

# URUGUAY

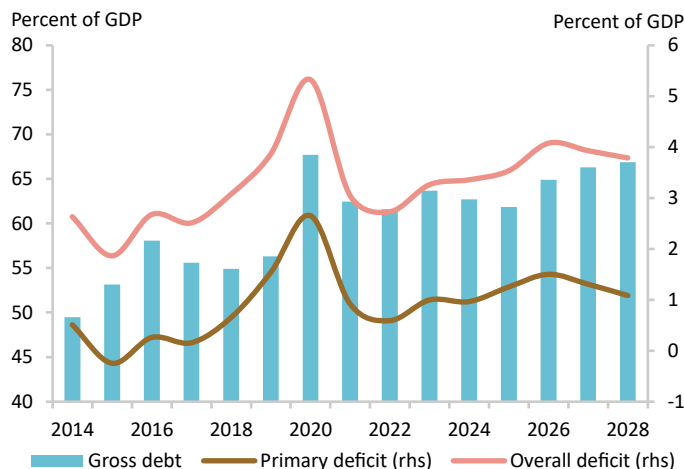
GDP growth moderated to 1.8 percent in 2025 and is expected to converge to around 2.0 percent over the medium term, supported by domestic demand. Inflation fell to 3.6 percent year-over-year in 2025, within the central bank's tolerance band, while the fiscal position deteriorated. The labor market and household incomes improved moderately, but sustained productivity and real wage growth remain essential for lasting welfare gains.

## Key conditions and challenges

Uruguay benefits from a track record of sound macroeconomic management and favorable access to international capital markets. However, growth has been modest, averaging 1.2 percent annually over the past decade, below that of peer economies at comparable income levels. As a small, open economy, its reliance on commodity exports leaves it exposed to external demand conditions and climate shocks, while limited domestic scale, low investment, and weak productivity growth continue to weigh on economic dynamism and increase fiscal pressures.

Poverty, at 5.6 percent of the population (under US\$8.30 in 2021 PPP), and inequality (0.40 Gini index) are low in Uruguay compared to the rest of the region. However, poverty reduction has stalled over the past decade, reflecting weak labor income growth, and the unemployment rate is among the highest in the region, especially so for women, Afro-descendants, and the 15–24 age cohort. Structural constraints, including Uruguay's small population, rapid ageing, and persistent human-capital gaps (nearly half of youth aged 21–23 lack a secondary diploma), pose medium-term challenges to sustaining growth and welfare

**FIGURE 1 /** Actual and projected fiscal balances and non-financial public sector gross debt



Sources: Central Bank of Uruguay and World Bank staff calculations.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
<b>3.4</b>	<b>0.2</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>78.1</b>	<b>104.5</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>88.0</b>	<b>25991.3</b>

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

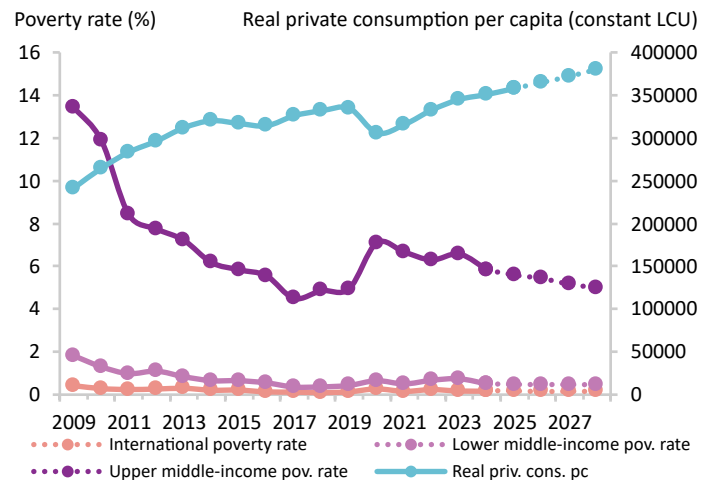
gains. Future progress depends on boosting human capital and labor productivity and supporting better-quality jobs through stronger private investment and greater innovation.

## Recent developments

In 2025, GDP expanded by 1.8 percent, underpinned by exports and a moderate contribution from private consumption. Economic activity weakened in the second half of the year, reflecting a slowdown in activity from the post-drought rebound of 2024 and the temporary shutdown of the country's oil refinery, which weighed on manufacturing performance. Agriculture remained solid, supported by improved soybean and corn yields. Inflation declined from 5.5 percent in 2024 to 3.6 percent in 2025 on an end-of-period basis, below the central bank's 4.5 percent target, reflecting the appreciation of the peso and the credibility of the inflation-targeting framework.

Current account developments were largely driven by commodity exports and tourism receipts. In 2025, the deficit is estimated to have narrowed to 0.4 percent of GDP, from 0.8 percent in 2024, reflecting stronger soybean, beef, and dairy exports,

**FIGURE 2 /** Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Note: See footnotes in table on the next page.

along with a higher services surplus, lower goods imports, and a smaller primary income deficit. Foreign reserves remained adequate, covering 11.7 months of imports.

The overall deficit for the non-financial public sector widened in 2025, reaching 3.7 percent of GDP, 0.3 percentage points higher than in 2024. The deterioration of the fiscal accounts was driven primarily by an expansion in current expenditure, most notably in goods and services, and, to a lesser extent, higher outlays on social assistance programs. As a result, public debt reached 62.0 percent of GDP.

Progress in labor and social indicators has been slow but steady. Unemployment declined to 7.0 percent in December 2025 from 7.4 percent a year earlier, while the labor force participation rate was broadly unchanged. Job creation was concentrated in Greater Montevideo, particularly in sales and commercial roles. Real wages increased by 2.2 percent over the year, supporting modest gains in household purchasing power. Consistent with these trends, poverty is expected to have declined slightly, reflecting gradual but still limited improvements in household welfare.

## Outlook

GDP is projected to grow by an average of 1.9 percent over 2026–2028. The macroeconomic framework remains broadly stable, with well-anchored inflation expectations. Inflation is contained within the central bank's 3–6 percent tolerance band, with some risk of undershooting if the peso remains strong and activity subdued. In this context, the central bank is expected to gradually

reduce the policy rate toward a neutral stance. Given moderate growth prospects, poverty reduction is expected to be limited.

The primary balance is projected to remain in deficit throughout the forecast horizon, with only gradual improvement expected as fiscal consolidation measures take effect. Although the new five-year budget (2025–2029) outlines a consolidation path, achieving it will require sustained and significant fiscal effort over the coming years. Public debt as a share of GDP is projected to rise in the near term before stabilizing before the end of the decade. The proposed reforms to strengthen the fiscal rule and the fiscal council's independence are positive steps toward increased policy credibility.

Uruguay's current account deficit is projected to remain broadly stable, albeit with some upside risks. A less favorable external scenario, driven by deteriorating terms of trade on the back of higher energy prices and Uruguay's exposure as a net oil importer, could compress fiscal revenues, widen financing needs, and heighten Uruguay's exposure to refinancing and rollover risks. Weaker-than-expected growth in Argentina and Brazil could also dampen external demand.

Risks to the outlook include extreme weather events, geopolitical tensions, trade disruptions, and slower-than-anticipated fiscal consolidation, particularly given geopolitical conflicts in the Middle East that could quickly translate into tighter financing conditions. The potential emergence of a strong La Niña event poses a significant downside risk, adversely affecting agricultural production and increasing the likelihood of renewed drought conditions in Uruguay.

## Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
<b>Real GDP growth, at constant market prices</b>	0.8	3.3	1.8	1.6	1.9	2.1
Private consumption	3.3	1.7	2.1	1.8	1.8	2.1
Government consumption	0.0	2.0	1.8	1.1	1.3	1.8
Gross fixed capital investment	-5.6	-1.7	0.3	3.1	4.3	3.3
Exports, goods and services	1.6	8.9	1.9	2.2	2.2	2.3
Imports, goods and services	6.5	-1.4	4.1	3.3	3.1	3.1
<b>Real GDP growth, at constant factor prices</b>	0.9	3.3	1.5	1.6	1.9	2.1
Agriculture	5.1	14.0	2.3	2.0	2.0	2.0
Industry	-3.1	4.1	2.5	1.5	1.5	1.5
Services	1.6	2.1	1.1	1.6	2.0	2.2
<b>Employment rate (% of working-age population, 15 years+)<sup>1</sup></b>	60.7	62.0	60.5	59.6	59.3	59.2
<b>Inflation (consumer price index)</b>	5.9	4.8	4.7	4.9	4.6	4.5
<b>Current account balance (% of GDP)</b>	-3.0	-0.8	-0.4	-0.6	-0.5	-0.5
<b>Net foreign direct investment inflow (% of GDP)</b>	3.9	-3.1	0.4	0.8	1.1	1.3
<b>Fiscal balance (% of GDP)<sup>2,3</sup></b>	-3.2	-3.3	-3.7	-4.1	-3.9	-3.8
<b>Revenues (% of GDP)</b>	27.0	27.5	27.9	28.7	29.0	29.1
<b>Debt (% of GDP)</b>	62.7	61.7	62.0	65.0	66.5	67.1
<b>Primary balance (% of GDP)<sup>2,3</sup></b>	-1.0	-0.9	-1.4	-1.5	-1.3	-1.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>4,5</sup></b>	0.2	0.2	0.2	0.2	0.2	0.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>4,5</sup></b>	0.7	0.5	0.5	0.5	0.5	0.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>4,5</sup></b>	6.6	5.9	5.6	5.5	5.2	5.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.2	2.2	1.1	1.1	0.4	0.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Employment rates may differ from official national estimates due to variations in the age group used for calculation.

2/ Non-Financial Public Sector. Excluding revenues associated with the "cincuentones".

3/ The 2025 fiscal deficit includes one-off revenues linked to the "Cuarentones Law" (Fideicomiso II de la Seguridad Social, Law No. 20.209), estimated at about 0.4 percent of GDP.

4/ Calculations based on SEDLAC harmonization, using 2024-ECH. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

5/ Projections using microsimulation methodology.