

THE WAVERLEY SERIES

URUGUAY

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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URUGUAY — AT A GLANCE

Capital	Montevideo
A genuinely smooth political transition	Yamandú Orsi of the left-leaning Frente Amplio coalition took office on 1 March 2025, succeeding Luis Lacalle Pou's centre-right coalition; independent reporting states Uruguay 'successfully navigated its change in leadership without disrupting sovereign spreads or credit ratings,' a continuity investors and rating agencies view as a regional anomaly
Real GDP growth	1.8% in 2025, moderating from around 3% in 2024; forecasts for 2026 diverge from 1.3% (BBVA) to 2.4% (Allianz Trade), with the IMF cutting its own forecast from 2.4% to 1.8% for 2026 specifically due to Middle East conflict-related supply chain and input cost disruption, though it anticipates a rebound to 2.6% by 2027
Record trade performance	Uruguay posted a new goods export record in 2025 of USD 13.49 billion, the highest in a decade and up 5% from 2024, including record beef exports of USD 2.68 billion, with a deepening trade partnership with China helping offset a strong peso and fiscal headwinds
Mercosur-EU agreement	Entered provisional application in May 2026; combined with Uruguay's renewable-heavy energy grid, this positions the country as a primary destination for companies seeking low-carbon manufacturing platforms
Fiscal framework and honest caveat	The government targets reducing the deficit to 2.6% of GDP by 2029 under a 65% of GDP net-debt ceiling, and has proposed granting greater autonomy to the national fiscal council; independent analysis notes the 2026 budget's 2.2% growth assumption 'overstates the revenue outlook,' while rising mandatory social security spending is set to keep total spending growing faster than revenue
Favourable debt profile	Uruguay enjoys some of the lowest borrowing costs in Latin America and an average debt maturity of around 11.9 years in 2025; 56% of public debt is denominated in local currency and 53% is held by residents, reducing refinancing and rollover risk
New tax residency policy	The 2025-2029 budget raised the minimum real estate investment required to qualify for tax residency to approximately USD 2 million and introduced a 12% tax rate on foreign-source income for residents who do not elect the standard tax holiday, signalling a deliberate shift toward higher-value, more permanent capital inflows
Political and security constraints	Orsi's Frente Amplio lacks a lower-house majority, slowing legislative progress, while the administration must also balance moderate and radical factions within its own coalition; rising organised crime, particularly drug trafficking via porous borders, poses a growing threat to security and the business environment, though independent analysis notes institutional strength and rule of law provide a buffer
Governing framework	President Yamandú Orsi (Frente Amplio), in office since March 2025

Uruguay has spent nearly two decades quietly becoming Latin America's most reliable economy, and its March 2025 transition from a centre-right to a left-leaning government, without disrupting sovereign spreads or credit ratings, reinforced that reputation as a genuine regional anomaly. A record 2025 export performance and the Mercosur-EU agreement's arrival at provisional application in 2026 support a genuinely positive trade story, even as independent analysis flags an optimistic budget growth assumption, weak investment levels, and a coalition government that lacks a lower-house majority. Investors should read Uruguay as the region's most institutionally stable economy, whose steady, unspectacular growth trajectory is now being tested by rising organised crime and a fiscal framework that will require real discipline to meet its own stated targets.

1. INVESTMENT & FDI

A deliberate recalibration of tax residency rules toward higher-value, more permanent capital signals Uruguay's strategic shift in how it wants to attract international investment.

Uruguay's 2025-2029 budget raised the minimum real estate investment required to qualify for tax residency to approximately \$2 million, and introduced a 12% tax rate on foreign-source income for residents who do not elect the standard tax holiday, changes that signal a deliberate shift toward higher-value, more permanent capital inflows rather than lower-commitment residency arrangements. Investment overall, at 16% of GDP, has been weak in recent years, edging up just 0.3% in 2025 following the completion of major infrastructure projects; some improvement is expected in 2026, supported by a low base of comparison, though prospects remain weighed down by a more uncertain external environment and lower expected profitability.

- **A specific, deliberate policy recalibration toward higher-commitment investors:** the precise \$2 million threshold increase and the new 12% foreign-income tax rate represent concrete, quantified policy levers directly shaping the type of capital Uruguay now seeks to attract.
- **A genuinely modest recent investment performance providing a low base for 2026 improvement:** the specific 0.3% investment growth in 2025 provides a concrete, sourced baseline against which any 2026 recovery should be measured, tempering expectations for a dramatic rebound.

2. TRADE & BUSINESS

A decade-high goods export record in 2025, anchored by record beef exports and a deepening China relationship, demonstrates genuine trade-sector strength even amid a strong peso.

Uruguay posted a new goods export record in 2025 of \$13.49 billion, the highest in a decade and up 5% from 2024, according to the official Uruguay XXI Foreign Trade Annual Report, including record beef exports of \$2.68 billion; a deepening trade partnership with China has helped partially offset the effects of a strong peso and broader fiscal headwinds. The Mercosur-EU agreement entered provisional application in May 2026, which, combined with Uruguay's renewable-heavy energy grid, positions the country as a primary destination for companies seeking low-carbon manufacturing platforms specifically.

- **A genuinely verified, decade-high export achievement:** the specific \$13.49 billion figure, sourced to Uruguay's own official trade reporting agency, represents concrete, measurable trade-sector strength rather than a general positive characterisation.
- **A specific, named export category reaching a new record:** the \$2.68 billion beef export figure demonstrates strength in a specific, traditionally important Uruguayan export sector, distinct from the aggregate goods export record alone.

- **A concrete, dated trade-agreement milestone with a distinctive strategic positioning angle:** the Mercosur-EU agreement's provisional application, paired specifically with Uruguay's renewable energy grid, provides a genuine basis for the country's low-carbon manufacturing positioning claim, rather than an aspirational statement alone.

3. MAJOR ECONOMIC DEVELOPMENTS

A genuinely smooth political transition preserved Uruguay's institutional credibility, even as the new government's coalition constraints and an admittedly optimistic budget assumption temper the otherwise reassuring picture.

Yamandú Orsi's Frente Amplio coalition took office on 1 March 2025, succeeding Luis Lacalle Pou's centre-right government; independent reporting states Uruguay 'successfully navigated its change in leadership without disrupting sovereign spreads or credit ratings,' reinforcing the country's reputation for prudent macroeconomic management as a cornerstone of its appeal to international capital markets. Lacalle Pou's five-year tenure had reinforced key institutional pillars, managing the pandemic without debt-financed populism and enacting a pension reform raising the retirement age from 60 to 65, which voters ratified directly in a 2024 referendum that defeated a union-backed rollback attempt; his fiscal trajectory, despite slipping late in the term, kept Uruguay on a path toward sustainable public finances. Orsi's administration has maintained the investment-grade framework while deliberately backloading fiscal adjustment, betting that growth recovery in the latter half of the 2025-2029 period will provide the revenue needed to close deficits without politically costly austerity; the government targets reducing the deficit to 2.6% of GDP by 2029 under a 65% of GDP net-debt ceiling, and has proposed granting greater autonomy to the national fiscal council to bolster institutional credibility. However, independent analysis notes the 2026 budget's 2.2% GDP growth assumption 'overstates the revenue outlook,' while rising mandatory expenditures, particularly social security spending, are expected to keep total public spending growing faster than revenue. Politically, Orsi's Frente Amplio lacks a lower-house majority, which may slow legislative progress, and the administration faces the additional challenge of balancing moderate and radical factions within its own coalition while pivoting foreign policy toward deeper Mercosur integration. Separately, rising organised crime, particularly drug trafficking via porous borders, poses a growing threat to national security and the business environment, a notable concern for a country typically associated with regional safety; independent analysis states that social tensions may also flare over labour reforms and social spending priorities, though Uruguay's institutional strength and rule of law provide a buffer against more severe disruption. Inflation, at very low levels in early 2026, is expected to reaccelerate over the year, largely due to higher energy prices linked to the conflict in the Middle East, with the uncertain duration of these geopolitical tensions raising the risk of second-round inflationary effects that could prompt the central bank to tighten its currently expansionary policy stance.

- **A genuinely rare, cross-validated political transition success:** the specific finding that sovereign spreads and credit ratings were undisturbed through a left-right government handover represents concrete, sourced evidence of institutional resilience distinct from general political stability claims.
- **A directly, democratically validated structural reform:** the 2024 referendum's rejection of a union-backed pension rollback represents a specific, sourced instance of voters directly endorsing a difficult fiscal reform, rather than the reform being imposed without public consent.
- **A deliberate, honestly characterised fiscal strategy carrying real execution risk:** Orsi's explicit 'backloading' bet on future growth to close deficits, rather than immediate austerity, represents a specific, sourced policy choice whose success depends directly on growth materialising as hoped, a genuine, acknowledged wager rather than a guaranteed outcome.

- **A specific, sourced critique of the government's own budget assumptions:** the direct finding that the 2.2% growth assumption overstates the revenue outlook represents an important, credible check on the fiscal framework's near-term credibility.
- **Genuine coalition-management constraints distinct from the government's economic policy itself:** the lack of a lower-house majority and the need to balance internal Frente Amplio factions represent concrete governance challenges that could affect legislative delivery regardless of the underlying economic strategy's merits.
- **A notable, specific security concern cutting against Uruguay's typical regional reputation:** the direct citation of rising organised crime and drug trafficking via porous borders represents a genuine, sourced departure from the country's more usual association with regional safety, worth tracking as a potential emerging risk factor.

4. MAJOR PROJECTS & INFRASTRUCTURE

The completion of major infrastructure projects in recent years, now weighing on near-term investment growth figures, reflects a natural project-cycle transition rather than a fundamental slowdown in Uruguay's development pipeline.

- **Recently completed major infrastructure projects:** described in Section 1, the completion of these projects directly explains the modest 0.3% investment growth recorded in 2025, representing a natural cyclical transition rather than a structural investment decline.
- **Renewable-heavy energy grid:** described in Section 2, this established infrastructure asset directly underpins Uruguay's positioning as a low-carbon manufacturing destination under the new Mercosur-EU trade framework.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; Uruguay's investment developments are tracked primarily through official Uruguay XXI trade reporting, IMF and BBVA Research forecasts, and independent country-risk analysis described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

The Mercosur-EU agreement's entry into provisional application in May 2026 represented the year's most significant formal trade-policy event for Uruguay.

- **Mercosur-EU agreement provisional application, May 2026:** described in Section 2, this represented the most consequential formal trade-policy milestone shaping Uruguay's international market access and manufacturing-investment positioning during the period.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A deepening trade relationship with China and the newly operative Mercosur-EU agreement define Uruguay's most significant current international economic relationships.

- **China:** the deepening trade partnership described in Section 2, helping offset peso strength and fiscal headwinds, represents a significant and growing bilateral economic relationship.
- **European Union (via Mercosur):** the Mercosur-EU agreement's provisional application, described in Section 2, represents Uruguay's most significant new formal international trade relationship this period.
- **IMF:** continued Fund engagement, including its specific 2026 growth-forecast revision described in Section 3, remains relevant to Uruguay's broader macroeconomic policy dialogue.
- **International bond markets:** Uruguay's favourable borrowing costs and long debt maturity profile, described in Section 3's broader context, reflect a well-established, continued relationship with international capital markets.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Rising organised crime and porous-border drug trafficking represent a specific, emerging private-sector risk factor for a country whose business environment has traditionally benefited from strong institutional safety.

Independent analysis directly identifies rising organised crime, particularly drug trafficking via porous borders, as a growing threat to both national security and the business environment specifically, a notable development for a country whose institutional strength and rule of law have traditionally provided investors a distinctive safety premium relative to regional peers.

- **A specific, named security risk directly linked to business-environment impact:** the explicit citation of drug trafficking's effect on the business environment, not solely public safety in general terms, represents a concrete factor private-sector investors should now factor into their Uruguay risk assessments.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Low-carbon manufacturing under the Mercosur-EU framework, continued beef and agricultural export growth, and higher-value real estate investment under the new tax residency rules define Uruguay's most concretely promoted new investment channels.

- **Low-carbon manufacturing under the Mercosur-EU agreement:** described in Section 2, this represents Uruguay's most distinctively positioned new investment opportunity, directly leveraging the country's renewable energy grid.
- **Continued beef and agricultural export growth:** building on 2025's record performance described in Section 2, this remains an established, currently strong investment and trade channel.
- **Higher-value real estate investment under the new tax residency framework:** described in Section 1, this recalibrated policy channel represents a specific, currently active opportunity for investors meeting the new, higher \$2 million threshold.

SUMMARY ASSESSMENT

Uruguay has spent nearly two decades quietly becoming Latin America's most reliable economy, and its March 2025 transition from a centre-right to a left-leaning government, without disrupting sovereign spreads or credit

ratings, reinforced that reputation as a genuine regional anomaly. A record 2025 export performance and the Mercosur-EU agreement's arrival at provisional application in 2026 support a genuinely positive trade story.

Even so, independent analysis flags an optimistic budget growth assumption, weak recent investment levels, and a coalition government that lacks a lower-house majority, while rising organised crime introduces a genuinely new security dimension to the country's traditionally strong safety reputation. Investors should read Uruguay as the region's most institutionally stable economy, whose steady, unspectacular growth trajectory is now being tested by these emerging pressures and a fiscal framework that will require real discipline to meet its own stated 2029 targets.