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Uruguay Strategy Flash

The fiscal balance clocks in at -3.7% of GDP in March

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Uruguay's fiscal position worsened in March, with marginally increasing income sources not being able to keep up with the rise in expenditures. 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, recently announcing a tax cut of 0.25pp of GDP. The administration still strives to consolidate the fiscal position, conveying a strong commitment to balancing government accounts in the medium term. In March, non-financial public sector income printed 27.5pp of GDP (+0.1pp relative to February), with the increase driven by very marginal improvements in Tax Revenues, Soc. Sec collections and Other income sources. On the spending side, expenditures came at 29.7pp of GDP (+1.6pp relative to February), as the administration paid April's wages, Soc. Sec. outlays and transfers in advance. These extra payments amounted roughly to 1.2pp of GDP, so, net of said increase, total expenditures rose by 0.4pp. Therefore, Central Government primary outlays increased in March, with the widening coming on the back of Soc. Sec outlays and Non-Personnel expenditures. In this context, the primary fiscal deficit excl. cincuentones came at -1.0pp of GDP, increasing by +0.2pp since December, resuming the worsening trend exhibited by the fiscal position during 4Q22, after temporarily stopping the bleeding during January and February. In this context, the primary position worsened relative to December, accounted for by a 0.1pp increase in NFPS income, and a 0.4pp increase in NFPS outlays. Consistently, the consolidated public sector deficit excl. cincuentones stood over the 3pp of GDP mark for the fifth month running. March's print came in at -3.7% of GDP— up from -3.4% in February, -3.4% in December, and -3.1% in November—.

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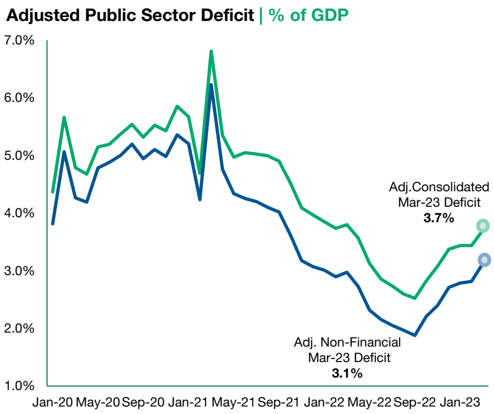
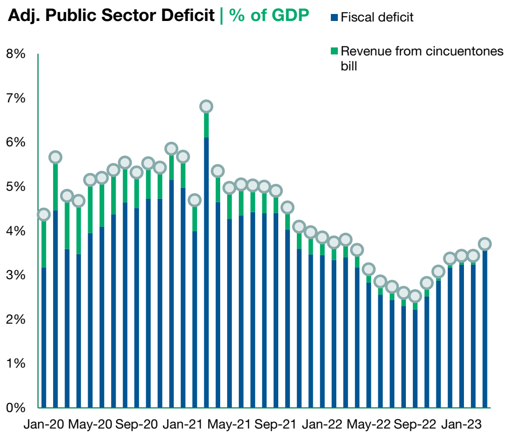
Figure 1: March's fiscal figures





12m rolling - as % of GDP	Dec-21	Dec-22	Feb-23	Mar-23 **	Dec-23*
NFPS Income	**26.7%**	**27.1%**	**27.4%**	**27.5%**	**26.5%**
Central Government	**18.9%**	**19.3%**	**19.4%**	**19.4%**	**19.1%**
Tax Revenues	*15.9%*	*16.5%*	*16.7%*	*16.7%*	*16.3%*
International Trade	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.0%*
Others	*1.8%*	*1.7%*	*1.6%*	*1.6%*	*1.8%*
Soc.Sec contributions	6.4%	6.8%	6.9%	6.9%	6.5%
SOE primary balance	1.4%	1.0%	1.2%	1.2%	0.7%
BSE &Munis primary balance	0.2%	0.1%	0.2%	0.2%	0.3%
BCU primary balance	0.0%	-0.1%	-0.1%	-0.1%	-0.1%
NFPS Outlays	**27.5%**	**27.8%**	**28.1%**	**29.7%**	**25.8%**
Central Govt. Primary Outlays	25.8%	25.4%	25.7%	27.2%	24.6%
Personnel spending	*4.6%*	*4.6%*	*4.6%*	*5.0%*	*4.6%*
Non-Personnel spending	*4.3%*	*3.9%*	*3.9%*	*4.0%*	*3.4%*
Pensions	*9.0%*	*8.9%*	*9.0%*	*9.8%*	*8.9%*
Transfers	*7.9%*	*8.0%*	*8.1%*	*8.4%*	*7.7%*
Public investment	1.8%	2.4%	2.4%	2.5%	1.2%
Public Sector Primary Balance	-0.7%	-0.6%	-0.6%	-2.0%	0.7%
Interest payments	2.8%	2.6%	2.7%	2.7%	3.1%
Consolidated Public Sector Deficit	-3.5%	-3.2%	-3.2%	-4.7%	-2.6%
Cincuentones revenues	-0.5%	-0.2%	-0.2%	-0.1%	-0.1%
Adjusted Consolidated Public Sector Deficit	**-4.0%**	**-3.4%**	**-3.4%**	**-4.8%**	**-2.7%**
**Mar-23 figures include the advance payment of April's wages, Soc.Sec. Outlays and Transfers, totalling 1.2pp of GDP					

Source: TPCG Research based on MEF

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