FOREIGN DIRECT INVESTMENT
REPORT

NOVEMBER 2024

Uruguay XXI
INVESTMENT, EXPORT AND COUNTRY BRAND PROMOTION AGENCY

TABLE OF CONTENTS

WHY INVEST IN URUGUAY?

Uruguay's longstanding **political, social, and macroeconomic stability**, coupled with a range of advantages across various business sectors, positions it as an ideal regional HUB for the Americas. This encompasses not only platforms for support services and commercial activities, but also for more sophisticated and innovative operations.

Uruguay's **strategic location** as a gateway to the region, along with its advantageous time zone and cultural affinity, facilitates business with major global markets. The country boasts world-class logistics infrastructure and cutting-edge telecommunications technology, positioning it as a regional leader in technological infrastructure, connectivity, and internet access, as reflected in its high ranking on the ICT Development Index.

Furthermore, Uruguay features a **coordinated and accessible technological and business ecosystem,** offering investment opportunities for existing companies through mergers and acquisitions (M&A), as well as support for the development of new ventures. As a small, orderly, open, and transparent nation with access to advanced technologies, Uruguay serves as an ideal destination for delivering quality services.

Favorable Regulatory Framework: Investments in Uruguay, whether domestic or foreign, are recognized as being of national interest. The country ensures equal treatment for local and foreign investors and offers a variety of incentives tailored to different activities. Notably, the global export services sector benefits from significant tax exemptions and the opportunity to operate under an export-oriented free trade zone regime.

Sustainability. Uruguay ranks highly in ESG (Environmental, Social, and Governance) factors. At the national level, efforts are underway to integrate sustainability criteria across various areas of public administration while making new international commitments to enhance environmental stewardship.

Talent. In Uruguay, education is universally accessible and provided at no cost across all levels, resulting in a workforce that is both highly skilled and proficient in multiple languages. Businesses engaged in service exportation from Uruguay benefit from assistance in developing tailored training initiatives for their staff and new recruits.

Quality of Life. Uruguay stands out as one of South America's safest nations, providing exceptional living standards for professionals and their families. The country offers top-tier healthcare and educational services, with its capital, Montevideo, ranking as Latin America's most livable city according to the Mercer Index. The nation has become increasingly attractive to expatriates, offering streamlined visa and residency processes for working professionals. In a recent move to attract global talent, Uruguay introduced a specialized residence permit for digital nomads, making it even easier for remote workers to make this country their home.

EXECUTIVE SUMMARY

- In 2023, FDI flows experienced a decline of 2% relative to 2022, amounting to a total of US$1.33 trillion. Developed economies emerged as the predominant investors globally, contributing nearly 70% of the total investment.

- In the same year, Latin America and the Caribbean received US$184,304 million in FDI, reflecting a decrease of 9.9% from 2022, although this figure remained above the average for the past decade. Within the various components of FDI, only profit reinvestment saw an increase of 15%, while capital contributions and intercompany loans fell by 22% and 36%, respectively.

- Uruguay presents a welcoming environment for foreign investment, characterized by a favorable investment climate, a stable and attractive legal framework, and a regulatory and institutional structure that is responsive to the needs of investors.

- The net FDI received by Uruguay in 2023 reached US$2,262 million, indicating a decline compared to the previous year.

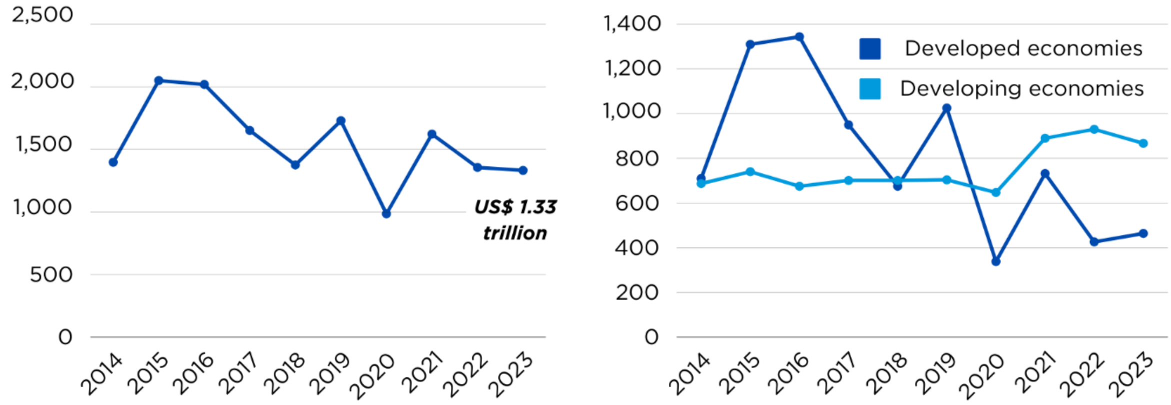
- During 2023, Uruguay successfully attracted nearly 50 investment projects from foreign enterprises, with 70% of these being new investments and 30% involving mergers and acquisitions).

- According to the findings from the third survey of foreign companies conducted by Uruguay XXI, 84% of foreign firms operating in Uruguay expressed satisfaction or high satisfaction with the country as a location for their business activities.

1. GLOBAL FDI IN 2023

Global FDI experienced a decline of 2%, reaching a total of $1.33 trillion in 2023. This decrease was influenced by significant variations in financial flows through a limited number of intermediary European economies[1]. When excluding these nations, the overall global FDI flows decreased by over 10%.

Graph 1.1
Global FDI inflows (US$ Billions)



Source: compiled by Uruguay XXI based on UNCTAD (2024).

Mergers and acquisitions (M&A), primarily impacting FDI in developed nations, experienced a significant decline of 46% in monetary value. Additionally, project finance, essential for infrastructure development, decreased by 26%. Contributing factors to this downturn include stricter financing conditions, uncertainty among investors, volatility in financial markets, and, specifically for M&A, heightened regulatory measures.

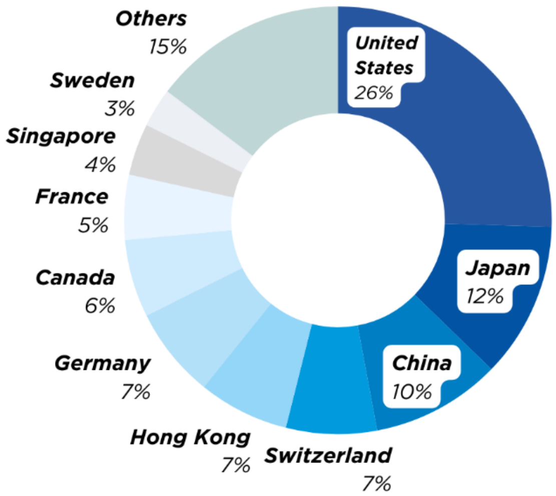
Greenfield projects experienced a 2% increase, with the growth primarily occurring within the manufacturing sector, marking a departure from a decade-long trend of steady decline. Additionally, developing countries saw a significant rise, with the number of projects surging

[1] European intermediary economies refer to countries in Europe that act as transit or intermediary centers for foreign direct investment (FDI) flows. These countries typically have financial and tax systems that facilitate the transfer and redirection of investment to other destinations. Typical examples are the Netherlands, Luxembourg and Switzerland.

by 15%. Conversely, in developed nations, the announcement of new projects decreased by 6%.

In terms of the sources of investment flows, developed nations emerged as the predominant investors globally, representing 68% of total worldwide investment, notwithstanding the decline observed in 2022. In 2023, the United States and Japan stood out as the principal contributors to investment. The outward FDI from the United States rose by 10%, while Japan experienced a 14% increase, contrasting with the trend among other developed countries. Conversely, outward investment from European nations decreased by 11%, excluding the intermediate economies within Europe. Although Germany, Sweden, and Spain were significant outward investors, their investment flows experienced a downturn. In a notable contrast, France, another key investor country, saw an increase in its FDI.

Graph 1.2
Main FDI issuers (Share % of total global flows)



Source: compiled by Uruguay XXI based on UNCTAD (2024).

1.1. FDI IN LATIN AMERICA AND THE CARIBBEAN[2]

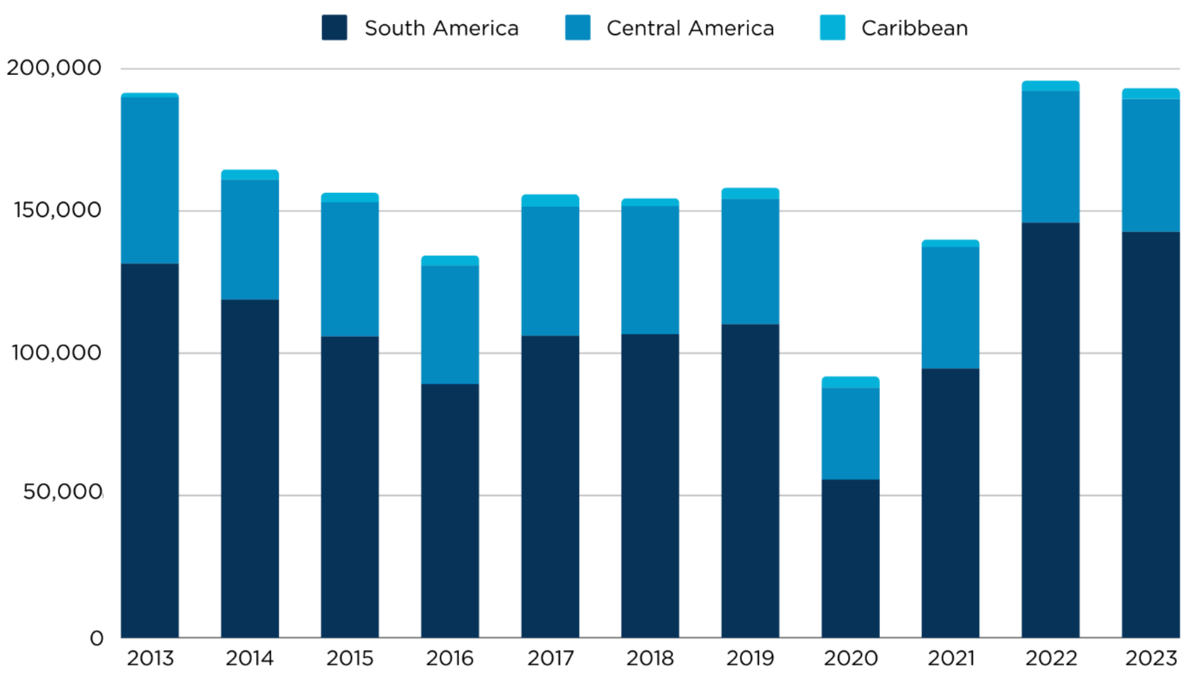
In 2023, FDI inflows to Latin America and the Caribbean reached USD 184.304 billion, reflecting a decrease of nearly 10% compared to 2022. Despite this decline, the total remains above the average recorded over the past decade. Consequently, the proportion of FDI inflows relative to the region's GDP also diminished, standing at 2.8% in 2023. Nonetheless, the

[2] Foreign Direct Investment in Latin America and the Caribbean 2024 – ECLAC.

region's FDI inflows constituted 14% of the global total for that year, surpassing the average share of 11% observed during the 2010s.

In 2023, the elements of FDI revealed that only reinvested earnings experienced an increase, rising by 15%. In contrast, capital inflows and intercompany loans saw declines of 22% and 36%, respectively, when compared to the prior year. Notably, for the first time in ten years, capital contributions did not constitute the largest share of total FDI inflows in 2023, and their value fell below the averages recorded over the previous decade. This trend may be attributed to a diminished incentive for international companies to invest in Latin America and the Caribbean.

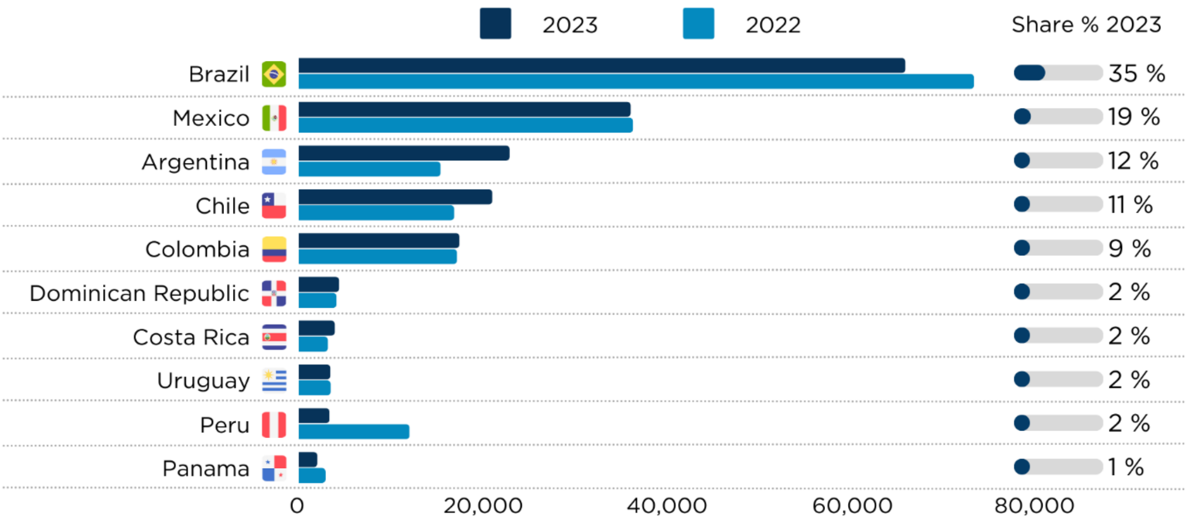
Graph 1.3
FDI received by LAC (US$ Millions)



The reduction in FDI flows to Brazil (-14%) and Mexico (-23%), the leading recipients of FDI in Latin America and the Caribbean, was the primary reason for the overall decline in FDI within the region. In South America, Peru faced a significant drop in FDI inflows (-65%), whereas Argentina and Chile saw increases of 57% and 19%, respectively. Conversely, Central America and the Caribbean attracted more investment compared to 2022, with increases of 12% and

28%, respectively. In Central America, nearly all nations experienced a rise in FDI, particularly notable were the growth rates in Costa Rica (28%) and Honduras (33%). The increase in the Caribbean was largely attributed to heightened inflows in Guyana (64%) and the Dominican Republic (7%).

Graph 1.4
FDI received by Latin America by country- Top (US$ Millions)



Source: compiled by Uruguay XXI based on ECLAC (2024).

From a **sectoral** viewpoint, the downturn in performance can be attributed primarily to a 24% reduction in FDI inflows to the services sector, which stands in stark contrast to the robust performance recorded in 2022. Despite this setback, the services sector continued to hold a leading position within the region in 2023. Meanwhile, investment in the manufacturing sector experienced growth for the second consecutive year, reflecting a 9% rise relative to 2022. Notable increases were reported in several countries, including Colombia (105%), Honduras (386%), Mexico (29%), and the Dominican Republic (13%), which helped to mitigate the decline observed in Brazil. Additionally, the natural resources sector also experienced a 16% increase in FDI inflows compared to the previous year.

The rise in foreign direct investment within the manufacturing sector may suggest that multinational corporations are keen on establishing production facilities in nations adjacent to the United States (nearshoring). This strategy allows them to capitalize on lower labor expenses while simultaneously mitigating the risks associated with barriers stemming from geopolitical tensions (friendshoring).

1.2. PROSPECTS FOR FDI

The United Nations Conference on Trade and Development (UNCTAD) indicates that the international investment landscape will continue to face difficulties in 2024. The outlook for growth appears subdued, as factors such as economic fragmentation, trade disputes, geopolitical tensions, industrial policies, and the diversification of supply chains are altering investment behaviors and leading some multinational corporations to adopt a more cautious approach. Nevertheless, these firms are still reporting robust profits, financing conditions are showing signs of improvement, and the rise in announcements of greenfield investment projects in 2023 is expected to positively influence FDI. Consequently, a modest increase in FDI is anticipated for 2024.

In late 2023, during a conference with leaders from Latin America, U.S. Treasury Secretary Janet Yellen emphasized her concept of "friendshoring," which involves diversifying supply chains among a broad array of dependable partners and allies. She asserted that this approach holds "enormous potential benefits for boosting growth in Latin America and the Caribbean." Nevertheless, the nations within the region have yet to effectively leverage nearshoring opportunities and have generally struggled to formulate robust strategies to enhance the influence of FDI on their development.

Furthermore, the region's remarkably green energy grid, with over 50 percent of its energy derived from renewable sources, positions it favorably to compete against carbon-heavy exports from Asia, especially in light of potential carbon border adjustment measures from the European Union[3].

Latin America needs to take decisive action to enhance its business environment, which includes ensuring access to high-quality infrastructure, upholding the rule of law, and bolstering security measures, in order to swiftly seize emerging opportunities. Other regions have already acknowledged the potential presented by shifts in supply chains and are vigorously competing for these advantages.[4]

[3] How Latin America and the Caribbean can benefit from FDI and offshoring – World Economic Forum.
[4] Five Facts About Nearshoring in Latin America - J.P. Morgan.

2. SURVEY OF FOREIGN INVESTORS IN URUGUAY

Uruguay XXI conducted the third edition of a survey targeting foreign investors to assess their views on the business environment in Uruguay. This research aimed to gauge investor satisfaction across various aspects of the business environment and to examine the application and assessment of investment promotion regulations. The findings from this survey offer critical insights into the efficacy of the policies in place and underscore potential areas for enhancement to boost competitiveness and draw additional foreign investment to the nation.

KEY FACTORS FOR INVESTING IN URUGUAY[5]

When inquired about the primary considerations for investing in Uruguay, participants highlighted the importance of stability and the institutional framework. Approximately 80% of those surveyed identified macroeconomic, political, and social stability as a principal reason for their investment decisions in Uruguay. Additionally, 71% regarded institutional and legal security as another significant factor. Following these, tax exemptions and incentives were noted by 47% of respondents, while 44% mentioned the freedom of foreign exchange and the simplicity of dividend repatriation.

Table 2.1
Key factors for investing in Uruguay

- MACROECONOMIC, POLITICAL, AND SOCIAL STABILITY
- INSTITUTIONAL AND LEGAL SECURITY
- TAX EXEMPTIONS AND INCENTIVES

Over 80% of foreign enterprises established in Uruguay have made investments in the country over the past five years. The primary motivations for these investments include business expansion (47%) and the maintenance of existing operations (37%). In terms of investment methods, nearly 50% of these companies opted to reinvest profits, while 32% engaged in

[5] In the 2023 edition, 235 companies responded in full or in part to the survey, representing 20% of the sampling frame (1,153 companies).

capital injection, demonstrating the strong confidence investors have in Uruguay. Furthermore, over 40% of the surveyed companies expressed a high likelihood of increasing their investments in Uruguay within the next five years.

In the context of strategic priorities for the upcoming years, Digital Transformation (50%) and Sustainability/ESG Factors (49%) emerged as key focus areas. This reflects a recognition among companies of the critical role that Technology and Sustainability play in shaping the future of their operations. Additional areas of interest included Innovation (43%) and the Retention and Development of Human Capital (36%).

LEVEL OF SATISFACTION

A notable 84% of the foreign companies participating in the survey expressed satisfaction or a high level of satisfaction with Uruguay as a favorable environment for business development. Particularly noteworthy is the 18% of respondents who reported being very satisfied. This represents a significant level of contentment and marks an improvement compared to previous surveys; in 2018, 47% indicated satisfaction or high satisfaction, while the inaugural survey in 2015 recorded a satisfaction rate of 76%.

Table 2.2
Global level of satisfaction with Uruguay

An analysis of satisfaction across various sectors reveals that organizations within the services, commerce, and infrastructure sectors reported levels of satisfaction that exceeded the average. Specifically, companies in the primary sector achieved a satisfaction rate of nearly 80%, whereas those in the manufacturing sector exhibited the lowest levels of satisfaction.

For those companies that indicated dissatisfaction, an open-ended inquiry was conducted to ascertain the underlying reasons. The predominant concern cited was the cost of living, which encompasses high general expenses, labor and energy costs. Additionally, issues related to bureaucracy and the sluggishness of procedures were identified as significant contributors to dissatisfaction.

The investment climate encompasses at least three primary dimensions: the regulatory environment and incentives, infrastructure and services, and human capital.

A majority of companies expressed contentment with the regulatory framework and associated incentives. The aspect that garnered the highest level of satisfaction was the stability of the regulatory environment for conducting business, which received a commendable 78%. In contrast, tax incentives elicited a moderate level of satisfaction, while the overall procedures and processes related to establishing and managing a business were met with the least approval.

In terms of infrastructure, there was considerable satisfaction with airports; however, concerns were raised regarding air connectivity. Foreign companies particularly highlighted the necessity for increased direct flights, notably between Uruguay and the United States. Additionally, there were grievances regarding the costs associated with port services.

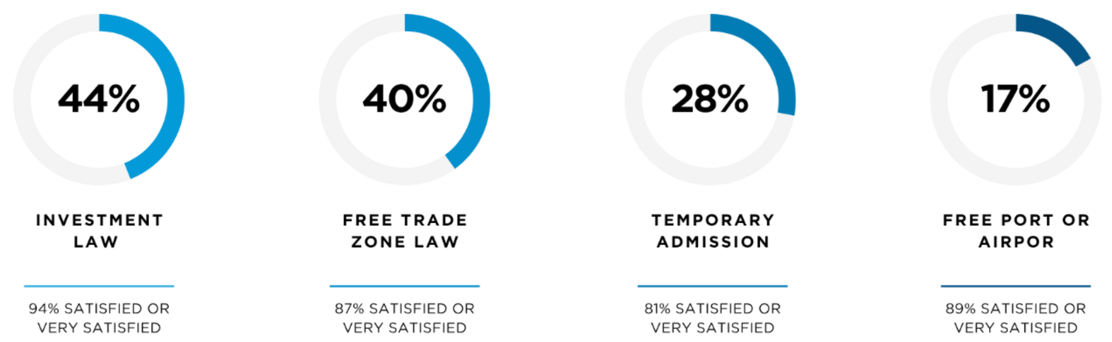
In line with prior editions, the technological infrastructure and energy services received a notably high level of satisfaction. Conversely, concerns were raised regarding the costs associated with energy and fuel. The dimension of human capital typically exhibited the lowest average satisfaction levels. Approximately 70% of respondents expressed satisfaction with the employer-employee relationship, while satisfaction regarding productivity and the availability of skilled human resources was deemed average. However, dissatisfaction persisted concerning the costs related to human resources, a recurring issue highlighted in previous survey editions.

This edition also evaluates satisfaction levels concerning various aspects of the investment climate. The quality of life in Uruguay received exceptionally high satisfaction ratings. Additionally, there was considerable contentment regarding visas, residency, and other permits necessary for the entry of foreign personnel, as well as the process of opening bank accounts.

Furthermore, foreign companies were surveyed regarding their utilization and assessment of investment promotion regulations. The Investment Law and the Free Trade Zone Law emerged as the most frequently utilized frameworks, with 44% and 40% of companies, respectively, indicating their use. Following these, temporary admission (28%), free port or airport (17%), export refunds (12%), and trading (Resolution 51/997) (10%) were identified as the next most commonly employed instruments.

Overall, the instruments employed received a significant degree of satisfaction. Notably, the Investment Law and the Free Trade Zone Law were met with exceptionally high levels of approval.

Table 2.3
Most frequently utilized investment promotion frameworks



One of the challenges highlighted for enhancing the investment climate in Uruguay pertains to the procedures and processes involved in establishing or operating businesses. In late November 2023, the government introduced the Single Window for Investments , a mechanism designed to facilitate improvements in the nation's productivity and competitiveness. This initiative aims to streamline procedures, lower costs, and expand business opportunities.

For comprehensive results from the third Foreign Companies Survey, please click on the following link.

3. FOREIGN DIRECT INVESTMENT IN URUGUAY

3.1.FOREIGN DIRECT INVESTMENT IN URUGUAY

Investments in Uruguay, whether from domestic or international sources, have been recognized as a matter of national interest. The regulatory framework for investors is well-defined, ensuring that both foreign and local investors receive equal treatment. They can benefit from a variety of incentives tailored to various sectors, including industrial, commercial, and service activities. The Milken Institute's Global Opportunity Index, which evaluates 100 indicators across five categories—Business Perception, Economic Fundamentals, Financial Services, Institutional Framework, and International Standards and Policy—ranks **Uruguay as the second most favorable country for investment in Latin America.**[6]

FDI has played a crucial role in the economic advancement of the country, underscoring the significance of investment within the economy. As of 2023, the FDI stock reached US$ 37,701 million, accounting for 49% of the nation's GDP. Uruguay maintains an open stance towards FDI, having implemented various initiatives to establish a regulatory framework that offers equitable conditions aligned with international practices and standards.

The combination of a conducive investment environment and robust economic performance has facilitated substantial FDI inflows over the past decade. The impact of FDI in Uruguay has been multifaceted, notably providing a considerable enhancement to the export sector. Numerous foreign enterprises are investing in sectors geared towards international markets, thereby aiding in the diversification of the country's export basket[7].

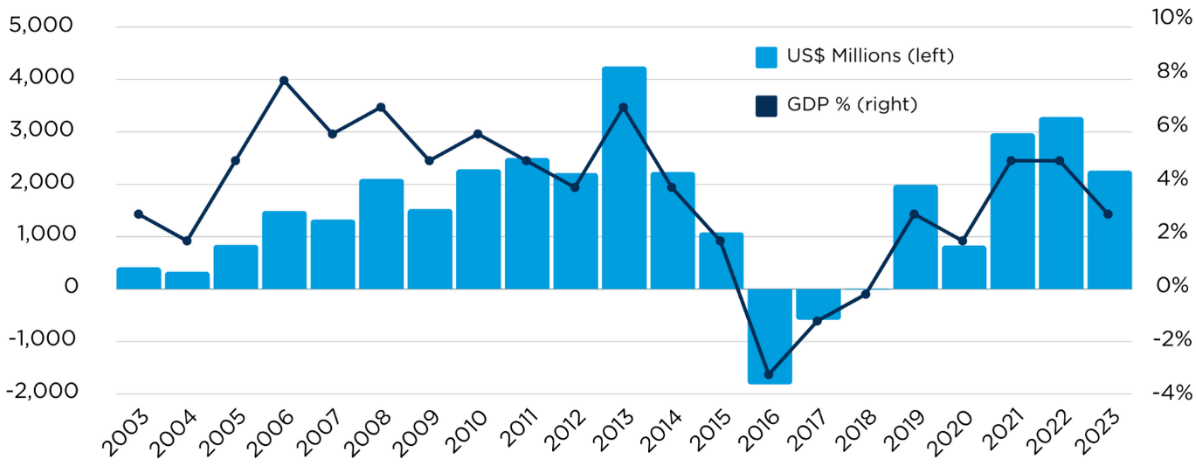
FDI has significantly enhanced the prominence of non-traditional service exports over the past ten years. A majority of these services are delivered by subsidiaries of multinational corporations, which cater to either their parent companies or other subsidiaries. Establishing a subsidiary in a foreign nation leads to an influx of FDI[8].

[6] Global Opportunity Index 2024: Attracting Foreign Investment – Milken Institute.
[7] more information: Characterization of foreign companies exporting goods in Uruguay – Uruguay XXI.
[8] more information: Global Services Report – Uruguay XXI.

In recent times, Uruguay has established itself as a dependable and appealing location for foreign investment. The inflow of FDI has exhibited a consistent upward trajectory since 2001, with annual increases culminating in a peak in 2013.

The trend subsequently shifted, resulting in the recording of negative values from 2016 to 2018. This phenomenon can primarily be attributed to loans made by companies based in Uruguay to their parent companies located overseas. However, beginning in 2019, there has been a resurgence of positive FDI in Uruguay, culminating in significant levels by 2022.

Graph 3.1
FDI inflow to Uruguay (US$ Millions and GDP %)



Source: compiled by Uruguay XXI based on the Central Bank of Uruguay.

In 2023, Uruguay received a net foreign direct investment of USD 2,262 million, reflecting a decline from the previous year. The three main components of FDI include equity investment, reinvested earnings, and inter-company loans (refer to Table 3.1). Equity investment, which is considered the most authentic aspect of FDI, remained positive throughout the year, totaling USD 501 million in 2023. Reinvested earnings amounted to USD 544 million, indicating a decrease compared to the significant recovery observed in the years following the pandemic. Inter-company loans also showed a positive figure of USD 1,217 million; however, this component is known for its volatility, as it involves transactions between subsidiaries and their parent companies located abroad.

In the first half of 2024, the situation shifted, with foreign direct investment turning negative at USD 1,769 million, primarily due to negative inter-company loans.

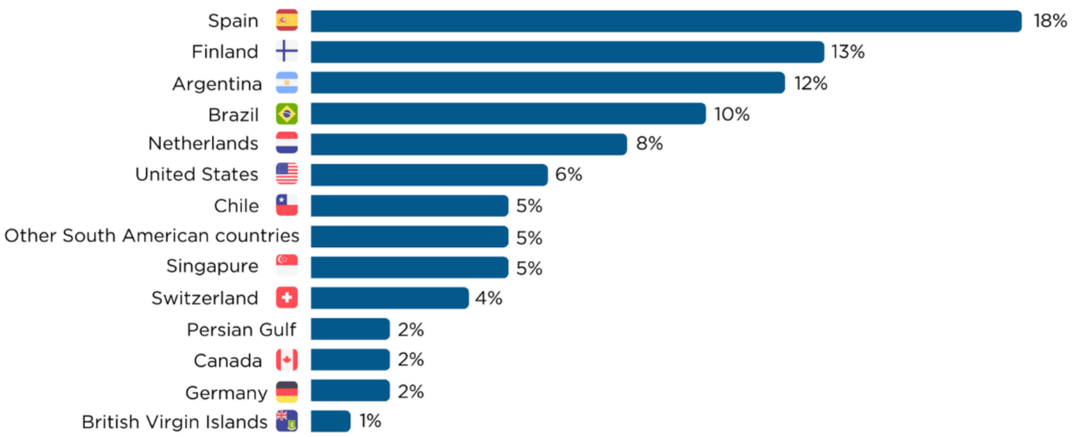
Table 3.1
FDI received by type (US$ Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	1er sem. 2024
Contributions	1,731	1,390	1,009	637	269	624	1,005	733	964	501	223
Reinvestment	809	-1,250	-610	1,187	1,117	-619	-220	3,307	3,844	544	1,381
Loans	-303	945	-2,220	-2,414	-1,397	1,988	46	-1,063	-1,523	1,217	-3,373
Directional FDI	***2,236***	***1,085***	***-1,821***	***-590***	***-11***	***1,994***	***831***	***2,977***	***3,285***	***2,262***	***-1,769***

Source: compiled by Uruguay XXI based on Uruguay's Central Bank.

Spain is the leading country in terms of FDI in Uruguay, followed by Finland, Argentina, and Brazil. Collectively, these nations represent over fifty percent of the FDI that Uruguay has attracted.

Graph 3.2
FDI position by origin (Share %, 2023)



Note: only equity stakes are considered.
Source: prepared by Uruguay XXI based on Uruguay's Central Bank.

Spanish companies have made significant investments in power generation projects, particularly in wind energy, which typically require substantial financial commitment. In the services sector, various initiatives have emerged in financial services, fintech, and business services. Additionally, Spanish investments have extended to other areas, including the food industry, tourism, agro-industrial production, and commerce[9].

[9] Central Bank of Uruguay data does not show cross-references by destination and sector, so complementary information from COMAP, FDI Markets and EMIS is used.

Finland's investments are predominantly concentrated in pulp mills, which are of considerable scale. Argentine firms have also diversified their investments across multiple sectors, with notable contributions to agribusiness, the food industry, and pharmaceuticals. Recently, there has been an increasing trend of Argentine capital flowing into the business services sector. Concurrently, Brazil is focusing on industrial projects, particularly within the agro-industry.

Recent statistics from the Central Bank of Uruguay indicate that the manufacturing sector received the highest share of investment flows, accounting for 35% of the total. This was succeeded by the finance and insurance sector, which garnered 33%, and the commerce sector, which attracted 22%.

Table 3.2
FDI received by sector

Sector	2013-2023		2023
	US$ Millions	% Share	US$ Millions
Manufacturing industries	6,927	35%	297
Financial and insurance	6,486	33%	621
Commerce	4,234	22%	-409
Professional, scientific and technical activities	1,362	7%	603
Transportation and Storage	380	2%	-88
Unclassified	343	2%	84
Electricity	262	1%	21
Information and communications	100	1%	-95
Construction	30	0%	81
Lodging	20	0%	6
Real estate activities	-18	0%	-36
Administrative and support services	-120	-1%	90
Agro	-333	-2%	-130
TOTAL	**19,674**	**100%**	**1,045**

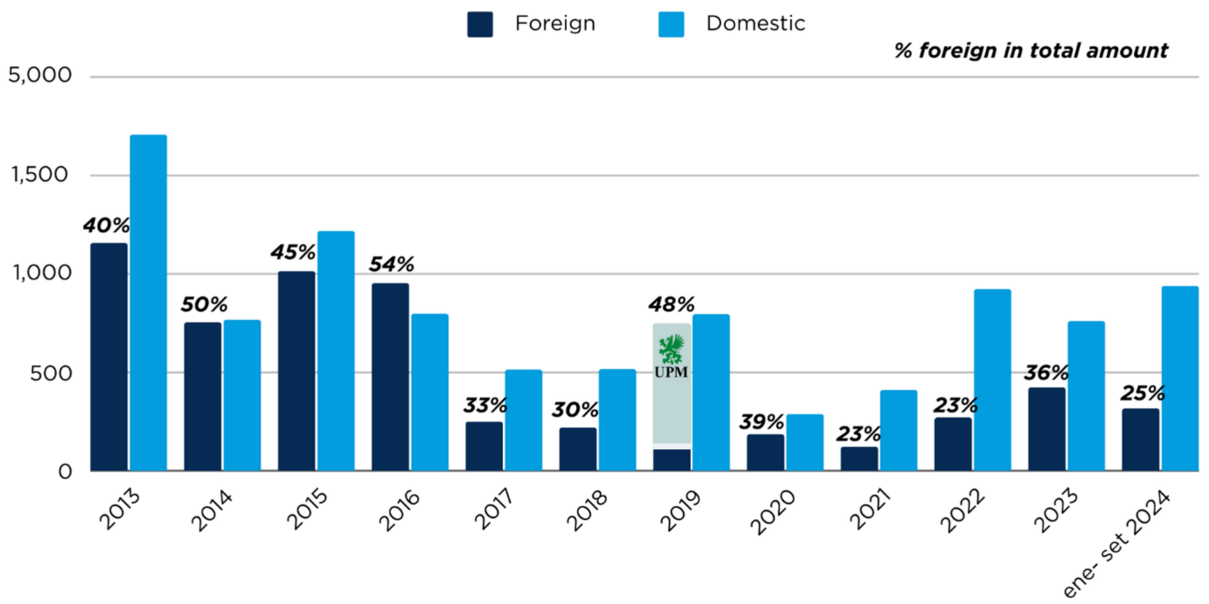
Note: Capital contributions and reinvestment are considered. Loans between related companies are not considered. The 2013-2023 figure corresponds to the sum of flows for all years.
Source: compiled by Uruguay XXI based on Uruguay's Central Bank data.

3.1.1. PROJECTS PROMOTED BY COMAP

The investment promotion framework in Uruguay offers various tax incentives for investment projects that are presented to the Commission for the Application of the Investment Law (COMAP). If these projects fulfill specific criteria, they receive endorsement from the Executive

Branch (refer to the Annex of the Regulatory Framework)[10]. Projects that COMAP recommends for approval can be found in the following link. Since its implementation in 2006, this regime has been extensively utilized by both local and international companies[11].

Graph 3.3
Recommended projects by COMAP by capital origin (US$ Millions)



Source: compiled by Uruguay XXI based on COMAP data.

Since 2019, there has been a decline in the investment levels associated with projects recommended by COMAP. This trend can be attributed to several factors, with the most significant being the inclusion of UPM's investment project in the port of Montevideo in 2019, which amounted to USD 484 million—a substantial undertaking that was not replicated in the following years. The years 2020 and 2021 were marked by considerable uncertainty due to the Covid-19 pandemic, which led to delays in investment decisions. However, in 2023, there was a notable increase in projects initiated by foreign companies, both in terms of quantity (19%) and value (56%). A total of fifty-six projects were promoted, amounting to US$424 million. From January to September 2024, there were 63 projects from foreign companies, totaling US$317 million.

[10] Although the Investment Promotion Law does not distinguish between domestic and foreign investors, it is possible to analyze the use of this incentive by foreign companies thanks to Uruguay XXI's register of foreign companies.
[11] It should be remembered that in order for a project to be recommended by COMAP, it is necessary to follow several administrative processes that may take some time to materialize. Therefore, projects recommended in a given year may be investment initiatives from previous years.

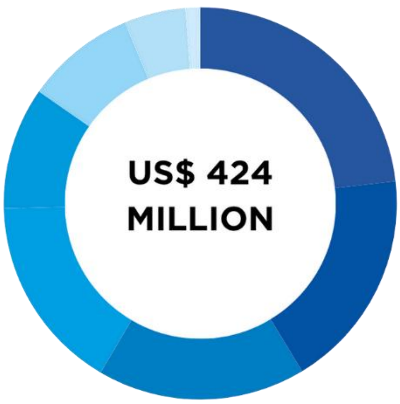
Table 3.3
Projects promoted by country of origin - foreign capital (2023)

# 1	US$ 152 MILL.	6 PROJECTS
# 2	US$ 125 MILL.	11 PROJECTS
# 3	US$ 68 MILL.	8 PROJECTS
# 4	US$ 24 MILL.	4 PROJECTS
# 5	US$ 15 MILL.	2 PROJECTS
# 6	US$ 14 MILL.	8 PROJECTS

NOTE: the remaining 17 projects corresponded to companies of German (5), French (4), Swiss (2), Canadian (1), Colombian (1), Malaysian (1), Danish (1), Dutch (1), New Zealand (1) and Venezuelan (1) origin.
Source: Compiled by Uruguay XXI based on COMAP data

In 2023, the majority of foreign enterprises originated from Spain, focusing primarily on telecommunications and the agro-industrial sector. Brazilian firms directed their investments towards agribusiness and cement production. The United States ranked third, with a concentration on logistics and forestry initiatives. A sectoral analysis of the projects undertaken by foreign companies indicates that telecommunications accounted for the largest share, representing 23%.

Graph 3.4
Promoted projects by sector - Foreign capital (2023)



Telecommunications	23%
Agricultural / Agribusiness	18%
Food Industry	17%
Manufacturing Industry	16%
Tourism	10%
Logistics	9%
Commerce	5%
Financial	1%
Services	0,2%

Source: compiled by Uruguay XXI based on COMAP data.

3.2. RECENT FDI TRENDS IN URUGUAY

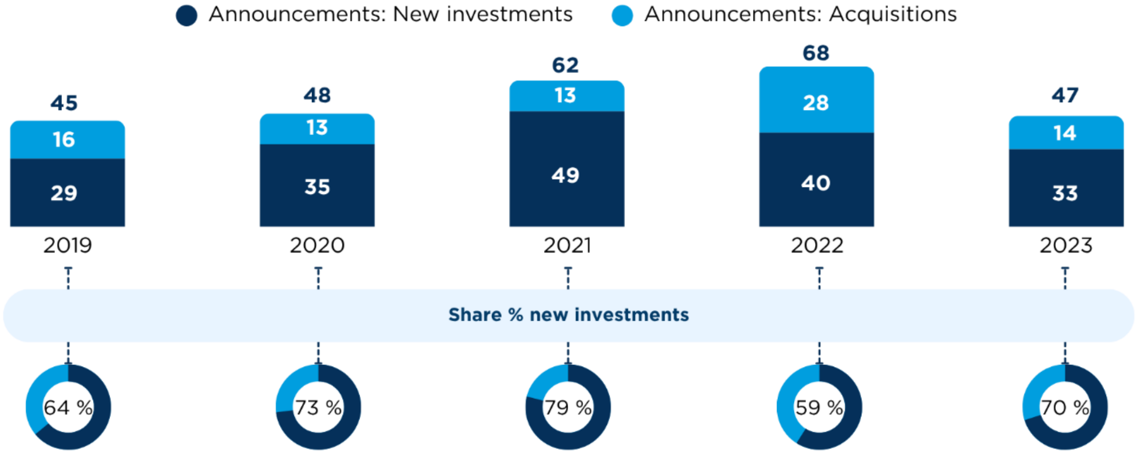
3.2.1. INVESTMENT ANNOUNCEMENTS AND OPPORTUNITIES[12]

To analyze the recent trends in FDI in Uruguay, data regarding investment announcements made by foreign[13] companies and the investment opportunities facilitated by Uruguay XXI is provided.

INVESTMENT ANNOUNCEMENTS

In 2023, Uruguay witnessed nearly 50 investment projects[14] from foreign companies, marking a return to the levels observed in 2019, although this represents a decrease compared to 2022. Of the announcements made in 2023, 70% pertained to new investments, while 30% involved mergers and acquisitions (M&A)[15] Among the new investments, the majority were associated with the establishment of new companies (70%), with the remaining 30% consisting of reinvestments from firms already operating in Uruguay. Notably, reinvestments surged by 67%, whereas greenfield investments experienced a decline of 32%.

Graph 3.5
Investment Announcements

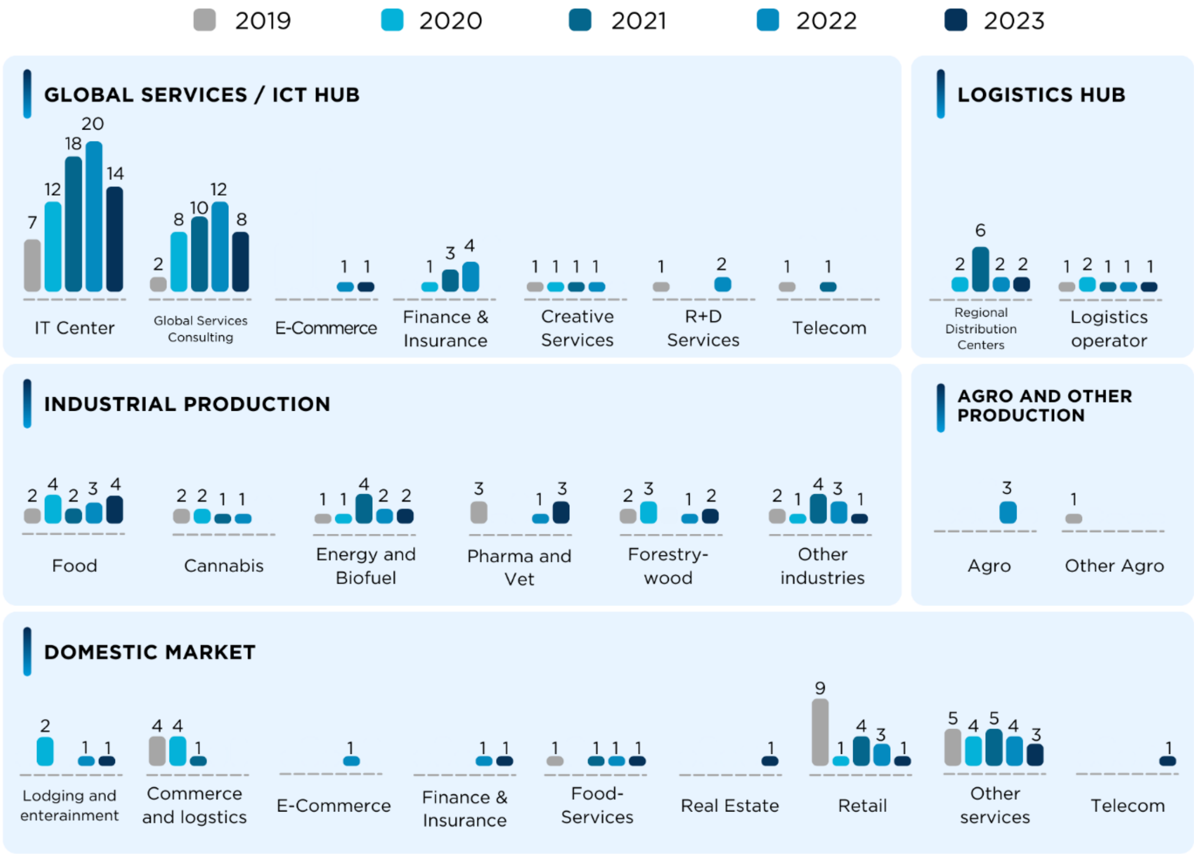


Source: Uruguay XXI.

[12] For more information, see the 2019-2023 Investment Opportunities and Announcements Report.
[13] The database is compiled from several sources: investment opportunities supported by Uruguay XXI, investment projects collected from FDI markets, and M&A transactions obtained from Emis and Orbis. Although this compilation is not intended to include all FDI received by Uruguay, it is a good approximation of the number of investment projects announced on an annual basis.
[14] Data updated as of December 2023.
[15] Defined as: (i) New Investment Announcements - operations of new companies to be established in the country and/or expansion or diversification of foreign companies already in the country. (ii) M&A announcements - transactions in which a foreign company acquires all or part of a local company.

Uruguay XXI categorizes announcements and investment opportunities based on the business model or platform that companies intend to establish within the country[16]. The period was marked by an increasing interest in activities aimed at the foreign market, which peaked in 2022. However, this trend saw a decline in 2023, as activities related to the external market diminished, although they remained significant, particularly those associated with the Global Services Hub and Information and Communication Technology (ICT). In 2023, 55% of the announced investments were linked to these activities, 26% pertained to the Production Hub activities (including Industrial, Agriculture, and other sectors), while 19% were investments directed towards the domestic market.

Graph 3.6
Investment announcements by investment platform in Uruguay

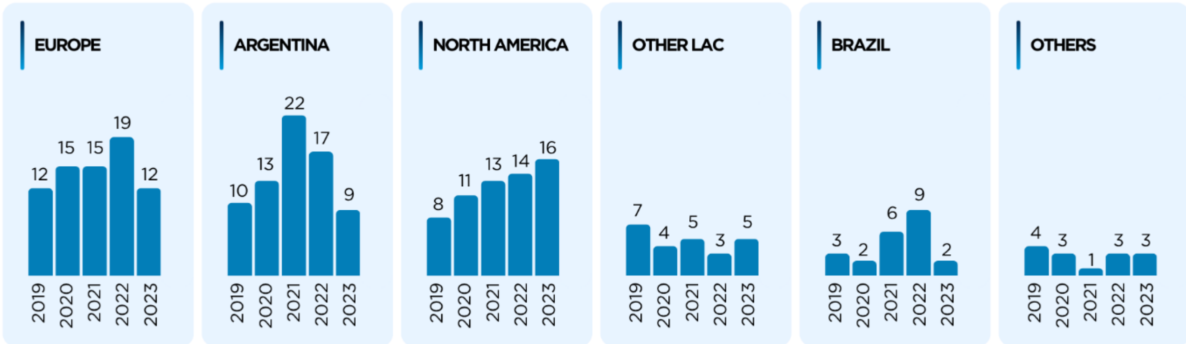


Source: Uruguay XXI.

16 Four major platforms are defined: Global Services/ICT (including operations of service centers, ICT development centers, e-commerce, financial services, telecommunication services, creative services or R&D), Logistics (including investments in regional distribution centers or logistics operators), Industrial Production (including manufacturing industry in its various areas of activity - for example chemical or metal-mechanical, pharmaceutical, food products, forestry-wood, energy, etc.), Agro, Production and Other (including investments in the primary chain of agriculture, forestry and mining), Domestic Market (including activities focused on the domestic market such as retail, wholesale and distribution, other services including tourism).

In 2023, the primary sources of capital for investment announcements in Uruguay were North America (34%), Europe (26%), and Argentina (19%). Among the European nations, firms from Spain and the United Kingdom were particularly prominent, contributing 9% and 6% to the total announcements, respectively.

Graph 3.7
Investment announcements by origin of capital



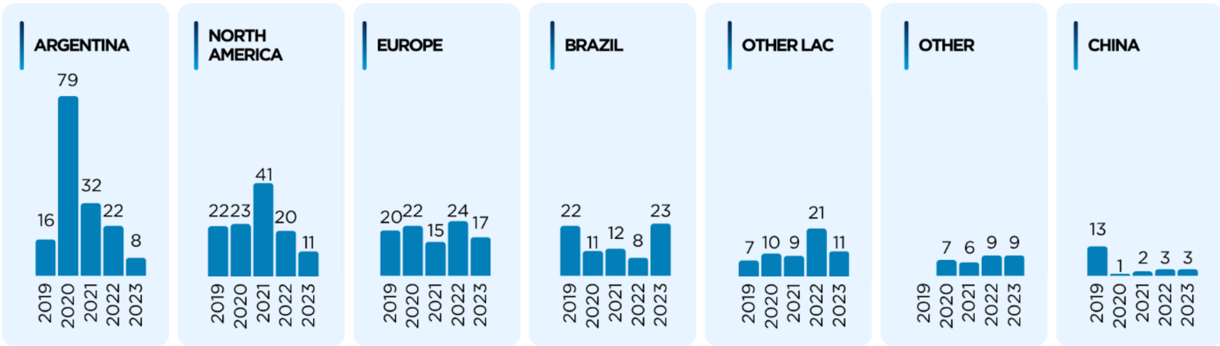
Note: announcements in which the investing company is unknown are not considered
Source: Uruguay XXI

1. INVESTMENT OPPORTUNITIES IN URUGUAY

The report further details the Investment Opportunities (ODIS) facilitated by Uruguay XXI, which were launched in each of the years analyzed[17]. In 2023, around 290 ODIS received support, with 31% of these being initiated within the same year. The ODIS demonstrate the growing interest of Brazilian companies in investing in Uruguay, showing a notable rise compared to 2022.

[17] An opportunity may or may not become an announcement.

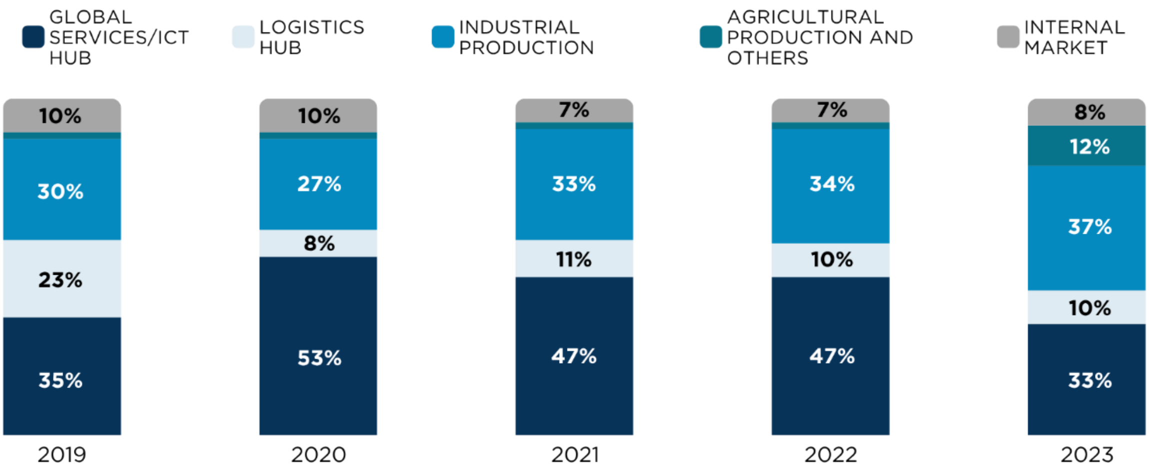
Graph 3.8
Investment opportunities by origin of capital



Note: ODIS in which the investing company is unknown are not considered
Source: Uruguay XXI

ODIS are categorized based on the same criteria applicable to the activities undertaken by companies in Uruguay. In 2023, the Production Hub became increasingly significant, accounting for nearly 50% of the total, followed by the Commerce & Services Hub, which represented 43%. Additionally, 8% of the investments were directed towards serving the domestic market.

Graph 3.9
Investment Opportunities by sector of activity in Uruguay - according to start year



Source: Uruguay XXI

3.2.2. TRENDS AND SECTORS FOR INVESTING IN URUGUAY

Global Services and Technology

- Brazil remains the main exporter of global services in the region. At the global level, there are new profiles of countries that are intensive exporters of global services: Belarus, Ukraine, Sri Lanka and Iraq.

- The trend of US companies is beginning to consolidate, both for offshoring and for the preference of nearshoring services (not only as geographical distance, but also as time zone and cultural affinity).

- Shared Service Centers are shifting from a model focused on cost reduction and centralization of core activities to one focused on improving the customer experience by offering higher value-added solutions (through digital transformation and process automation).

- Most of the ICT sector inquiries come from Argentina, with an increase in requests for information from Brazil, followed by Canada, Spain and the United States.

- Among the types of activities to be developed in the country, the most noticeable are those related to software development in the areas of finance, cybersecurity, artificial intelligence, cryptocurrency mining and gaming. In addition, requests related to the use of renewable energy for technological projects with a focus on sustainability stand out in this last period.

For more information, see: Global Services Report and ICT Report

Life Sciences

- Globally, notable transformations in the business models of the pharmaceutical industry have been observed. There is a growing trend of mergers and acquisitions involving startups that offer therapeutic solutions, particularly by major pharmaceutical companies (Big Pharma). Additionally, the integration of artificial intelligence is becoming a key component of strategies aimed at personalizing therapies.

- Multinational corporations, including multi-Latin, are showing a keen interest in regional distribution activities to cater to the Southern Cone market. Uruguay is emerging as a central hub for this region, complementing Panama's role. Initially, these operations are small-scale, facilitated by logistics providers, but they eventually evolve into direct operations that incorporate additional service offerings.

- Brazilian firms are expressing a desire to invest in laboratories and production facilities in Uruguay.

For more information, see: Pharmaceutical Sector Report

Agribusiness and Food

- Uruguay possesses distinct advantages in the realm of global food production, renowned for its production methods and the high quality of various agricultural products, which are cultivated under rigorous sanitary regulations.
- The anticipated growth in the global population by 2050 presents opportunities for the production of functional ingredients and plant-based foods.
- The Middle East is recognized as a promising area for investments in food production.
- For several years, Uruguay has sought to leverage the opportunities arising from the outbreak of swine fever in China. The government has made strides in negotiations to access the Chinese market and in establishing a sanitary regulatory framework to support the pork export sector, with the investment from the ODI Valls company already confirmed. Concurrently, another export initiative is under discussion with the National Meat Institute (INAC) and the municipality of Treinta y Tres.
- The production of ingredients for both regional and global markets represents a business opportunity in which Uruguay remains relatively underrecognized, yet it is anticipated that the promotional initiatives launched in 2022 will yield significant opportunities.

For more information see: Agriculture Report, Livestock Report and Food Report

Forestry

- There is an increasing global demand for certified and sustainable forest products, emphasizing zero deforestation and the responsible management of forests.

- The industry is increasingly prioritizing sustainable construction, particularly in the creation of value-added products such as high-quality furniture, cladding, wood flooring, and design items.

- Significant opportunities and announcements have emerged in mechanical conversion, particularly with sawmill projects aimed at producing various products, including high-quality boards, plywood, and cross-laminated timber (CLT).

For more information see: Forestry Report

Energy transition

- The evolution of Uruguay's energy matrix has positioned the nation as a leader in the global adoption of renewable energy. The proportion of renewable energy within both the primary and electricity matrices significantly exceeds the global average, which stands at under 20%

- Europe is strategizing to import green energy as a means to decarbonize and substitute natural gas, thereby enhancing its security and sovereignty, particularly in reducing reliance on Russian energy sources. The European Union's hydrogen strategy aims to generate 10 million tons of hydrogen domestically while importing an additional 10 million tons by the year 2030.

- Uruguay has entered into a Memorandum of Understanding (MOU) with the Port of Rotterdam, Europe's largest port. This agreement seeks to identify new avenues for collaboration on socially and economically sustainable projects related to green hydrogen and its derivatives. It establishes a framework for sharing knowledge and expertise concerning green hydrogen, particularly in relation to its export potential. There is notable interest from international companies in producing green hydrogen and its derivatives in the Southern Cone, with Uruguay primarily competing against Chile and Brazil. Uruguay benefits from a significant advantage due to its access to biogenic CO2, which is essential for synthetic fuel production. Additionally, there is interest in biomethane production, for which Uruguay possesses the necessary resources.

- Developed nations, particularly those in Europe, have shown significant interest in this initiative. The International Energy Agency (IEA) has pinpointed four key projects in Uruguay: H24U in Pueblo Centenario, the Tambor Green Hydrogen Hub in Tambores, HIF Global in Paysandú, and H2U Offshore Ancap, which is currently in the bidding phase.

- This robust commitment to collaboration between the European Union and Uruguay regarding energy matters was formalized through the signing of a Memorandum of Understanding, which allocates two million euros to advance the green hydrogen sector in Uruguay. These European Union funds will be utilized to establish the essential capacities for the green hydrogen industry, as well as to aid in the formulation of a regulatory framework and a communication strategy to promote this sector. This commitment was reaffirmed during the V European Investment Forum.

For more information see: Renewable Energy Report

3.2.3. INVESTMENT PROJECTS

- Uruguay XXI maintains a comprehensive Portfolio of Investment Projects designed to facilitate connections between companies and foreign investors seeking opportunities within Uruguay. This portfolio encompasses projects from businesses that are currently operational and expanding, those aiming to restructure or enhance their operations, innovative investment ideas, and initiatives tendered by the State that require private sector investment or management.

- Investment inquiries regarding the Project Portfolio have predominantly centered on sectors such as agribusiness, technology, and life sciences.

- In 2024, it is anticipated that mergers and acquisitions (M&A) activity in Uruguay will persist, encompassing both traditional industries and emerging sectors like technology. This ongoing trend is expected to be further supported by a projected decrease in interest rates in the United States, which will positively influence the financing costs associated with these projects.

- Uruguay is enhancing its innovation ecosystem through the growing involvement of venture capital investment funds from Argentina, the implementation of the Uruguay Innovation Hub Program, and the establishment of URUCAP as a private association comprising funds and angel investors.

For more information see: Project Portfolio.

For more information see: Report on M&A in Uruguay.

For more information on the sectors with investment opportunities in Uruguay, click here.

4. INSTITUTIONALITY FOR FDI IN URUGUAY

Uruguay's agency for promoting investment, exports, and its national image. Among other functions, it provides complimentary support and guidance to foreign investors, whether they are assessing potential investment opportunities or are already established in Uruguay. In this capacity, the agency seeks to draw in new productive investments, enhance reinvestment activities, and act as a facilitator between the public and private sectors to foster an improved business environment.

Web: https://www.uruguayxxi.gub.uy/es/quiero-invertir/

The Commission for the Application of the Investment Law, operating under the Ministry of Economy and Finance, is dedicated to fostering and safeguarding investments from both domestic and international investors within the country. COMAP serves as a resource for these investors, with a focus on enhancing the private sector. It provides comprehensive information and guidance regarding newly available tax exemptions for investments, along with details on various state-sponsored programs in this domain. Additionally, the Commission assists investors throughout the project submission process, offering advice on all necessary requirements to ensure a streamlined and efficient experience.

Web: www.gub.uy/ministerio-economia-finanzas/

The simplicity of executing procedures with the involvement of the public sector, which supports the establishment of companies and the growth of various enterprises, serves as a critical factor in drawing new businesses, fostering local entrepreneurship, and enhancing overall competitiveness.

The Single Window for Investments (VUI) is designed to improve the business climate in Uruguay, making the nation more appealing for investments through increased efficiency and streamlined processes. In 2022, Uruguay enacted its Draft Accountability Law (Article 459).

The VUI is designed to enhance the efficiency of public sector processes involved in company formation by minimizing paper consumption, eliminating lengthy waiting periods, and reducing the need to navigate multiple institutions. Its establishment aims to equip stakeholders with the essential tools and mechanisms to decrease both time and procedural requirements, while simultaneously improving the quality, efficiency, and productivity of public services. This initiative will facilitate access to information and promote complete transparency within government institutions.

Furthermore, the VUI will serve as a supportive resource to the VUCE, acting as a tool for facilitation.

Web: vui.gub.uy

The Foreign Trade Single Window (VUCE) serves as a tool for facilitating foreign trade by enabling the electronic execution of all procedures associated with import, export, and transit operations from a single point of entry. The implementation of the VUCE represents a significant transformation in foreign trade processes, wherein the government plays a role in streamlining and enhancing efficiency while maintaining necessary controls and security, and without altering the responsibilities of the participating agencies.

The VUCE provides users with the ability to identify the necessary documents for foreign trade activities and to adhere to the relevant procedures. Applications are submitted online, and all required documentation must be uploaded in electronic format. The information entered on the platform is subsequently forwarded to the relevant competent authority, which can process the procedure electronically, granting approval, issuing rejections, or making observations. Upon the issuance of the authorization or the final electronic document, the user receives a notification, and it is automatically transmitted to the National Customs Directorate, if applicable.

Web: vuce.gub.uy

Uruguay Innovation Hub - is a collaborative initiative involving public and private sectors, as well as various institutions, and is backed by the National Agency for Research and Innovation (ANII), the Office of Planning and Budget (OPP), Uruguay XXI, and the Ministries of Economy and Finance, Industry, Energy and Mining, and Education and Culture. The program features an **Acceleration Program** designed to offer financial assistance for the establishment of international technology and biotechnology accelerators, along with mentoring, training, and access to networking opportunities for selected projects. Additionally, it includes a **Fund of Funds**, a public-private co-investment mechanism that enables startups to tap into international funding sources, as well as gain access to mentoring and networking. The initiative also encompasses an **Innovation Campus** aimed at fostering the co-location of projects from various innovation fields within a single physical environment, and it provides **open laboratories** where startups can create proofs of concept to validate their ideas using advanced technologies.

Web: https://www.uruguayinnovationhub.uy

METHODOLOGICAL ANNEX

FDI CRITERIA (ASSET/LIABILITY VS. DIRECTIONAL)

Data on the balance of payments, as compiled by central banks, serves as the primary source of official information for assessing FDI flows[18].

In accordance with international guidelines, the Central Bank of Uruguay releases annual FDI statistics based on the **asset-liability principle**, which is employed to document financial transactions within the balance of payments framework. This principle categorizes investments into those made by residents and non-residents within the country. The investments received encompass all financial obligations (liabilities) of resident enterprises towards non-resident foreign, which may include direct investment enterprises (resident foreign subsidiaries) with obligations to their non-resident foreign investors (parent companies or other related parties), as well as resident investment enterprises that invest abroad and maintain obligations to their subsidiaries abroad. This principle is advantageous for macroeconomic analysis, such as evaluating the influence of investment on a nation's balance of payments. Additionally, it facilitates international comparisons, as the global standard recommends presenting data in accordance with BPM6.

The **directional principle** outlined in the previous manual (BPM5) is based on the logic of who is the investor, whether it be a parent company or sister companies associated with a different non-resident parent, and the direct investment enterprise, which is the subsidiary. Consequently, reverse investment is treated distinctly; this occurs when direct investment companies allocate funds to their direct investors, resulting in the netting of these financial flows. In the context of inward investment, the directional principle is defined by the liabilities that resident direct investment enterprises owe to their non-resident direct investors, subtracted by the assets that these resident enterprises hold with their non-resident counterparts.

This calculation yields net flows. The reverse investment aspect is typically manifested through loans exchanged between fellow enterprises. In Uruguay, the Central Bank provides a comprehensive version of the balance of payments (BPM6), which facilitates the derivation of

[18] In 2017, the Central Bank of Uruguay adopted the methodology of the 6th Balance of Payments Manual, and the 7th Manual is expected to be adopted by 2025.

FDI in accordance with the directional principle; however, not all Latin American and Caribbean (LAC) countries publish this detailed version. Furthermore, the Central Bank of Uruguay disseminates FDI statistics categorized by country of origin and sector of destination, strictly adhering to the directional principle. As a result, this principle is frequently employed in the Uruguay XXI reports. The directional principle serves as a valuable tool for discerning the influences and motivations behind FDI flows, making it particularly beneficial for investment policymakers. With the implementation of the new methodology, the recorded data now reflect net flows, which may include negative values.

ANNEX: REGULATORY FRAMEWORK

Click on this link: Regulatory Framework.

5. URUGUAY IN FIGURES

Official name	Oriental Republic of Uruguay
Geographic location	South America, borders with Argentina and Brazil
Capital	Montevideo
Surface area	176,215 km2. 95% of the territory is productive soil, suitable for agricultural and livestock farming
Population (2023)	3.44 million
GDP per capita (2023)	US$ 22,421
Currency	Uruguayan Peso ($)
Literacy rate	0.98
Life expectancy at birth	77.9 years
Government type	Democratic Republic with presidential system
Political division	19 departments
Time Zone	GMT - 03:00
Official language	Spanish

Indicators	2019	2020	2021	2022	2023	2024*
GDP (Annual Variation %)	0.93%	-7.38%	5.56%	4.71%	0.37%	3.35%
GDP (Million US$)	62,166	53,615	60,728	70,236	77,131	79,715
Population (Million people)	3.44	3.44	3.44	3.44	3.44	3.44
GDP per capita (US$)	18,095	15,593	17,648	20,395	22,422	22,267
Unemployment Rate - Annual Average (% EAP)	8.9%	10.4%	9.3%	7.9%	8.3%	8.6%
Exchange Rate (Pesos per US$, Annual Average)	35.3	42.1	43.6	41.1	38.9	40.0
Exchange Rate (Average Annual Variation)	14.7%	19.2%	3.6%	-5.6%	-5.5%	2.9%
Consumer Prices (Accumulated annual variation %)	8.8%	9.4%	8.0%	8.3%	5.1%	5.2%
Exports of goods and services (US$ millions)**	17,391	14,028	19,973	23,611	28,789	29,394
Imports of goods and services (US$ Millions)**	13,610	11,598	15,448	19,406	19,306	19,692
Trade surplus / Deficit (Millions of US$)	3,781	2,430	4,526	4,205	9,483	9,702
Trade surplus / Deficit (% of GDP)	6.1%	4.5%	7.5%	6.0%	12.3%	12.2%
Overall Fiscal Result (% of GDP)	-4.4%	-5.8%	-4.1%	-3.4%	-3.6%	-
Gross Capital Formation (% of GDP)	14.1%	16.4%	18.3%	18.9%	17.3%	-
Gross Public Sector Debt (% of GDP)	59.9%	74.5%	69.8%	68.1%	69.1%	-
Foreign Direct Investment (Millions of US$) ***	1,994	831	2,977	3,285	2,262	-
Foreign Direct Investment (% of GDP)	3.2%	1.5%	4.9%	4.7%	2.9%	-

*Datos proyectados en rojo.
Fuentes: BCU, INE, MEF y datos estimados (*). Los datos de resultado fiscal incluyen el efecto de Ley N°19.590 (cincuentones). En 2017 el BCU adoptó la metodología del 6to manual de balanza de pagos. La metodología incluye compra venta de mercaderías y reexportaciones y están disponibles desde el año 2012. Los datos son flujos netos por lo que pueden tomar valores negativos (**).

Uruguay XXI
PROMOCIÓN DE INVERSIONES, EXPORTACIONES E IMAGEN PAÍS

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