

ISSUER COMMENT

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Government of Uruguay

Presidential election headed to a runoff; pension reform plebiscite rejected

On 27 October, the first round of [Uruguay's](#) (Baa1 stable) presidential election produced no overall winner and voters rejected two plebiscites, including one that would have reversed pension reform. In the presidential election, the left-of-center Frente Amplio candidate Yamandú Orsi received more than 43% of the vote, while ruling party candidate Álvaro Delgado, who was the former chief of staff to current President Luis Lacalle Pou, garnered 26% of the vote. Colorado Party candidate Andrés Ojeda received 17% of the vote and pledged to support Delgado in a runoff on 24 November.

The election's preliminary results signal policy continuity, a credit positive. Both Orsi and Delgado were against the plebiscite that would have overturned the pension reform. Its rejection was a favorable outcome for the country's fiscal accounts since its approval would have lowered the retirement age to 60 from 65 and increased minimum pension payouts, this in addition to transferring \$23 billion currently held in privately managed savings to a government-run trust. However, because nearly 40% of Uruguayans voted in favor of the plebiscite similar proposals remain a potential future risk.

Uruguayans also voted for a new Congress, including 99 deputies in the lower house and 30 senators. Preliminary results indicate Frente Amplio will likely win a majority in the Senate with 16 of the 30 seats, but not in the lower house. Still, we expect Uruguay's institutional framework will continue to support policy predictability, which remains anchored by broad societal consensus around economic and fiscal policies.

Our expectation for policy continuity is supported by the two top presidential candidates' picks for finance minister. Orsi's pick, Gabriel Oddone, has mentioned that he would like to achieve a primary fiscal surplus and continue attracting private investment. Delgado's pick, Diego Labat, a former head of the central bank, has said he wants to boost growth by enhancing private investment and increasing economic competition while maintaining fiscal discipline.

Our forecast fiscal deficits of 3.1% of GDP in 2024 and 2.9% of GDP in 2025 are unchanged as we expect the authorities to meet spending targets outlined in the budget despite lower-than-expected tax collection.

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