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Uruguay Strategy Flash

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

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Uruguay's fiscal position remained stable in April, with marginally increasing income sources offsetting 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. Even as the administration still conveys a strong commitment to balance government accounts in the medium term, it deployed some fiscal stimulus to combat the drought, as fiscal figures worsened during 1Q23. In April, non-financial public sector income printed 27.8pp of GDP (+0.2pp relative to March), with the increase driven by marginal improvements in Tax Revenues and Soc. Sec collections. On the spending side, expenditures came at 28.8pp of GDP (-1.0pp relative to March), as the administration had paid April's wages, Soc. Sec. outlays and transfers in advance. These extra payments amounted roughly to 1.2pp of GDP. Net of said increase, total expenditures rose by 0.2pp. Therefore, Central Government primary outlays increased in April, with the widening coming on the back of Soc. Sec outlays and wages. In this context, the primary fiscal deficit excl. cincuentones came at -1.0pp of GDP, remaining stable relative to March, albeit worsening by +0.2pp since December after a quiet January and February. In this context, the primary position stands level with March's figure, accounted for by a 0.2pp increase in NFPS income, compensated by a 0.2pp increase in NFPS outlays. Consistently, the consolidated public sector deficit excl. cincuentones stood over the 3pp of GDP mark for the sixth month running. April's print came in at -3.7% of GDP— flat from -3.7% in March, but up from -3.4% in January, February and December—.

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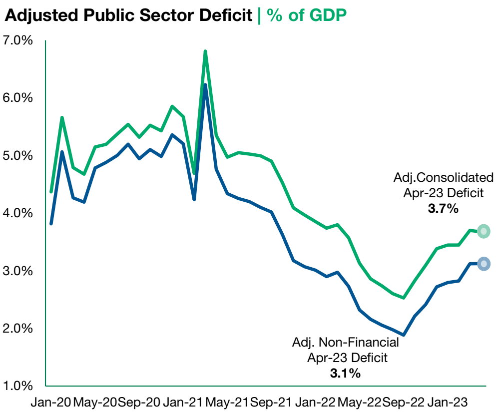
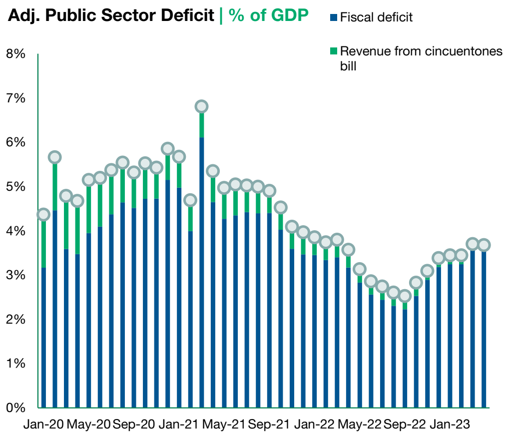
Figure 1: April's fiscal figures





12m rolling - as % of GDP	Dec-21	Dec-22	Mar-23 **	Apr-23	Dec-23*
NFPS Income	**26.7%**	**27.1%**	**27.5%**	**27.8%**	**26.5%**
Central Government	**18.9%**	**19.3%**	**19.4%**	**19.5%**	**19.1%**
Tax Revenues	*15.9%*	*16.5%*	*16.7%*	*16.8%*	*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%	7.0%	6.5%
SOE primary balance	1.4%	1.0%	1.2%	1.3%	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%**	**29.7%**	**28.8%**	**25.8%**
Central Govt. Primary Outlays	25.8%	25.4%	27.2%	26.2%	24.6%
Personnel spending	*4.6%*	*4.6%*	*5.0%*	*4.7%*	*4.6%*
Non-Personnel spending	*4.3%*	*3.9%*	*4.0%*	*3.9%*	*3.4%*
Pensions	*9.0%*	*8.9%*	*9.8%*	*9.2%*	*8.9%*
Transfers	*7.9%*	*8.0%*	*8.4%*	*8.3%*	*7.7%*
Public investment	1.8%	2.4%	2.5%	2.6%	1.2%
Public Sector Primary Balance	-0.7%	-0.6%	-2.1%	-0.9%	0.7%
Interest payments	2.8%	2.6%	2.7%	2.7%	3.1%
Consolidated Public Sector Deficit	-3.5%	-3.2%	-4.7%	-3.6%	-2.6%
Cincuentones revenues	-0.5%	-0.2%	-0.1%	-0.1%	-0.1%
Adjusted Consolidated Public Sector Deficit	**-4.0%**	**-3.4%**	**-4.8%**	**-3.7%**	**-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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