



Investment Opportunities

RETAIL SECTOR IN URUGUAY

Trade Intelligence

November 2017



Uruguay XXI
INVESTMENT, EXPORT AND COUNTRY
BRAND PROMOTION AGENCY

CONTENT

1. Why invest in the Uruguayan Retail Industry?	2
2. Economic Significance of Retail in Uruguay	3
2.1. Determining factors of consumption	3
2.1.1. Increase in household income.....	3
2.1.2. Cultural change and positive expectations.....	6
2.1.3. Consumer credits.....	7
2.2. Consumption growth.....	8
2.3. Retail performance	8
2.3.1. Supermarkets and grocery retailers	9
2.3.2. Non-Grocery retailers	10
2.3.3 E-commerce en Uruguay	11
2.4. Employment creation.....	12
2.5. Investment promoted in the sector.....	13
2.6. Outlooks	14
3. Positioning	17
4. Tourism and trade	18
5. Shopping Centers in Uruguay	20
5.1. Existing Shopping centers	20
5.1.1. Montevideo	20
5.1.2. Countryside.....	22
5.2. Shopping centers under construction.....	24
5.3. New projects	24
5.4. Other shopping areas.....	25
7. Uruguay in synthesis (2017) *	30
7.1. Main economic indicators 2012-2017	30
Annex 1 - Legal Framework	31
A1.1. General Investment Promotion Scheme (Law 16.906).....	31
A1.2. Electronic invoicing.....	31
A1.3. Law on the protection of Competition	31
A1.4. Consumer Defense Law	31
A1.5. Central Bank of Uruguay - Risk Division.....	31
Anexo 2 - Institutionalidad	33

1. Why invest in the Uruguayan Retail Industry?

- Uruguay passes the longest period of economic growth since there are records. With 15 years of sustained growth, it is the most equitable country with the highest per capita income in Latin America. It is expected that in 2017 and 2018 Uruguay will continue to grow and do so above the Latin American average.
- Uruguay has solid 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%), and the second country in profits reinvested in total profits (61%) in Latin America.
- Uruguay offers a complete legal framework that guarantees clear rules of the game and the broadest guarantees, promoting a favorable business climate with great social stability, as well as granting attractive incentives to investors through a set of promotional regimes.
- Economic growth has been accompanied by strong growth in employment and purchasing power of Uruguayan people, which generated a considerable increase in private consumption. In the last decade, the increase in household consumption was reflected in record sales levels in almost all areas of the Retail sector.
- The increase in household income was particularly significant in inland households, where this industry has access to a wide range of opportunities.
- Uruguay's levels of sales per square meter are relatively high from a regional standpoint, which makes it an attractive country for investments in the sector.
- Uruguay is the second best country to invest in the retail industry, according to A.T. Kearney's 2015 Global Retail Development Index.
- In 2018, Uruguay will have at least 16 shoppings, of which 5 were inaugurated since 2013, reflecting the important dynamism of the commercial sector in an economy of 3.4 million inhabitants.
- Uruguay is the country with the highest levels of retail sales per capita in Latin America, a dynamic market, and a concentrated urban population. Uruguay is one of the countries with the lowest delinquency rate in consumer credits of the region.
- Uruguayan consumers have shown a cultural change, adopting new standards of living, multiplying the range of goods they consume.
- Local business people highlight the versatility of Uruguayan labor, which is capable of assimilating work schemes in very short periods of time.
- Over the past few years, renowned clothing brands have step into Uruguay: Adidas, Forever 21, Under Armour, Jeep Footware, MAC, Clarks, Aldo, Sarkany, Sodimac, Lojas Renner, among others. The Swedish fashion multinational H&M will be established in the Uruguayan market in mid-2018.

2. Economic Significance of Retail in Uruguay

2.1. Determining factors of consumption

The three main determining factors of retail consumption are: household income (related to employment and wages), the expectations on economic activity, and credit. These three **consumption essentials have aligned to explain that over the last few years Uruguay has seen the largest increase ever in consumption.** Although in 2015 the economic slowdown experienced by the country also affected consumption, at the end of 2016 there is already a recovery in all the variables mentioned.

In 2017, the average unemployment rate for the first 10 months of the year decreased in its year-on-year comparison, showing a good indication for the Uruguayan economy. On the other hand, the real salary also grew during the first 10 months, which implied a greater purchasing power of the consumers.

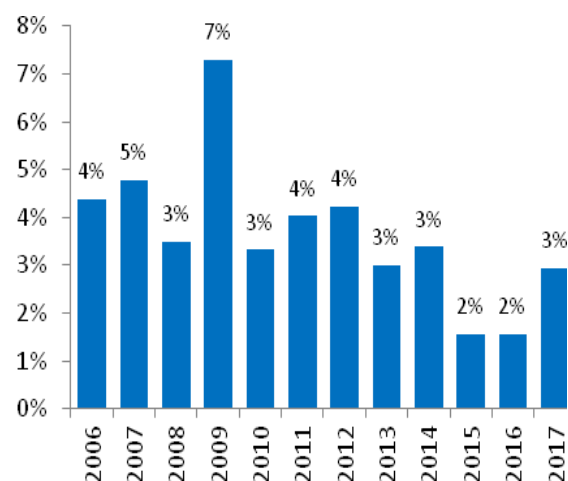
2.1.1. Increase in household income

Uruguay's economy has had an outstanding performance over the last few years, which consolidated fifteen years of uninterrupted growth. This growth was significantly higher than the regional average, reaching an annual average of 4% over the last decades. Growth was characterized by a strong increase in employment and wage levels (see Charts 1 and 2). These elements combined to result in an outstanding increase in household income.

**Chart Nº1 – Employment and unemployment rate
Total in the country (rolling years)**

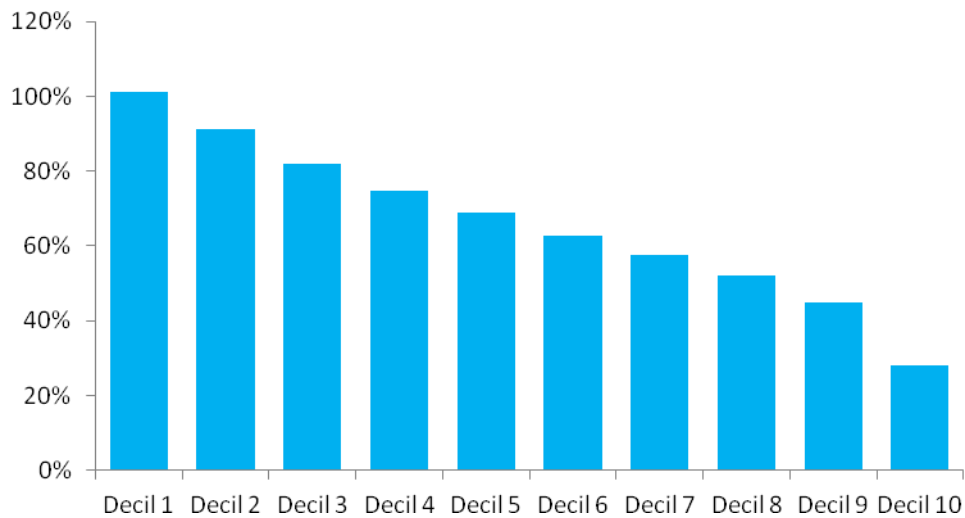


Chart Nº2 – Real Wage (Var % per year)



Source: Prepared by Uruguay XXI based on data provided by INE.

This income increase has considerably affected lower income households which, as shown in Chart No. 3, reported significant increases compared to 2006 and 2016. Along the same lines, and although they started with lower levels, inland households registered more significant increases in real income in comparison with Montevideo households. These increases can be seen in Chart Nº 4.

Chart Nº3 – Average monthly income per person (Var % Real 2006- 2016) - Per Decile¹


Source: Prepared by Uruguay XXI based on data provided by ECH-INE.

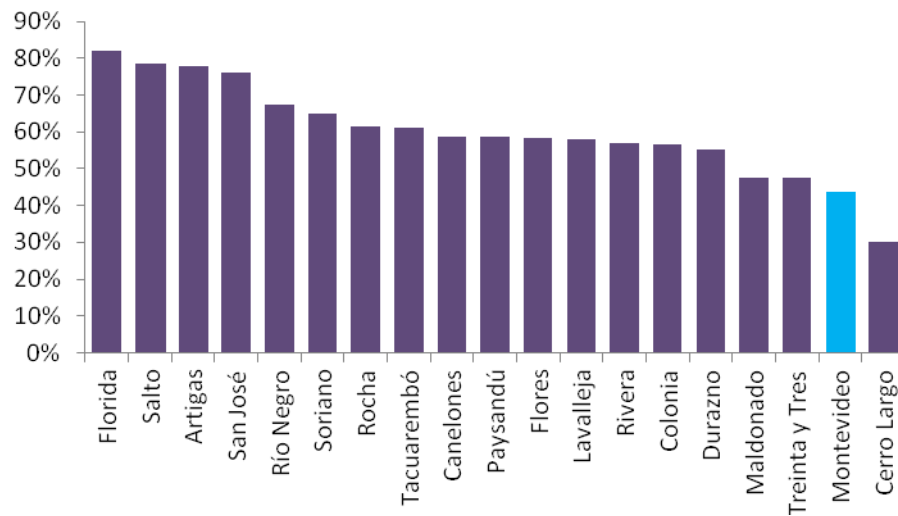
Table Nº1 – Average monthly income per person (in common currency 2016) - Per Decil²

Percentile	Income in \$U	Income in US\$
1	6,528	228
2	10,250	357
3	13,114	457
4	15,866	553
5	18,775	655
6	22,028	768
7	26,115	911
8	31,767	1,108
9	41,123	1,434
10	74,607	2,602

Source: Uruguay XXI based on data provided by ECH-INE.

¹ The grouping by deciles separates the population into 10 groups of equal size in increasing order of income, with decile 1 being the lowest income group.

² The grouping by deciles separates the population into 10 groups of equal size in increasing order of income, with decile 1 being the lowest income group.

Chart Nº4 – Average monthly income per person (Var % Real 2006 - 2016)-By department

Source: Uruguay XXI based on data provided by ECH-INE.

Table Nº2 –Average monthly income by person (in common currency 2016) - By department

Department	Income in \$U	Income in US\$
Montevideo	21,196	739
Artigas	11,520	402
Canelones	15,786	550
Cerro Largo	9,975	348
Colonia	15,776	550
Durazno	12,681	442
Flores	15,124	527
Florida	16,572	578
Lavalleja	14,356	501
Maldonado	17,016	593
Paysandú	13,607	475
Río Negro	14,982	522
Rivera	11,121	388
Rocha	13,810	482
Salto	14,805	516
San José	15,727	548
Soriano	14,955	522
Tacuarembó	12,409	433
Treinta y Tres	11,713	408

Source: Uruguay XXI based on data provided by ECH-INE.

2.1.2. Cultural change and positive expectations

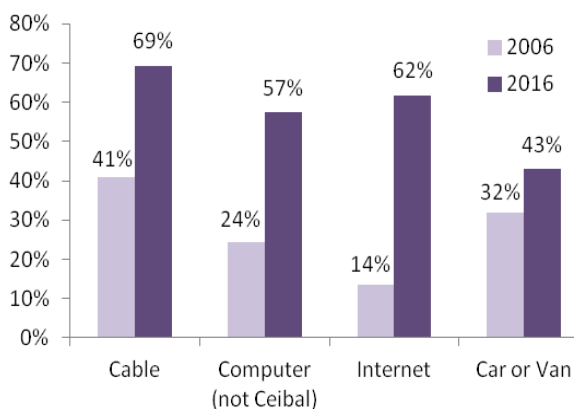
The favorable economic cycle has been accompanied by a cultural change in Uruguayan consumers. The increasing globalization associated with the strong development of technology, means of communication, and marketing tools has resulted in a growing penetration of international brands and modern life standards in Uruguayan people. Local consumers —who were prudent in the 80s— assimilated new consumption habits in the 90s associated with international brands. This transformation reached its peak in the last few years when, after a decade of growth with an improvement in household income, Uruguayans adopted new life standards and multiplied the range of goods they had access to.

As shown in Chart No. 5, according to the Household Survey (ECH, for its Spanish acronym) prepared by INE, the number of comfort elements to which Uruguayan households had access grew considerably in the last ten years, which indicates they look for a better quality of life through the access to new goods and services.

This cultural change and the positive economic cycle have been related to the expectations of Uruguayan consumers. The Consumer Confidence³ remained in the "moderate optimism" to "plausible optimism" range from August 2007 (first publication date) to early 2015.

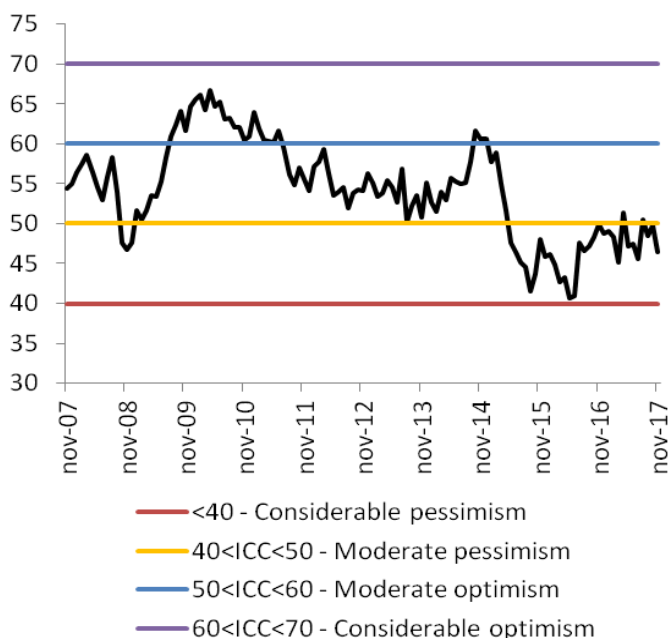
In a context of economic slowdown at the regional and national level, since mid-2015 consumer confidence has deteriorated until the end of 2016. Since then, this indicator has improved and highlights values of the index in 2017 located in the area of "moderate optimism" (see Graph N° 6).

Chart N°5 – Households with Access to comfort elements (%)



Source: Uruguay XXI based on data provided by ECH-INE.

Chart N°6 – Consumer Confidence Index



Source: Uruguay XXI based on Equipos Consultores y UCUDAL.

³ The Consumer Confidence Index (ICC) is developed by Equipos Consultores and the Sura Chair of the Department of Economy of the Catholic University of Uruguay.

2.1.3. Consumer credits

Another factor leading to an increase in consumption is credit expansion. Indeed, the stock of consumer credits for families grew at an actual average rate of 10% per year in the last decade. As can be seen in Graph N°7, after the fall that followed the international financial crisis, in 2010 consumer credit recovers vigorously. Although starting to decelerate from 2015, it continues to grow at moderate rates. At the level, the total stock of consumer credit to families is around US\$ 4,626 million (November 2017).

Chart N°7 – Consumer credit stock (real interannual Var %)

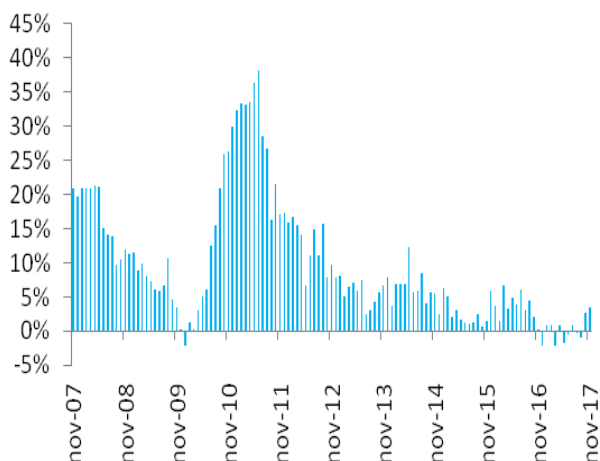
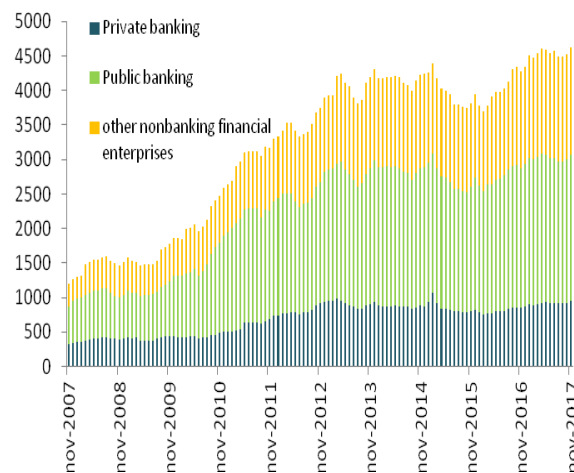


Chart N°8 – Consumer credit stock (Millions US\$)

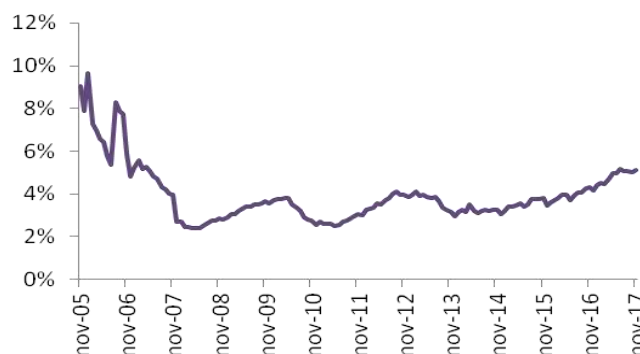


Source: Prepared by Uruguay XXI based on BCU and Deloitte.

Out of the total number of loans given by November 2017, US\$ 3,073 million corresponded to banks, 69 % of which belonged to public institutions and the other 31 % to private institutions. "Non-banking financial companies"⁴ gave loans for US\$1,538 million⁵.

On the other hand, delinquency levels⁶ have decreased considerably during the same period. As shown in Chart No. 9, after registering values around 8 % in 2006, delinquency recorded a strong decrease, and its current values are close to 5%.

Chart N°9 – Delinquency- Banking credit for consumption



Source: Prepared by Uruguay based on BCU.

⁴ Cooperatives, Financial Houses, Credit Administrators and other entities.

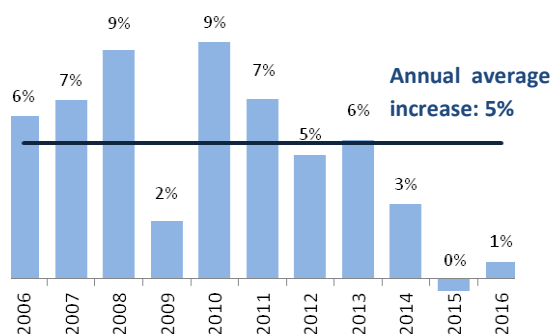
⁵ Source: Uruguay XXI based on BCU and Deloitte.

⁶ Delinquency = Past due credits / Total credits.

2.2. Consumption growth

The positive performance in the determinants of private consumption commented above, led to an expansion of this component of demand at high rates in the last ten years. **Private consumption grew at an average annual rate of 5% in the last decade.**

Chart N°10 – Private consumption (Actual Growth)



Source: Prepared by Uruguay XXI based on BCU.

2.3. Retail performance

The other side of this continuous increase in household income and consumption has been a strong increase in trade and in sales. In this regard, and as shown in Chart No. 11, the GDP of the "Trade and repairs" sector saw outstanding growth rates after the crisis faced by our economy in 2002–2003 and until 2013. There was a slight decrease in the sector's activity over the last three years.

Chart N°11 – GDP of trade and repairs sector (Actual growth)



Source: Prepared by Uruguay XXI based on BCU.

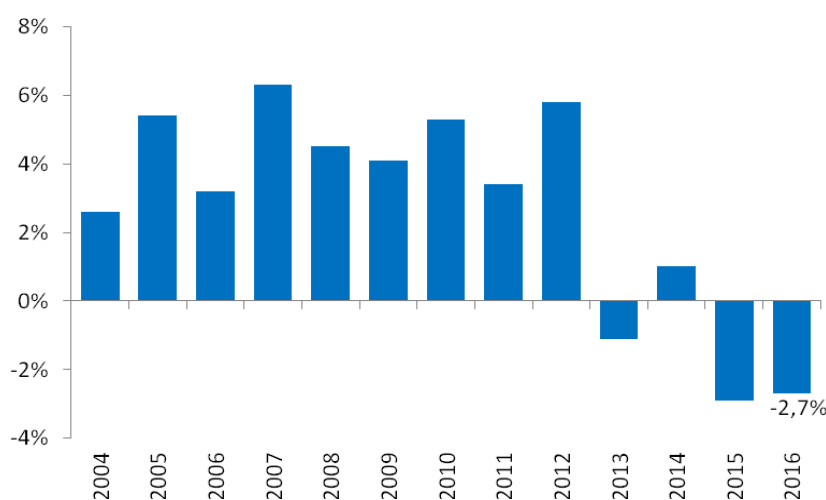
2.3.1. Supermarkets and grocery retailers

According to data from Euromonitor, the market of supermarkets and warehouses in Uruguay is made up of almost 30,000 stores⁷. The sales of these retail businesses totaled UY\$ 214,000 million (US\$ 7,096 million) in 2016, which represented a growth of 6% over 2015. According to this source, the grocery retailers and the independent supermarkets represent 77% of segment sales, while the remaining 23% corresponds to large stores.

Among supermarkets, Grupo Disco Uruguay (Devoto, Disco, and Geant), Ta-Ta S.A. (which purchased Multiahorro in 2013), Tienda Inglesa and El Dorado stand out.

On average, the turnover of supermarkets is divided as follows: 80 - 85% for groceries (food, cosmetics, and cleaning products) and the other 15-20% for non-grocery products (textiles, household appliances, toys, and bazaar, among others). This ratio can vary depending on the format and size of the supermarket⁸. On the other hand, supermarket sales showed a strong recovery since 2003. However, in the last 3 years the sector has slowed down and closed 2016 with a 2.7% drop in sales. For 2017 and 2018 a recovery of the sector is expected with growth rates of 1% and 2.7% respectively⁹.

Chart N°12 – Supermarkets turnover (Var. % in volume)



Source: Prepared by Uruguay XXI based on data provided by Deloitte.

The grocery retailer sector is characterized by a low elasticity to economic cycles, which entails a lower growth in peak cycles, but also lower decreases when the economy slows down.

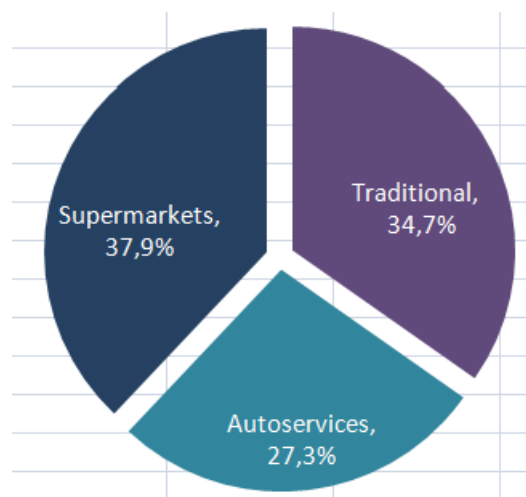
This segment's trend in the last few years is associated with the boost of convenience stores within a new social context. In fact, the increasing number of single-person households (associated with early emancipation from their parents and a greater number of divorces) favors formats which provide purchasing agility, as well as a range of products for direct consumption. The purchasing power growth of lower income sectors and inland households (where supermarkets are less developed) also favors the increase in sales of convenience stores.

⁷ Data as of 2014.

⁸ Presentation of Accountant Hugo Avegno, director of ASU – Retail Seminar August 2017.

⁹ Source: Deloitte.

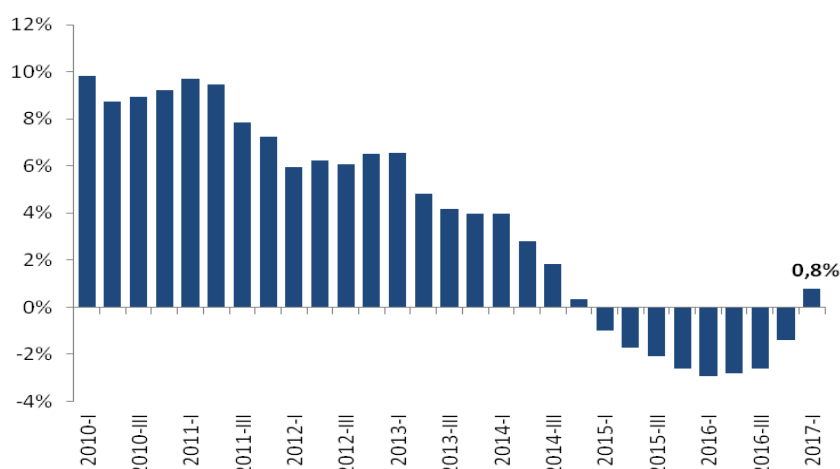
Chart Nº 13 – Share of sectors in 2016 sales (selected products)



Source: Consultora Nielsen.

Lastly, and based on data processed by CAMBADU's Business Development Unit, the Food Retail Index, which measures sale volumes in retail stores, had a great dynamism between 2010 and 2014, with an average annual growth of 6 %. Moreover, said increase has been slowing down after the second quarter of 2014, and even became a decrease in 2015 and 2016. Currently a recovery of sales is beginning to be seen.

Chart Nº14 – Food Retail Index, 2010 Base=100



Source: Uruguay XXI based on Cambadu.

2.3.2. Non-Grocery retailers¹⁰

Supermarket sales decreased 0.8% in the rolling year that ended in June 2017. Although sales of grocery retailers items increased by 0.9% in that period, sales of non-grocery products fell by 7.3%. This impact was not greater, because as mentioned above, the core of the sector's sales consists of food, with an 80-85% share of total sales.

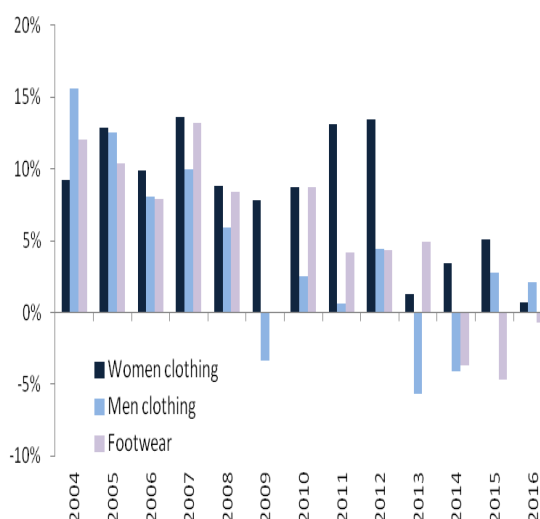
¹⁰ It includes clothing, health and beauty stores, household items, durable goods and other retailers.

On the other hand, sales of women's clothing have shown a record of uninterrupted growth in more than a decade. Sales of men's clothing and footwear grew at an average annual rate of 2% and 4% respectively. Although there is a deceleration that accompanies the economic cycle, since 2016 there have been signs of improvement in the three sectors. (See graph N° 15).

Finally, one of the sectors with the greatest dynamism in the past few years is the sale of household appliances. As shown in Chart No. 16, this sector has registered two-digit expansion rates on several years.

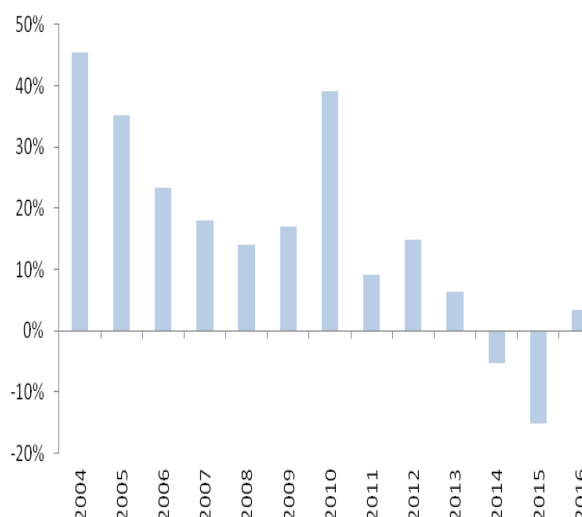
The sector's dynamism is directly related to the behavior of the exchange rate, because imported goods dominate this segment. In this regard, sales grew significantly until 2013, a period during which the national currency rose. In 2016, sales of household appliances increased at an annual rate of 3.4%, while in 2014 and 2015 the sector experienced declines of 5.4% and 15.2% respectively. In addition, growth rates of 6.3% and 6.1% are expected for 2017 and 2018 respectively¹¹.

**Chart N°15 – Clothing and footwear sales
(Var % in volume)**



Source: Uruguay XXI based on data by Deloitte

**Chart N°16 – Sale of household appliances
(Var % in volume)**



Source: Uruguay XXI based on data by Deloitte

2.3.3 E-commerce en Uruguay

In Uruguay there are no official data on electronic commerce. In any case, there are some surveys that provide relevant data, such as the one carried out by Grupo Radar, whose results are presented in "The profile of the Uruguayan Internet user". Based on the same, 1.3 million people made some type of purchase online in 2016 (this figure includes payments by e-banking), which means that 2 out of 3 Internet users made a purchase.

The figure shows that Uruguayan consumers are not being indifferent to the global trend of sustained growth in electronic commerce. According to this survey, it is estimated that 830,000 monthly transactions

¹¹ Source: Deloitte.

are carried out in Uruguay, excluding food delivery and Uber¹². The main items of these transactions are: Clothing and Footwear; Cell phones, Accessories and Telephones; Bazaar for the home; Tools and articles of hardware and barracks and furniture.

Based on the same survey, it is estimated that the transactions have a monthly value of US\$ 76 million without considering neither food delivery nor Uber (food delivery: US\$ 19 million; Uber: US\$ 5.4 million). The items with the highest value were Clothing and Footwear; Cell phones, Accessories and Telephones; Tools and articles of hardware and barracks; Furniture and Bazaar for home¹³.

Domestic Market

Of the total amount of the monthly transactions estimated in the Radar Group survey (they do not include Food Delivery or Uber), 61% were made in the domestic market, representing an amount of US\$ 46 million. Considering Food Delivery - which is an item only of the domestic market - the figure rises to US\$ 65 million. The Uber amount, which was estimated at US\$ 54 million, cannot be entirely awarded to the domestic market because users may have used the service abroad.

Table N°3 - Share per site in the amount of monthly transactions - Year 2016

	Share per site
Sites UY	61%
Mercado Libre	40%
Discount sites	10%
Other sites UY (no discounts)	11%
Foreign sites	36%
Amazon	14%
E-Bay	5%
AliExpress	6%
Other sites abroad	11%
Without specifying	3%

Source: Prepared by Uruguay XXI based on data by Grupo Radar.

2.4. Employment creation

According to data provided by the Social Welfare Bank (BPS, for its Spanish acronym), the trade sector¹⁴ employs more than 150,350 people in Uruguay (April 2017), which accounts for nearly 10 % of the total number of employees in the country. In particular, 53,141 people are employed in the non-specialized retail sector (which includes supermarkets, hypermarkets, minimarkets, grocery retailers, duty free shops, and consumer cooperatives), while the capital's shopping centers employ near to 15,500 people.

¹² Food Delivery: 1.150.000 transaction and Uber: 1.070.000 transactions.

¹³ It should be remembered that e-banking payments were not considered for monthly estimates

¹⁴ All groups included in division 47 of the ISIC Classification Rev. 4 are included.

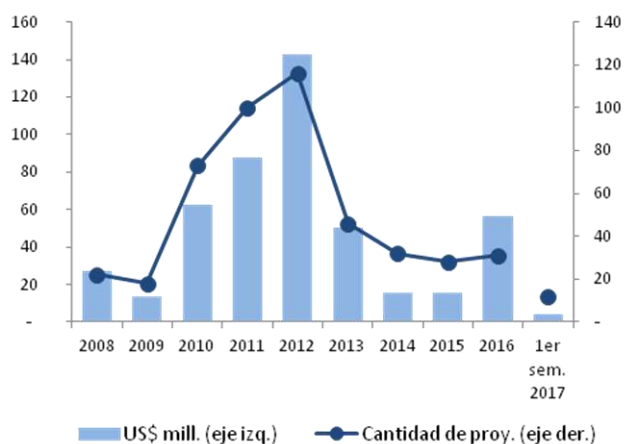
Table Nº4 – Personnel employed

Personnel employed in Shopping Centers	
Punta Carretas Shopping ¹⁵	3,500
Tres Cruces ¹⁶	3,000
Montevideo Shopping ¹⁷	2,500
Nuevocentro Shopping ¹⁸	2,000
Costa Urbana Shopping ¹⁹	1,500
Shopping Las Piedras * ²⁰	1,500
Portones Shopping ²¹	1,400
TOTAL	15,400

Source: Consultation to administrators – 2017 and 2016.

2.5. Investment promoted in the sector

Chart Nº 17 - Projects promoted by COMAP – Trade sector



Source: Uruguay XXI based on data from UNASEP.

Uruguay has an attractive investment promotion scheme which gives tax benefits to companies that decide to invest in the country²².

In this regard, investors in the retail sector have frequently used these regulations. According to information provided by the Investment Law Application Commission (COMAP), over 450 projects were promoted in the commercial sector, totaling more than US\$475 million between 2008 and the first half of 2017²³. In addition, several companies in the retail sector of foreign capital have obtained benefits under the investment law. Argentina, Brazil, Chile, Colombia and the United States are some of the origins of these companies. It should be noted that one of the

aspects valued by the Investment Law for obtaining tax exemptions is the location in the inland of the country. This aspect has been widely used to promote projects in the retail sector, in a context in which household income grew more strongly in that region than in the capital.

¹⁵ Data as of July 2016.

¹⁶ Data as of July 2016.

¹⁷ Data as of 2017.

¹⁸ Data as of 2017.

¹⁹ Data as of 2017.

²⁰ Data as of May 2017. Source: <https://www.imcanelones.gub.uy/noticias/fue-inaugurado-las-piedras-shopping>

²¹ Data as of July 2016.

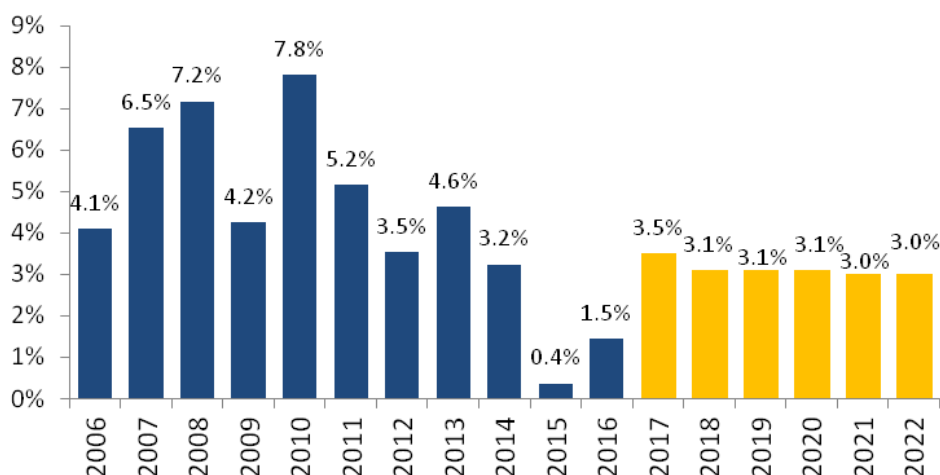
²² See Annex 1.1.

²³ The projects promoted by COMAP in the commercial sector and that also carry out retail sales (division 47 of the ISIC Classification Rev. 4) were considered.

2.6. Outlooks

Uruguay's economy grew 1.5 % in 2016, and would end 2017 with an increase higher than 3%, thus consolidating 15 years of uninterrupted economic growth. The slowdown experienced in the last two years seems to have come to an end and the outlook for the coming years suggests that the Uruguayan economy would continue to grow but at lower rates. The IMF forecasts that Uruguay will grow at an average annual rate of about 3.1 % during the next 5 years.

Chart Nº18 – GDP growth – Uruguay



Source: Uruguay XXI base don BCU (2006 a 2016) and World Economic Outlook (IMF) – October 2017

In this context, actual salaries would continue growing, although at lower rates. Unemployment would have a slight rise, even though it would still be at a low level from a historic perspective (See Chart No. 2). On the other hand, according Deloitte, sales of grocery retailers (stores that sell food, beverages, and tobacco) are expected to grow at rates of approximately 2.7 % in 2018.

Based on data included in the study performed by consultancy firm Opción Consultores (July 2017) about consumers perspectives on the future of the economy for the coming years, about 41 % of those polled think their personal income will improve and 19 % believe they will remain on the same levels²⁴.

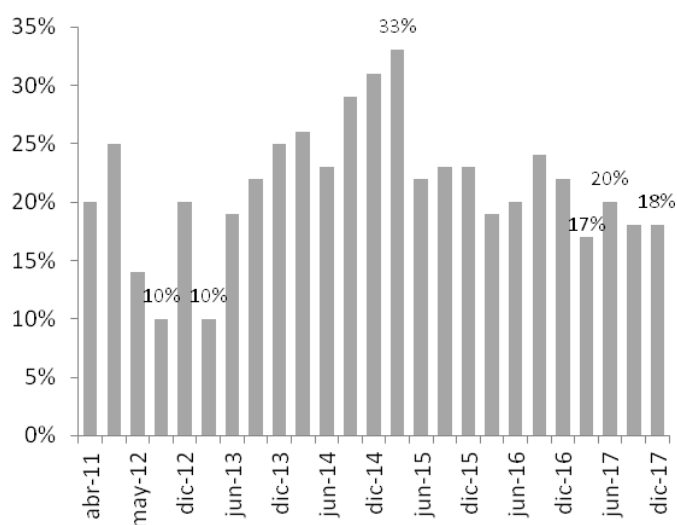
²⁴ Source: Opción Consultores: <http://www.opcion.com.uy/opinion-publica/?p=1789>

Regarding consumer credit, according to data from the Pronto! Monitor, by December 2017, 18 % of those polled stated they intended to have some kind of credit (loan or purchase order) in the near future. This percentage has grown slightly in comparison with March 2017, although it is lower than the record reached in March 2015.

Finally, we must mention the “**Financial Inclusion Law**” which came into effect in August 2014. The law seeks to universalize the access to and use of financial services for the entire population, improving access to credits, among other elements. Furthermore, it promotes the use of electronic payment methods instead of cash²⁵.

This law entails, among other things, a VAT exemption of up to 2 % for people who purchase with debit cards. This exemption will rise to four percent as of 2017²⁶. In addition, to reach these goals and achieve greater financial inclusion, it obliges companies to pay all salaries, pensions, and professional fees through bank account deposits or using e- money²⁷. The amounts of operations with debit cards nowadays have greatly increased in comparison with the months before the VAT reduction entered into force²⁸.

Chart N°19 – People who intend to obtain some credit in the future (%)



Source: Credit Market Monitor Pronto! - December 2017

²⁵ Web site financial inclusion: <http://inclusionfinanciera.uy/>.

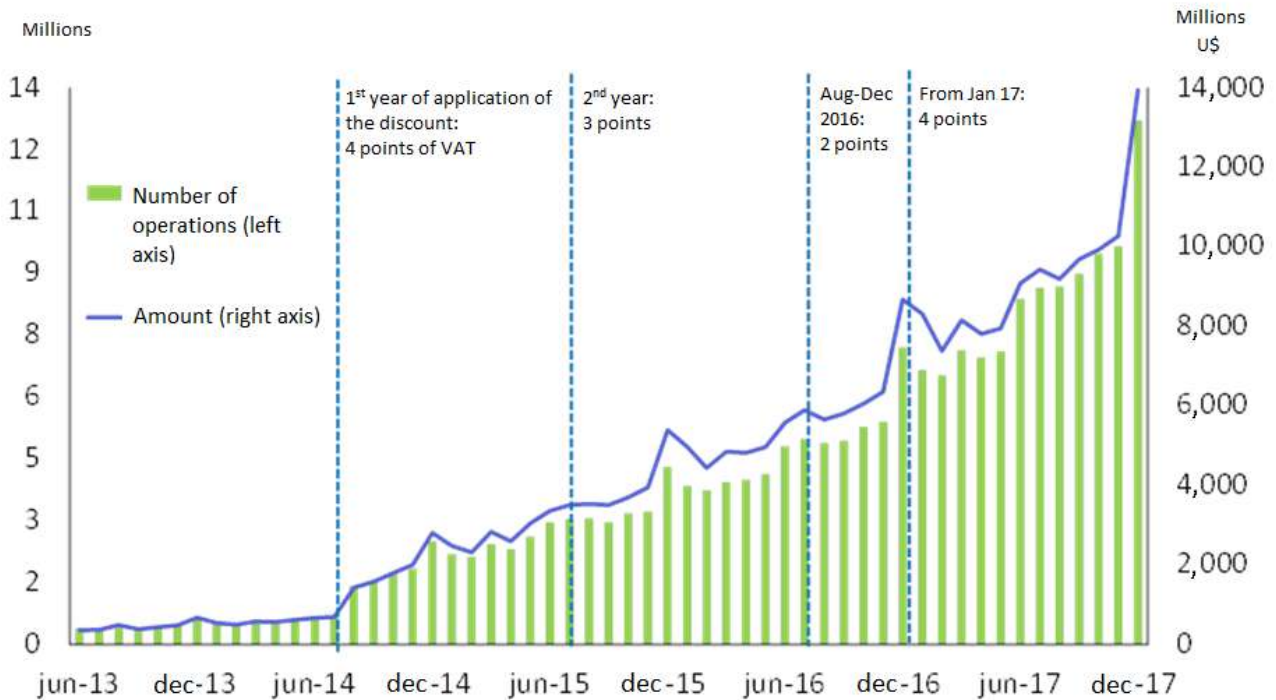
²⁶ For all operations with debit card or electronic money instrument that do not exceed the UI 4,000 (approximately U\$ 14,000). - <http://inclusionfinanciera.mef.gub.uy/19087/15/areas/rebaja-del-iva.html#3>

²⁷ As a way to reduce the costs associated with the acceptance of electronic means of payment, the MEF formed a working group with BROU and private banks, where measures were announced in this regard. -

<http://inclusionfinanciera.mef.gub.uy/18719/15/areas/nuevas-medidas-sobre-inclusion-financiera.html>

²⁸ Web site financial inclusion: <http://inclusionfinanciera.uy/>.

Chart Nº 20 - Purchases with debit cards issued in Uruguay Operations in MN and ME



Source: Obtained from BCU.

Table Nº5 – Sector Retail: Indicators Projection

Year	Private consumption	Private Real Wage	Unemployment	GDP Trade	Supermarkets turnover (in volume)	Clothing turnover (in volume)	Household appliances (in volume)
2017	4.2%	3.6%	8.0%	6.9%	1.0%	0.3%	6.3%
2018	3.5%	1.5%	8.0%	5.3%	2.7%	2.3%	6.1%

Source: Uruguay XXI based on data provided by Deloitte.

3. Positioning

The strong growth of Uruguay's economy and the purchasing power of its population, together with the important political, economic, and legal stability, have positioned the country as one of the main destinations in the region for the most important retail companies in the world.

Uruguay: "... the country with the highest retail sales per capita in Latin America, a dynamic market with a concentrated urban population" -AT Kearney 2015

In particular and as can be seen in Table N°3, Uruguay was positioned as **the second best destination for the Retail sector of developing countries (and first of Latin America)** ²⁹.

Uruguay: "a little gem, where high consumption levels are very attractive for luxury brands"- AT Kearney.

Table N°6: Global Retail Development Index (2015) – Selected countries

Country	Dimensions of the ranking					GRDI score
	Ranking	Market attractiveness (25%)	Country Risk (25%)	Market saturation (25%)	Time pressure (25%)	
China	1	66.7	55.7	42.3	96.6	65.3
Uruguay	2	93.3	60.4	68.0	38.9	65.1
Chile	3	98.2	100.0	13.0	37.9	62.3
Qatar	4	100.0	89.4	34.3	12.8	59.1
Brazil	8	98.0	60.4	45.2	28.0	57.9
Malasia	9	75.6	68.8	29.3	52.7	56.6
Peru	16	48.9	43.9	58.6	51.8	50.8
Panama	19	62.3	46.8	49.7	37.6	49.1
Colombia	20	55.6	49.3	52.0	39.1	49.0
Costa Rica	28	66.9	49.2	38.7	25.1	45.0
Mexico	29	82.5	56.1	0.2	38.8	44.4
Angola	30	22.4	9.2	99.4	45.0	44.0

0 = low attractive 0 = low risk 0 = saturated 0 = no pressure
 100 = high attractive 100 = high risk 100 = not saturated 100 = urgency to enter

Source: Uruguay XXI based on AT-Kearney.

²⁹ In the ranking of 2016 countries with excellent conditions for the retail business such as Uruguay, Qatar and Mongolia were not included since a new filter was added according to market size.

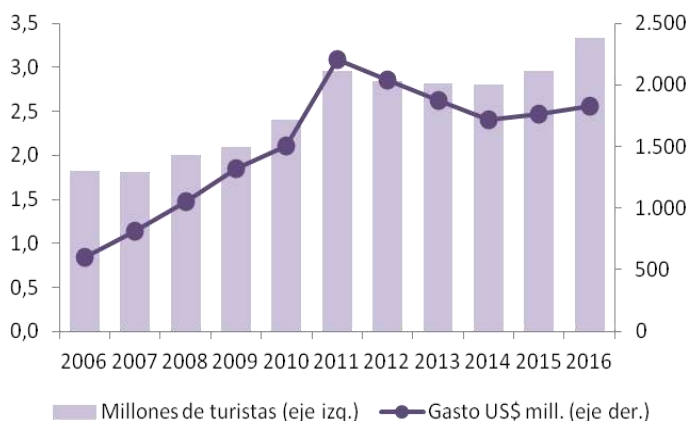
4. Tourism and trade

The strong development shown by incoming tourism in Uruguay over the last few years has had a significant effect on retailer activity. In 2016, the number of people that visited Uruguay reached a new historic record when almost 3.3 million tourists came to the country (a 12.3 % increase in comparison with 2015). Although visitor spending levels were lower than the 2011 record, they grew 3.3 % in comparison with 2015, and that implied that 1,824 million dollars entered the country, a significantly higher amount from a historic perspective.

This increase in the number of visitors came together with an increase in their spending, which had a great impact on trade. On average, during 2016, each tourist stayed in Uruguay for 5 days and a half and spent almost US\$621 during that stay³⁰. Although the country's main attraction is Punta del Este, Uruguay has a

large variety of tourist options a few kilometers away from each other.

Chart Nº21 - Number of tourists received and total expenditure (Millions of US\$)



Fuente: Uruguay XXI en base a datos de BCU.

In addition, the arrival of cruise ships to Uruguay is of special relevance. At present, slightly less than 200 vessels arrive year after year to the ports of Montevideo and Punta del Este between October and April, with passengers of multiple nationalities. In particular, in the 2016-2017 season, 260,704 people disembarked in Uruguay, spending almost US\$ 10 million. This activity directly benefits Uruguayan trade, since purchases in stores in our country mean approximately 66% of the total cost of cruise passengers.

Uruguay has a strong institutional framework to support tourism and an attractive regulation to promote investments linked to the sector³¹. In this sense, Decree 378/2012, which regulates the tax free promotional regime, promotes the sale of certain goods to non-resident tourists. Currently more than 800 businesses are adhered³² to this system and purchases covered by this regulation, reached \$ 479 million in 2015 (about US\$ 16.5 million), which implied an increase of 43% over the previous year. In terms of volume, the number of transactions grew 63% during 2015³³.

In the first semester of 2017, the number of tourists increased 25% with respect to the same period of 2016. Foreign exchange revenue for tourism services was US\$ 1,440 million, which represented 39% more than 2016. In 2016 the total expense of visitors was US\$ 1,824 million and it is expected that by 2017 this

³⁰ <https://presidencia.gub.uy/comunicacion/comunicacionnoticias/kechichian-mintur-cifras-2016-record-ingreso-turistas-divisas>

³¹ For more information about investment opportunities in the tourism sector you can access the report:

<http://www.uruguayxxi.gub.uy/informacion/wp-content/uploads/sites/9/2017/03/Informe-Turismo-Marzo-2017-Uruguay-XXI.pdf>

³² <https://www.presidencia.gub.uy/comunicacion/comunicacionnoticias/mintur-taxfree-global-blue-devolucion-impuestos>

³³ Information provided to Uruguay XXI by Global Blue Argentina S.A.

figure will exceed US\$ 2,000 million³⁴. The mentioned increase is of special relevance since the increase of the tourism has a strong repercussion on the activity of the commerce.

In the first semester of 2017, the number of tourists increased 25% with respect to the same period of 2016. Foreign exchange revenue for tourism services was US\$ 1,440 million, which represented 39% more than 2016. In 2016 the total expense of visitors was US\$ 1,824 million and it is expected that by 2017 this figure will exceed US\$ 2,000 million. The mentioned increase is of special relevance since the increase of the tourism has a strong repercussion on the activity of the commerce.

Duty free shop tourism

In Uruguay there is a regime for duty-free shops and border shops, aimed at the sale of consumer products mainly to foreign tourists. The first are located in the main points of entry and exit of the country (airports, ports and border crossings) and the second in cities bordering Brazil.

³⁴ <http://mintur.gub.uy/index.php/estadisticas-y-publicaciones/turismo-receptivo>

5. Shopping Centers in Uruguay

5.1. Existing Shopping centers

5.1.1. Montevideo

Montevideo Shopping: Located in the Puerto del Buceo area, it opened in 1985 and, after 21 expansions, it receives 1.5 million visitors a month. In addition to the traditional shopping mall with over 200 stores, it has a Tienda Inglesa hypermarket, a food court, 10 multiplex movie theaters, 2 theaters, and a casino³⁵. It has 2,500 employees and its sales in 2017 were similar to the ones in 2016 in constant pesos.

In 2018 the Zara store will be expanded, which will become one of the largest Zara stores in Latin America. In the fourth quarter of 2018 the H&M store will open in the shopping center, thus consolidating its commercial mix, as it will be the only shopping mall that will have the 3 world leaders in clothing: Zara, H&M and Forever 21. In 2015, construction began on a new underground parking of 3,193 m² for another 100 vehicles, in addition to the expansion and improvements of Bonavita Street, which involved an investment of some US\$ 3.5 million³⁶. At the end of 2014, the expansion of the shopping center culminated in a new level over the existing one, with an area of 2,306 m², with the installation of Forever 21.

Web site: www.montevideoshopping.com.uy

Nuevocentro Shopping: In October 2013, the last shopping center in Montevideo was opened, located in one of the busiest centers in the city. It is a work of more than 72,000 m² of construction, of which 25,000 m² are occupied by more than 120 commercial premises. Work is currently underway on an expansion project that in its first stage will involve an additional 6,500 m² on the third floor. It has five movie theaters, parking for 1,000 vehicles, a hypermarket of the Geant chain, which acts as an "anchor" venue. The food plaza has a strong demand and availability for 800 people. In addition, Nuevocentro Shopping offers a different entertainment proposal for children (Mundo Cartoon Network), which is coming to the country for the first time.

The investment in the shopping was US\$ 60 million, to which are added US\$ 40 million from the stores representing a total of US\$ 100 million. Other outstanding services are the polyclinic of the Spanish Association, in line with the worldwide trend of combining services with shopping centers. In 2017, the brands Sbarro (pizzeria of international brand), Espacio BA and Mis Petates were established in the shopping center, while Guapa and El Clon had extensions. It currently has a waiting list of recognized international and national brands.

Along with the shopping, two 25-storey housing towers were built, with 437 apartments, which will be inaugurated soon. The investment of both towers was approximately US\$ 60 million. Nuevocentro is the first project in Uruguay to combine shopping with housing.

In 2017, sales grew above the CPI in constant prices. Since its opening, sales have grown every month (in constant values).

Website: www.nuevocentrosopping.com.uy

³⁵ <https://www.montevideoshopping.com.uy>

³⁶ <http://www.montevideo.com.uy/contenido/Montevideo-inauguro-el-bulevar-Luis-Bonavita-312699>

Portones Shopping: Located in the east of Montevideo, the most residential area of the capital, it was inaugurated in 1994. It has two floors, where more than 145 stores are located, a multiplex cinema complex of seven rooms, a food court, entertainment and "anchor" retailers such as McDonald's, Hipercentro Devoto and Ta-Ta. It has been expanded three times and 1,400 people work at the mall³⁷. The shopping center began an expansion project, which requires an investment of more than US\$ 3 million, which will expand the commercial meters of the establishment. The Renner brand will occupy a 1,700 m² footage and the store is expected to open in April 2018. In addition to the Brazilian firm, some of the brands that will be installed are Only and La Dolfina. The shopping center has since late 2016 a recreation space for children called Portones Kids, which can be used as a nursery during the stay in the shopping centre.³⁸

Website: www.portones.com.uy

Punta Carretas Shopping: Inaugurated in 1994 as a recycling of an old prison in the neighborhood of Punta Carretas. It is characterized by its luminosity, constant innovation and extensive facilities distributed in 3 levels. It has more than 200 stores, a food court, ten cinemas, a theater, a wide range of services and a modern smart parking lot. The capitals are in their entirety national. Located in the area with the highest demographic density and with the highest concentration of public ABC1, it receives an average of 1.4 million visits per month, being the Shopping preferred by tourists, particularly Argentinians and Brazilians.

In 2014, the most important expansion work began, inaugurating in late 2017 a new anchor store, Lojas Renner, a large area for DISCO supermarket of more than 6,000 m², becoming the main area of the business, new parking lots and a second Aloft hotel next to the Sheraton completes an unparalleled tourist offer. By the beginning of 2018, the opening of a 14-story office tower and the opening of new commercial premises is planned, as well as an important fast fashion store and an international coffee shop. The approximate total investment is US\$ 100 million and will involve the incorporation of 55,000 m².

Website: www.puntacarretas.com.uy

Terminal Shopping Tres Cruces: Opened in November 1994, it combines bus terminal services³⁹ and shopping center. The shopping mall is structured in three levels: terminal bus level, package delivery level and shopping center level and receives 23.4 million annual visits. In total it employs 3,000 people of which 1,800 correspond to commercial activities.

The total area of the establishment is almost 68,000 m² of which 5,173 m² are for commercial premises, supermarket and food court exceeding 170 stores⁴⁰.

At present, there is interest on the part of the shopping authorities to study a new expansion plan of 8,000 m² of commercial area for a new floor⁴¹.

³⁷ <http://www.estudioluislecueder.com/>

³⁸ <http://www.espectador.com/espectador-negocios/portones-amplia-metros-comerciales-y-recibe-renner>

³⁹ Bus Terminal Station of the city of Montevideo for transportation services with origin and destination greater than 60 km. It includes short, medium and long distance bus traffic, as well as international travel.

⁴⁰ Annual Report 2016/2017

<http://www.estudioluislecueder.com/innovanet/macros/TextContent.jsp?contentid=112&site=1&channel=innova.net>

⁴¹ <https://negocios.elpais.com.uy/tres-cruces-quiere-metros-cuadrados-shopping.html>

In the 2016/2017 fiscal year, sales in constant pesos of commercial stores fell by 1.78%. The average monthly sale per m² is US\$ 1,100

Website: www.trescruces.com.uy

5.1.2. Countryside

Uruguay has consolidated fifteen years of sustained growth, explained largely by consumption. Thanks to this, the interior of the country has also participated in the installation and expansion processes of shopping centers.

Costa Urbana: It was inaugurated in 2011 and is the first center of its kind in the City of the Coast. Located at km 21 of the Giannatassio Avenue, it is one of the areas with the highest urban development in the country, located east of the capital. The shopping center, which receives an average of 20,000 visits per day, allows the 120,000 inhabitants of the area to access a wide variety of services and premises without having to travel to the capital. The center has the particularity of bringing together a large part of the offices of public bodies, in addition to cinema, Ta-Ta supermarket that acts as an "anchor" shop, and other commercial premises. The work of the shopping involved an investment of US\$ 50 million (the capitals are of national and foreign origin), and employed about 1,000 employees during the construction.

Currently, it is occupied in its entirety, where 16,000 m² correspond to the commercial area and 6,000 m² to offices. In 2017 the premises of Lojas Renner was opened in the shopping facilities, in addition to an extension that involved the installation of Vía Aqua, a fitness center, the extension of the Daniel Cassin store and the relocation of the food court⁴². It employs a total of 1,500 people and sales have grown since its inception (common feature of new shopping). In addition, the shopping center lacks of seasonal work during the months of summer, because by its coastal location, it increases the flow of people with a summer routine in the area, which visits the shopping at night.

Website: www.costaurbana.com.uy

Colonia Shopping: Inaugurated in 2006 it is the first commercial center of the Department of Colonia. In 2008, the first extension of the complex was made, by building two movie theaters. In 2011, the second extension was completed, which included the expansion of the commercial space and improved the supermarket's facilities, including an additional 300 m² of living space and more than 100 parking spaces. Shopping also has attractions for entertainment, such as a paintball court and a kart track⁴³.

Website: www.coloniashopping.com.uy

Melancia Mall: Opened in November 2015, it is an important commercial center in the department of Rivera, first of its kind. It has approximately 100 stores and a parking lot for 1,200 vehicles. The shopping "anchors" of the shopping center are the Neutral, Colonial and Fenix free-shops. This important project also includes the construction of a hotel with 100 rooms, an open neighborhood, a condominium and a service

⁴² <http://www.lr21.com.uy/empresariales/1320453-costa-urbana-shopping-crecimiento-5-aniversario>

⁴³ <http://www.coloniashopping.com.uy/>

station. This project is financed by three investment groups composed of Marchesano, Fernández (Christophersen group) and the Vestergaard Frandsen group, with headquarters in Switzerland⁴⁴.

Website: www.melanciamall.com

Mercedes Terminal Shopping: It opened its doors in 2000 and serves about 3,000 visitors who circulate daily through the facilities, coming from the capital of the country, cities of the inside and also from the Argentine Republic. It is located in the capital of the department of Soriano, with a total area of 6,808 m² and 26 premises of the most varied items⁴⁵.

Website: www.mercedeshopping.com.uy

Oh! La Barra: The shopping center located in La Barra, near Punta del Este, was opened at the end of 2014. The approximate investment so far was US\$ 25 million, in an area of 12,000 m². Almost forty first-tier firms are located in the shopping mall. The developers are planning an expansion, since large companies in the Retail sector are interested in positioning themselves in the shopping center. In addition, there will be added a luxury hotel complex of 100 rooms whose investment will be US\$ 35 million⁴⁶.

Website: www.ohlabarra.com

Punta Shopping: It is located just five minutes from the center of the peninsula of Punta del Este, where it occupies a land of 50,000 m². Your local "anchor" is the English Store supermarket. It also has a large entertainment center. In total, it has eight movie theaters, bowling, two casinos with slots, a car wash and places with a gastronomic offer. Account 1,200 parking spaces guarded⁴⁷.

Website: www.puntashopping.com.uy

Salto Shopping: It is the first shopping mall in the city of Salto and also the first one built on the outskirts of Montevideo. It covers 23,700 m², of which 8,000 m² correspond to 55 commercial premises. The mall receives 210,000 visits per month, and has entertainment services such as bowling alleys and 3 movie theaters. It was born to cover the needs of the inhabitants of the city and the surroundings in commercial services, national and international bus terminal⁴⁸.

Website: www.saltoshopping.com.uy

Paysandú Terminal Shopping: In 2016, Shopping was inaugurated in the department of Paysandú, through a public works concession contract between the Luis E. Lecueder studio and the local government of Paysandú. The shopping also includes a bus terminal with 15 platforms. The total investment that involved the construction of the 16,000 m² was US\$ 18 million. It has 45 commercial premises and 200 parking spaces, its local "anchor" is the Ta-Ta supermarket. It is estimated that the mall receives 850,000 visitors per month⁴⁹.

⁴⁴ <http://negocios.elpais.com.uy/negocios/empresas/avances-obras-shopping-melancia-rivera.html>

⁴⁵ <http://www.mercedeshopping.com.uy/empresa.php>

⁴⁶ <https://www.elpais.com.uy/informacion/barra-tendra-hotel-us-millones.html>

⁴⁷ <http://www.puntashopping.com.uy/shopping/>

⁴⁸ <http://www.saltoshopping.com.uy/>

⁴⁹ <http://negocios.elpais.com.uy/empresas/estudio-lecueder-inaugura-terminal-shopping-paysandu.html>

Website: www.paysandushopping.com.uy

Shopping Las Piedras: In May 2017, the Las Piedras Shopping Center was opened, located in the Artigas Park in Las Piedras. The shopping center has 131 shops, five movie theaters, a large food court and a children's entertainment center distributed over three levels with a total footage of 40,000 m². The establishment employs a total of 1,500 people. The 2,000 m² Ta-Ta supermarket is the anchor store.

Website: www.laspiedrasshopping.com.uy

5.2. Shopping centers under construction

Río Branco Shopping⁵⁰

For the first semester of 2018 the inauguration of the shopping center currently under construction is planned in the city of Río Branco, department of Cerro Largo. The initial investment is US\$ 36 million. This venture is being developed by the Duty Free Americas (DFA) group together with Panamanian investors. It is estimated that the shopping will occupy 17,000 m², plus parking of 12,000 m², a terminal of 600 m² of bus and a supermarket. In addition, it is committed to the construction of a 4-star hotel, considering not only the tourist movement but also the business that the agricultural sector demands.

5.3. New projects

Strip centers

Grupo Strip Centers Uruguay plans to build and operate strip centers, which are small shopping centers that offer convenience solutions for the residents of a certain neighborhood. The Strip Centers group plans to develop four of these projects in the medium term, executing a total investment of US\$ 14 million. The Brunel Portal (on Camino Carrasco and Camino Brunel) and the Portal América (on Avenida de las Américas) are already functioning⁵¹.

Entrepreneurship in Malvin

A new real estate and commercial venture will be built in Malvín, on Avenida Italia and Mariscal. The project will include the construction of 3 housing towers along with the installation of a shopping center of more than 9,000 m² and three floors, with between 50 and 60 large premises. The investment made is estimated at US\$ 60 million⁵².

Shopping en San José

A project for the construction of a Shopping Mall in that department, promoted by Garbarino-Lombardo, was presented to the Local government of San José. It will cover 5,900 m² available for 35 commercial stores, a supermarket, covered parking, among other services⁵³.

⁵⁰ <http://www.elpais.com.uy/economia/noticias/shopping-hotel-millones-rio-branco.html>
<http://www.montevideo.com.uy/Empresariales/Avanzan-obras-de-Rio-Branco-Shopping-y-comenzo-la-comercializacion-de-los-locales-uc346196>

⁵¹ <http://www.elobservador.com.uy/los-shoppings-barrío-empiezan-abrir-sus-puertas-n895546>

⁵² <http://www.elobservador.com.uy/malvin-tendra-su-shopping-n902036>

⁵³ <http://www.elpais.com.uy/economia/empresas/proyectan-construir-shopping-san-jose.html>

Sinergia Design

Sinergia Design is the first shopping circuit and cowork space in Latin America focused on design. The space is developed on two floors and has a length of more than 6000 m² in the center of Montevideo. On the top floor are the offices with an installed capacity for 300 workers. In addition to the 40 shops, there is a parking, a conference room, an events room, an exhibition room, a playroom, a photo studio, a biergarten, a library, a meditation room, laboratories and a pick-up center that will be part of an e-commerce platform⁵⁴.

Mercado Ferrando

In November 2017, the Ferrando Market was inaugurated; a gastronomic tour that takes place on 2,200 m², in a warehouse that was formerly belonged to a furniture factory. The enterprise is located in an area of nightlife and gastronomy in the Cordón neighborhood and has points of sale (groceries, butchers, shops) and service points (restaurants), spread out in modules along two floors⁵⁵.

5.4. Other shopping areas

Apart from Shopping centers, there are in Uruguay, certain shopping areas where Retail stores are grouped, generating shopping areas that are widely visited by consumers. Among the busiest shopping areas stand out:

Montevideo downtown

The area includes Avenida 18 de Julio which has hundreds of shops offering all kinds of products including clothing, shoe stores, jewelry stores, toy stores, bookstores, appliances, pharmacies, perfumery and cosmetics, among others⁵⁶.

Montevideo Design Zone

It is a commercial area that includes part of the neighborhoods of Cordón and Parque Rodó. The area is characterized by shops that offer items and services for the design and decoration of spaces. It also includes other items such as gastronomy and technology⁵⁷.

Calle 20, Punta Del Este

Calle 20, also known as "Fashion Road", is an obligatory shopping tour in Punta del Este, which includes both the 7 blocks of 20 street and its nearby blocks. In the area you can find a wide range of international and national stores. High-ranking international brands such as Carolina Herrera, Tommy Hilfiger, Valentino and Desigual are also installed in the area.

⁵⁴ <https://www.sinergia.uy/design/Brochure-Sinergia-Design.pdf>

⁵⁵ <https://findesemana.ladiaria.com.uy/articulo/2017/8/llegan-dos-centros-comerciales-donde-antes-habia-fabricas/>

<http://www.mercadoferrando.com/>

<https://www.elobservador.com.uy/mercado-ferrando-fabrica-muebles-paseo-gastronomico-n1104812>

<https://findesemana.ladiaria.com.uy/articulo/2017/8/llegan-dos-centros-comerciales-donde-antes-habia-fabricas/>

⁵⁶ <https://www.grupocentro.net>

⁵⁷ <http://www.zd.com.uy>

La Barra, Punta Del Este

With a more rustic and chic style, this shopping tour, which takes place along Route 10, includes a wide variety of clothing stores, antique houses and art galleries. The stores have extended hours until dawn, which transforms the area into a particular shopping experience.

Design District Punta del Este

It is a commercial area around Avenida Italia and its surrounding streets. The route begins at Parada 2 of Avenida Italia and covers almost 10 blocks until reaching Roosevelt Avenue. The area is characterized by shops that offer items and services for the design, decoration of spaces, home automation, materials for construction, among others. Among its more than 50 shops, the area includes well-known international brands ⁵⁸.

Mercado Agrícola de Montevideo ⁵⁹

Inaugurated in June 2013, the Agricultural Market of Montevideo is a must-see for tourists visiting the capital of the country. Located in the Goes neighborhood, the structure has a century of existence. It consists of more than a hundred stores, where people can access everything necessary in a daily grocery shopping in an area that is part of Uruguay's historical heritage.

The initial total investment was US\$ 18 million (Intendance of Montevideo and International Cooperation and generates employment for some 800 people (directly and indirectly). Its local anchor is the supermarket chain Tata.

In general, it receives approximately 8,000 visits per day and 20,000 during the weekend. The public flow can be divided into three groups: Morning: Purchases of seniors; Noon: Lunch of workers in the area; Afternoon: Visits of tourists and the general public, which takes it as a walk.

⁵⁸ <http://designdistrict.com.uy>

⁵⁹ Information provided by MAM authorities

6. Major investments

Although the retail sector in Uruguay has received significant investments in the last few years, foreign stores still have a relatively low share in shopping centers (around 15 %, including international brands operating under a franchise agreement). Therefore, there is still room for the arrival of new international players to the sector, which would add new practices and business models to the Uruguayan market. The main companies or foreign brands which arrived to Uruguay in the past few years are presented below.

Convenience stores

These stores meet the proposals of neighborhood and supermarket store. They differ by having a more extensive schedule, have a modern design and surface less than 400 m², quality products and quantity, in addition to the speed and the concept of proximity to homes. Most are installed in central and coastal areas of the city, with high population density. Among these are the brands: Ta !, Micro Macro, Frog, Kinko, Punto Shop and Devoto Express, which has already invested US\$ 6 million. Currently, there are more than 65 convenience stores, if you also consider those installed by the gas stations, such as the 360 stores and Spacio 1 of Petrobras. The density of the population is crucial to locate stores.

Kinko, a pioneer in the installation in Uruguay, opened his first store in 2013 and today has 21 stores. According to Euromonitor, convenience stores Kinko, Frog and Devoto Express sold US\$ 7.7 million in 2015. Also, in 2016 it was this type of establishment that registered the highest sales growth rate in the grocery and supermarkets sector.

H&M

The Swedish fashion multinational H&M will be installed in the Uruguayan market in mid-2018. The firm is installed in 5 markets in Latin America, Uruguay being the sixth market in the region to which the brand will aim. The brand will be established in Montevideo Shopping and will have a space of 3,000 m², the opening is expected by the end of 2018. The arrival of H&M to Uruguay is part of its expansion strategy in Latin America and represents the entry to the sixth market in that region.

Given the installation of the firm in its establishment, Montevideo Shopping expects to increase its visits by 10% and its sales between 6% and 10%.⁶⁰

Lojas Renner

With a strong commitment to the Uruguayan market, the Brazilian women's clothing chain, and one of the most valuable brands in Brazil, opened three stores in Uruguay in 2017. The stores are located in the center of Montevideo (on 18 de Julio Street), Punta Carretas Shopping and Costa Urbana Shopping. By 2018 the chain expects to open two more stores, one in the Portones Shopping and another in the department of Rivera, in Melancia Shopping. The brand has more than 280 stores in Brazil, and they expect to reach 450 stores by 2021. The estimated investment for each store is between US\$ 7-8 million - similar to the cost of stores in Brazil. The brand chose Uruguay to carry out its first internationalization experience due to its proximity to one of the distribution centers and the corporate office in Porto Alegre, as well as having the

⁶⁰ <https://www.elobservador.com.uy/primer-local-hm-abrira-montevideo-shopping-n1152862>

highest GDP per capita in Latin America and having similarities with the region of origin of Renner (southern Brazilian)⁶¹.

Falabella abre Sodimac⁶²

The Chilean company Falabella announced its entry into Uruguay with the opening of 2 stores of its SODIMAC chain in Montevideo. The first store opened in March 2015, is located on Av. Giannattasio (next to Geant), while the other store is located in Sayago (Montevideo) and was inaugurated in September 2015. With the opening of the second store, it is completed the initial investment of US\$ 40 million estimated.

In November 2016, Sodimac opened a new store in Maldonado with a first instance in the form of a summer season house. In October of 2017 the opening of the premises was carried out as the official store of the brand that has a footage of 6,500 m² ⁶³.

Starbucks

Starting with a new licensing agreement, Starbucks authorized Asea - the Mexican company that holds the Starbucks license in Latin America and Spain - to install the brand in the Uruguayan market. The company plans to open the first store in Uruguay at the beginning of 2018⁶⁴.

The firm plans to open five stores in the first instance, the first store will be established in Montevideo Shopping in a location on the main access to the shopping center on Luis Alberto de Herrera street and the second will be installed in Punta Carretas Tower. The remaining three store⁶⁵ have yet to be defined.

Adidas

In 2017, Adidas opened its first Originals store in Uruguay in Montevideo Shopping. Along with this store and the one inaugurated in December 2016 in Punta del Este, Adidas has 8 stores in Uruguay, two of which operate with outlet mode⁶⁶.

Payless

The US store opened in March 2016, the first 3 of the 12 stores plans to open in 2019 in Uruguay, which at the end will include an investment of US\$ 7 million. Two of them are located in the center and another in La Union. The stores, which occupy between 200 and 300 m², are in the format of supermarket shoes with a self-service system and low prices. The brand is present in Central America, Ecuador, Paraguay, Colombia and Peru. The brand owns the Champion line, although these products will not be sold in the country⁶⁷.

⁶¹

<http://www.elpais.com.uy/el-empresario/lojas-renner-quiere-encantar-one-stop-shop.html>

<http://www.valor.com.br/empresas/4561179/renner-vai-abrir-lojas-no-uruguai-em-2017>

⁶² Information provided by Gregorio Odriozola - General Manager Sodimac Uruguay.

⁶³

<https://www.elobservador.com.uy/sodimac-abrira-noviembre-su-tercera-tienda-uruguay-n987358>

<http://www.montevideo.com.uy/Empresariales/Sodimac-amplio-su-oferta-en-Maldonado-inaugurando-su-tienda-oficial-uc665504>

⁶⁴ <https://news.starbucks.com/press-releases/starbucks-to-bring-coffeehouse-to-uruguay>

⁶⁵ <http://infonegocios.biz/nota-principal-1/starbucks-eligio-punta-carretas-tower-abrira-cinco-locales-en-total-en-primera-instancia>

⁶⁶

<http://negocios.elpais.com.uy/empresas/adidas-desembarco-punta.html>

<http://negocios.elpais.com.uy/empresas/adidas-abrio-primera-tienda-originals-uruguay.html>

<http://negocios.elpais.com.uy/negocios/empresas/adidas-abrio-sexta-tienda-exclusiva-montevideo.html>

⁶⁷ <http://www.elobservador.com.uy/payless-llega-sus-supermercados-del-calzado-n861982>

Thomas Trent

In 2015, the women's clothing brand opened its doors with a strong commitment to the Uruguayan market that implied the establishment of the brand in all the shopping malls. Two years later, the company has 12 stores in the country. In addition to the line of women's clothing, the brand also offers a line of footwear with design, comfort and variety for every occasion and a line of accessories. The brand also includes the Thomas Trent Kids line for children⁶⁸.

MAC

The cosmetics brand MAC, which sold its products in free shops, opened two stores in Montevideo, located in Punta Carretas Shopping and Montevideo Shopping. The firm also offers testing of its products with make-up artists, and makeup courses⁶⁹.

Under Armour

In 2016, the Under Armour sportswear brand of American origin opened its doors. The firm opened two stores in 2016, one in La Barra, Punta del Este and another in Montevideo Shopping. It offers sportswear, footwear and accessories for athletes. The company is the second sports brand in the United States, with revenues that totaled US\$ 3,960 million in 2015⁷⁰.

Bestseller

The Danish fashion multinational Bestseller plans to open between 80 and 100 stores in Uruguay in the next five years. In 2017, it opened its first store in the local market with the Only brand of female fashion, located in the Shopping Las Piedras. The director of the company for Latin America pointed to Uruguay as a market with strong business opportunities⁷¹.

Topshop

The British firm is expected to enter the local market for the second half of 2018. The multinational that sells clothing, shoes, accessories and makeup plans to open its first store in the first half of 2018 in Punta Carretas Shopping⁷².

BAS

In 2012 it was born as the textile proposal of the supermarket chain Ta-Ta. In 2016, the company opted for the launch of its own stores for the brand. BAS currently has nine stores in the Uruguayan territory. The brand plans to continue growing in 2018 until reaching 20 stores⁷³.

⁶⁸ <https://thomastrent.com/stores>

⁶⁹ <http://www.elobservador.com.uy/punta-carretas-nuevas-firmas-n715341>

⁷⁰

<http://www.elpais.com.uy/el-empresario/under-armour-pide-pista-uruguay.html>

<http://www.tvshow.com.uy/sociales/under-armour.html>

⁷¹

<http://www.elpais.com.uy/el-empresario/vemos-oportunidad-negocio-importante-ropa-masculina.html>

<http://www.laspiedrasshopping.com.uy/Only.asp>

⁷² <http://www.america-retail.com/otros-paises/uruguay-topshop-desembarcara-en-montevideo-a-mediados-del-2018/>

⁷³ <https://www.elobservador.com.uy/la-marca-bas-toma-vida-propia-n1074906>

<https://www.bas.com.uy/locales>

7. Uruguay in synthesis (2017) *

7.1. Main economic indicators 2012-2017

Official Name	Eastern Republic of Uruguay
Geographical location	South America, surrounded by Argentina and Brazil
Capital city	Montevideo
Area	176.215 km ² . 95% of its territory is productive land apt for farming
Population (2016)	3.48 million
Population growth (2016)	0.4% (annual)
GDP per capita (2016)	US\$ 15,062
Currency	Uruguayan Peso (\$)
Literacy Index	0.98
Life expectancy at birth	77 years
Form of government	Democratic Republic with presidential system
Political division	19 departments
Time zone	GMT - 03:00
Official language	Spanish

Indicators	2012	2013	2014	2015	2016	2017e
GDP (Var % per year)	3,5%	4,6%	3,2%	0,4%	1,5%	3,1%
GDP (millions of US\$)	51.265	57.531	57.236	53.275	52.420	60.552
Population (Millions of people)	3,43	3,44	3,45	3,47	3,48	3,49
GDP per capita (US\$)	14.962	16.723	16.572	15.366	15.062	17.334
Unemployment rate – Annual average (% EAP)	6,5%	6,5%	6,6%	7,5%	7,8%	8,0%
Exchange rate (Pesos per US\$, annual average)	20,3	20,5	23,2	27,3	30,2	28,7
Exchange rate (Annual average variation)	5,2%	0,8%	13,5%	17,6%	10,4%	-4,9%
Consumer prices (Var % annually accumulated)	7,5%	8,5%	8,3%	9,4%	8,1%	6,6%
Exports of goods and services (Millions of US\$)**	18.140	18.116	18.395	15.633	14.947	16.194
Imports of goods and services (Millions of US\$)**	16.592	17.214	16.740	13.878	11.752	11.965
Commercial surplus/deficit commercial (Millions of US\$)	1.548	902	1.655	254	3.195	4.229
Commercial Surplus / Deficit (% of GDP)	3,0%	1,6%	2,9%	0,5%	6,1%	7,0%
Overall fiscal balance (% of GDP)	-2,7%	-2,3%	-3,5%	-3,6%	-3,9%	-3,5%
Gross capital formation (% of GDP)	22,9%	22,5%	21,2%	19,7%	18,7%	-
Gross debt of public sector (% of GDP)	60,7%	57,5%	58,6%	58,9%	63,6%	-
Foreign Direct Investment (Millions of US\$)***	2.242	3.460	2.328	920	-791	-
Foreign Direct Investment (% of GDP)	4,4%	6,0%	4,1%	1,7%	-1,5%	-

* Sources: The data referred to the GDP were taken from the IMF, the data of foreign trade, FDI, exchange rate, international reserves and external debt come from the BCU; Population growth rates, literacy, unemployment and inflation come from the National Institute of Statistics

** In 2017, the BCU adopted the methodology of the 6th balance of payments manual. The data based on this new methodology include purchase of merchandise and re-exports and are 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.

Annex 1 - Legal Framework

A1.1. General Investment Promotion Scheme (Law 16.906)

Law No. 16,906 (1998) declared of national interest the promotion and protection of domestic and foreign investments. For any investment projects submitted and promoted by the Executive Branch, between 20% and 100 % of the invested amount is exempt from Corporate Income Tax (IRAE), depending on the type of project. The IRAE nationwide flat rate is 25 %. Personal property included in fixed assets and civil works are exempt from the Net Wealth Tax, and the Value Added Tax is recovered from the purchase of materials for civil works. Moreover, the import of personal property included in fixed assets which have been declared non-competitive with national industry is exempt from import taxes or duties, as established by said law.

A1.2. Electronic invoicing

Decree No. 274/2015 extends until December 31, 2016, the benefits granted by an earlier decree (No. 324/2011), which promotes investments for companies to adopt electronic invoicing. The regulations grant exemptions for Corporate Income Tax of up to 70 % of the amount effectively invested during 10 fiscal years as of the first investment executed. Also, a Wealth Tax exemption can be applied during the lifetime of these goods⁷⁵. Given the important existing development of the electronic platform in target stores, there are significant incentives for the implementation cost to be relatively low.

A1.3. Law on the protection of Competition

Since 2007, the Promotion and Defense of Competition Law has been in force in Uruguay⁷⁶ (Law No. 18,159) which sets forth that every market shall be governed by free competition, except for the limitations established by law due to reasons of general interest. This legal framework intends to foster the welfare of consumers and companies, thus promoting economic efficiency and guaranteeing free and equal access to products in the market.

Link: www.competencia.mef.gub.uy

A1.4. Consumer Defense Law

The Consumer Defense Law⁷⁷ (Law No. 17,250) was passed in 2000 and it establishes the framework within which consumption relations should be developed. This framework is characterized by the incorporation of best practices in terms of the defense of consumers' rights, while providing important guarantees to develop activities related to the provision of goods and services.

Link: www.consumidor.mef.gub.uy

A1.5. Central Bank of Uruguay - Risk Division

The BCU has implemented a Risk Division to monitor and guarantee the correct performance of the

⁷⁵ Source: [Decree 324/2011](#), [Decree 54/014](#) y [Decree 274/015](#).

⁷⁶ Access to the Law: <https://www.impo.com.uy/bases/leyes/18159-2007>

⁷⁷ Access to the Law: <http://consumidor.mef.gub.uy/8132/9/areas/ley-n%C2%B0-17250-de-defensa-del-consumidor-Normativa,Ley.html>

Sector Retail



financial system. The Risk Division is an integrated system that consolidates the information provided by brokerage firms, credit management companies and finance service companies, in relation to direct and contingent loans that they have granted to natural and legal persons or to other institutions within the financial sector, as well as to corporate groups debtors belong to.

Web: www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/Central_Riesgos.aspx

Anexo 2 - Institutionalality

Since 1867, the National Chamber of Commerce and Services of Uruguay has been dealing with and spreading what businesspeople think, their concerns, needs, and opinions. The Chamber brings together businesspeople from a wide range of activities. It is currently made up of 15,000 member companies, directly and indirectly, and more than 120 sector- and region-based unions throughout the country.



Due to the diverse nature of its members, the Chamber does not echo the interests of a particular sector, but the interests of the corporate private sector in general, as stated in its mission: "Protect the general interests of trade and services companies and of the private sector of the Uruguayan economy, defending the principles of freedom in the broadest sense within the framework of the rule of law." Its activity is governed by four main principles: freedom, fair competition, ethics, and training. Annex 2 lists the member unions of CNCS.

:: Web site: www.cncs.com.uy/



The Uruguayan Retailers, Bar, Self-Service Shop and Related Operators Center (CAMBADU) is a trade association founded in 1982 that has 3,000 members. Its purpose is to represent, defend, and promote food retailing.

:: Web site: www.cambadu.com.uy/



The Uruguayan Federation of Commerce and Service Employees (FUECYS) brings together employees in the retail industry. The number of members of the Federation has significantly increased over the past few years due to the recent inclusion of supermarket employees. While in 2005 it had 5,000 members, this figure has increased to more than 30,000.

:: Web site: www.fuecys.org/



The Consumer Defense Area was created by Law No. 17,250. It is the national authority assigned to monitor compliance with the provisions it issues, and it reports to the Ministry of Economy and Finance (MEF) General Business Administration.

:: Web site: consumidor.mef.gub.uy/



The Consumer Defense Area has developed the Consumer Price Information System (SIPC), which contains historical daily prices of the main products included in Uruguayan family spending. These prices are obtained from more than 350 supermarkets and self-service shops throughout the country, and 11 food neighborhood-based markets in Montevideo, regulated by area and rates

:: Web site: www.precios.uy/



This Committee has operated within the MEF, on a decentralized basis, since 2009. It is made up of three members appointed by resolution of the Council of Ministers of the Executive Branch. It is mainly intended to ensure compliance with the purposes of the Promotion and Defense of Competition Law. Therefore, it has the authority to issue rules and instructions, perform studies, research, and request information, among other powers.

:: Web site: competencia.mef.gub.uy/



The Uruguayan Association of Supermarkets (ASU) is an organization that brings together the main distribution retailers: supermarket chains and standalone supermarkets and self-service stores. This entity is focused on keeping in close contact with suppliers in order to reach consumers with products and services that are consistent with international standards.

The association is governed by the consensus among the main stakeholders on the basis of ongoing dialogue.

:: Website:: www.asu.org.uy



LIUDECO was founded in 1983 and it is the first Uruguayan organization engaged in the defense of consumer rights. LIUDECO is a member of Consumers International, a global organization which brings together consumer protection and defense institutes, and it is a founding member of the Latin American Consumer Organization. Among other duties, it represents consumers before the Awarding Committee of the National Quality Award (INACAL), and the National Committee on Energy Efficiency.

:: Website:: liudeco.com.uy/nuevo_sitio/



LIDECO was organized in 1915 with companies from diverse areas of activity for the purpose of creating an entity which would represent national trade and industry. By providing business information and legal advice, and representing companies in bad debt collection issues and meetings of creditors, it makes positive contributions to enhance commerce and prevent commercial risk. Since then, it ensures the observance of business rules on trade and use of commercial information as a key element for business decision making.

:: Website:: www.lideco.com/lideco/



Clearing de informes, a credit bureau, makes it possible to assess a person's or company's payment and consumption behavior.

:: Website:: www.equifax.uy/



The Risk Evaluation Service was created by the Central Bank of Uruguay to monitor and ensure the appropriate performance of the financial system.

:: Web site:: www.bcu.gub.uy/servicios-financieros-ssf/paginas/central_riesgos.aspx