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Strategy Flash – Uruguay

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# Uruguay Strategy Flash

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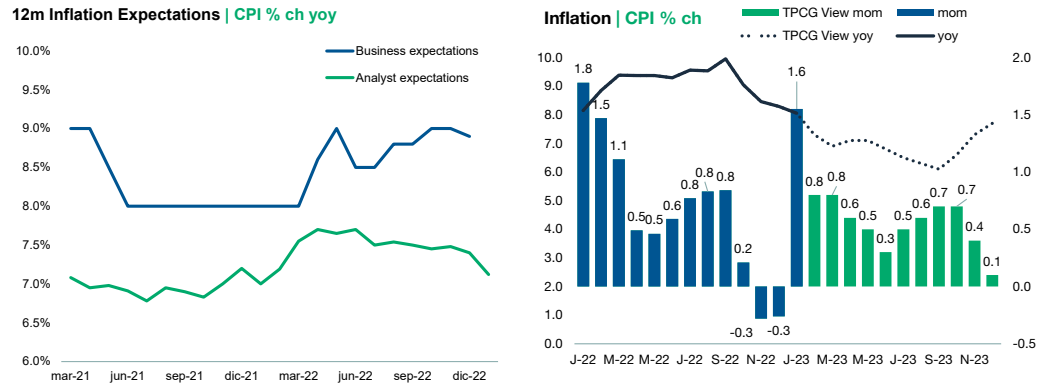
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## Uruguay's Monthly Inflation Prints +1.55%mom

**January CPI prints +1.55%mom, coming in 15bp under the +1.7%mom expectations portrayed in the BCU's survey.** Monthly inflation printed +1.55%mom— coming in substantially over recent gauges, which included December's -0.26%mom, November's -0.28%mom and October's +0.21%mom, which had closed a 4Q marked by a substantial deacceleration of the inflationary process. In January, the monthly hike came in heavily influenced by the UTE rewards program, which rewards users with reduced power tariffs in December, which then resume their normal levels back in January. Said tariff readjustment caused a +5.93%mom hike in the Housing section, driving the print. In addition, Food & Non-Alcoholic Beverages division posted a +1.85%mom positive variation, accelerating relative to December (+0.71%mom), which had seen the trend return to exhibiting monthly increases after dual drops in November (-0.71%mom) and October (-0.14%mom). The segment spearheaded the increases jointly with Restaurants and Hotels (+1.84%mom), Alcoholic Beverages and Tobacco (+2.56%), Comms (+1.38%mom) and Financial Services (+1.68%mom). On the other hand, Transport prices dropped for the second month running, experiencing a -1.47%mom variation, after decreasing by -1%mom in December. The rest of the segments had little influence on the monthly print. On the yearly gauge, consumer prices rose by +8.05%yoy marking the fourth decrease in a row for the index, following prints of +8.29%yoy in December, +8.46%yoy in November and +9.05%yoy in October. In this context, the yoy variation now surpassed the +6%yoy upper bound of the BCU's target range for the twentieth month in a row. With January's inflation clocking in at +1.55%mom, YTD inflation currently stands at the same mark, +1.55%.

**January's CPI print came mostly on the back of the aftermath of the UTE rewards program, which compounded with general increases in several sectors across the board.** The Housing subsection spearheaded the monthly hike in the headline index, posting a +5.9%mom increase, which in turn was driven by a +16.77%mom rise in Power Supply, as the UTE rewards program was phased out as December ended, causing the subsection to spike. This increase contributed 75bp to the headline index rise, singlehandedly explaining roughly half of the monthly print. The Food & Non-Alcoholic Beverages continued with December's trend, posting a +1.85%mom rise. In January, subsection performance was also marked by volatility, with most sub-indexes experiencing large increases. Bread rose by +1%mom, as did Dairy products which experienced a +1.99%mom rise. The always volatile Fruits segment experienced a +10.17%mom increase, as did Vegetables, which rose by +8.66%mom. Instead, Meat prices lagged the subsection's index, rising more timidly (+0.59%mom), with the dry climatic conditions possibly affecting meat supply. In this context, Food & Non-Alcoholic Beverages' contribution was positive to the monthly CPI print, marking a 48bp rise in the headline index. Another positive contributor to January's print was Restaurants&Hotels (+1.84%mom), adding 16bp to the general print, as the tourism season peaked, seasonally pumping prices up. Comms (+1.38%mom), Financial Services (+1.68%mom) and Alcoholic Beverages and Tobacco (+2.56%) contributed 9bp, 10bp and 9bp to the print respectively, coming on the back of one-off price adjustments. Instead, Transport (-1.47%mom) managed to take away 17bp out of the monthly gauge, with drops in Fuel prices (-9.23%mom GasOil; -3.98%mom Oil) and Plane Tickets (-13.24%mom). Finally, the rest of the sectors experienced increases mostly in the -1%mom — +1%mom range, contributing the remainder of the January print.

Figure 1: January's inflation came slightly under expectations



Source: TPCG Research based on INE & CINVE

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