



**Uruguay XXI**  
INVESTMENT AND EXPORT  
PROMOTION AGENCY

**Investment opportunities**

# **LOGISTICS SECTOR**



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## Index

1. Why invest in the Logistics Sector in Uruguay? .....	2
2. Economic significance of the Logistics Sector in Uruguay .....	3
2.1 Sector description .....	3
3. Uruguay Logistics Hub .....	4
3.1 Destination for the location of Regional Distribution Centers .....	4
3.2 Goods in transit, transshipment and reshipment .....	5
4. Strategic location .....	6
4.1 Regional Port System .....	6
4.2 Paraguay, Paraná and Uruguay Waterway .....	8
5. Infrastructure .....	8
5.1. Highways and railroads .....	8
5.2 Port infrastructure .....	10
5.3 Airport Infrastructure .....	12
6. Positioning .....	13
7. Companies .....	14
8. Regulatory framework .....	14
8.1 Law of Protection and Promotion of national and foreign investments .....	14
8.2 – Regulations linked to the sector .....	15
8.2.1. Law on Free Zones .....	15
8.2.2 Free Ports and Airports .....	16
8.2.3 Bonded Warehouses .....	19
8.3 Temporary Admission .....	20
8.4 Industrial Parks .....	20
8.5. Public-Private Participation Law .....	21
9. Institutionality and actors linked to the logistics sector .....	22
9.1. National Institute of Logistics (INALOG) .....	22
9.2 Foreign Trade Single Window .....	23
9.3 Other entities linked to the sector .....	23
10. Progress towards a logistics Uruguay .....	24
10.1 Infrastructure .....	24
10.1.1 Montevideo Port .....	24
10.1.2. Logistics Port- Punta de Sayago .....	25
10.1.3. Nueva Palmira Port .....	26
10.1.4 La Paloma Port (Rocha) .....	26
10.1.5. Fray Bentos Port – Development Works .....	26
10.1.6 Paraguay Parana Waterway .....	27
Uruguay at a glance (2017) .....	28
Main Economic Indicators 2012-2017 .....	28

## 1. Why invest in the Logistics Sector in Uruguay?

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- » Uruguay is going through the longest period of economic growth since there are records. After 14 years of continuous growth, it is consolidated as the most equitable country with the highest per capita income in Latin America. It is expected that in 2017 and 2018 the country will continue to grow and do so above the Latin American average.
- » Uruguay has strong confidence from domestic and foreign investors. During the last decade it was the second country to receive Foreign Direct Investment (FDI) in relation to GDP (5.3%) in South America, and is currently the only country with an investment grade in Mercosur.
- » Uruguay offers a complete legal framework that guarantees clear rules of the game, promoting a favorable business climate with great social stability, as well as granting attractive incentives to investors through a set of promotional regimes.
- » The Law of Promotion and Protection of Investments Nº 16.906 establishes that foreign investment receives the same treatment as the national one. There are no restrictions on the repatriation of capital, nor on the transfer of profits, dividends and interest.
- » Uruguay is the regional hub par excellence for the Southern Cone: it offers important advantages for locating Regional Distribution Centers.
- » Uruguay has an outstanding geographical location, with two ports in the main entrance of the South Atlantic coast, which allow access to the Paraná-Paraguay-Uruguay waterway. It reaches the richest cities in the continent in a period of between 12 and 96 hours by land and between one and three hours by air.
- » The regulatory framework of Uruguay offers important advantages for logistics operations, with important incentives for the installation of a Regional Distribution Center (CDR) and for the handling of merchandise in transit. It includes free zone regimes, ports and free airports, bonded warehouses and temporary admission.
- » Uruguay has an adequate infrastructure, a modern airport and the densest road transport network in all of Latin America, which is also in full update. It has ports with an infrastructure of first level, unique in the South Atlantic coast, that operate under the system of Free Port; and a similar regime for airports.
- » The logistics sector has its own institutionality in Uruguay. In 2010, the National Logistics Institute (INALOG) was created by law, which acts as a public-private participation and coordination space for the development of the sector.

## 2. Economic significance of the Logistics Sector in Uruguay

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The deepening of globalization and the growing internationalization of world economies have resulted in a strong development of opportunities for the logistics sector from a world economy perspective.

Actually, the timely access to new markets requires large amounts of money from companies. Therefore, the reduction of these costs and the improvement of response quality have become significant distinguishing features for competitiveness of countries and companies.

In this context, the Uruguayan logistics sector has been one of the most dynamic sectors of the economy over the last years and has become a pioneer in the introduction of new technologies, the application of the potentialities granted by the Internet and a major support of the industrial activity through just-in-time logistics.

The transport and storage sector, directly linked to the logistics sector accounts for 3,6% of Uruguay's GDP<sup>1</sup>. This as well as its significance to the development of foreign trade and as support for the industrial activity is a sign of the strategic nature and potential which this sector implies for the economy.

### 2.1 Sector description

In Uruguay, the sector includes several activities which are developed in ports, airports, highway networks, specialized logistics companies strategically located or within logistics parks. The main logistic and administrative services are<sup>2</sup>:

- ✓ **Traditional logistics services:** Transport and transfers from regional ports and airports, reception and control, storage and conditioning of orders to be dispatched to their ultimate destination.
- ✓ **Logistics services which imply value added or semi-industrial activities:** Packaging, repackaging, mixing facilities for chemicals and other products, customizing deliveries to final clients or destination countries' requirements (rules).
- ✓ **Logistics services which involve coordination with the supply chain:** Coordination between customers' operations and logistics suppliers' operations, mainly coordination between foreign production plants, shippers, freight companies, port and airport terminals, so as to optimize deliveries.
- ✓ **Consultancy, professional logistics and IT support and development services:** Exports of logistics software, online systems which provide visibility of inventories through the Web and facilities layout design for customers' distribution centers in other countries.
- ✓ **Offshoring & Outsourcing Services:** Consists in the centralization of international operations and services by international companies that use Uruguay as a regional logistics platform and are advancing in other services such as BPO, KPO and ITO.

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<sup>1</sup> Source: National Observatory of Infrastructure, Transport and Logistics.

<sup>2</sup> Based on Operti, "Uruguay Logistics: public-private platform for innovation and competitiveness. Private public roadmap (1985 - 2015)".

The activities can be grouped into three classes<sup>3</sup>:



This report focuses mainly on logistics activities associated with international trade, with particular emphasis on HUB Logistics activities. That is, activities in which Uruguay operates as a transit point in international trade, for which it presents important comparative advantages.

### 3. Uruguay Logistics Hub

#### 3.1 Destination for the location of Regional Distribution Centers

One of the current keys of the logistics activity is in the reduction of costs that implies the operation of a CDR (Regional Distribution Center). These suppose the replacement of the traditional direct shipment from the factory to the consumer markets, by the use of an intermediate center within a few hours of the final markets, from where the distribution is made to them. These centers allow "Just In Time" operations to be carried out, reducing supply times ("lead times") and improving the response capacity in volume, production and time to the end customer. They must be strategically located to facilitate intermodal transport and improve competitiveness through timely customer-oriented services.

In addition to these gains in competitiveness, the centers have begun to produce in a sustained and professional way the improvement and development of storage systems, movement of merchandise, information systems, lay out of facilities and the development of operating procedures for tip, accompanied by the certification processes in the ISO 9001, ISO 14001 and OSHAS 18001 standards among others<sup>4</sup>. In this context, Uruguay offers important advantages as CDR as the rapid internationalization of companies in the region, the possibility of centralizing inventories with a high flexibility in volume and design, constitute a safeguard in times of uncertainty and turbulence in the global economy, and reduce operational and financial costs.

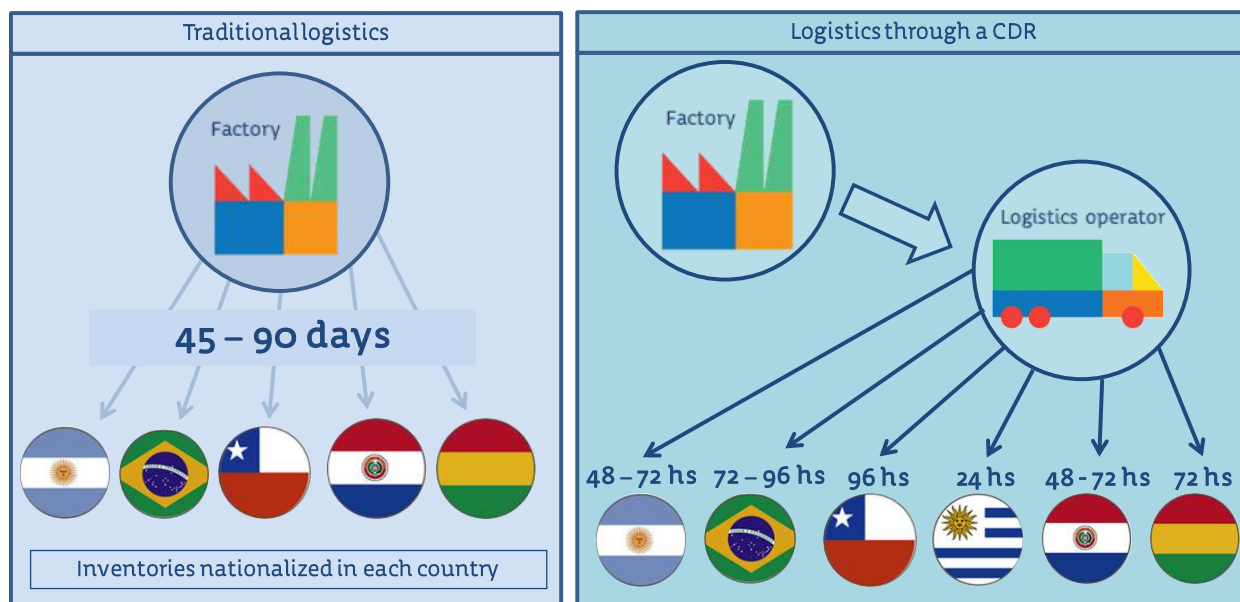
Additionally, in Uruguay it is possible to install these centers with competitive advantages in the region, by virtue of the current regulations of Free Zones, Free Ports, Free Airports and Customs Deposits (See section 6.2). It allows you to store and perform various processes to the merchandise without paying customs taxes, import and export taxes (and taxes on profits and

<sup>3</sup> Source: Report of presentation of results of "Hub Operators Survey", prepared by CIFRA for INALOG (2012).

<sup>4</sup> Source: Juan Opertti in [www.inalog.gub.uy](http://www.inalog.gub.uy)

assets in the case of the Free Trade Zone). Subsequently, the merchandise is distributed to the region making use of trade agreements in force with Uruguay, arriving in just a few hours against orders (just in time), avoiding delays and reducing the stocks needed in each country of destination.

**Figure Nº 1 – Traditional logistics vs. Logistics through a CDR**



### 3.2 Goods in transit, transshipment and reshipment

The merchandise in transit occupies an important place in the logistics activity of Uruguay. As shown in Table Nº1, on average, 50% of container movements in the Port of Montevideo between 2008 and 2016 were associated with Hub activities, while the rest was associated with export and import trade activities (Comex). In particular, in 2016, the movements associated with Hub activities represented 58% of the total. These activities of port operations include transit operations - cargo arriving by boat and leaving the port and the country by land - and transshipment operations - cargo that arrives by ship and leaves without being nationalized or without making ground traffic.

On the other hand, if the loaded tons (one movement) are considered in the port of Nueva Palmira, the ratio of operations linked to the Hub was averaged 45% between 2013 and 2016.

Uruguay is positioned as a way out of some regional merchandise, especially exports from Paraguay and Bolivia. This result is linked to the so-called "Rotterdam effect", which consists of a higher transit trade capture than that corresponding to the size of the market itself. This phenomenon is possible in small economies surrounded by large markets, with reasonably efficient ports and a dense network of terrestrial infrastructure.

**Chart Nº1- Movement of containers in the Port of Montevideo (thousands of TEUS)**

Comex/Hub	2012	2013	2014	2015	2016	2016 H1	2017 H1
Comex	399	410	420	430	375	192	185
Hub	355	417	356	381	514	243	271
<b>Total</b>	<b>754</b>	<b>827</b>	<b>776</b>	<b>811</b>	<b>888</b>	<b>435</b>	<b>456</b>

Source: Uruguay XXI based on data from Port National Administration and Inalog.

**Chart Nº2- Nueva Palmira: Official wharf, terminals in the Free Zone and Transfer areas (thousands of tons loaded, a single movement, does not include imports)**

Comex/Hub	2013	2014	2015	2016	2016 H1	2017 H1
Comex	4.893	4.736	4.204	3.806	2.062	2.243
Hub	3.435	3.270	4.229	3.490	1.969	2.348
<b>Total</b>	<b>8.328</b>	<b>8.006</b>	<b>8.433</b>	<b>7.296</b>	<b>4.031</b>	<b>4.590</b>

Source: Prepared by Inalog based on data from ANP, CENNAVE, DNH and Nueva Palmira terminals.

## 4. Strategic location

Uruguay has a strategic position as the gateway to Mercosur, with two of its main ports located at the exit of the Paraná-Paraguay-Uruguay Waterway. This position profiles the country as the strategic distribution center of the region in terms of cargo, since for example, in a radius of three hours of plane are 140 million people.

### 4.1 Regional Port System<sup>5</sup>

The eight largest ports of the Southern Cone of America integrate three subsystems: North (Santos, Paranaguá and Itajaí), West (Valparaíso and San Antonio) and South (Buenos Aires, Montevideo and Río Grande). The three subsystems are relatively independent and the number of containers moved from one subsystem to another is practically negligible. Within a subsystem, each port has its own area of influence.

Given the geographical proximity and the strategic regional location, it is interesting to describe the situation in Argentina and Brazil.

- » The port of Buenos Aires is the main port of Argentina, operated by the General Administration of Ports of the State and is the main port for cargo coming from the interior of the country.
- » The Port of Santos, in the State of São Paulo, is the main port of Brazil and one of the most important in Latin America.

<sup>5</sup> Source: Hodara, Opertti y Puntigliano (2008), op cit.



» The southernmost ocean port in Brazil is the Rio Grande, which in turn is the second largest cargo movement in that country.

Figure 2 is a representation of the movement of containers; the blue color represents the movement of the port of Montevideo, while the other colors represent the movements of Buenos Aires, Rio Grande, and the North and West subsystems. On the other hand, **Figure N°3 shows the current hinterland of the Port of Montevideo in dark yellow, and its medium-term potential hinterland in light yellow.**

**Figure N° 2- Areas of influence of the ports of the North subsystem, Rio Grande, Montevideo, Buenos Aires and the West Subsystem.**

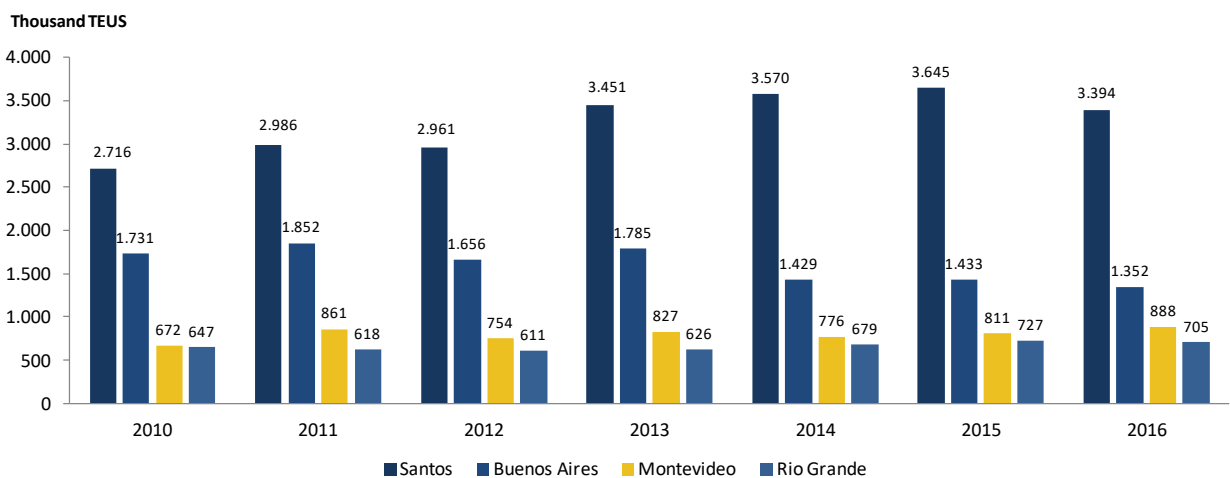


**Figure N°3- Current hinterland of the Port of Montevideo (dark yellow) and its potential (light yellow).**



The port of Montevideo is the largest cargo movement in the country, and is located within the main ports of the continent. It experienced an average annual growth of 5% in the loads handled between 2010 and 2016, exceeding the annual average of the main regional ports.

**Graph N°3- Movement of TEUS in the ports of the regions**



Source: Cepal



## 4.2 Paraguay, Paraná and Uruguay Waterway

The Hidrovía is an initiative of five countries in the Río de la Plata basin to convert the Paraguay and Paraná rivers into a transport channel. It facilitates the fluvial access of products between the oceanic exit and Asunción (Paraguay), Rosario and Santa Fe (Argentina), and even the eastern Bolivian (Department of Santa Cruz). In this venture Uruguay has a strategic position, since both Nueva Palmira and Montevideo are two of the main overseas ports par excellence for it. The function of the waterway is to favor fluvial communications by optimizing the navigation of barges and tugboats during most of the year. The fluvial system allows the traffic of large volumes of cargo with highly competitive costs.

Figure Nº 4- Paraguay-Paraná and Uruguay Waterway



Table Nº3- Geographical basins of the Paraná-Paraguay-Uruguay Waterway

Cuenca del río Paraná	1.510.000 km <sup>2</sup>
Cuenca del río Paraguay	1.095.000 km <sup>2</sup>
Cuenca del río Uruguay	365.000 km <sup>2</sup>
Cuenca propia del Río de la Plata	130.000 km <sup>2</sup>
<b>Cuenca total del Río de la Plata</b>	<b>3.100.000 km<sup>2</sup></b>

Source: Eduardo A. Mazza (2002), Transport and Logistics – Technological Foresight Uruguay 2015.

## 5. Infrastructure

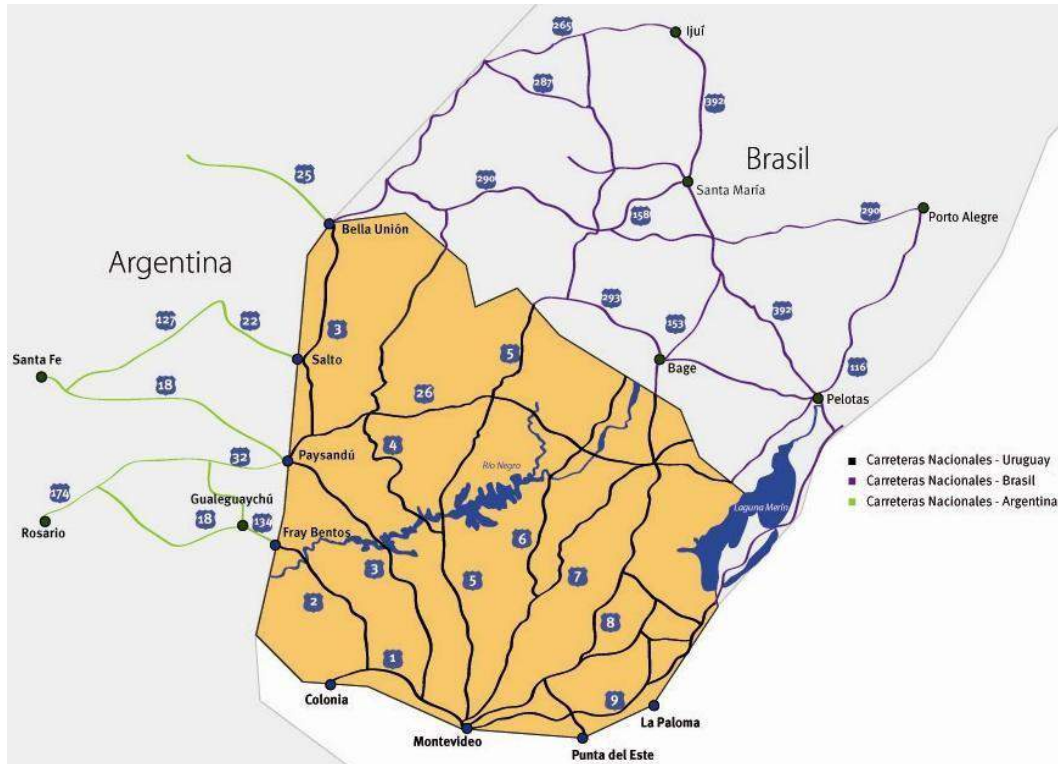
Uruguay has an excellent level of connectivity and infrastructure in line with an economy open to the world. Infrastructure has a transversal influence in all sectors of the economy, since it favors productive diversification, promotes productive linkages and boosts the process of insertion in international market.

### 5.1. Highways and railroads

**The strong commercial relationship of Uruguay with Brazil and Argentina**, the concentration of the bulk of the population in Montevideo, a rail network with low relative utilization, make the flow of intra-zone trade mainly through the highway system. That is why there is a road network linking Montevideo with the main cities in the region. Three bridges over the Uruguay

River connect the country with Argentina in the cities of Salto, Paysandú and Fray Bentos, while with Brazil access is made through land borders through the cities of Bella Unión, Artigas, Rivera, Aceguá, Río Branco and Chuy (see Figure No. 5).

**Figure N°5- Connectivity of the main roads of Uruguay with Brazil and Argentina**



Uruguay has the highest degree of **road connectivity** - internal and external - and the densest road network in all Latin American countries<sup>6</sup>. It has about 8,776 kilometers<sup>7</sup> of which 7,977 km are paved<sup>8</sup>, which yields a ratio of 45 km of paved roads per 1,000 m2 of surface. In turn, according to the World Economic Forum, Uruguay is the fourth country in South America in terms of the quality of its roads<sup>9</sup>.

For its part, **the rail network of Uruguay will be strongly renewed through the Central Railway project**<sup>10</sup> the most important railway mode in recent years. It consists of the construction and refurbishment of 273 km of roads between the port of Montevideo and Paso de los Toros (Tacuarembó). Likewise, the rehabilitation of the Rivera line and the Litoral line (which links Piedra Sola and Salto), consolidates the expansion of the railway transport offer, complementing the modes used up to now.

This project will allow the circulation of freight trains at 80 km / h and a load of 22.5 ton / axle, which will significantly benefit agricultural, mining, industrial and forestry enterprises close to the location of the railway lines.

<sup>6</sup> Source: CAF - [“The infrastructure in the comprehensive development of Latin America”](#)

<sup>7</sup> Source: National Observatory of Infrastructure, Transport and Logistics of Uruguay.

<sup>8</sup> Note: Rough is not considered as pavement.

<sup>9</sup> The Global Competitiveness Report 2017–2018, World Economic Forum

<sup>10</sup> Uruguay en Marcha - <http://ferrocarrilcentral.mtop.gub.uy/inicio>

The project includes an initial double-track stretch of 26 km, dozens of secondary tracks for crossing trains and more than 40 railway bridges (between reinforced and new). Also uneven passages given the interaction with different populated areas, with which the impact on the construction will also be relevant.

**Currently, the rail network has an extension of 1,652 km in operation**, and a park of 52 main track locomotives<sup>11</sup> and 764 railcars<sup>12</sup>. It connects with the networks of Argentina through the railway branch The Precursor, on the dam Salto Grande, which links the city of Salto and Concordia with equal gauge in both countries, and with Brazil in the Paso de Frontera Rivera-Livramento, with different gauge, although today technology allows to solve this difference in the width of the road.

Therefore, the project represents a great step forward to promote a complementary, competitive and sustainable mode of transport that will have an impact on costs, times, and logistics efficiency.

## 5.2 Port infrastructure<sup>13</sup>

According to the World Economic Forum (The Global Competitiveness Report 2016-2017) Uruguay is the second country in South America as a port infrastructure. In Uruguay there are 15 ports, of which 8 are commercial ports, located in different areas of the country: Montevideo, Nueva Palmira, Colonia, Fray Bentos-which are governed by the free port regime-, Paysandú, Juan Lacaze, La Paloma, and Salto.

**The Port of Montevideo**, located on the Rio de la Plata, is geographically outlined as one of the main cargo mobilization routes of MERCOSUR. The regime of Puerto Libre has turned it into the first and only terminal on the Atlantic coast of South America with an attractive and competitive logistics regime for the transit of merchandise. It is the main commercial port of the country, with an annual mobilization of approximately 10 million tons, 500,000 passengers (services between Buenos Aires and Montevideo) and 120 cruises. In the Port of Montevideo, the main access routes converge to the rest of the country and therefore to the region.

The movement of merchandise in this port has shown a strong growth in recent years: in 2017 it will reach a record of near 12 million tons, compared to the 8.7 million tons moved in 2006. This growth was also reflected in the movement of containers, measured in TEUs<sup>14</sup> that also reached a new record in 2016 when it was around 888 thousand TEUs.

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<sup>11</sup> Source: National Observatory of Infrastructure, Transport and Logistics of Uruguay. Data updated as of 2015.

<sup>12</sup> Note: Does not include passenger cars.

<sup>13</sup> Source: Prepared by URUGUAY XXI based on data from National Port Administration. Note: Corresponds to merchandise without the weight of the containers. It does not include merchandise mobilized in the "La Teja" dock of ANCAP.

<sup>14</sup> The TEU (acronym for the term in English Twenty-foot Equivalent Unit) represents the capacity measurement unit of maritime transport in containers. A TEU is the load capacity of a standard 20-foot container. The outer dimensions of the standard 20-foot container are: 20 feet long x 8 feet wide x 8.5 feet high.

**Table N°4- Montevideo Port Infrastructure**

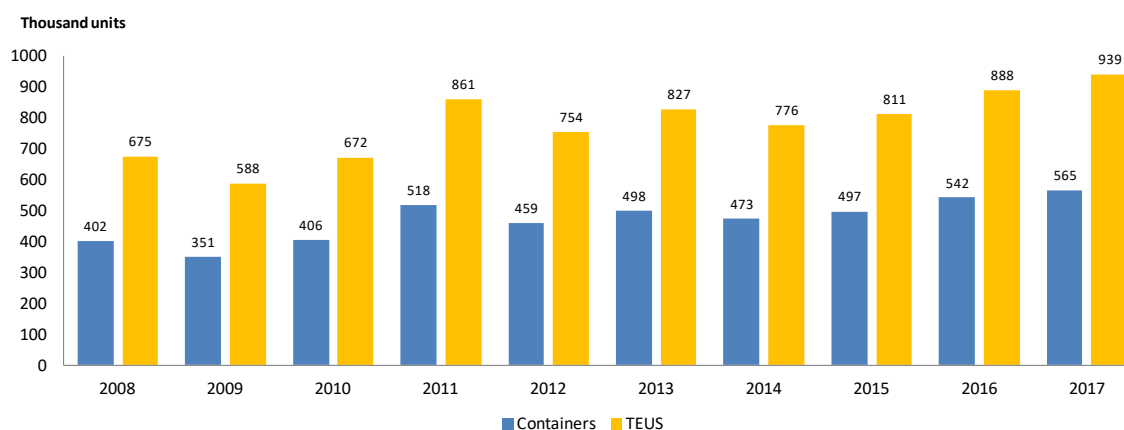
Puerto de Montevideo	
Depth of access channel (m)	12
Maximum depth on dock (m)	14
Port Area(ha)	140
Complementary area - Puntas de Sayago (ha) (in construction)	110
Length of springs in multipurpose ports and containers (m)	5.140
Gantry cranes for containers	7

Source: Prepared by Inalog based on data from the National Port Administration.

In mid-July 2016, UPM announced its intention to evaluate the possibility of building a new pulp mill in Uruguay<sup>15</sup>, a project that would require an investment of US \$ 4,000 million for the installation of the plant and improvements in logistics. In addition, it would require a complementary investment of more than US \$ 1,000 million by Uruguay.

The project foresees the exit of cellulose production through the port of Montevideo, which would also be used as a point of reception for other raw materials that would travel to Paso de los Toros -location of the plant- for the chemical process of the cellulosic transformation. For this reason, significant changes are expected in the port infrastructure, initially with an investment of US \$ 250 million.

The company requires about 5.5 hectares and springs of 300 meters, in addition to dredging, and warehouses; all this must be done within two or two and a half years<sup>16</sup>.

**Graph N°5- Movement of containers in Montevideo Port- Thousands of units**

Source: Prepared by Uruguay XXI based on data by the National Port Administration.

**The Port of Nueva Palmira** has two important advantages: its location at the point of exit to the exterior of the Paraná-Paraguay-Uruguay Waterway and its customs and fiscal regime of Puerto Libre or Zona Franca. It is the second most important port in the country and is characterized by the transport of grains and cellulose.

<sup>15</sup> ["UPM considera alternativas para su crecimiento a largo plazo en Uruguay"](#)

<sup>16</sup> Source: El País – ["Se demora puerto pesquero y complica planes de UPM"](#)

**Table N°5- Infrastructure of the Nueva Palmira Port**

Nueva Palmira Port	
Depth of access channel Martín García (m.)	9,75
Depth of Access channel Mitre(m.)	10,36
Length of oceanic docks (m.)	1.505
Length of river docks (m.)	1.120
Storage capacity (static TM))	1.250.000
Multipurpose area - without considering silos (hás.)	3

Source: Prepared by Inalog based on data of National Port Administration and Private Terminals.

It is located at the confluence of the Paraná and Uruguay rivers, 270 km from Montevideo and 110 km from Colonia by land. Mobilizes exports from Uruguay and cargo in transit from the center of the continent - especially from Paraguay and Bolivia - through the Paraná-Paraguay-Uruguay Waterway.

### 5.3 Airport Infrastructure

There are **11 international airports** in Uruguay: Artigas, Carmelo, Carrasco, Colonia, Melilla, Melo, Paysandú, Punta del Este, Rivera, Salto and Santa Bernardina<sup>17</sup>. The main one is **Carrasco International Airport (AIC)**, located on the outskirts of Montevideo. Opened in 2009, it was designated as one of the four best airports in the world in 2011 (Frontier Awards 2011). It operates under the **free airport system** and a passenger terminal and a cargo terminal, is composed of segregated sectors according to type of operation (chemical / pharmaceutical, electronic, etc.), areas for carrying out picking activities, order preparation, etc.

**Table N°6- Indicators of Carrasco International Airport**

Investment: 165 million dollars
1,9 million passengers used the airport (2016)
29.485 tonnes of merchandise were mobilized (2015)
Suprface of the passenger terminal: 45.000 m2
Surface of the cargo terminal: 13,500 m2 (expandable)
Warehouse surface (additional) exclusive pharma: 1,100 m2
Superficie de depósito (adicional) exclusivo pharma: 1.100 m2
8 doors of simultaneous use for remote and fixed boarding
4 telescopic sleeves
44 check in positions
24 migration counters

<sup>17</sup> Source: National Directorate of Civil Aviation and Aeronautical Infrastructure.

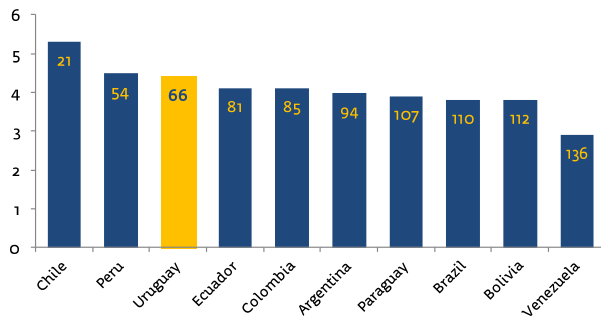
## 6. Positioning

The important advantages offered by Uruguay from the regulatory point of view, coupled with its privileged geographical location and the development of a strong institutional support to the sector, have allowed Uruguay to occupy a prominent place in several international indexes related to logistics.

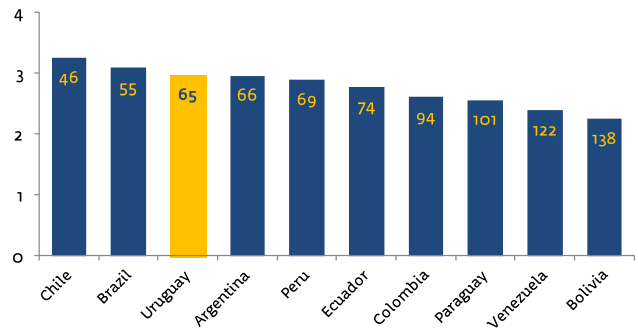
On the one hand, the World Economic Forum's Enabling Trade Index (WEF) measures factors such as access to markets, transport and communications infrastructure, the business climate and border administration and locates Uruguay third in South America.

On the other hand, the World Bank prepares biannually the Logistics Performance Index (IDL). In its last edition, Uruguay ranked second in South America, behind Brazil, in position 52 worldwide.

**Graph N°6 - Enabling Trade Index (WEF) – 2016**  
Score and position in the International Ranking



**Graph N°7 – Logistic Performance Index (World Bank) - 2016**



## 7. Companies

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Example of installed companies that use the Hub



## 8. Regulatory framework

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### 8.1 Law of Protection and Promotion of national and foreign investments

Law 16,906 entitled "Declaration of National Interest, Promotion and Protection of Investments" of January 20, 1998, declares the promotion and protection of national and foreign investments of national interest. As a main feature, the foreign investor enjoys the same incentives as the local investor, there being no discrimination from the tax point of view or restrictions for the transfer of profits abroad..

Decreets 455/007 of November 26, 2007 and 02/012 of February 2, 2012, updated the regulations of said law. For investment projects in any sector of activity that are presented and promoted by the Executive Branch, it is allowed to exempt the Income Tax from Economic Activities (IRAE) between 20% and 100% of the amount invested, according to the classification of the project and the score resulting from a matrix of indicators (the IRAE's single national rate is 25%). Property tax and civil works are also exonerated from the Property Tax and the Value Added Tax (VAT) is recovered from purchases of materials and services for the latter.

Likewise, said law exempts from taxes or fees the import of movable assets of fixed assets, declared non-competitive of the national industry.



**Table N°7 - Promoted Investment associated with the Logistics Sector**

Año	Miles de US\$
2010	73.752
2011	196.556
2012	268.424
2013	105.425
2014	101.406
2015	112.267
2016	70.367

Source: Inalog based on Comap.

## 8.2 –Regulations linked to the sector

Uruguay is presented as an extremely attractive destination for the location of Regional Distribution Centers (CDRs) by virtue of its regulatory framework. Below are some of the regulations that promote this type of activity in Uruguay

For more information consult the. [Guide of promotional regimes for investment.](#)

### 8.2.1. Law on Free Zones

Free Trade Zones in Uruguay are regulated by Law No. 15,921 of 1987, and may be of private or state exploitation. In the Free Zones, commercial, industrial or service activities can be developed, services can be provided to third countries and, in some cases<sup>18</sup>, to Uruguay. Industrial activity may involve changing the nature of the goods.

Sales from the Free Trade Zone to MERCOSUR (including Uruguay) are subject to the Common External Tariff (AEC) of block<sup>19</sup>, which applies to goods from third countries, except for certain exceptions established in bilateral agreements negotiated in the framework of MERCOSUR with Argentina and Brazil. Notwithstanding the above, Decision 033/2015 - pending approval by the Paraguayan parliament - would allow merchandise originating in the States Parties or that of a third country that has the same rules originating in all the States Parties, will not lose their origin when transported and / or stored in a Free Zone.

The merchandise can remain for unlimited time in the free zones and its destination can be modified at any time.

The benefits for companies installed in Free Zones cover the following areas:

<sup>18</sup> Call centers, e-learning activities, issuance of electronic signature certificates.

<sup>19</sup> Sales from the national customs territory to the Free Zone are considered exports of the country and sales from the Free Zone to the national customs territory are considered imports, subject to customs duties and corresponding national taxes.

- The merchandise exchanging free trade zones with the rest of the world is exempt from customs duties.
  - ✓ Exemption from the Income Tax on Economic Activities (IRAE), the Property Tax (IP) and any other national tax created or to be created. The State is guarantor of this exemption.
  - ✓ Dividends paid to shareholders domiciled abroad do not pay taxes in the country.
  - ✓ Foreign personnel may not pay contributions to social security in Uruguay.
  - ✓ Sales and purchases abroad of goods and services are not taxed by the Value Added Tax (VAT). Neither are sales and services within the FZ..
  - ✓ Non-resident entities also do not pay IRAE for activities carried out with goods of foreign origin manifested in transit or deposited in the Free Zone, when those are not destined for the national customs territory. They also do not pay IRAE when the sales destined for the national territory do not exceed 5% of the total disposals of merchandise in transit or deposited in the Free Zone.

For more information, consult the Report of [Free Zones](#).

### 8.2.2 Free Portas and Airports

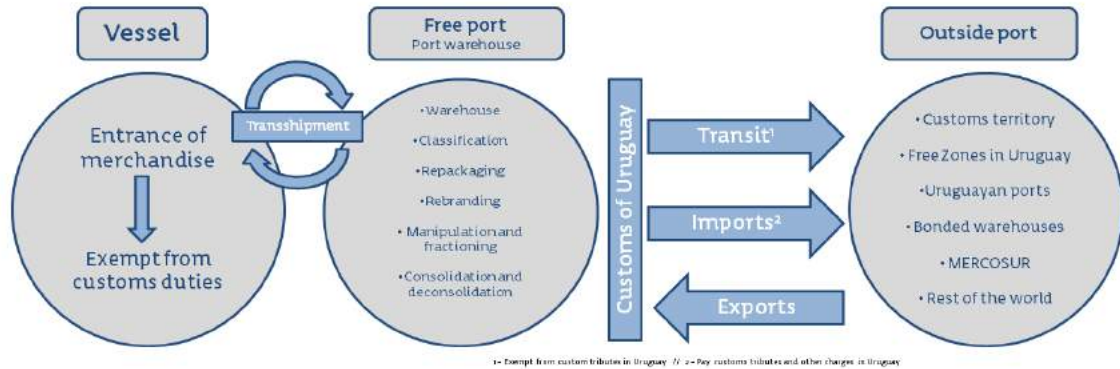
The Free Port regime was established by the Ports Law No. 16,246 of April 1992 and by its regulatory decree No. 412/992, both for the Port of Montevideo and for the other ports with capacity to receive overseas ships (Nueva Palmira, Colonia, Fray Bentos, Paysandú, Juan Lacaze and La Paloma).

Among other considerations, the law allows the free circulation of merchandise within the port customs precincts exempt from internal taxes, without the requirement of authorizations or formal procedures. In addition, the services provided are exempt from VAT. On the other hand, the free exchange of merchandise is allowed, being during their stay in said enclosures, exempt from all taxes and surcharges applicable to imports. Foreign legal persons are not taxed with the Equity Tax for the merchandise stored, nor with the Income Tax (IRAE) for the profits associated with such merchandise. The term of deposit in free port is 5 years extendable.

In contrast to the Free Trade Zones, the Free Port regime provides the possibility of maintaining the MERCOSUR certificate of origin and enjoying the tariff preferences that it implies. Likewise, the issuance of derivative certificates of origin is allowed.

It should be noted that the application of the regime includes the Carrasco International Airport. In this way, the benefits foreseen in the law translate into operational, customs and fiscal advantages for those companies that carry out operations in the airport complex. Since then, the main air terminal in the country has an airport customs center where you can provide various services of added value logistics to the merchandise, resulting in the creation of a Distribution Center for the region.

Figure N°6- Logistical activities of greater added value made in Free Port



**Table N°8- Comparison of legal regimes for the development of logistics activities<sup>20</sup>**

	FREE ZONE	FREE PORT AND AIRPORT	BONDED WAREHOUSE
Payment of tariffs on merchandise entry to:	No	No	No
Payment of import duties in Uruguay (import)	Yes	No	No
Of merchandise originating in MERCOSUR from:	Yes <sup>21</sup>	No	No
Payment of tariffs on its entry into another MERCOSUR State Party (imports) of merchandise of MERCOSUR origin from:	Yes	Yes	Yes
Payment of tariffs on its entry into a MERCOSUR State Party (importation) of merchandise from the rest of the world from:	Yes	Yes	Yes
Possibility of non-industrial logistics manipulation, including the change of destination of the merchandise	Yes	No	Yes
Possibility of industrial handling	Indefinite	5 years extendable	24 months
Maximum stay time	No <sup>22</sup>	Yes <sup>23</sup>	Yes <sup>24</sup>
Payment of taxes by the user (to the Income, to the Equity)	No	No	No
Payment of taxes on the circulation of merchandise	Yes	Yes	Yes
(Value Added Tax) inside the premises	Yes	No	No
Possibility of changing the owner inside the premises	No	Yes	Yes
Possibility of NOT paying social security contributions by foreign staff	Yes <sup>25</sup>	No <sup>26</sup>	No
Validity of state monopolies <sup>27</sup>	Yes	No	Yes

<sup>20</sup> Source: Prepared by Uruguay XXI We appreciate the collaboration of Dr. Daniel Olaizola of the firm Jaime & Seré.

<sup>21</sup> There are exceptions expressly established in bilateral agreements with Brazil and Argentina for specific products from Uruguayan free zones, for example the export of cereals from the Free Zone of Nueva Palmira and of soft drink concentrates from the Free Trade Zone of Colonia.

<sup>22</sup> In the case of Uruguayan companies that are not users of the Free Trade Zone but own the merchandise, they would be taxed by IRAE in the event that profits are generated

<sup>23</sup> The income from lucrative activities developed by non-resident entities or residents installed in the deposits, with merchandise of foreign origin, when they do not originate in the national customs territory nor are destined thereto, are exempt. If the holders are natural or legal persons located abroad, their merchandise will not be included in the tax base of the Equity Tax.

<sup>24</sup> Ibid

<sup>25</sup> It refers mainly to monopolies in fixed telephony, piped water, electric power transmission and oil refining

<sup>26</sup> It is required to be a direct or indirect user, entering into special contracts duly registered with the Free Trade Zone Directorate and approved by it.

<sup>27</sup> It is sufficient to establish commercial agreements with the operators that provide services in these regimes, without the need to register a company with any entity in Uruguay.

### 8.2.3 Bonded Warehouses

The customs warehouse is the customs regime by which merchandise enters and remains in a space in private administration without the payment of taxes -with the exception of taxes- for its subsequent inclusion in another customs regime, its re-shipment or re-export. This definition makes the bonded warehouses, one more option to install distribution centers, depositing merchandise in transit there, even offering the possibility of adding value to them.

The goods of foreign origin deposited there are considered in transit and can be landed and re-embarked at any time, free of import or export taxes and any internal tax. Its term of permanence within the deposit is one year, extendable to 12 months more in cases where this necessity is reliably justified due to difficulties in the commercialization of the merchandise.

Regarding Mercosur certificates of origin, they enter a suspension regime for a maximum of 180 days as long as the merchandise is not altered within the deposit

According to the New Customs Code of the Eastern Republic of Uruguay (CAROU), warehouses are authorized under the following forms:

- ✓ **Storage warehouse:** the merchandise can only be subject to operations aimed at ensuring its recognition, conservation, fractionation into lots or volumes and any other operation that does not alter its value or modify its nature or status.
- ✓ **Commercial warehouse:** merchandise can be the object of operations aimed at facilitating its sale or increasing its value, without modifying its nature or status.
- ✓ **Industrial warehouse:** merchandise can be subject to operations designed to modify its nature or status, including the industrialization of raw materials and semi-finished products, assemblies, mountings and any other similar operation
- ✓ **Repair and maintenance warehouse:** merchandise can be subject to repair and maintenance services, without modifying its nature.
- ✓ **Transitory warehouse for exhibition or other similar activities:** Foreign merchandise entered may be used for exhibitions, demonstrations, fairs or other similar activities, with the prior authorization of the National Customs Office.
- ✓ **Logistics warehouse:** the merchandise can be object of operations that can modify its state or nature, as long as they do not modify its origin and consist of: assemblies or mountings; mixtures; placement or replacement of parts, parts or accessories; hardware configuration; software installation; preparation of packaging, packaging, labels or other products provided they are used for the marketing of merchandise that will leave the warehouse; and other similar operations that the Executive Power establishes.

### 8.3 Temporary Admission

The Temporary Admission regime provides for the possibility of introducing a merchandise of foreign origin, free of taxes, to be exported a posteriori, within a certain period of time. These goods can be reissued in the state in which they were introduced or after having undergone a transformation, elaboration, repair or aggregation of certain value. In turn, Article 11 of Law 18,184 enables the application of this regime to machines and equipment that enter the country for repair, maintenance or updating. The term established by law for the permanence of the merchandise under the regime is 18 months<sup>28</sup>.

The interested industrial companies will submit the requests for imports of goods in Temporary Admission before the Technological Laboratory of Uruguay, which issues the authorization.

Additionally, Law 18,184, also offers the mechanisms "Taking Stock" and "Returnable regime" (or "draw back"). The first consists in the replacement of goods imported under the general regime, by the imports of similar goods, free of taxes and levies, when they have been used as an input for the transformation of exported products in the country. The second offers the possibility of claiming the restitution of taxes and charges paid for the importation into the general regime of all those goods that by definition can be imported into temporary admission and that were used in the country in the production of products destined for export.

### 8.4 Industrial Parks

According to the Law 17.547 of Industrial Parks, Industrial Park is called a fraction of land with certain elements of infrastructure (road, access to energy and water, waste treatment and communication systems, warehouses, among others) that enable the development of industrial and logistical activities<sup>29</sup> inside it. The aforementioned Law establishes that the individuals or legal entities that are installed within the industrial parks may be included in the benefits and obligations established in the Investment Law (see section 7.1).

Decree 524/005 establishes the following benefits for users of industrial parks:

- ✓ Exemption of the Equity Tax from the fixed assets (machinery and civil works) used in the park for a period of seven years.
- ✓ Exemption of all taxes on the imports of machinery and equipment and fixed assets to be incorporated into civil works.l.
- ✓ Credits for Value Added Tax (VAT) included in the purchase of materials and services for civil works and equipment for data processing, among others.

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<sup>28</sup> It is also established that the Executive Power, may in exceptional cases, duly justified and accredited, order the extension of this period for up to eighteen extra non-extendable months.

<sup>29</sup> Decree 524/005 in its Article 6 establishes that "in addition to industrial operations may be carried out operations of storage, conditioning, selection, classification, fractioning, assembly, disassembly, handling or mixing of merchandise or raw materials, provided they are exclusively associated with the industrial activities installed in the parks".

Additionally, users of industrial parks have the exoneration of employer contributions associated with the labor included in the project promoted during a period of 5 years.

The regulation on industrial parks is being updated and a bill called "Promotion and Protection of Industrial Parks and Services" is being studied at the parliamentary level, considering that storage is one of the activities of these parks, they are one more asset within the logistics matrix of Uruguay. However, it should be added and beyond the modifications established by the norm, there is an additional benefit of 15% to the one already granted by the Law for the Promotion of Investments in the Exemption from Corporate Income Tax.

For more information, consult the [Industrial Parks Report](#).

## 8.5. Public-Private Participation Law<sup>30</sup>

Public-private participation contracts (PPP) are understood as those in which the Public Administration entrusts a private person, for a determined period, with the design, construction and operation of infrastructure or any of said services, in addition to financing. Law 18.786, and Decrees No. 17/012, No. 280/012, and No. 251/015<sup>31</sup>, establish the regulatory framework applicable to the Public-Private Participation Contracts (PPP) regime.

These contracts may be concluded for the development of infrastructure in the following sectors of activity

- ✓ Road, railway, port and airport works.
- ✓ Energy infrastructure works.
- ✓ Waste disposal and treatment Works.
- ✓ Social infrastructure works, including prisons, health centers, educational centers, social housing, sports complexes and improvement works, equipment and urban development.

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<sup>30</sup> Several institutions make up the institutional framework regarding this type of contracts:

- The Public-Private Participation Project Unit works in the Ministry of Economy and Finance and, among other aspects, is responsible for monitoring the economic and financial aspects, linked to the previous studies of the projects.

- The contracting Public Administration is responsible for the design, structuring and conclusion of Public-Private Participation contracts, as well as the control of their correct execution and compliance with the obligations assumed by the contracting parties.

- The promotion of Public Private Participation projects and the elaboration of the technical guidelines applicable to said projects is the responsibility of the National Development Corporation. - The Office of Planning and Budget, among other tasks, is responsible for ensuring the proper development of each project according to the conditions and fundamental characteristics of the PPP contracting model, development of each project according to the fundamental conditions and characteristics of the hiring model. PPP.

<sup>31</sup> You can consult a compilation of all the relevant regulations in the following link: <http://ppp.mef.gub.uy/>



## 9. Institutional and actors linked to the logistics sector

### 9.1. National Institute of Logistics (INALOG)

The National Institute of Logistics (INALOG) was created by Law 18,697 at the end of 2010, the result of an affirmative unanimous vote by all political parties. It is a space for participation and coordination with capacities to act nationally and internationally. This institution seeks to promote the development of the sector and the development of a long-term strategy for logistics services that Uruguay provides to merchandise in transit. In this sense, it seeks to position the country as a leading service provider at a regional level, positioning itself internationally through the "Uruguay Logistics" and "Uruguay Logistics" brands, according to the scope where it is applied. Its architecture was aligned to the process in which it has been working for years with Marca País within Uruguay XXI. The Institute's website was also updated. -[www.inalog.org.uy](http://www.inalog.org.uy)-, following the same communication strategy.

In addition, INALOG promotes coordination among all the actors linked to the logistics sector to optimize competitiveness at the regional and international levels.

In sum, as can be seen in the following timeline, Uruguay has consolidated throughout the history a joint work between public and private actors, which from different orbits have contributed to develop a strong institutional to support the sector.

Figure Nº7- Time Line



## 9.2 Foreign Trade Single Window

The Single Window of Foreign Trade (VUCE) is a facilitation mechanism of foreign trade that allows to centralize in a single system all the procedures associated with import, export and transit operations. The information will be processed electronically with the highest security standards and will be accessible online 24 hours a day, 365 days a year.

The construction of the single window of foreign trade represents a strategic project for Uruguay, since it is part of a vision of the country as a regional logistics hub. The project includes the complete redesign of the country's foreign trade processes, accompanied by a total revision of the regulations that regulate them, incorporating technology that allows for a single platform to manage operations.

## 9.3 Other entities linked to the sector

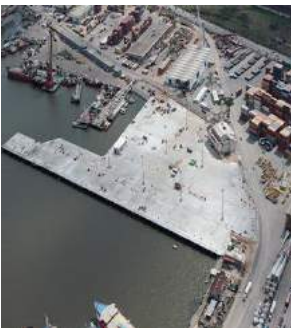
- Association of Customs Dispatchers of Uruguay - [www.adau.com.uy](http://www.adau.com.uy)
- Administration of State Railways - [www.afe.com.uy](http://www.afe.com.uy)
- National Administration of Ports - [www.anp.com.uy](http://www.anp.com.uy)
- Uruguayan Association of Freight Forwarders - [www.audaca.com.uy](http://www.audaca.com.uy)
- Chamber of Industries of Uruguay - [www.ciu.com.uy](http://www.ciu.com.uy)
- Mercantile Chamber of Products of the Country - [www.camaramercantil.com.uy](http://www.camaramercantil.com.uy)
- National Chamber of Commerce and Services - [www.cnccs.com.uy](http://www.cnccs.com.uy)
- Uruguayan Logistics Chamber - [www.calog.com.uy](http://www.calog.com.uy)
- Chamber of Free Zones of Uruguay - [www.czfuy.com](http://www.czfuy.com)
- Navigation Center - [www.cennave.com.uy](http://www.cennave.com.uy)
- National Corporation for Development - [www.cnd.org.uy](http://www.cnd.org.uy)
- National Customs Office - [www.aduanas.gub.uy](http://www.aduanas.gub.uy)
- National Directorate of Civil Aviation and Aeronautical Infrastructure - [www.dinacia.gub.uy](http://www.dinacia.gub.uy)
- National Directorate of Free Zones - [www.zfrancas.gub.uy](http://www.zfrancas.gub.uy)
- Interguild of Professional Transport of Land Cargo of Uruguay - [www.intergremial.com](http://www.intergremial.com)
- Ministry of Economy and Finance - [www.mef.gub.uy](http://www.mef.gub.uy)
- Ministry of Transport and Public Works - [www.mtop.gub.uy](http://www.mtop.gub.uy)
- National Observatory of Transport and Logistics - [www.observatorio.mtop.gub.uy](http://www.observatorio.mtop.gub.uy)
- Office of Planning and Budget - [www.opp.gub.uy](http://www.opp.gub.uy)
- Cargo Terminal Uruguay - [www.tcu.com.uy](http://www.tcu.com.uy)
- Union of Exporters of Uruguay - [www.uniondeexportadores.com](http://www.uniondeexportadores.com)

## 10. Progress towards a logistics Uruguay

The strong development process that Uruguay is going through in recent years brings with it an important need for improvements to adapt to the demands of being a regional logistics Hub. In this sense, in the coming years it is expected that the design of the Port of Montevideo will continue its modernization and expansion, seeking to increase its surface area and generate specialized areas, from a regional perspective and multimodal transport, that meets the needs of production and demand for port and logistics service

### 10.1 Infrastructure

#### 10.1.1 Montevideo Port



**Dock C:** This commercial dock, has a length of 380 meters with a maximum design draught of 14 m, also has a back esplanade of approximately 3.5 ha with its corresponding auxiliary facilities and a basin for maneuvers of ships

It is oriented to meet the existing demand and the generation of a new multipurpose berth for next generation vessels. The structure of the dock is suitable for the operation of specialized equipment for the attention of the traffic of container, bulk carrier and polyvalent vessels. There are service facilities, drinking water supply, power connection, sanitation and gray water discharge.

**New Access to Montevideo Port:** It will allow strengthening the port-city relationship, managing to separate the traffic of freight vehicles with those of urban mobility, through the construction of an auto-highway viaduct on the harbor, avoiding traffic jams and reducing waiting times.



**Solid Bulk Specialized Terminal:** This specialized terminal is framed in an area of 7.5 ha located at the northern end of the port, is planned for the collection and shipping of wood chips with a stowage area for 7,000 tons and has a silos plant with a storage capacity of 120,000 t expandable up to 210,000 t for fully automated grain storage. It foresees the operation of two conveyor belts, three platforms with lifting towers with a load capacity of 2,400 t / hour, a berth for Panamax interoceanic ships with parallel alignment to the waist dike and a draught of 13.00mW, with four Dolphins of Mooring and two Dukes of Alba, also located next to the dike. It will also

house a metal sheet pile dock suitable for semi-oceanic barges. The possibility of increasing bulk volumes mobilized in the port of Montevideo through Top Off operations is displayed<sup>32</sup>.

The possibility of capturing more than 400,000 tons of soybean production originating in the basins of the Paraná and Uruguay rivers has been identified.

<sup>32</sup> Top Off Operations: Operation in which the operator can load a complete ship or complete ships from regions with less draft, having free space in the hold.

These operations will generate new traffic from the area of influence of the Argentine ports linked to the waterways of the Paraná and Uruguay rivers.

### **Fishing Terminal - Capurro Port**



The objective is to move the fishing fleets that normally operate in the Mántaras dock towards the north side of Montevideo Bay.

A 2,5 ha embankment was recently made to the establishment of a Fishing Terminal to replace the facilities within the current port. The dismantling of the obsolete buildings in the area adjacent to the ravine is being carried out, to give amplitude and space to the accesses with the required parking lots. Likewise, progress is made in the study and authorization of feasibility and environmental impact assessment before the competent bodies. The maritime access to this

Terminal, which is planned for the operation of national and international fishing vessels, shares the channel with La Teja Terminal.

### **10.1.2. Logistics Port- Punta de Sayago**



The National Administration of Ports (ANP) intends to develop commercially and urbanistically the property located on the so-called Punta Sayago zone, which, with banks on the Río de la Plata, is about 5.5 nautical miles (approximately 10 km) from the canal access to the port of Montevideo, about 5 km from the intersection between National Route No. 1 and Tomkinson Road, about 8 km from the collector of National Routes No. 1 and No. 5, and about 15 km from the " Peñarol node ",

corresponding to the national rail network.

Puntas de Sayago constitutes the initiative of expansion, of medium term, more important of the organization contributing new benefits like: liberation of spaces in the port enclosure, relief to the congestion of the road traffic, efficiency in the treatment of the load and strengthening of the Puerto-Ciudad relationship.

In this large area located west of the city is expected to install logistics companies and develop a new distribution center that will facilitate the entry and exit of regional or international merchandise through Uruguay consolidating the Port of Montevideo as Port Hub.

The Punta Sayago Logistics Pole is ideal to complement the land area of the Port of Montevideo. The objective is to achieve the expansion of port infrastructure capacity, relate activities and services related to port activity and improve the logistic efficiency of the National and Regional Port System.

### 10.1.3. Nueva Palmira Port

**Truck esplanade:** Outside the port area and recently interconnected by computer, it acts as a load distribution center between the parking lots and the port terminals.

The surface of the esplanade is approximately 2 ha. It is administered by the National Port Administration and was fitted with concrete pavement in the entrances, lighting, bathrooms, perimeter wire mesh, among others.

**Berths in the Uruguay River:** In order to facilitate and expand the supply of available spaces for port operations, specific anchorage areas have been incorporated into the Uruguay River system at the service of the Port of Nueva Palmira, with the safety and buoyage conditions required by the maritime regulations.

#### **Punta Arenal Cache and Complement Cargo Area**

With the same purpose of the previous point, to facilitate and expand the supply of available spaces for port operations, a qualified and specific area has been incorporated where cargo transfers between ships or barges can be made, with safety conditions, mooring and buoyage required by maritime regulations.

### 10.1.4 La Paloma Port (Rocha)

The port is located in the eastern part of Uruguay, over Atlantic ocean waters, in the Santa María cape and with land access from the junction of national routes Nº 10 and Nº 15, at a distance of 240 km from Montevideo.

It currently serves mainly fishing vessels, the Navy and sports ones, and recently entrusted to the National Port Administration ANP the functions of administration, conservation and development of the port of La Paloma.

The activities of the port focus on the loading of wooden logs to transport them by ship to the port of Fray Bentos, as well as activities of supply vessels for offshore operations. Likewise, the different commercial opportunities of development in said port are being analyzed and explored

### 10.1.5. Fray Bentos Port –Development Works

The Port of Fray Bentos is located in the city of the same name, on the left bank of the Uruguay River, 317 km from Montevideo.

Integrated into the fertile agricultural and livestock region of the Uruguayan west coast, the Port of Fray Bentos has an agile system of grain conveyors with a capacity of 500 t / h and a discharge capacity of 120 t / h.

It has two concrete loading docks: the transatlantic or overseas dock, 200 m with 34 m wide and the coasting or junction dock with an extension of 225 m long and 22 m wide.

At the end of 2015, the bid for the supply of a Mobile Crane to operate in the Port of Fray Bentos was opened. Likewise, a land was acquired in a nearby area, separated about 245 meters from the Port, with an area of approximately of 7 ha.

### **10.1.6 Paraguay Parana Waterway**

The main objective of the Waterway is to favor fluvial communications by optimizing the navigation of barges and tugboats during most of the year.

The HPP is defined on the basis of a fluvial transportation strategy along the water system, in a stretch between Puerto Cáceres (Brazil) at its northern end and the Port of Nueva Palmira (Uruguay) at its southern end. The countries that share this fluvial system are Argentina, Bolivia, Brazil, Paraguay and Uruguay. The HPP has an extension of 3,442 km and includes the Paraguay and Paraná rivers, including the different branches of the mouth of the Paraná River.

Most of the goods transported by HPP are commodities. Regarding the export cargo of Paraguay and Bolivia, soybean is the main product that is mobilized, whose main destination is the Asian continent. The port of Nueva Palmira captures approximately 30% of Paraguay's total soybean export.

Likewise, the Port of Montevideo is an important Hub for Paraguayan commerce, especially for containers that are transferred to overseas vessels in Montevideo.

## Uruguay at a glance (2017)<sup>33</sup>

<b>Official name</b>	Republica Oriental del Uruguay
<b>Geographical location</b>	South America. bordered by Argentina and Brazil
<b>Capital City</b>	Montevideo
<b>Area</b>	176.215 sq mts. 95% of its territory is productive land apt for farming exploitation
<b>Population (2016)</b>	3.48 million
<b>Population growth (2016)</b>	0.4% (annual)
<b>GDP per capita (2016)</b>	US\$ 15.062
<b>Currency</b>	Uruguayan Peso (\$)
<b>Literacy index</b>	0.98
<b>Life expectancy at birth</b>	77 years
<b>Form of Government</b>	Democratic republic with presidential system
<b>Political Division</b>	19 provinces or departments
<b>Time Zone</b>	GMT - 03:00
<b>Official Language</b>	Spanish

## Main Economic Indicators 2012-2017

Indicators	2012	2013	2014	2015	2016	2017e
<b>GDP (Var % per year)</b>	3.5%	4.6%	3.2%	0.4%	1.5%	3.1%
<b>GDP (US\$ Million)</b>	51,265	57,531	57,236	53,275	52,420	60,552
<b>Population (Millions of people)</b>	3.43	3.44	3.45	3.47	3.48	3.49
<b>GDP per Capita (US\$)</b>	14,962	16,723	16,572	15,366	15,062	17,334
<b>Unemployment rate – Annual Average (% EAP)</b>	6.5%	6.5%	6.6%	7.5%	7.8%	8.0%
<b>Exchange rate (Pesos per US\$. Annual Average)</b>	20.3	20.5	23.2	27.3	30.2	28.7
<b>Exchange rate (Annual Average Variation)</b>	5.2%	0.8%	13.5%	17.6%	10.4%	-4.9%
<b>Consumer Prices (Var % annually accumulated)</b>	7.5%	8.5%	8.3%	9.4%	8.1%	6.6%
<b>Exports of goods and services (US\$ millions)**</b>	18,140	18,116	18,395	15,633	14,947	16,194
<b>Imports of goods and services (US\$ millions)**</b>	16,592	17,214	16,740	13,878	11,752	11,965
<b>Commercial Surplus/Deficit (US\$ millions)</b>	1.548	902	1.655	254	3.195	4.229
<b>Commercial Surplus/Deficit (% of GDP)</b>	3.0%	1.6%	2.9%	0.5%	6.1%	7.0%
<b>Overall Fiscal Balance (% of GDP)</b>	-2.7%	-2.3%	-3.5%	-3.6%	-3.9%	-3.5%
<b>Gross capital formation (% of GDP)</b>	22.9%	22.5%	21.2%	19.7%	18.7%	-
<b>Gross Debt of Public Sector (% of GDP)</b>	60.7%	57.5%	58.6%	58.9%	63.6%	-
<b>Foreign Direct Investment (US\$ millions)***</b>	2,242	3,460	2,328	920	-791	-
<b>Foreign Direct Investment (% of GDP)</b>	4.4%	6.0%	4.1%	1.7%	-1.5%	-

<sup>33</sup> Source: GDP data were taken from the IMF, foreign trade data from IED, foreign exchange rates, international reserves, and foreign debt come from the BCU; the population growth rate, literacy, unemployment and inflation come from the INE (Statistics National Bureau). Estimated data for 2017.

\*\* In 2017, the BCU adopted the methodology of the 6th balance of payments manual. The data based on this new methodology includes purchase of merchandise and re-exports and is available since 2012.

\*\*\* In 2017, the BCU adopted the methodology of the 6th balance of payments manual. The data are net flows so they can take negative values.



