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GRUPO FINANCIERO

URUGUAY MONTHLY COMMENT

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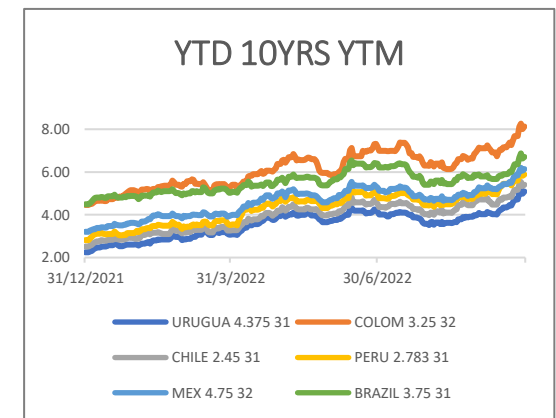
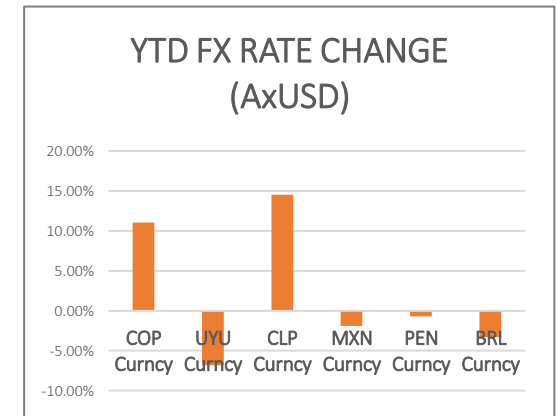


September
30th, 2022

“I'm a hard case that's tough to beat” (Paradise City – Guns N’ Roses)

The Uruguayan economy continued to strengthen during the second quarter of 2022 while growth forecasts for the next couple of years didn't change substantially despite the fact that most countries -both developed and emerging- are experiencing serious economic and political challenges. Moreover, the fiscal deficit reached the lowest level in several years (2.8%) and inflation seems to have peaked (9.5%). The good news is being reflected in the debt and the FX markets: Uruguay's spread is still the lowest among Latin American issuers -even though it has increased sharply in September- and the Uruguayan Peso has appreciated the most (+7.44%) among emerging markets currencies in 2022.

As we said in our last monthly comment, we are confident that the Central Bank will do whatever is necessary to bring inflation expectations down and the Government will continue to improve the fiscal balance and long-term debt sustainability. Nevertheless, the increasing volatility in financial markets, the upsurge in borrowing costs and the worsening of the conflict between Russia and Ukraine could pose some danger to economic activity and social and political stability in the region.



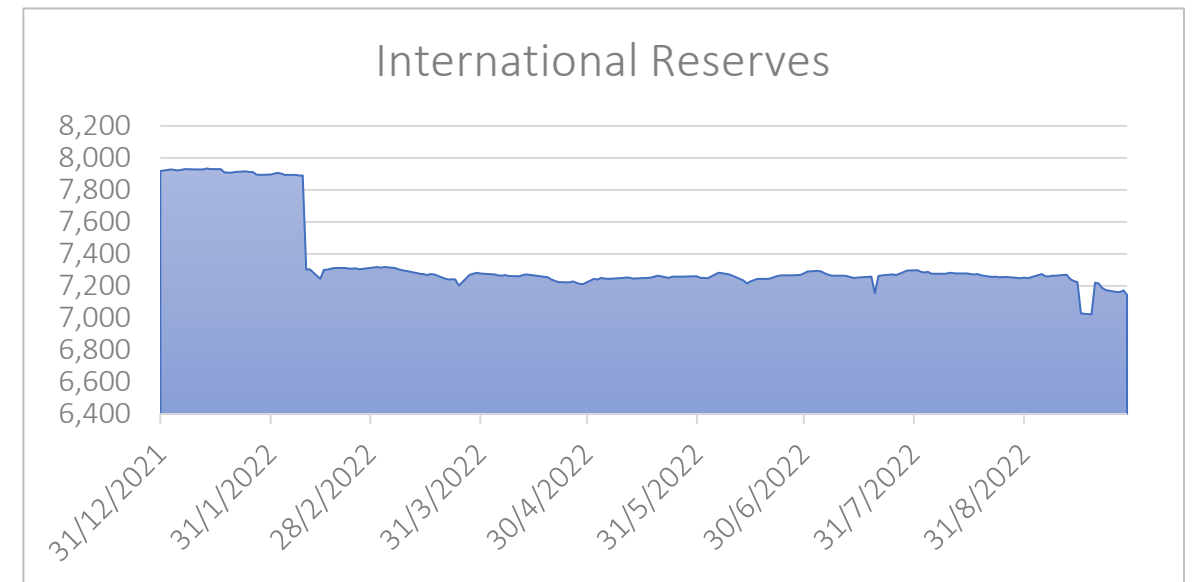
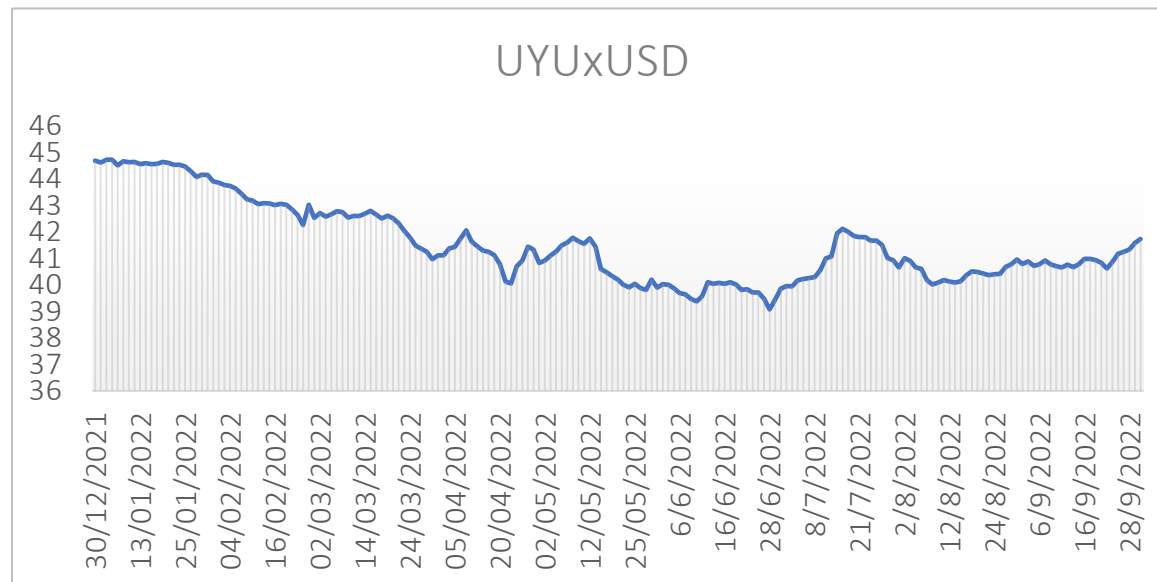
“We must use time as a tool, not as a couch” (John F. Kennedy)

Some members of the ruling party ‘Partido Nacional’ expressed their dissatisfaction after major Carmelo Vidalín indicated Secretary Álvaro Delgado as possible presidential pre-candidate for the 2024 elections; they argue that it’s “too early to speak of names” and that the party should “focus on governing the country”. Senator Sebastián Da Silva went even further and claimed that these attitudes could damage the image of President Luis Lacalle Pou and undermine some of the reforms the government seeks to carry out in the coming years. We tend to agree with Da Silva and, on top of that, we doubt that Delgado has the charm or the character to defeat the Frente Amplio Party in an eventual second ballot.

Meanwhile, party leaders of the ruling coalition met last week to discuss possible adjustments to the project to reform the pension system. According to Rodolfo Saldain -the lawyer who led the team of experts that helped shape the plan- “the different points of views converged” and all the participants left the meeting with a “high level of satisfaction”. As we said in our last comment, from now on we believe it’s of vital importance that government and opposition discuss this matter calmly and, eventually, reach an agreement that is mutually satisfactory and sustainable in the long run.

Macro Flash

	Δ CPI Y/Y	Δ PPI Y/Y	Unemployment Rate	CB Key Rate	Fiscal Deficit
Last	9.53%	9.73%	7.90%	10.25%	2.70%
Previous	9.56%	9.37%	8.10%	9.75%	2.80%



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