



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

## **Fifty-Second Meeting October 16–17, 2025**

Statement No. 52-14

### **Statement by Mr. Caputo Argentina**

On behalf of  
Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay



**Statement by Governor Luis Caputo, Minister of Economy, Argentina**

**On behalf of the Southern Cone Constituency**

**(Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay)**

**Global outlook and policy challenges**

The global economy is at a turning point, undergoing a period of transformation marked by uncertainty that weighs on investment and productivity—but also presents new opportunities to seize. While the global economy has shown resilience, challenges persist.

**Excessive macroeconomic imbalances continue to pose a challenge to the global economy. While current trade tensions are dampening consumer and investor confidence, they may paradoxically play a role in addressing this systemic issue.** Persistent imbalances can undermine long-term growth by distorting resource allocation, fueling unsustainable capital flows, and increasing financial instability. If left unaddressed, these imbalances risk eroding the credibility of international rules and institutions, including those that have supported the development of global value chains and contributed to decades of global prosperity.

Addressing global macroeconomic imbalances calls for both domestic actions and cooperative solutions. Fiscal policies and structural measures calibrated to country-specific circumstances are needed to alleviate pressures on domestic imbalances and correct unsustainable saving-investment developments in both surplus and deficit economies. At the international level, candid dialogue remains critical for the correction to be carried out in an orderly manner.

**Elevated public debt levels and rising debt-servicing burdens remain persistent challenges.**

Countries must implement fiscal consolidations that are anchored in credible medium-term frameworks to set debt on a sustainable path, while rebuilding buffers and ensuring fiscal sustainability. Many EMDEs are facing high financing costs, large external refinancing needs, and a decline in net external flows amid slowing growth rates. As more resources are diverted to servicing debt, fewer resources are available to invest in productivity and growth. High debt service payments also hinder fiscal consolidations, undermining macroeconomic stability and thereby resulting in greater perceived risk by creditors, fueling a vicious circle.

Well-targeted structural reforms that enable greater private sector-led investment and boost potential growth should be prioritized. These domestic efforts should be coupled with international support comprising capacity building and technical assistance, as well as the mobilization of sufficient, affordable, and flexible financial resources.

**Navigating a world in transition**

Against the backdrop of weak medium-term growth prospects, rising macroeconomic imbalances, sweeping policy shifts, rising tensions, low productivity growth, and increasing risks from elevated debt burdens and increasing debt servicing costs, we underscore the IMF's pivotal role through tailored policy advice, capacity development, and financing when necessary. In this regard, we welcome the progress on the priorities set by the medium-term direction in the Spring 2025 Global Policy Agenda.

**Sharpen surveillance.** In times of rising tensions and systemic risks, effective crisis prevention is crucial to avoid the need for crisis resolution. We welcome the Comprehensive Surveillance Review (CSR)'s focus on promoting resilience and growth through tailored policy advice, strengthening assessment of external imbalances and cross-border spillovers, and supporting members' capacity to manage shocks through risk assessment and contingent policy advice. Bilateral and multilateral surveillance to guide informed policy discussions in this unique platform for cooperation remains of utmost importance.

**Address debt challenges.** We welcome the IMF's strengthened commitment to addressing debt challenges through a more comprehensive and coordinated approach. The Fund's ongoing work on updating the Debt Sustainability Frameworks for both low-income and market-access countries and the publication of the *Debt Restructuring Playbook* through the work within the Global Sovereign Debt Roundtable (GSDR) to enhance the predictability and timeliness of debt treatments represent important steps forward. We welcome progress on the three-pillar approach to support countries with sustainable debt that are facing debt service challenges, and we encourage the IMF to move swiftly towards its implementation.

**Fortify the Fund's lending toolkit.** The Review of Program Design and Conditionality, aimed at strengthening the quality and balance of macroeconomic adjustment, improving program robustness under higher uncertainty, and ensuring adequate financing, represents an important step toward more effective engagement. We would welcome the refinement of precautionary instruments, such as the Short-Term Liquidity Line, as key crisis-prevention tools, and the continued commitment to implementing the PRGT reform. These actions are essential to ensure that the Global Financial Safety Net remains fit for purpose.

**Enhance capacity development.** By expanding and modernizing capacity development (CD), countries are better equipped to implement effective policies, undertake structural reforms, and build stronger institutions. Integrating demand-driven CD with program design is the optimal approach for countries that need it the most.

**Maintaining a strong and agile institution.** The IMF must remain a strong and agile institution capable of addressing the evolving needs of its membership. We value the commitment to prudent budget management and efficiency, including through the streamlining of internal processes and the use of new technologies to enhance effectiveness, as well as focusing on the Fund's core priorities. We recognize the importance of maintaining a highly skilled and diverse staff, as this remains central to the institution's credibility and ability to deliver high-quality analytical and operational work. Finally, we note the ongoing work with the membership to develop principles to guide future discussions on quota and governance, which will be key to ensuring the Fund's legitimacy and representativeness in a changing global context.

## **ARGENTINA**

### **Developments since April**

The approval of the IMF Extended Fund Facility (EFF) agreement underpinned the new phase of the stabilization and growth plan, anchored in maintaining an overall fiscal balance policy, a gradual transition toward greater exchange rate flexibility, and the continuation and deepening of the structural reforms plan aimed at increasing productivity, competitiveness, and governance.

Following the successful launch of the new phase, with the exchange rate quickly stabilizing near the midpoint of the band, FX market gaps narrowing from 24 percent to 0.5 percent, and monthly inflation

resuming its downward trend—falling from 3.7 percent in March to values below 2 percent from May onwards—political uncertainties on both domestic and external fronts have risen, partially tempering the initially positive results. Nevertheless, inflation and inflation expectations continue on a downward trajectory, economic activity remains generally resilient, supporting a further reduction in poverty, and the reform plan continues firmly on track.

Looking ahead, we are confident that the economy's solid fundamentals, combined with the President's firm commitment to fiscal sustainability and the structural reform agenda, will yield positive results and enable the country to regain market access sooner rather than later. On the fiscal front, we reaffirm our strong commitment to fiscal consolidation, underpinned by high-quality structural measures to improve the efficiency of tax and spending systems. These include both revenue reforms aimed at simplifying and improving the equity and efficiency of the tax system, including by reducing distortive trade and financial transaction taxes, and spending reforms to preserve the fiscal anchor, by reducing energy subsidies and bringing electricity and gas tariffs even closer to cost recovery.

On the monetary front, we believe that the role of monetary policy in the stabilization process cannot be underestimated. The elimination of Central Bank remunerated liabilities was crucial in anchoring expectations, and going forward, we reaffirm our commitment to the monetary framework anchored around strict control of the monetary supply, with interest rates determined by the markets.

In terms of economic performance, in July 2025 the Monthly Economic Activity Estimator (EMAE) recorded a 2.9 percent year-on-year (y/y) increase and a 0.1 percent decline compared to June in seasonally adjusted terms. Compared to the same month in 2024, eleven of the sectors that make up the EMAE showed increases in July, with notable performance of the Financial Intermediation (23.2 percent y/y) and Mining and Quarrying (13.4 percent y/y).

On the fiscal side, in the cumulative period January-August 2025, primary surpluses (1.3 percent of GDP) and financial surpluses (0.4 percent of GDP) were achieved, while the primary fiscal surplus is expected to remain within target in 2025.

Regarding inflation, during 2025 the Consumer Price Index (CPI) showed a sustained deceleration in its monthly inflation rate. In May, it reached its lowest level, with an increase of just 1.5 percent month-on-month, the smallest figure since April 2020. In August (last data available), the monthly variation stood at 1.9 percent, with year-to-date inflation of 19.5 percent and a year-on-year change of 33.6 percent.

Regarding foreign trade, as of August 2025, the cumulative trade balance recorded a surplus of USD 5.1 billion, remaining positive since December 2023. Notably, the energy surplus reached new historical highs both in year-to-date and 12-month cumulative terms.

## **BOLIVIA**

### **Recent economic developments**

The domestic and external context in which the Bolivian economy operates continues to be challenging. Internationally, uncertainty has reached high levels and remains elevated due to the geopolitical conflicts in Ukraine and the Middle East, the onset of a tariff war resulting from U.S. trade policies, and lower global growth forecasts compared to 2024. Although global inflation has declined, upward pressures persist on food prices along with volatility in fossil fuel markets. Likewise, while interest rates have been

moderately reduced, they are still at levels that restrict financing to consolidate the decline in inflation to the targets set by the monetary authorities.

Domestically, the national economy faced pressures related to foreign currency liquidity and difficulties in accessing it due to the blockage of external financing by the Plurinational Legislative Assembly (ALP), coupled with a drop in hydrocarbon revenues, in a context of uncertainty surrounding the presidential elections.

Despite these challenges, the Bolivian economy remained resilient. GDP grew by 0.7 percent in 2024, with the deceleration observed in the last quarter mainly explained by road blockades. The labor market was dynamic, recording an urban unemployment rate of 3.3 percent in 2024 and 3.2 percent as of June 2025, accompanied by an increase in the employed population.

So far in 2025, the price level has been affected by the US currency liquidity problem, adverse climatic effects, road blockades, reverse smuggling, and speculation, which exerted upward pressure on both domestic and imported goods. In June 2025, monthly inflation peaked at 5.2 percent, thereafter beginning a downward trend to 0.2 percent in September. As of September, cumulative inflation reached 18.3 percent.

Externally, Bolivia recorded three consecutive months of trade surpluses during May, June, and July 2025. This outcome was driven by higher exports since March, particularly of Brazil nuts, quinoa, chia, minerals, sugar, coffee, lithium carbonate, jewelry, garments, and urea, among others. International reserves continued to increase, reaching USD 3.275 billion in September 2025.

The financial sector, in turn, showed stable performance in 2025. As of August, deposits grew by 1.6 percent compared to the same period in 2024, following a temporary contraction in local currency during the second quarter associated with seasonal factors and the pre-electoral context. The loan portfolio expanded by 3 percent, with strong participation from the productive sector, which grew by 6 percent. In response to the challenging domestic environment, the Central Bank managed financial sector liquidity by withdrawing surplus resources to preserve purchasing power and providing liquidity during periods of greater need. As a result, the system maintains adequate solvency and liquidity indicators, historically high profits, and a non-performing loan ratio of 3.2 percent, still below the regional average.

### **Policies to safeguard the economy and the population's well-being**

In light of the challenging external and internal environment, the National Government has been implementing measures to boost productive activity and preserve the population's well-being. Efforts to support domestic production and food security have been maintained and expanded through programs such as SIBOLIVIA, which offers loans at an interest rate of only 0.5 percent; the Credit Fund to Support Microenterprises (FOCREMI); the Poultry Trust Fund; and the creation of financing mechanisms for strategic sectors such as FOCAX, FOCAÑA, and the Startup Fund. In addition, import facilities remain in place for capital goods and industrial plants in the agricultural, industrial, construction, and mining sectors, along with specific measures for the hydrocarbon industry.

Within the framework of the Industrialization and Import Substitution Program, during 2025, the delivery of several plants continued, such as: the Camelid Processing Plant in Turco, the Expansion of the Dairy Processing Plants in Challapata and Achacachi, and the Mutún Steel Plant in Puerto Suárez, among others.

To support the export sector, the government has been promoting the modernization of foreign trade through the implementation of the Single Window for Foreign Trade (VUCE)—a digital platform that centralizes certification and authorization procedures previously requiring visits to multiple entities. To date, IBMETRO, BCB, SENASAG, and SENAVEX have been incorporated into the system. The VUCE now covers a significant share of foreign trade operations, and efforts are underway to expand it further by integrating additional institutions and certificates.

In the hydrocarbons sector, for 2025 the government approved the exemption of the Value-Added Tax (VAT) on imports of crude oil, gasoline, and diesel fuel. Procedures for issuing import authorizations for private companies were also expedited, resulting in 35 new firms importing fuel under this modality during 2025.

Furthermore, the national government is actively negotiating new external loans to finance various strategic projects. As of now, the total amount of external loans pending approval in the Plurinational Legislative Assembly stands at USD 1.667 billion.

To mitigate rising inflation and protect household purchasing power, the government has continued to subsidize fuel and food, promote direct producer-to-consumer markets, control speculative practices, and combat reverse smuggling. Temporary tariff suspensions were also maintained for imports of rice, baby chicks, inputs for poultry and oil production, as well as engines, tires, and wheels, among other measures.

## **Economic Outlook**

Economic growth is expected to be lower than the initially projected 3.5 percent, due to factors such as the road blockades in June, difficulties in accessing fuel for productive sectors caused by speculation and reverse smuggling, uncertainty surrounding the presidential elections, and speculation over the U.S. dollar, among others. Nevertheless, authorities will continue their efforts to ensure fuel supply to the domestic market, boost productive activity, and protect vulnerable populations.

## **CHILE**

**Despite the uncertain external environment, Chile's economic activity remains strong.** In the first two quarters of 2025, GDP grew 2.5 and 3.1 percent YoY, respectively. It is expected that GDP will grow 2.5 percent in 2025—an upward revision since the April WEO report—reflecting stronger domestic demand. Inflation is gradually returning to the 3 percent target. In September, headline and core inflation were 4.4 percent and 3.9 percent YoY, respectively. It is expected that both will decline to 4.0 and 3.7 percent YoY by year-end. Two-year inflation expectations remain anchored at 3 percent, in line with the Central Bank of Chile (CBC)'s two-year horizon target.

**The monetary policy rate will converge to its range of neutral values within the policy horizon.** The CBC has indicated that future adjustments of the policy rate will consider the evolution of macroeconomic conditions and their implications for the convergence of inflation. In that respect, developments in global financial conditions remain critical, as Chile is a small open economy. The CBC also reaffirms its commitment to conduct monetary policy with flexibility to ensure that inflation reaches 3 percent over the two-year horizon. Furthermore, the CBC has maintained a free-floating exchange rate (FX) regimen since 1999, and it remains committed to conducting FX interventions only on exceptional and limited occasions to address disorderly market conditions. Finally, the current three-year reserves accumulation program has delivered USD 855 million, enhancing Chile's external buffers.

**The banking sector is liquid and well capitalized.** It has been adapting to the full implementation of Basel III and appears to be well prepared to face the impact of severe adverse scenarios, as it was concluded from the stress test exercises conducted in May 2025. Banks have built up sufficient provisions to cover potential defaults in their portfolios and exhibit adequate liquidity buffers. Moreover, a robust banking regulation and supervision, in line with international standards, provides a strong institutional framework. Furthermore, the Countercyclical Capital Buffer (CCyB), activated in May 2023 at 0.5 percent of risk-weighted assets, reinforces the resilience of the banking industry, and it is consistent with the current macro-financial conditions and risks faced by the financial system.

**Headline and structural balances for 2025 are projected at -2.0 and -2.2 percent of GDP, respectively.** Effective revenues are projected to grow 6.8 percent compared to 2024; meanwhile, central government spending is projected to grow 2.6 percent, which includes corrective measures and reallocations implemented until the third quarter of this year. Consequently, the public debt-to-GDP ratio is projected at 42.4 percent for 2025. The public budget bill for 2026 presented to Congress entails a 1.7 percent expansion of spending consistent with a structural balance of -1.1 percent.

## PARAGUAY

Economic activity and domestic demand have evolved favorably in recent months. In the second quarter of 2025, GDP growth reached 5.9 percent. Excluding agriculture and electricity, growth was 6.7 percent. On the supply side, services, manufacturing, construction, livestock, and electricity and water showed strong performance. On the demand side, growth was driven mainly by private consumption and gross fixed capital formation. In this context, the GDP growth forecast for 2025 was revised upward in July, from 4.0 percent to 4.4 percent.

Monthly CPI inflation and its underlying measures have remained low. Between June and August, the CPI, the CPI excluding food and energy (IPCSE), and the core CPI all averaged 0.1 percent per month. However, on a year-on-year basis, inflation has recently increased, reaching 4.3 percent in August. This increase is mainly driven by base effects and the temporary surge in beef prices, which have risen since late 2024 due primarily to higher external demand and elevated prices in international markets. Inflation is projected at 4.0 percent at year-end, with a gradual convergence to the 3.5 percent target expected in 2026. In this context, and with the economy operating close to potential, inflation expectations anchored to the target, and lower exchange rate pressures, the Monetary Policy Committee (CPM) kept the Monetary Policy Rate (TPM) unchanged at 6.0 percent during 2025.

The exchange rate appreciated around 9 percent against the U.S. dollar during 2025, in a context of global weakening of the currency. The flexible exchange rate regime has acted as a buffer against external shocks, while a high level of international reserves—equivalent to more than 20 percent of GDP—provides strong support to mitigate abrupt exchange rate volatility not consistent with macroeconomic fundamentals.

The financial system continues to show a solid performance, with liquidity, solvency, and profitability indicators at adequate levels. Credit maintains a favorable dynamic, with positive prospects across different economic sectors. Deposits have evolved positively, particularly long-term ones, both in local and foreign currency. In terms of soundness, profitability remains high and similar to pre-pandemic levels, while solvency indicators remain comfortably above the minimum regulatory requirements.

To further modernize the financial system, the BCP has adopted measures to promote market development within a macroprudential framework. On one hand, the BCP authorized investment in

foreign currency securities issued abroad, considering it advisable for the banking system to hold high-quality liquid assets for proper liquidity management. Regarding the foreign exchange market, the limits for FX forward operations between financial institutions and resident economic agents, as well as to nonresident investors holding Guaraní-denominated sovereign bonds, were expanded, thereby providing greater exchange rate hedging. In line with international best practices, the conditions for trading of Monetary Regulation Bills (LRM) were updated, with the aim of deepening their negotiability in the secondary market and broadening investment opportunities for economic agents. In addition, regulations were issued to strengthen corporate governance in the banking and capital markets, enhance transparency, and improve the management of climate-related financial risks within the framework of sustainable finance.

Finally, the Paraguay Payments System (SIPAP) continues to operate efficiently, securely, and in a modern manner, supporting digitalization and financial inclusion. The approval of the National Payments System Law<sup>1</sup> ensures a modern regulatory framework that strengthens security and transparency and consolidates SIPAP as a key financial infrastructure. The modernization of the payments system also includes the inclusion of new participants, such as FinTechs, and regulations to mitigate operational and cybersecurity risks associated with the use of technology.

## PERU

Economic activity grew by 2.8 percent y/y in Q2 2025 (3.9 percent in Q1), driven by strong private spending in non-primary sectors (3.2 percent) amid low inflation, job recovery, favorable financial conditions, and improved business sentiment. Growth in primary sectors (1.5 percent) was supported by solid agricultural exports and a rebound in manufacturing.

Private investment and consumption grew strongly, supported by positive private sector expectations, a resilient labor market, and contained inflation, offsetting weaker public spending. Domestic demand is expected to remain strong, with GDP growth projected at 3.2 percent in 2025 and 2.9 percent in 2026.

Peru has maintained one of the lowest and most stable inflation rates in LAC since 2001 (3.0 percent on average in 2001-2024). Inflation continued to decline in recent months, with the y/y rate falling from 2.0 percent at end-2024 to 1.4 percent in September 2025—placing Peru among the few countries in the region that have met their inflation target. Core inflation (excluding food and energy) also fell from 2.6 percent to 1.8 percent. Other trend inflation indicators and 12-month inflation expectations decreased further, remaining within the 1–3 percent target band of the Central Reserve Bank of Peru (BCRP). Headline inflation is expected to reach 1.7 percent in 2025 and converge to the midpoint of the target band by 2026.

Credit to the private sector grew by 4.5 percent y/y as of August 2025, reflecting the economic recovery and a gradual normalization of monetary policy, and marking the fourth consecutive month of acceleration. Credit growth is expected to reach 5.0 percent in 2025, in line with domestic demand trends.

The 12-month rolling fiscal deficit narrowed from 3.5 percent to 2.4 percent of GDP between December 2024 and August 2025, driven by higher current revenues. Public debt is expected to reach 31.3 percent of GDP by end-2025—one of the lowest levels in the region. Fiscal consolidation is expected to advance, supported by: (i) stronger tax revenues from improved activity and higher export prices; (ii) higher one-off

---

<sup>1</sup> Law No. 7503/2025 National Payments System, dated 27.06.2025. Available at: <https://www.bcp.gov.py/web/institucional/leyes1>

non-tax revenues in 2025; (iii) prudent tax and spending policies; and (iv) improved public enterprise management. The fiscal deficit is projected at 2.4 percent of GDP in 2025 and 2.1 percent in 2026.

The current account surplus is expected at 1.9 percent of GDP in 2025, supported by a larger trade surplus—underpinned by still-favorable terms of trade—and a recovery in inbound tourism. The balance of payments is projected to remain sustainable and financed by long-term capital inflows. The current account surplus is expected to increase to 2.0 percent of GDP in 2026, reflecting a recovery in foreign-owned firms' profits.

In September 2025, the BCRP cut its policy rate by 25 basis points to 4.75 percent, after holding it steady at 5.00 percent in July and August. The BCRP emphasized that future rate decisions will depend on inflation data and its underlying drivers. It also noted that the real policy rate is now close to its estimated neutral level (around 2.0 percent) and reiterated its commitment to keeping inflation within the target band. The real policy rate stood at 2.07 percent as of September 2025.

The BCRP maintains a strong FX buffer—equivalent to around six times short-term external debt and 30 percent of GDP—thanks to its precautionary reserve accumulation strategy. With sound fundamentals and high reserves, Peru's external position remains among the strongest in emerging markets, helping to reduce risks from external shocks.

Peru continues to benefit from strong macroeconomic fundamentals, including low public debt, ample fiscal space—among the largest in the region—and sizable external buffers. Amid ongoing global challenges, the country's solid policy track record remains a key strength.

## **URUGUAY**

### **1. Macroeconomic Performance**

Uruguay's economy rebounded strongly in 2024, following a modest 0.7 percent growth in 2023 that was constrained by a severe drought. GDP expanded by 3.1 percent, driven by the revitalized agricultural sector, increased pulp production, and higher hydropower generation. Stronger exports and household consumption—supported by a reduced exchange rate differential with Argentina—also contributed to the recovery. In the second quarter of 2025, economic activity continued to grow, with GDP rising by 2.1 percent compared to the same period in 2024. For the full year, real GDP growth is projected at 2.6 percent.

### **2. Monetary Policy and Inflation**

Inflation in Uruguay has remained within the Central Bank (BCU)'s tolerance range for over two years. In 2025, a sustained downward trend—driven by the global weakening of the U.S. dollar, and declining inflation expectations—led the rate to fall to 4.25 percent in September, below the BCU's official target of 4.5 percent. The monetary stance remains contractionary, aiming to keep inflation close to the target, reduce disparities between inflation in tradable and non-tradable goods, and reinforce the convergence of expectations. By September 2025, inflation expectations had reached 4.6 percent, reflecting sustained alignment with the BCU's target and a disappearing credibility gap after almost 20 years. The BCU started its easing cycle in July. This process is anchored in its commitment to achieving the 4.5 percent inflation goal, supported by contractionary monetary policy, enhanced central bank communication, and reinforced by fiscal policy and the government's guidelines for collective bargaining.

### **3. Financial System**

The country's banking sector remains sound, profitable, well-capitalized, and highly liquid. As of June 2025, profitability remains historically high, at 2.5 percent of assets and 21 percent of equity. The non-performing loan rate closed the second quarter of 2025 at 1.8 percent, approaching its historical low of 1.5 percent. Bank solvency remains robust, averaging 1.97 times the regulatory minimum. Stress tests conducted by the Superintendence of Financial Services confirm that the banking system could withstand a severe recession scenario while maintaining adequate capital buffers. Liquidity conditions also remain highly favorable.

### **4. External Sector**

Uruguay maintains a strong external position, supported by ample reserve assets held by the BCU, which totaled USD 18.52 billion as of September 2025. This strength is further reflected in the narrowing of the current account deficit, which stood at 1.0 percent of GDP for the 12 months ending in June 2025—0.6 percentage points lower than in the same period of the previous year—driven by the rebound in economic activity following the climate-related disruption of 2023. Even under a highly adverse scenario, the BCU would have required USD 16.05 billion, underscoring the country's resilience to external shocks. The flexible exchange rate regime, aligned with a sustainable current account position, continues to support macroeconomic stability by enhancing the economy's capacity to absorb external shocks.

### **5. Fiscal Policy**

In 2024, the Central Government's fiscal deficit (CG-BPS) reached 3.3 percent of GDP, excluding the impact of the Social Security Trust Fund, which amounted to 0.1 percent of GDP. In light of this situation, alongside deferred expenditures, advanced tax collections, and spending commitments inherited from the previous administration, the new authorities proposed a five-year budget law that outlines a fiscal consolidation strategy, totaling 1.5 percentage points of GDP, to achieve a primary surplus of 0.1 percent of GDP in the structural fiscal balance by 2029. This adjustment will be driven by a gradual increase in revenues, supported by modernized and more efficient tax administration, strengthened anti-fraud enforcement, the implementation of the global minimum tax, and the rationalization of selected tax instruments, while maintaining expenditures broadly constant as a share of GDP. As outlined in the budget law submitted to the Uruguayan Parliament, the current administration has not only preserved the fiscal rule introduced by its predecessor but has also reinforced it to elevate its role in fiscal policy management.

### **6. Labor Market Indicators**

The labor market showed notable year-on-year improvements in June 2025. The employment rate rose to 59.5 percent, nearly one percentage point higher than in June 2024, while the activity rate reached 64.2 percent, up by 0.4 percentage points over the same period. The unemployment rate declined to 7.3 percent, compared to 8.1 percent a year earlier. Formal employment has continued to grow steadily in recent years.

### **7. Institutional and Environmental Governance**

Uruguay stands out in today's volatile global landscape for its strong institutions and commitment to environmental sustainability. According to Freedom House, the country has a long-standing tradition of democratic governance and consistently upholds political rights and civil liberties, earning a score of 96

out of 100. Uruguay ranks 13th globally in Transparency International's Corruption Perceptions Index and holds the 29th position in economic freedom, as reported by the Heritage Foundation. From September 2024 to August 2025, more than 98 percent of Uruguay's electricity was generated from low-carbon sources. Notably, it was the first country to issue a sovereign bond with a step-up/step-down coupon structure linked to environmental performance based on its Paris Agreement commitments. These achievements reinforce Uruguay's status as the country with the lowest sovereign spread in the region.