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Strategy Flash – Uruguay

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Uruguay Strategy Flash

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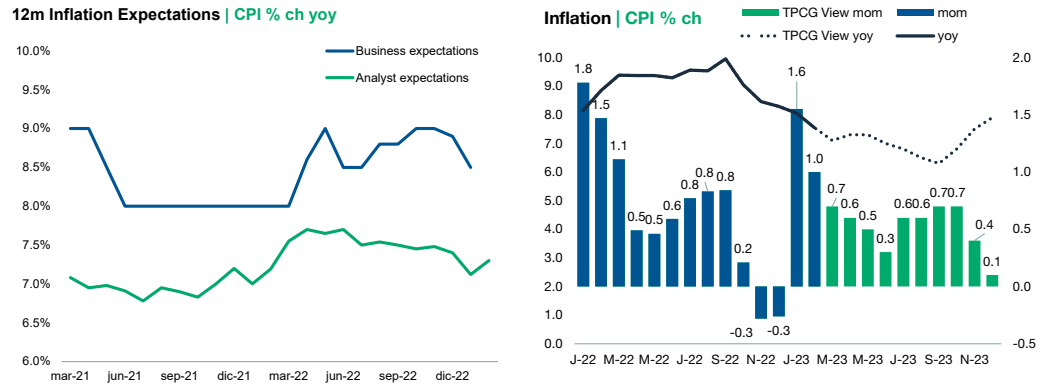
February's CPI print came mostly on the back of the Food & Non-Alcoholic Beverages segment, as the drought affected agricultural production, which compounded with general increases in several sectors across the board.

Uruguay's Monthly Inflation Prints +1.0%mom

February CPI prints +1.0%mom, coming in 12bp over the +0.88%mom expectations portrayed in the BCU's survey. Monthly inflation printed +1.0%mom— coming in under January's +1.55%mom albeit well over recent gauges, which included December's -0.26%mom and November's -0.28%mom, which had closed a 4Q marked by a substantial deacceleration of the inflationary process. In February, the monthly hike came in heavily influenced by the Food & Non-Alcoholic Beverages segment, as the drought affecting agricultural production drove the prices of fruits and vegetables up. The subsection clocked in at +1.84%, maintaining a strong inflationary impulse, coming nearly unchanged from January (+1.85%mom), marking a very strong start to the year. This confirms the reversion of the trend showcased during 4Q22, when food prices dropped in November (-0.71%mom) and October (-0.14%mom). The segment spearheaded the increases jointly with Housing (+1.37%mom), Home Maintenance (+1.15%mom), Health (+1.54%mom), and Education (+1.48%mom). The rest of the segments had little influence on the monthly print. On the yearly gauge, consumer prices rose by +7.55%yoy marking the fifth decrease in a row for the index, following prints of +8.05%yoy in January, +8.29%yoy in December and +8.46%yoy in November. The yearly index was influenced by a strong baseline effect, as 2022's prints for the 1Q were especially high. In this context, the yoy variation now surpassed the +6%yoy upper bound of the BCU's target range for the twenty-first month in a row. With February's inflation clocking in at +1.0%mom, YTD inflation currently stands at +2.57%.

February's CPI print came mostly on the back of the Food & Non-Alcoholic Beverages segment, as the drought affected agricultural production, which compounded with general increases in several sectors across the board. The Food & Non-Alcoholic Beverages continued with January's trend, posting a +1.84%mom rise. In February, subsection performance was also marked by volatility, with most sub-indexes experiencing large increases, albeit with some notable exceptions. Bread rose by +1.02%mom, while Dairy products lagged the general index, increasing by +0.35%mom. The always volatile Fruits segment experienced a +7%mom increase, as did Vegetables, which rose by +14.77%mom, with production hampered by the current drought. Instead, Meat prices experienced a price drop, falling by -0.61%mom, responding to the dry climatic conditions, which are possibly affecting meat supply. In this context, Food & Non-Alcoholic Beverages' contribution singlehandedly explained roughly half of the monthly print, coming in at 48bp. The Housing subsection was the second largest contributor to the monthly CPI print, with 18bp, rising by +1.37%mom. The hike was driven by a +15.79%mom rise in natural gas prices, with Rent (+0.53%mom) and Common Expenditures (+1.90%mom) marginally influencing the print. Another positive contributor to February's print was Home Maintenance (+1.15%mom), adding 6bp to the general print, as Domestic Services rose by +3%mom. Health (+1.54%mom) and Education (+1.48%mom) contributed 6bp and 5bp to the print, respectively, coming on the back of one-off price adjustments. Finally, the rest of the sectors experienced increases mostly in the +0.2%mom — +0.7%mom range, except for Clothing (-1.01%mom), contributing the remainder of the February print.

Figure 1: February's inflation came slightly over expectations



Source: TPCG Research based on INE & CINVE

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