

Juan Manuel Pazos
 Chief Economist
 +54 11 4898 6606
 jmpazos@tpcgco.com

Santiago Resico
 Economist
 sresico@tpcgco.com
 +54 11 4898 6615

Strategy Flash – Uruguay

May 3, 2024

Uruguay Strategy Flash

April CPI prints +0.63%mom, coming 20bp over the +0.43%mom expectations portrayed in the BCU's survey, surprising slightly on the upside.

April's CPI print was largely explained by the hike in Food and Drink Prices, which compounded with the rises in the Clothing, Transport, and Restaurants&Hotels subsections.

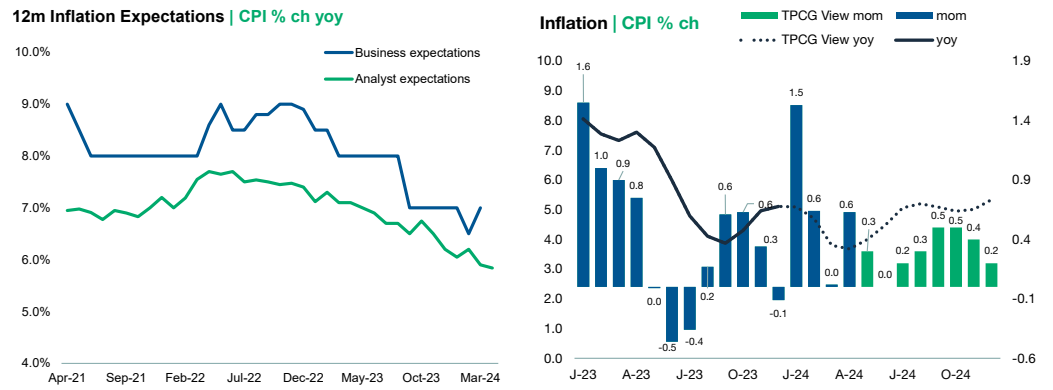
Uruguay's Monthly Inflation Prints +0.63%mom

April CPI prints +0.63%mom, coming 20bp over the +0.43%mom expectations portrayed in the BCU's survey, surprising slightly on the upside. Monthly inflation printed +0.63%mom, — accelerating significantly relative to March, which printed a +0.02%mom increase, but in line with February's 0.64%mom gauge. The main driver behind the slightly underestimated print comes on the back of a surge in Food prices, which bounced back by +1.49%mom after a -0.56%mom decrease in March, which had reverted the momentum exhibited in the last couple of months, as the segment clocked in at +0.65%mom in February, +1.75%mom in January and +0.98%mom in December with the subsection being the key driver behind the most inflated prints in the recent past. The food and Drink index had a very volatile behavior throughout recent months. After relatively neutral prints in late 2023, coming in at +0.01%mom in October and +0.07%mom in November the index once again reaccelerated in the next three months, posting prints of +0.98%mom in December, +1.75%mom in January and +0.65%mom in February, before once again slumping into negative territory in March, then printing over a +1%mom rise in April. In our view, the performance of the last two months was deeply influenced by the volatility of the FX, as the UYU gained significant ground in March, before sliding back in April, due to the intervention of SOEs and the cut in rates performed by the BCU. This increase compounded with the performance of the remainder of the segments, which posted moderate variations that resulted in the headline print. Notably, Clothing (+1.93%mom), Transport (+0.7%mom), and Restaurants&Hotels (+0.66%mom) were the sections that had more incidence in the index variation. On the yearly gauge, consumer prices in April increased by +3.68%yoy, dropping by nearly 12bp relative to March's +3.8%yoy. Then, the inflationary process continued its deacceleration in yoy terms, as it still enjoys a very favorable baseline tailwind, that should end in May, even if April's print was slightly over expectations. In this context, the yoy variation still sits comfortably inside of the BCU's target, coming under the +6%yoy upper bound for the eleventh month running after standing over the mark for two full years. In this context, YTD inflation stands at +2.84%.

April's CPI print was largely explained by the hike in Food and Drink Prices, which compounded with the rises in the Clothing, Transport, and Restaurants&Hotels subsections. The main contributor to the monthly print was the Food & Non-Alcoholic Beverages index, which reversed March's print and hiked by +1.49%mom after dropping by -0.56%mom in the prior month. Its monthly gauge was explained due to the increase in prices in several subsections, even if performance was varied across the board. For example, the always volatile Fruits segment experienced a -7.59%mom fall, which was not enough to offset the increases in the rest of the subsections. Vegetable prices spiked, rising by +11.63%mom. Meat prices also exhibited a major increase, rising by +1.07%mom, as did Dairy products (+1.32%mom) and Non-alcoholic Drinks (+1.57%mom). In this context, Food & Non-Alcoholic Beverages' contribution was substantial, adding 39bp to the monthly gauge, singlehandedly explaining 2/3rds of the print. On the other side, Clothing prices spiked by +1.93%mom, responding to seasonal increases, as the new winter season came in display. This contributed 5bp to the rise in headline prices. Also, Transport increased by +0.7%mom, fueled by a major hike in Airplane Tickets (+12.65%), causing an 8bp increase in the monthly CPI print. Finally, the Hotels&Restaurants subsection clocked in at +0.66%mom, as restaurant prices increased by +1%mom, forcing the headline index up by

another 6bp. The rest of the sectors experienced increases mostly in the -0.5%mom — +0.6%mom range, displaying significant volatility, and contributing the remainder of the April print.

Figure 1: April's inflation came slightly over expectations



Source: TPCG Research based on INE & CINVE

TPCG Analysts & Staff

Research

Juan Manuel Pazos	Chief Economist	jmpazos@tpcgco.com
Paula La Greca	Corporate Research Analyst	plagreca@tpcgco.com
Santiago Resico	Economist	sresico@tpcgco.com
Camila Sanchez Lauria	Research Analyst	csanchezlauria@tpcgco.com

Sales & Trading

Juan Manuel Truppia	Head of Sales & Trading	jmtruppia@tpcgco.com
----------------------------	------------------------------------	-----------------------------

Institutional Sales

Lucia Rodriguez Pardina	S&T Director	lrodriguezpardina@tpcgco.com
Agustina Guadalupe	Sales	aguadalupe@tpcgco.com
Maria Pilar Hurtado	Sales	mhurtado@tpcgco.com
Juan Ignacio Vergara	Sales	jivergara@tpcgco.com
Pedro Nollmann	Sales	pnollmann@tpcgco.com
María Ruiz de Castroviejo Salas	Sales	mruizdecastroviejo@tpcgco.com
Santiago Jauregui	Sales	sjauregui@tpcgco.com
Victoria Faynbloch	Desk Analyst	vfaynbloch@tpcgco.com
Candelaria Posse	Sales	cposse@tpcgco.com

Trading

Felipe Freire	Trader	ffreire@tpcgco.com
Homero Fernandez Bianco	Trader	hfbianco@tpcgco.com
Andres Robertson	Trader	arobertson@tpcgco.com
Santiago Baibiene	Trader	sbaibiene@tpcgco.com

Corporate Finance

José Ramos	Head of Corporate Finance	jramos@tpcgco.com
-------------------	----------------------------------	--------------------------

Corporate Sales

Camila Martinez	Corporate Sales Director	cmartinez@tpcgco.com
Fernando Depierre	Corporate Sales	fdepierre@tpcgco.com
Sol Silvestrini	Corporate Sales	ssilvestrini@tpcgco.com
Nicolas Iglesias	Corporate Sales	niglesias@tpcgco.com

Capital markets

Nicolás Alperín	DCM	nalperin@tpcgco.com
-----------------	-----	---------------------

Wealth Management

Josefina Guerrero	Private Wealth Management Specialist	jguerrero@tpcgco.com
-------------------	--------------------------------------	----------------------

Important Disclaimer

The document, and the information, opinions, estimates and recommendations expressed herein, have been prepared by TPCG Valores SAU to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. TPCG Valores SAU is not liable for giving notice of such changes or for updating the contents hereof. The document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall the document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to the document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare the report. Therefore, investors should make their own investment decisions considering the said circumstances and obtain such specialized advice as may be necessary.

The contents of the document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by TPCG Valores SAU, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. TPCG Valores SAU accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance. The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment.

Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

TPCG Valores SAU and/or any of its affiliates, as well as their respective directors, executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in the document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of the report, to the extent permitted by the applicable law.

TPCG Valores SAU or any of its affiliates' salespeople, traders and other professionals may provide oral or written market Commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, TPCG Valores SAU, or any of its affiliates' proprietary trading and investing businesses, may make investment decisions that are inconsistent with the recommendations expressed herein.

No part of the document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted without the prior written consent of TPCG Valores SAU. No part of the report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

For U.S. persons only:

This report is a product of TPCG, which is the employer of the research analyst(s) who has prepared the informative report. The research analyst(s) preparing this report is/are resident(s) outside the United States (U.S.) and is/are not associated person(s) of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations.

This report is intended for distribution by TPCG only to U.S. Institutional Investors and Major U.S. Institutional Investors, as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by the U.S. Securities and Exchange Commission (SEC), in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a US Institutional Investors nor a Major U.S. Institutional Investor, as specified above, then he should not act upon this report and return it to the sender. Further, this report may not be copied, duplicated and/or transmitted to any U.S. person, which is not a U.S. Institutional Investor, nor a Major U.S. Institutional Investor.

In order to comply with the US regulations, our transactions with US Institutional Investors and Major US Institutional Investors are effected through the US-registered broker-dealer Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this report should be effected through Marco Polo or another U.S. registered broker dealer.