

**Juan Manuel Pazos**  
Chief Economist  
+54 11 4898 6606  
jmpazos@tpcgco.com

**Santiago Resico**  
LATAM Strategist  
sresico@tpcgco.com  
+54 11 4898 6615

Strategy Flash – Uruguay

May 4, 2023

# Uruguay Strategy Flash

**April CPI prints +0.75%mom, coming in 19bp over the +0.56%mom expectations portrayed in the BCU's survey.**

**April's CPI print came mostly on the back of the Food & Non-Alcoholic Beverages segment, as the drought affected agricultural production, explaining most of the monthly print.**

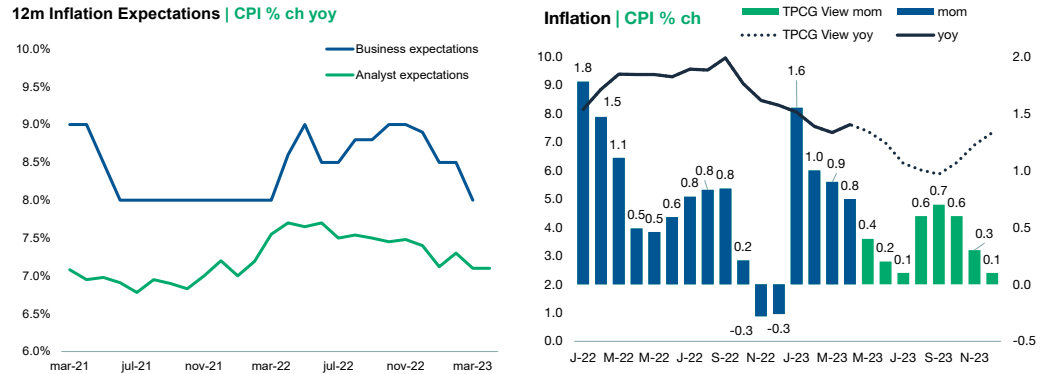
## Uruguay's Monthly Inflation Prints +0.75%mom

**April CPI prints +0.75%mom, coming in 19bp over the +0.56%mom expectations portrayed in the BCU's survey.** Monthly inflation printed +0.75%mom— coming in under March's +0.9%mom, February's +1%mom, and January's +1.55%mom. The inflationary process continues its slow deacceleration, as the 1Q23 was riddled with seasonal factors which pressed the CPI index on the upside. In April, again the monthly hike came in heavily influenced by the Food & Non-Alcoholic Beverages segment, as the drought affecting agricultural production drove the prices of fruits and vegetables up. The subsection clocked in at +1.93%mom, maintaining a strong inflationary impulse, slightly under March's print (+2.24%mom) albeit still over February's (+1.84%mom) and January's (+1.85%mom), marking a very strong start to the year. The segment accumulated a +8.1% rise in the first four months of the year. This confirms the reversion of the trend showcased during 4Q22 when food prices dropped in November (-0.71%mom) and October (-0.14%mom). The segment nearly singlehandedly spearheaded the increases, with Personal Care & Other Goods (+1.07%mom) and Hotels&Restaurants (+0.48%mom) also contributing marginally to the print. The rest of the segments had little influence on the monthly print. On the yearly gauge, consumer prices rose by +7.61%yoy increasing relative to March's +7.33%yoy print, after six consecutive monthly decreases for the index. April's gauge also followed prints of +7.55%yoy in February, +8.05%yoy in January, and +8.29%yoy in December. The yearly index in April lost the tailwind provided by the baseline effect, as after very high prints in 1Q22, inflation remitted slightly during 2Q22, now nudging the headline trend up. In this context, the yoy variation surpassed the +6%yoy upper bound of the BCU's target range for the twenty-third month in a row. With April's inflation clocking in at +0.75%mom, YTD inflation currently stands at +4.27%.

**April's CPI print came mostly on the back of the Food & Non-Alcoholic Beverages segment, as the drought affected agricultural production, explaining most of the monthly print.** The Food & Non-Alcoholic Beverages continued with March's trend, posting a +1.93%mom rise. In April, subsection performance was also marked by volatility, with most sub-indexes experiencing large increases, and with some significant reversions in the Meat and Dairy subsections. The always volatile Fruits segment experienced a +5.32%mom increase, as did Vegetables, which rose by +6.7%mom, with production hampered by the current drought. However, these indexes halved their monthly variation relative to March, conveying that the effect of the drought is starting to fade. Meat prices jumped by +0.78%mom, accelerating relative to March, albeit still lagging the general index. This could respond to the dry climatic conditions, which are possibly affecting meat supply, and to the lower international prices which saw exports crash during 1Q23. Dairy products instead saw their prices increase by +2.66%mom, after lagging the headline index in March, which could respond to April's increase in exports of said products. In this context, Food & Non-Alcoholic Beverages' contribution singlehandedly explained nearly two-thirds of the monthly print, coming in at 51bp. The only other two subsections that affected prices significantly were, Personal Care & Other Goods and Hotels&Restaurants, which increased by +1.07%mom and +0.48%mom respectively. The former rose due to the increase in prices of Other Services (+1.42%) and Personal Care items (+1.1%mom), contributing nearly 5bp to the print. The latter in turn rose due to the increase in restaurant prices, also affected by the drought, while the end of the tourism season marked a -4.2%mom decrease in the Hotel's subsection. This segment contributed

another 4bp to the increase of the headline index. Finally, the rest of the sectors experienced increases mostly in the 0%mom — +0.5%mom range, contributing the remainder of the April print

**Figure 1: April's inflation came slightly over expectations**



Source: TPCG Research based on INE & CINVE

## TPCG Analysts & Staff

### Research

<b>Juan Manuel Pazos</b>	<b>Chief Economist</b>	<b>jmpazos@tpcgco.com</b>	<b>+54 11 4898-6606</b>
Paula La Greca	Corporate Research Analyst	plagreca@tpcgco.com	+54 11 4898-6638
Federico Martin	Strategist	famartin@tpcgco.com	+54 11 4898-6633
Santiago Resico	LATAM Strategist	sresico@tpcgco.com	+54 11 4898-6615

### Sales & Trading

<b>Juan Manuel Truppia</b>	<b>Head of Sales &amp; Trading</b>	<b>jmtruppia@tpcgco.com</b>	<b>+54 11 4898-6659</b>
Lucia Rodriguez Pardina	S&T Director	lrodriguezpardina@tpcgco.com	+54 11 4898-6614
Agustina Guadalupe	Sales	aguadalupe@tpcgco.com	+54 11 4898-6682
María Pilar Hurtado	Sales	mhurtado@tpcgco.com	+54 11 4898-6616
Juan Ignacio Vergara	Sales	jivergara@tpcgco.com	+54 11 4898-1936
Santiago Baibiene	Sales	sbaibiene@tpcgco.com	+54 11 4898-6648
Pedro Nollmann	Sales	pnollmann@tpcgco.com	+54 11 4898-6617
María Ruiz de Castroviejo Salas	Sales	mruiздеcastroviejo@tpcgco.com	+54 11 4898-6643
Victoria Faynbloch	Desk Analyst	vfaynbloch@tpcgco.com	+54 11 4898-6635
Felipe Freire	Trader	ffreire@tpcgco.com	+54 11 4898-1921
Homero Fernandez Bianco	Trader	hfbianco@tpcgco.com	+54 11 4898-6667
Andres Robertson	Trader	arobertson@tpcgco.com	+54 11 4898-6693

### Corporate Banking

<b>José Ramos</b>	<b>Head of Corporate Banking</b>	<b>jramos@tpcgco.com</b>	<b>+54 11 4898-6645</b>
Camila Martinez	Corporate Sales	cmartinez@tpcgco.com	+54 11 4898-6621
Fernando Depierre	Corporate Sales	fdepierre@tpcgco.com	+54 11 4898-6636
Sol Silvestrini	Corporate Sales	ssilvestrini@tpcgco.com	+54 11 4898-6641
Nicolas Iglesias	Corporate Sales	niglesias@tpcgco.com	+54 11 4898-6612

### Capital Markets

<b>Fernando Lanus</b>	<b>Head of Capital Markets</b>	<b>flanus@tpcgco.com</b>	<b>+54 11 4898-6632</b>
Nicolás Alperín	Investment Banking Analyst	nalperin@tpcgco.com	+54 11 4898-6604

### Asset Management

<b>Ileana Aiello</b>	<b>Portfolio Manager</b>	<b>iaiello@tpcgco.com</b>	<b>+54 11 4898-6611</b>
<b>Claudio Achaerandio</b>	<b>Portfolio Manager</b>	<b>cachaerandio@tpcgco.com</b>	<b>+54 11 4898-6618</b>

## Important Disclaimer

The document, and the information, opinions, estimates and recommendations expressed herein, have been prepared by TPCG Valores SAU to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. TPCG Valores SAU is not liable for giving notice of such changes or for updating the contents hereof. The document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall the document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to the document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare the report. Therefore, investors should make their own investment decisions considering the said circumstances and obtain such specialized advice as may be necessary.

The contents of the document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by TPCG Valores SAU, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. TPCG Valores SAU. accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance. The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment.

Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

TPCG Valores SAU. and/or any of its affiliates, as well as their respective directors, executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in the document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of the report, to the extent permitted by the applicable law.

TPCG Valores SAU or any of its affiliates' salespeople, traders and other professionals may provide oral or written market Commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, TPCG Valores SAU, or any of its affiliates' proprietary trading and investing businesses, may make investment decisions that are inconsistent with the recommendations expressed herein.

No part of the document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted without the prior written consent of TPCG Valores SAU. No part of the report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

For U.S. persons only:

This report is a product of TPCG, which is the employer of the research analyst(s) who has prepared the informative report. The research analyst(s) preparing this report is/are resident(s) outside the United States (U.S.) and is/are not associated person(s) of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations.

This report is intended for distribution by TPCG only to U.S. Institutional Investors and Major U.S. Institutional Investors, as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by the U.S. Securities and Exchange Commission (SEC), in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a US Institutional Investors nor a Major U.S. Institutional Investor, as specified above, then he should not act upon this report and return it to the sender. Further, this report may not be copied, duplicated and/or transmitted to any U.S. person, which is not a U.S. Institutional Investor, nor a Major U.S. Institutional Investor.

In order to comply with the US regulations, our transactions with US Institutional Investors and Major US Institutional Investors are effected through the US-registered broker-dealer Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this report should be effected through Marco Polo or another U.S. registered broker dealer.