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Strategy Flash – Uruguay

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# Uruguay Strategy Flash

## The fiscal balance clocks in at -3.4% of GDP in January

**Uruguay’s fiscal position worsened in January, with increasing expenditures driving the widening, while public sector income increased marginally.**

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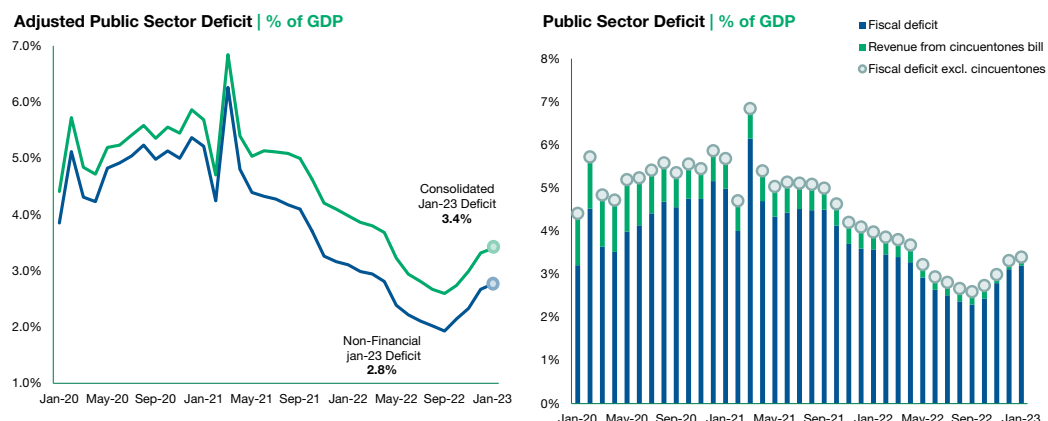
**On the spending side, expenditures came at 27.4pp of GDP (+0.3pp relative to December). Central Government primary outlays increased in January, with the widening coming on the back of Transfers and Soc. Sec outlays.**

Uruguay’s fiscal position worsened in January, with increasing expenditures driving the widening, while public sector income increased marginally. The Government’s policy agenda continues to concentrate on bolstering disposable income and real wages, after the high inflation during 2022 put a strain on salaries. Still, the administration continues to consolidate the fiscal position, conveying a strong commitment to balancing government accounts in the medium-term. In January, non-financial public sector income printed 26.6pp of GDP (+0.1pp relative to December), with the increase driven singlehandedly by a rise in Tax revenues. On the spending side, expenditures came at 27.4pp of GDP (+0.3pp relative to December). Central Government primary outlays increased in January, with the widening coming on the back of Transfers and Soc. Sec outlays. In this context, the primary fiscal deficit excl. cincuentones came at -0.8pp of GDP, flat relative to December, after worsening for three consecutive months, as the fiscal balance suffered substantially during 4Q22. January’s figure followed prints of -0.8pp in December – -0.4pp in November and -0.2pp in October—. The widening returned the primary deficit to Apr-22 levels, on the back of a marginal 0.1pp increase in NFPS income, and a 0.3pp increase in NFPS outlays. Consistently, the consolidated public sector deficit excl. cincuentones stood over the 3pp of GDP mark for the third month running. January’s print came in at -3.4% of GDP— up from -3.3% in December, -3.0% in November and -2.7% in October—.

**Non-financial public sector income printed 26.6pp of GDP (+0.1pp relative to December), with the increase driven singlehandedly by a rise in Tax revenues.** Central Govt & SocSec income clocked in at 26.6pp of GDP in January (+0.1pp relative to December). However, there was a slight shift in composition inside the segment. Tax Revenues and Soc.Sec. collection continue enjoying positive dynamics, posting mild increases, even as if the former rose by 0.1pp, with the latter’s rise being much more modest. External trade tariffs experienced a mild drop, falling by 0.01pp. The SOEs primary result, one of the main drivers of 2022’s fiscal overperformance, came in at 1pp, unchanged relative to December. The primary balance of Munis & BSE remains constant at 0.1pp since Oct-22, compressing by 0.1pp relative to Sep-22. All in all, non-financial public sector income in January rose by just 0.1pp relative to December.

**On the spending side, expenditures came at 27.4pp of GDP (+0.3pp relative to December). Central Government primary outlays increased in January, with the widening coming on the back of Transfers and Soc. Sec outlays.** In January, the COVID Fund balance totaled -0.5pp of GDP— remaining flat relative to December and compressing by 1.2pp since January. In this context, Central Govt & Soc. Sec. expenditures totaled 25pp (+0.2pp relative to December) on the back of dual 0.1pp increases in Soc. Sec. outlays and Transfers. Public investment continues its upwards trend, increasing by 0.02pp relative to December, standing at 2.3pp of GDP, marginally widening the increase in Outlays. Even with non-financial public sector income rising by +0.1pp, non-financial public sector outlays increasing by +0.3pp and cincuentones revenues standing at 0.2pp of GDP, the primary deficit excl. cincuentones stood at -0.8pp in January— flat from -0.8pp in December and down from -0.4pp in November—.

Figure 1: January's fiscal figures



12m rolling - as % of GDP	Dec-20	Dec-21	Dec-22	Jan-23	Dec-23*
<b>NFPS Income</b>	<b>28.0%</b>	<b>27.7%</b>	<b>26.5%</b>	<b>26.6%</b>	<b>26.5%</b>
<b>Central Government</b>	<b>19.8%</b>	<b>19.6%</b>	<b>18.9%</b>	<b>19.0%</b>	<b>19.1%</b>
Tax Revenues	16.6%	16.5%	16.1%	16.2%	16.3%
International Trade	1.0%	1.1%	1.1%	1.1%	1.0%
Others	2.2%	1.9%	1.7%	1.7%	1.8%
Soc.Sec contributions	7.2%	6.6%	6.6%	6.6%	6.5%
SOE primary balance	1.0%	1.5%	1.0%	1.0%	0.7%
BSE & Munis primary balance	0.1%	0.2%	0.1%	0.2%	0.3%
BCU primary balance	0.0%	0.0%	0.0%	0.0%	-0.1%
<b>NFPS Outlays</b>	<b>30.2%</b>	<b>28.5%</b>	<b>27.1%</b>	<b>27.4%</b>	<b>25.8%</b>
Central Govt. Primary Outlays	28.2%	26.7%	24.8%	25.0%	24.6%
Personnel spending	5.2%	4.8%	4.5%	4.5%	4.6%
Non-Personnel spending	4.0%	4.4%	3.8%	3.8%	3.4%
Pensions	10.0%	9.3%	8.7%	8.8%	8.9%
Transfers	9.0%	8.2%	7.8%	8.0%	7.7%
Public investment	2.0%	1.8%	2.3%	2.3%	1.2%
Public Sector Primary Balance	-2.1%	-0.7%	-0.6%	-0.6%	0.7%
Interest payments	3.1%	2.9%	2.6%	2.6%	3.1%
<b>Consolidated Public Sector Deficit</b>	<b>-5.2%</b>	<b>-3.6%</b>	<b>-3.1%</b>	<b>-3.2%</b>	<b>-2.6%</b>
Cincuentones revenues	-0.7%	-0.5%	-0.2%	-0.2%	-0.1%
<b>Adjusted Consolidated Public Sector Deficit</b>	<b>-5.9%</b>	<b>-4.1%</b>	<b>-3.3%</b>	<b>-3.4%</b>	<b>-2.7%</b>

Source: TPCG Research based on MEF

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