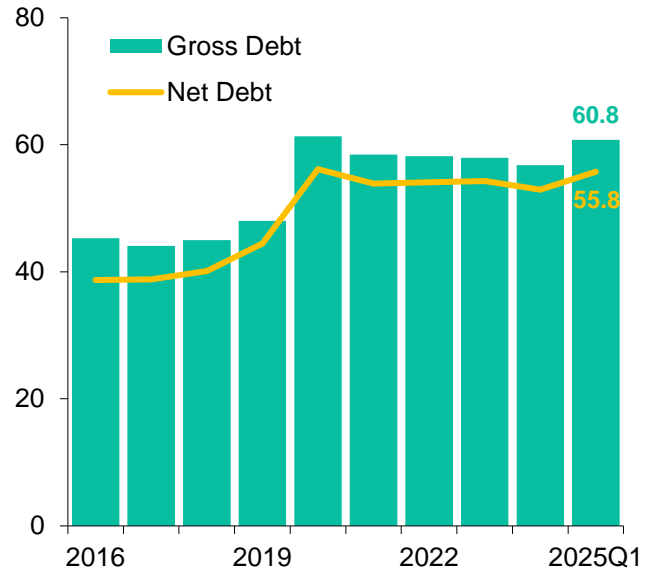
In the twelve months ending in April 2025, the fiscal balance of the Central Government stood at -3.1% of GDP. Netting out the effects of the Social Security Trust Fund (0.1% of GDP), the adjusted fiscal result of the GC-BPS was equivalent to -3.2% of GDP (the sum of the components may differ from the totals due to rounding). In turn, the gross debt of the Central Government was equivalent to 60.8% of GDP as of March 2025, while net debt represented 55.8% of GDP (see Figure 11). This implied an increase of 4.0 p.p. for the gross debt and 2.85 p.p. for the net debt of GDP, compared with December 2024. Debt figures include all loans and financial market securities contracted/issued by the Central Government and Central Government securities held by the public SSTF, and exclude non-market Central Government securities issued to capitalise the Central Bank in previous years.

Figure 10: Central Government Fiscal Balance
(In % of GDP, excluding net effect from the SSTF)



Source: Ministry of Economy and Finance of Uruguay
* 12-month cumulative

Figure 11: Central Government Debt
(In % of GDP, end of period)



Source: Debt Management Unit and Central Bank of Uruguay

Considering the broadest measure of the Consolidated Public Sector debt statistics published by the Central Bank (Central Government, local governments, public enterprises, the state-owned insurance bank, and the Central Bank), and netting out cross-holdings of assets and liabilities, the gross debt stock stood at 67.5% of GDP by end-December 2024, while the net debt printed at 39.6% of GDP.

VI. Banking System

As of December 2024, financial institutions' capital buffer exceeded the minimum regulatory requirement set by the Superintendence of Financial Institutions (SFI) by more than 1.9%. This regulatory threshold considers credit, market, operational, and systemic risks. In this sense, recent stress tests conducted by the SFI suggest that the banking system could withstand a significant recession while maintaining a reasonably adequate level of equity.

Regarding the liquidity risk of the banking system, the weight of 30-day realisable assets on total assets stood at 51.9% at the end of 2024, a similar figure to that at the end of fiscal year 2023. The aggregate profit of banks represented a return on assets of 3.1% and a return on equity of 27.1% as of December 2024, reflecting the better performance in the last 10 years.

VII. Recent Developments

VII.1 Uruguay had both the best state of democracy and the lowest corruption perception in LATAM

According to The Economist's Global Democracy Index, published in February, Uruguay is the only country in Latin America with a full democracy status, ranking 15th globally with a score of 8.67 out of 10.

Since 2006, the outlet has assessed 167 countries and territories on a scale of 0 to 10, based on electoral processes and pluralism, government functioning, political participation, political culture, and civil liberties. Countries are then grouped into four categories: full democracies, flawed democracies, hybrid regimes, and authoritarian regimes. Norway leads the list, followed by New Zealand and Sweden. In the Americas, Canada ranks 14th, followed by Uruguay.

The global average score dropped to a new low of 5.17, with only 6.6% of the world's population living in a full democracy, down from 12.5% ten years ago. Two out of five people globally live under authoritarian rule. The report highlights challenges faced by democracies worldwide, including violence during elections and the rise of dictatorial regimes.

The global average fell to a new all-time low of 5.17, down from a high of 5.55 in 2015. Only 6.6% of the world's population lives in a full democracy, down from 12.5% ten years ago, while two out of five people worldwide live under an authoritarian regime.

On the other hand, Uruguay leads Transparency International's list of countries with the lowest perceived corruption in the region, released by the non-governmental corruption watchdog. In 2024, it ranked 13th out of 180 countries globally according to the "Corruption Perceptions Index" (CPI). The CPI is calculated using data from 13 sources of 10 independent institutions. These sources measure the overall extent of corruption (frequency and/or size of bribes).

With a score of 76 out of 100, Uruguay ranks 13th among 180 countries evaluated, surpassing Canada (15th) and the United States (28th). Chile follows in the region, ranking 32nd globally.

This advancement represents a three-point increase from the previous year, when Uruguay scored 73 and ranked 16th. This progress demonstrates the country's ongoing commitment to transparency and integrity within the public sector.

Countries are scored on a scale from 0 (highly corrupt) to 100 (very clean). The report examines press freedom, access to information about budgets, the level of integrity in public office, and the independence of the judiciary, among other factors.

VII.2 Milken Institute highlights investment opportunities in Uruguay

Uruguay is the second-best country in Latin America to invest in, according to the 2025 Global Opportunity Index (GOI) from the Milken Institute. Chile, Uruguay, and Costa Rica ranked as the most attractive countries in terms of economic opportunities, with rankings of 40, 44, and 47, respectively. A ranking of 1 represents the best investment conditions, while 116 represents the least attractive destination, according to the Index.

The GOI 2025 report focuses on Latin America and the Caribbean region. It provides a benchmark for evaluating the attractiveness of foreign investment opportunities in more than 100 countries worldwide. The Index tracks countries' relative investment potential by considering key business, legal, and regulatory policies that influence foreign capital inflows.

VII.3 Central Bank of Uruguay integrates sustainability factors into its investment strategy

As part of its ongoing commitment to integrating ethical, social, and environmental considerations into the management of its reserve assets, the Central Bank of Uruguay invested in a fixed-income exchange-traded fund (ETF) with a Socially Responsible Investing (SRI) profile.

The fund, managed by the asset management firm *Amundi*, was developed and structured by the Latin American Reserve Fund in consultation with several central banks.

This investment category is based on financial instruments issued by entities that meet stringent standards in areas critical to sustainable economic development. SRI criteria aim to identify institutions that deliver economic value and make meaningful contributions to society and the environment.



The Central Bank will continue to explore opportunities to further incorporate Socially Responsible Investing principles into its investment decision-making process.

The Central Bank's participation in the fund, amounting to approximately USD 100 million, offers portfolio diversification benefits, given the fund's lower correlation with other eligible assets, intermediate interest rate risk, and relatively low overall credit risk. Instruments within the fund may have a maximum maturity of five years and must carry a minimum credit rating of A- or its equivalent.

VII.4 First green H2 project for heavy-duty transportation takes shape

A consortium of private companies in Uruguay plans to commission the country's first green hydrogen plant by 2026. The *Kahiros* project will utilise a 2 MW electrolyser powered by a small-scale, modular hydrogen plant comprising a 4.8 MW solar plant to produce green hydrogen for six fuel-cell trucks transporting timber.

With an estimated investment of around USD 38 million, financed by the Spanish banking group Santander, the Kahiros project will construct an H2 filling station to supply fuel for six Hyundai trucks operating at the Montes del Plata pulp and paper mill, which transports pulp and paper to the Montevideo Port. The Uruguayan authorities estimate the project will reduce carbon dioxide emissions by 870 tons annually.

Conversely, e-fuel Company HIF Uruguay moves forward with the following stages for producing synthetic fuels on the northern coast of the Paysandú Department. In February 2025, the company approved the re-categorisation of the land on which the HIF e-Fuels facility will be located. The approval of the land re-categorisation by the Departmental Council of Paysandú Department is a preliminary step before the Environmental Impact Assessment process. It establishes numerous environmental commitments the company must fulfil, including creating a reserve through the legal framework of an ecological easement and criteria for the environmental management of the HIF Paysandú e-Fuels facility. The initiative encompasses an area of 163 hectares, which will be designated as a nature reserve managed by the company by the same standards as the National System of Protected Areas.

"This approval represents a crucial institutional endorsement for the project and positions Paysandú among the leading locations globally in the transition to *e-fuels*. It is a very significant step that allows us to move forward with the next stages of development", said Mr. Martín Bremermann, CEO of HIF Uruguay.

In parallel, the firm has begun the environmental approval process for constructing its solar photovoltaic plant. The plant will have a capacity of 1,162 MW and provide renewable energy to the HIF Paysandú e-Fuels facility. The solar farm includes a transmission line for interconnection with the electric distribution grid. Once the firm obtains permission, the construction of the solar plant is expected to take approximately 18 months, generating an average of 400 direct jobs during this phase.

With an estimated investment of USD 6 billion, the project aims to position Uruguay as one of the leading countries in producing synthetic fuels. The facility is expected to produce 700,000 tons of e-fuels per year. According to the company, this production could reduce CO₂ emissions by 1 million tons annually.

Building on its success in renewable energy, Uruguay aims to leverage its abundant wind and solar resources to produce green hydrogen for domestic use and export. Its strategy focuses on decarbonising key sectors such as transportation, industry, and agriculture while fostering innovation and attracting international investments. By positioning itself as a regional leader in green hydrogen, Uruguay seeks to drive economic growth, create jobs, and contribute to global efforts to combat climate change.

VII.5 Global services platform Aguada Park announced the construction of a new building centre to fulfil increasing corporate demand

Driven by greater demand for global services, Aguada Park Free Trade Zone will invest USD 20 million in constructing a third tower. This new building, located near Montevideo Port, will cover approximately 10,000 square meters, connecting the existing structure via an overhead bridge with conveyor belts. The work, which is expected to begin this year, is scheduled for completion in 2027 and is anticipated to create 1,500 new jobs.

Currently, Aguada Park hosts around 120 companies, employing 4,000 workers. It is estimated that half of these jobs will be filled by established companies looking to expand, while the other half will be filled by new companies joining the free zone.

In turn, Free Trade Zones (FTZs) are well-known and popular due to their tax advantages. In Uruguay, a company operating in a free trade zone is exempt from paying all current and future national taxes.

Uruguay's law declares that the promotion and development of FTZs are of national interest, with the objectives of promoting investments, diversifying the productive matrix, generating employment, increasing national added value, and promoting activities with high technological content and innovation. The regime permits the hiring of up to 25% foreign personnel, allowing for the recruitment of qualified individuals from abroad to train local employees. Uruguay has fourteen Free Trade Zones (FTZs) located throughout the country, serving various sectors and companies. They account for approximately 7% of Uruguay's GDP and employ around 21,000 people, with salaries that are double the country's average wage.

VII.6 Maritime passenger transport company launches the world's largest battery electric ship

In May 2025, the South American ferry operator Buquebus announced that construction of the world's first blue-chip operation for maritime passenger transport had been completed and would be operational between Buenos Aires and Colonia. The ship has over 250 tons of batteries and an Energy Storage System (ESS) boasting 43 megawatt-hours of installed capacity. The ESS, more than three times larger than any previous maritime installation worldwide, is connected to eight electric-driven waterjets.



At 130 meters in length, the ship is the largest electric vehicle ever built.

Total investment of USD 184 million was financed by Buquebus, Santander Bank of Uruguay, and the International Finance Corporation (IFC, a subsidiary of the World Bank Group). It will enable the decarbonisation of passenger transport between Uruguay and Argentina, providing cleaner transport services to 44% of passengers travelling by ferry between Uruguay and Argentina, and reducing total gas emissions by 84%, the company highlighted.

The ship, *China Zorrilla*, will operate entirely on battery-electric power, carrying up to 2,100 passengers and 225 vehicles across the River Plate. When it enters service between Buenos Aires and Uruguay, it will operate entirely on battery-electric power, carrying up to 2,100 passengers and 225 vehicles across the River Plate.

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