ATREVA

LATIN AMERICAN KEY HIGHLIGHTS

JULY 2025





Commercial tensions with the United States persist following the announcement of new tariffs set to take effect on August 1. Within the region, the countries potentially most affected are: Brazil, where a 50% tariff is being imposed in response to an alleged judicial persecution of former president Jair Bolsonaro; Mexico, where trade disputes are compounded by friction over the detention of citizens on U.S. soil; and Chile, which faces yet-uncertain consequences from the copper tariff—a vital pillar of its economy.

Colombia has also experienced diplomatic strains with Washington, mainly due to President **Gustavo Petro's** government drawing closer to the BRICS bloc and the suspension of extraditions involving former FARC dissidents.

Despite this complex international backdrop, economic indicators across the region remain encouraging. **Paraguay** has revised its **GDP growth forecast** upward for this year, reaching 4.4%—one of the highest rates in South America. **Peru** is also projecting robust expansion, having also recorded the lowest inflation in the region.

Argentina continues to make progress in controlling inflation, though it is expected to end the year at around 30%. GDP is projected to grow by 5.5%, as President Javier Milei's government presses ahead with its public spending adjustment agenda. Similarly, Ecuador's President Daniel Noboa announced a reduction in the number of ministries and secretariats, along with the dismissal of 5,000 public employees.

Uruguay's Central Bank surprised markets by cutting **interest rates** for the first time in 2025, due to a stable inflation outlook. Nonetheless, the country faces governance challenges, both in terms of executive-opposition relations and internal tensions within the ruling coalition.

Friction with the United States has strengthened ties between Latin America and Europe. In recent weeks, progress has been made on commitments related to artificial intelligence, a trade agreement was signed between Mercosur and EFTA, and six Central American countries participated in the first Association Council with the EU in Brussels.



POLITICAL CONTEXT

Support for CFK in the Streets and Institutional Reorganization

The six-year prison sentence and lifetime disqualification from public office handed down to Cristina Fernández de Kirchner (CFK) has continued to fuel protests and public debate. Hundreds of demonstrators have repeatedly gathered outside the apartment where CFK is serving house arrest to show their support.

President Javier Milei embarked on a European and Israeli tour, during which he met Pope Leo XIV at the Vatican and traveled to Israel. There he reaffirmed support for Israel's "right to self-defense," announced an anti-terrorism memorandum, and confirmed plans to move Argentina's embassy in Israel to Jerusalem in 2026.

The government has officially established the Federal Department of Investigations (DFI), modeled after the FBI, to strengthen the investigation of complex federal crimes. The new agency will feature flexible contracts and modern technology, replacing longstanding institutions as part of an institutional overhaul aligned with the Executive's new priorities.

SOCIAL CONTEXT

Government Deepens State Downsizing Policies

The government has intensified the defunding of key areas such as science, education, and public health. Decree 447/2025 eliminated the autonomy of the Agency for Scientific Promotion and slashed funding for institutions like CONICET, INTA, and INTI by more than 90%. Researchers have denounced what they call a "scientificide" and warn of an accelerating "brain drain."

At the same time, the Emergency Disability Law has gained importance after being unanimously approved by Congress to guarantee basic inclusion rights in the face of budget-cutting measures. President Javier Milei announced he will veto the law, leaving uncertainty over access to treatment, transportation, and assistance for thousands of people.

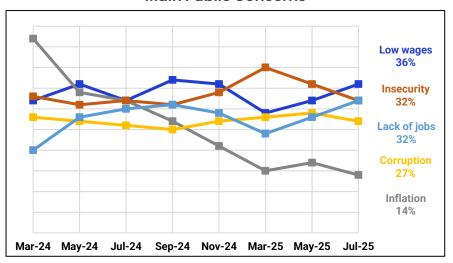
According to the Executive, these cuts are necessary to maintain fiscal surplus and move toward a smaller state. This strategy is part of the president's broader program to balance public accounts and reduce the deficit.





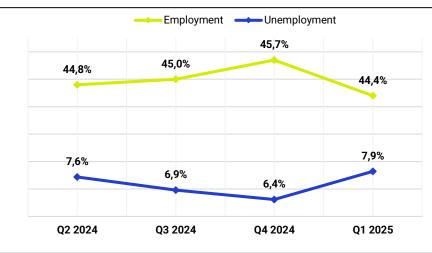
Source: Atlas Intel

Main Public Concerns



Source: ESPOP, Universidad de San Andrés

Labor Market Trends



Source: INDEC





ECONOMIC CONTEXT

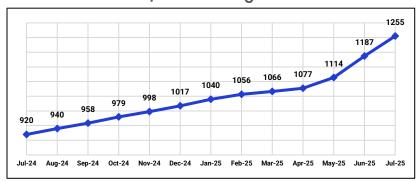
Positive Outlook for 2025 and Inflation Control

According to a study by BBVA Research, GDP is expected to grow by 5.5% in 2025, with annual inflation projected at 30% and positive real interest rates supporting economic activity. Regarding fiscal balance, a primary surplus of 1.6% of GDP is forecast—above the 1.3% target agreed with the IMF—in a context of public spending reallocation.

The National Institute of Statistics and Census (INDEC) reported that monthly inflation was 1.6% in June, slightly higher than 1.5% in May, which was the lowest level in five years. Cumulative inflation for the first half of the year reached 15.1%, and the year-on-year rate stood at 39.4%.

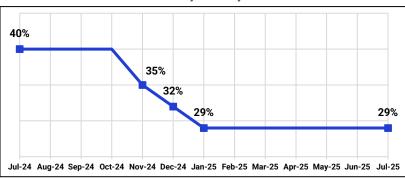
The largest increase was seen in Education (3.7%), driven by higher private school fees. This was followed by Housing and utilities (3.4%), alcoholic beverages (2.8%), recreation (2.5%), and health (2.2%). Food and non-alcoholic beverages rose by just 0.6%.

ARS/USD Exchange Rate



Source: BCRA

Monetary Policy Rate



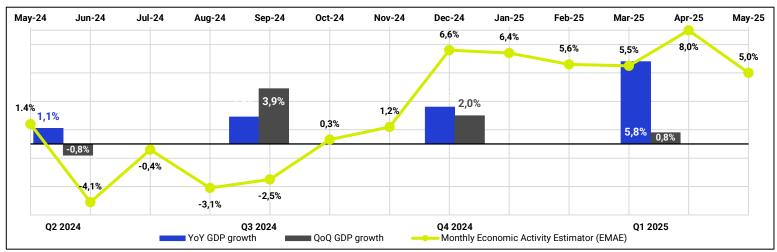
Source: BCRA

Inflation Trend



Source: INDEC

Economic Trend



Expected GDP Growth by End-2025 (IMF) \rightarrow +5,5%

Source: INDEC



POLITICAL CONTEXT

Donald Trump Announces Tariffs on Brazilian Products

U.S. President Donald Trump has announced the imposition of a 50% tariff on Brazilian exports starting August 1. He justified the measure by citing the alleged judicial persecution of Jair Bolsonaro. This decision was pushed by Eduardo Bolsonaro, federal deputy and son of the former president, who is seeking to bolster his own presidential profile ahead of 2026.

Jair Bolsonaro is currently facing proceedings before the Supreme Federal Court for an attempted coup, with his trial scheduled for September. His political base claims judicial persecution, and the process could bar him from running in the upcoming election.

This situation is generating significant internal tension, highlighting contradictions between ideological alignment and national economic interests. Meanwhile, Bolsonaro's supporters are considering alternative leadership options. If Bolsonaro is disqualified, figures such as Michelle Bolsonaro, Governor Tarcísio de Freitas, and Eduardo Bolsonaro himself are being mentioned as possible candidates to succeed him.

SOCIAL CONTEXT

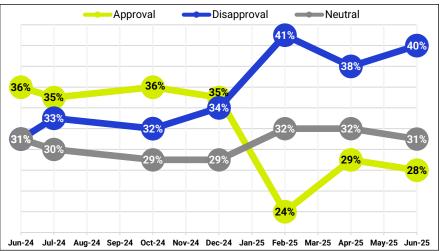
Crime And Health Dominate Brazilians' Concerns

Crime tops citizen concerns, mentioned by 41% of respondents. This figure reflects the impact of urban violence and the perception of impunity, especially regarding crimes such as online scams and cell phone thefts.

Health ranks second, with 37% of mentions. In this case, a slight increase has been recorded, linked to winter and a rise in respiratory illnesses, which has caused overcrowding in hospitals.

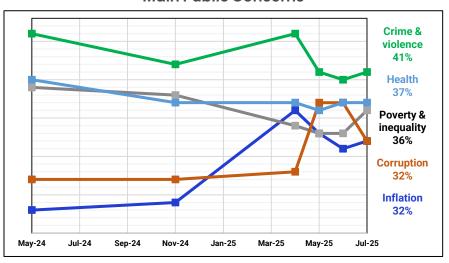
Social inequality worries 36% of the population, in a context of growing economic and social gaps. Meanwhile, inflation, although it has decreased to 32%, continues to cause concern, as falling prices do not fully translate into relief for the most vulnerable sectors.





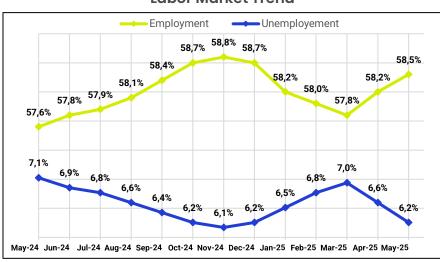
Source: Datafolha

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: IBGE





ECONOMIC CONTEXT

High Interest Rates and Fiscal Challenges

The IMF has revised upward its GDP growth forecast for 2025, from 2.2% to 2.5%, driven by the resilience of the labor market and household consumption, despite the current restrictive monetary policy. Annual inflation remains high at 5.35%, well above the 3% target, prompting the Central Bank to keep the interest rate at 15%—the highest level since 2006.

The imposition of 50% tariffs by the United States on Brazilian products could impact specific sectors, although the government believes the overall effect will be limited.

On the fiscal front, the Executive is seeking to increase revenues through adjustments to the Financial Transactions Tax and new tax measures, aiming to strengthen public finances in a context of moderate growth.

BRL/USD Exchange Rate



Source: BCB

Selic Rate



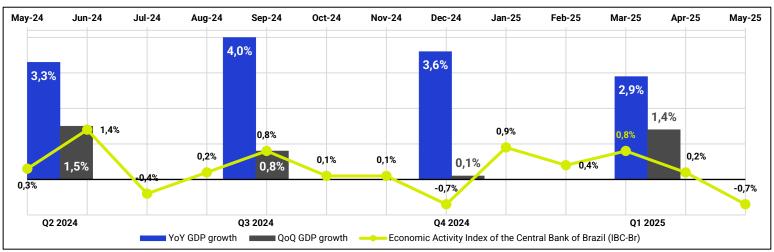
Source: BCB

Inflation Trend



Source: IBGE

Economic Trend



Expected GDP Growth by End-2025 (BCB - Relatório Focus) \rightarrow +1,97%

Source: IBGE



POLITICAL CONTEXT

Communist Party Strengthens Its Role in the Ruling Coalition Ahead of November Elections

The ruling coalition's presidential primaries concluded with a decisive victory for Jeannette Jara, former Minister of Labor and Communist Party (PC) candidate, who secured 60.1% of the vote. Trailing far behind was Carolina Tohá, Minister of the Interior and a leading figure in democratic socialism, who, despite support from the Socialist Party (PS) and other sectors, managed to obtain just 28%.

The result consolidates the PC's leadership within the ruling bloc and deepens the crisis facing the PS, which is struggling with a lack of renewal and internal tensions. Voter turnout, at around 9% of the electorate, has raised alarms over growing public disengagement from these processes.

Meanwhile, parties are negotiating under pressure to finalize alliances ahead of the November elections. National Renewal, Evópoli, and the UDI have already agreed on a joint list and are seeking to bring in the Democratic Party, which has yet to decide whether to join the bloc.

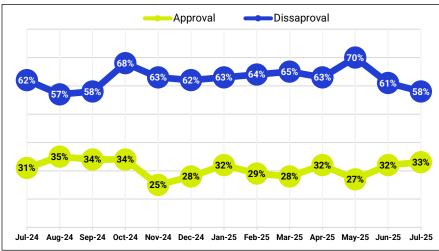
SOCIAL CONTEXT

Law Penalizing Electoral Abstention Approved

The controversial bill establishing penalties for Chilean citizens who do not vote has been approved by the Chamber of Deputies. The law includes fines ranging from \$34,461 to \$206,769 (approximately USD 36 to 216), aiming to encourage electoral participation and strengthen democracy. However, it has sparked widespread debate due to its potential impact on vulnerable or politically disinterested sectors, and questions remain about whether it will actually help reverse low turnout. The initiative has been sent back to its technical committee for a second report, where its social implications will be assessed and possible adjustments to the text will be considered.

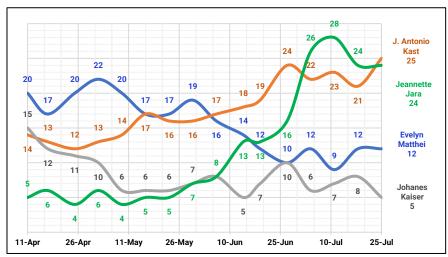
Chile has intensified its efforts to address crime through public policies and initiatives aimed at strengthening citizen security. The government has expanded the "Streets without Violence" Plan, ramping up controls, fugitive pursuits, and weapons inspections in municipalities with higher crime rates.





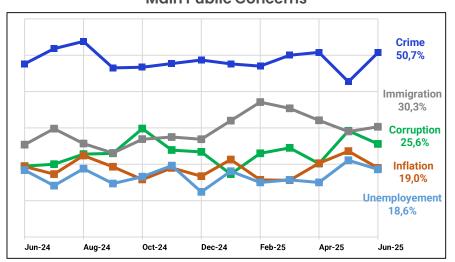
Source: Plaza Pública de Cadem

Electoral Preferences



Source: Plaza Pública de Cadem

Main Public Concerns



Source: Pulso Ciudadano de Activa





ECONOMIC CONTEXT

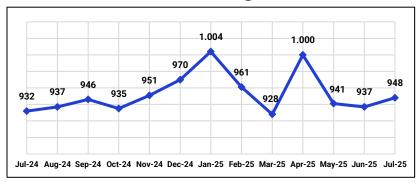
Moderate Growth Expected for 2025

GDP grew by 2.3% in the first quarter of 2025 compared to the same period last year, and the Central Bank projects annual expansion between 2.0% and 2.75%.

Although inflation remains persistent, it is expected to decline and approach the 3% target by mid-2026, according to the latest Monetary Policy Report (IPoM) from June. In this context, the Central Bank Board maintained the Monetary Policy Rate at 5.0%, awaiting greater clarity on the inflation outlook.

The outcome of the ruling coalition's primaries did not generate significant movements in the markets, which reacted with stability—partly due to the low voter turnout. However, signals of an economic slowdown for the second half of the year persist. Private investment remains concentrated in mining, energy, and public works, while residential construction continues to decline.

CLP/USD Exchange Rate



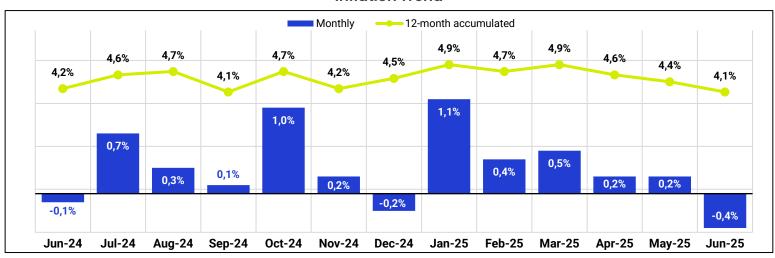
Source: SII

Monetary Policy Rate



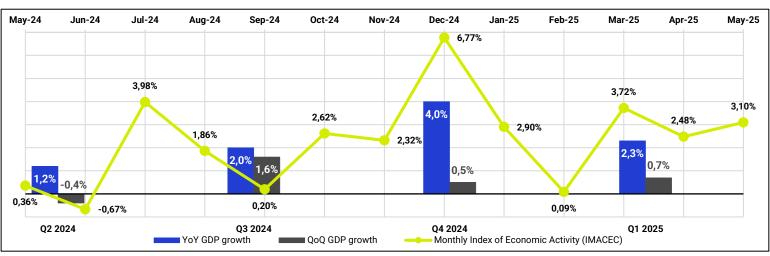
Source: BCCh

Inflation Trend



Source: INE

Economic Trend



Expected GDP Growth by End-2025 (BCCh) \rightarrow +2,0%; +2,75%

Source: BCCh



POLITICAL CONTEXT

Legislative Advances and Rising Tensions with the U.S.

During the 2024–2025 legislative session, Congress introduced over 900 projects. Notable developments include the passage of labor reform, progress on pension reform, and the controversial law banning the publication of polls until November. The government's proposal to call a popular referendum by decree—following the initial rejection of the labor reform—also sparked controversy. Ultimately, the proposal was withdrawn under congressional pressure, highlighting tensions between the executive and legislative branches.

A Bogotá court found Álvaro Uribe Vélez guilty of bribery in criminal proceedings and procedural fraud, making him the first former Colombian president to be criminally convicted.

This ruling, along with other recent issues—such as the suspension of extraditions for former FARC members and Colombia's observer status at the BRICS Bank—have intensified tensions with the U.S. Donald Trump even threatened tariffs, prompting President Petro to send a diplomatic letter of clarification.

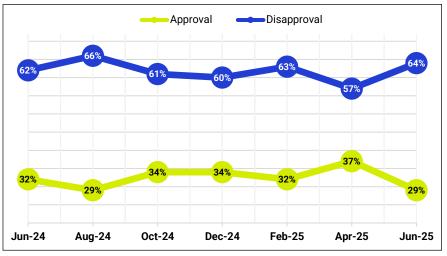
SOCIAL CONTEXT

Crisis Deepens in Southwestern Colombia

Colombia is facing a growing humanitarian crisis in the southwest of the country. In June alone, local organizations reported over 20 violent incidents in Cauca, leading to mass displacement and confinement. UNHCR estimates that more than 4,500 people remain confined in departments such as Cauca and Valle del Cauca due to clashes between illegal armed groups.

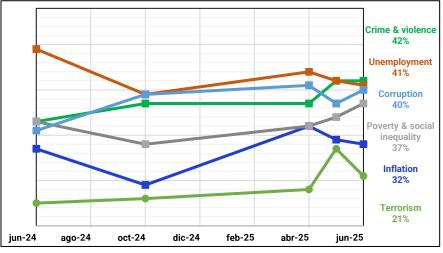
The Colombian Institute for Family Welfare (ICBF) also warned of a 38% increase in child recruitment cases, especially in areas where the ELN and dissident factions are present. Although UN humanitarian operations have been reduced by 50% in regions like Chocó and Antioquia-mainly due to budget cuts, especially from the U.S.-the situation remains critical. Nevertheless. coordinated efforts persist among international agencies, social organizations, and authorities to protect civilians and address the consequences of the armed conflict.





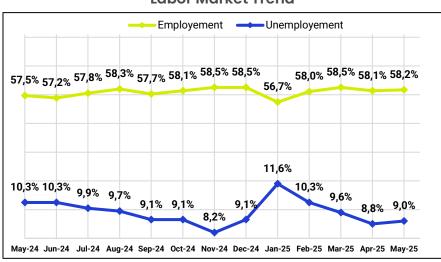
Source: Invamer Poll

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: DANE



ECONOMIC CONTEXT

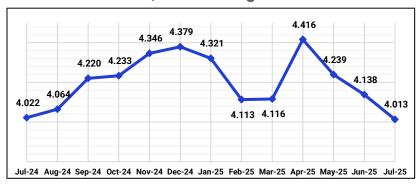
Inflation and Unemployment Decrease, but S&P Downgrades Credit Rating

Inflation eased to 4.82% in June, its lowest level since 2021, creating room for future adjustments in monetary policy. Nevertheless, the Bank of the Republic decided to keep the interest rate at 9.25% as a sign of caution amid fiscal pressures and the external context.

Unemployment fell to 9%, reflecting a gradual recovery in the labor market, although informality continues to rise and now stands at 58%.

On the fiscal front, the deficit remains above 5% of GDP, raising concerns. Standard & Poor's downgraded Colombia's rating to BB with a negative outlook, while Moody's maintained Baa3 with a stable outlook. Despite this, Colombia still has access to international financing and retains relative investor confidence. Ongoing social reforms, such as labor reform, aim for a more equitable model but require strong technical and fiscal support to move forward.

COP/USD Exchange Rate



Source: BanRep

Intervention Rate



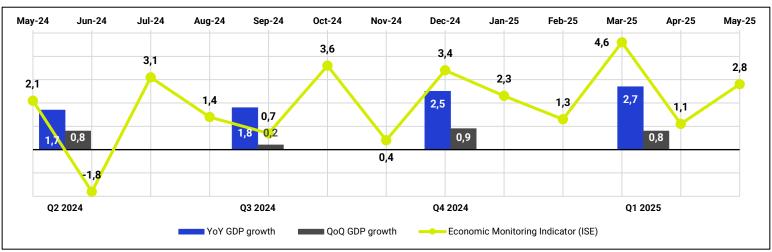
Source: BanRep

Inflation Trend



Source: DANE

Economic Trend



Expected GDP Growth by End-2025 (BanRep) \rightarrow +2,6%

Source: DANE



POLITICAL CONTEXT

State Restructuring and Intense Legislative Agenda Under Constitutional Scrutiny

President Daniel Noboa has restructured the executive branch, reducing the number of ministries from 20 to 14 and secretariats from 9 to 3. For example, the functions of Culture and Sports have been merged into the Ministry of Education. Additionally, the government announced the departure of 5,000 administrative employees, excluding personnel in health, education, and security. While the measure aims to modernize the state, it has faced criticism from social and political sectors.

The government has pushed forward laws such as those on Solidarity, Protected Areas, and Intelligence, which have already prompted over 20 constitutional challenges. A referendum is also planned regarding the presence of foreign military bases and political financing.

The executive is promoting the construction of a nuclear plant with support from the IAEA, through an Atomic Energy Law. Meanwhile, the Chamber of Mining has filed three lawsuits against the new mining fee—up to USD 375 per hectare—arguing that it discourages investment and jeopardizes projects in the exploration stage.

SOCIAL CONTEXT

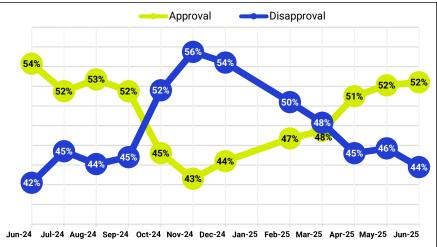
Government combats crime and illegal mining

Following the capture of Adolfo Macías, alias 'Fito', leader of Los Choneros, he was extradited to the United States. He will be tried in Brooklyn on seven charges related to drug and arms trafficking. The National Court of Justice processed his extradition in line with the procedure established after the constitutional reform passed in April 2024.

The government is intensifying its fight against illegal mining, considered a threat to national security. Between January 2024 and May 2025, the Armed Forces carried out 32,000 operations, causing an estimated USD 660 million in losses to criminal groups. In 2024, illegal gold exports reached USD 1.3 billion. To tackle this criminal macroeconomy, the government introduced a mining tax and reformed the legal framework for Simplified Joint Stock Companies.

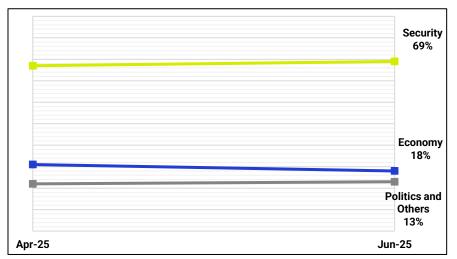
The Confederation of Indigenous Nationalities of Ecuador (Conaie) renewed its Governing Council, strengthening its strategic role in the country's sociopolitical agenda.





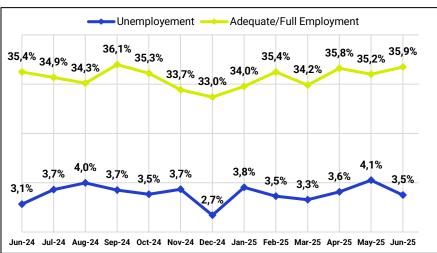
Source: CB Consultora Opinión Pública

Main Public Concerns



Source: Centro de Investigaciones y Estudios Especializados - CIEES

Labor Market Trend



Source: INEC





ECONOMIC CONTEXT

Economic Growth, but Fiscal and Oil Deficits Challenge Sustainability

The economy grew by 3.4% in the first quarter of 2025 compared to the same period last year, driven by consumption (7.1%), investment (6.7%), and non-oil exports (2.7%).

However, since July 1, oil production has been seriously affected by breakdowns in the SOTE and OCP pipelines, caused by regressive erosion in the Coca and Loco rivers during the rainy season. In recent weeks, production has fallen to just 5% of its usual level, resulting in a fiscal deficit of over USD 1.757 billion and pushing the country risk up to 852 basis points. In response, the government will present two budget proposals: one for the second half of 2025 and another for 2026.

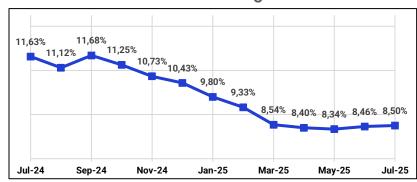
Ecuador is negotiating with the U.S. to eliminate the 10% tariff on key exports and has signed a USD 400 million agreement with Power China for Coca Codo Sinclair.

Country Risk



Source: BCE

Reference Lending Rate



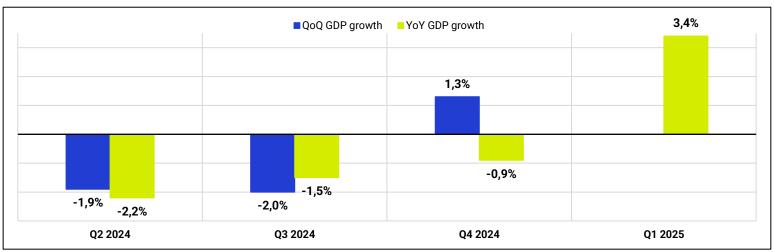
Source: BCE

Inflation Trend



Source: INEI

Economic Trend



Expected GDP Growth by End-2025 (BCE) \rightarrow +2,8%

Source: BCE



POLITICAL CONTEXT

México and the U.S. Negotiate over Tariffs; Sheinbaum Condemns Immigration Raids

The governments of Mexico and the United States are negotiating an agreement on security, migration, and trade in response to President Donald Trump's announcement of new tariffs: 50% on copper, 200% on pharmaceuticals, and 30% on imports not complying with the USMCA, effective August 1.

President Claudia Sheinbaum condemned ICE raids in California, which resulted in the detention of 355 Mexicans. She announced an increase in consular and legal support for citizens, as well as oversight of detention centers.

The National Antitrust Commission, set to replace COFECE as a decentralized agency under the Ministry of Economy, will consist of a five-member board appointed by the executive and ratified by the Senate. Former COFECE president Andrea Marván Saltiel is expected to lead the new entity.

SOCIAL CONTEXT

Sheinbaum Announces Anti-Extortion Reform; U.S. Promotes Voluntary Self-Deportation

The Security Cabinet presented the National Strategy Against Extortion, which includes the 089 hotline, arrests, financial blocks, prevention campaigns, and prison operations. In addition, President Claudia Sheinbaum announced a constitutional reform to classify extortion as a prosecutable offense and standardize its penalties across all 32 states.

In Mexico City, protests against gentrification—driven by the arrival of digital nomads and Americans—have highlighted rising housing costs and the displacement of local residents.

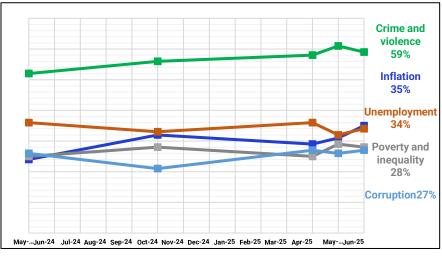
In response, the U.S. Department of Homeland Security (DHS) launched a voluntary self-deportation campaign for undocumented immigrants residing in the United States, encouraging them to return to their countries of origin on their own initiative.





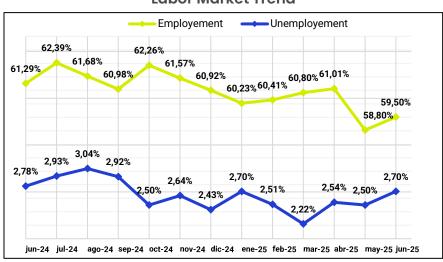
Source: Mitofsky

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: INEGI



ECONOMIC CONTEXT

Government Faces Fiscal Pressure from Pensions Amid Trade Tensions

The Ministry of Finance and Public Credit (SHCP) reported that between January and May 2025, 626.3 billion pesos were allocated to pension and retirement payments, accounting for 24% of programmable spending, up from 20.6% during the same period last year.

Meanwhile, the National Institute of Statistics and Geography (INEGI) reported that inflation in June eased to 4.32% after four months of increases, with notable price hikes in products such as carrots, air transport, pork, fabric softeners, and cleaners.

The Mexican peso has slightly depreciated against the dollar over the past month, mainly due to the strengthening of the U.S. currency worldwide. This trend is also driven by positive economic data in the United States and uncertainty stemming from trade tensions and adjustments in international monetary policies.

MXN/USD Exchange Rate



Source: Banxico

Reference Interest Rate



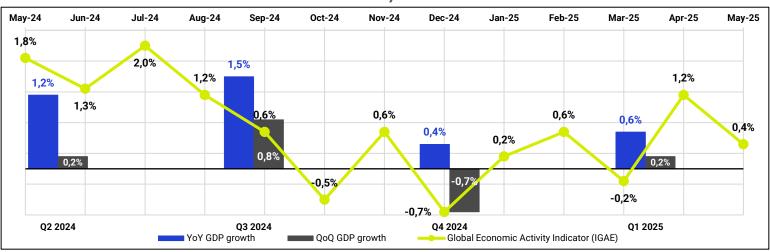
Source: Banxico

Inflation Trend



Source: Banxico

Economy Trend



Expected GDP Growth by End-2025 (Banxico) \rightarrow +1,5%; +2,0%

Source: Banxico





POLITICAL CONTEXT

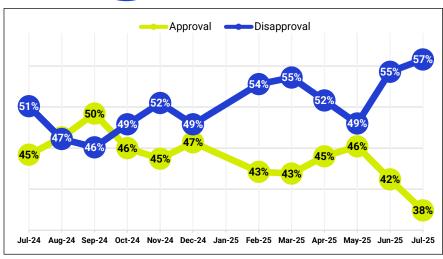
Weakening of Government Support Over Security and Corruption Issues

The government of Santiago Peña is experiencing a decline in its public image. Polls reflect a relative drop in his approval rating, fueled by criticism of his management of security and justice. Public concern over impunity and corruption has intensified following the release of international reports revealing links between organized crime and officials within the judicial system, including prosecutors and judges.

At the same time, legislative activity has been dominated by debates on institutional matters, but there has been no significant progress on short-term reforms.

Tensions remain high between the executive and opposition sectors in a political climate where the ruling party is seeking to strengthen its leadership ahead of the 2026 municipal elections.





Source: CB Consultora Opinión Pública

SOCIAL CONTEXT

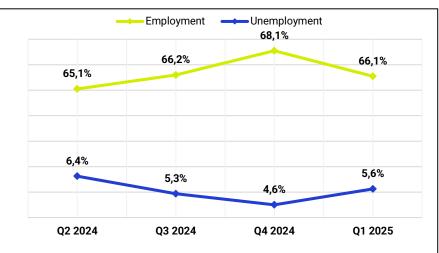
Structural Challenges in Security and Public Services Persist

Structural violence remains one of the country's main challenges. During the first half of the year, Paraguay reported concerning levels of domestic violence and child abuse, prompting calls from civil organizations and public defenders to strengthen social protection mechanisms and restorative justice.

Additionally, there is a growing perception of insecurity in both urban and rural areas, worsened by the ongoing activities of armed groups such as the Paraguayan People's Army (EPP). In the north, military operations have yet to definitively eradicate threats linked to rural crime.

At the same time, the health and education sectors continue to demand structural resources to ensure quality and equitable services, especially in the most vulnerable regions.

Labor Market Trend



Source: INE



ECONOMIC CONTEXT

Positive Signs of Stability

During the first half of 2025, inflation remained stable and GDP growth projections rose to 4.4%, according to the Central Bank of Paraguay (BCP). Unemployment fell to its lowest level since 2017, although structural challenges such as informality persist.

In July, the guaraní appreciated sharply, driven more by a limited supply of local currency and BCP intervention to curb the dollar than by solid fundamentals. The currency gained between 4% and 6% during the month, a trend that some analysts view as transitory.

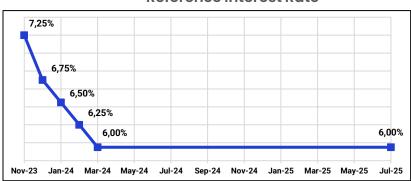
Despite this exchange rate movement, the BCP kept its monetary policy rate unchanged. Business expectations remain mostly optimistic but are tempered by some caution regarding regional risks and the possibility of a correction in the exchange rate in the second half of the year.

PYG/USD Exchange Rate



Source: BCF

Reference Interest Rate



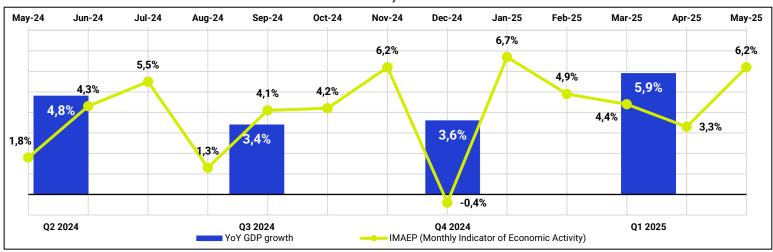
Source: BCP

Inflation Trend



Source: BCP

Economy Trend



Expected GDP Growth by End-2025 (BCP) \rightarrow +4,4%

Source: BCP



POLITICAL CONTEXT

Presidential Salary Increase Amid Political Tensions and Protests

The government approved a 128% increase in the salary of President Dina Boluarte, who will now receive S/35,568 per month (USD ≈10,000). This makes her the second highest-paid head of state in the region, surpassed only by the president of Uruguay. The raise has sparked controversy due to its size, the current socioeconomic context, and the political timing of its approval.

Informal miners have mobilized in the south of the country, demanding an extension of the Comprehensive Registry for Mining Formalization (REINFO), which is set to expire at the end of the year. They argue that bureaucracy complicates the formalization process and are calling for more flexible requirements.

On July 26, a new Congressional Board of Directors was elected to close the current legislative term. Most right-wing parties announced they would not field candidates, shifting their focus to the 2026 general elections.

SOCIAL CONTEXT

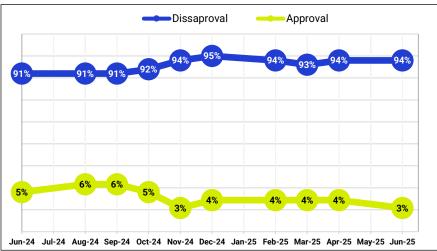
Positive Figures Support Economic Rise

In the first quarter of 2025, Peru recorded significant progress in the health sector, with 94.4% of senior citizens insured, representing an increase of 2.2 percentage points compared to 2024.

On the commercial front, activity grew by 2.83% in April, driven mainly by wholesale sales. Additionally, in May, exports increased by 7.7%, with growth in both traditional sectors (6.9%) and non-traditional sectors (8.9%). From January to May, the cumulative growth of exports reached 16.2%.

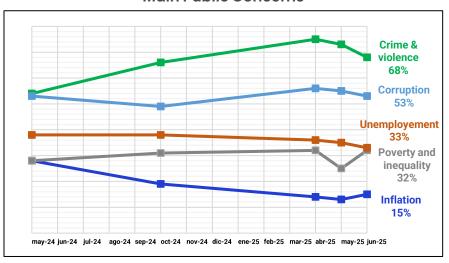
Meanwhile, national production registered a 1.4% increase in April, marking 13 consecutive months of growth. This result was sustained by key sectors such as mining, commerce, and services, which managed to offset the negative performance of six other sectors and the seasonal effect of the Easter holiday.





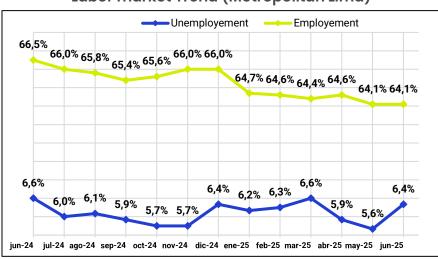
Source: Datum

Main Public Concerns



Source: IPSOS

Labor market Trend (Metropolitan Lima)



Source: INEI



ECONOMIC CONTEXT

Continued Stable Growth with Low Inflation

The Central Reserve Bank (BCR) projects that Peru will be one of the three fastest-growing economies in the region in 2025 (3.1%) and 2026 (2.9%), behind only Argentina and Paraguay.

The Ministry of Economy and Finance, for its part, attributed the lowest inflation rate in South America recorded in May 2025 (-0.6% in Lima) to the coordination between fiscal and monetary policy. Minister José Arista Pérez Reyes highlighted the role of the BCR in price control and in driving growth, anticipating a stable economic environment for the next government.

Between January and April, the Peruvian economy grew by 3.3%, driven by household consumption and private investment. Nineteen out of twenty-four regions in the country showed progress, with favorable projections for mining areas, although some agricultural regions could be affected by the reduction of key crops.

PEN/USD Exchange Rate



Source: Sunat

Reference Interest Rate



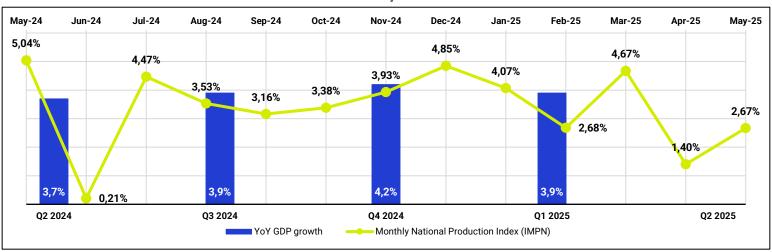
Source: BCRP

Inflation Trend



Source: INE

Economy Trend



Expected GDP Growth by End-2025 (INEI) \rightarrow +3,0%; +3,1%

Source: INEI



POLITICAL CONTEXT

Governability Crisis and Visit of Spanish Delegation

The government of Yamandú Orsi suffered a setback when the National Party, the Colorado Party, and the Independent Party refused to join the "social dialogue" proposed by the Executive, which focused on a comprehensive reform of the protection and social security system. The opposition denounced a "lack of transparency" and "ideological bias," demanding guarantees of neutrality before any negotiations could take place.

This is further complicated by internal divisions within the ruling coalition: the Communist Party criticized the reform of the Penal Code for "limiting the fight against corruption," while Orsi is trying to unify his coalition by promoting the National Care System.

Spanish President Pedro Sánchez visited Uruguay on July 21 and 22 with a political and business delegation. The agenda included strategic agreements and economic meetings. Spain, the leading investor in Uruguay with USD 7.6 billion and over 100 companies, reaffirmed its commitment to employment and technology transfer.

SOCIAL CONTEXT

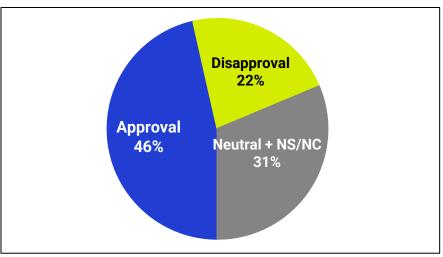
Humanitarian Emergency and Labor Tensions

Uruguay declared a national red alert due to a polar cold wave with extreme temperatures. Between June 23 and July 2, 2,840 people were assisted in shelters-the highest number ever recorded-while the Ministry of Social Development admitted a lack of precise data on people living on the street and announced a national census for August. The opposition blamed the government for six deaths outdoors, attributing them to ideological prejudices that prevented measures such as compulsory institutionalization.

On July 12, a national strategy for re-enrollment in the education system was launched, identifying 5,372 out-of-school children for their return before July 25.

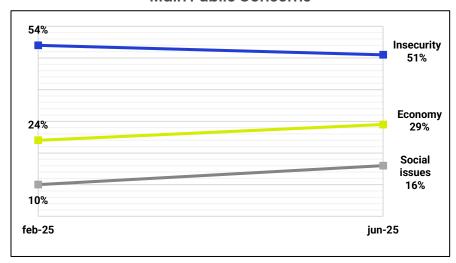
Tensions persist over the closure of plants like Conaprole in Rivera, a region where unemployment is double the national average. Meanwhile, PIT-CNT and business leaders remain at odds over wage adjustments for the lowest-income workers.





Source: Equipos Consultores

Main Public Concerns



Source: FACTUM

Labor market trend



Source: INE



ECONOMIC CONTEXT

Mixed Signals Between Optimism and Warnings

The Central Bank surprised markets with a 25-basis point cut in the interest rate, bringing it down to 9%. This is its first adjustment in 2025, justified by controlled inflation (5.4% annually), stable expectations, and the strength of the peso.

The agricultural sector is showing signs of recovery after May's frosts: meat exports grew by 8.2% in June, although the dairy industry continues to be affected by closures such as Conaprole in Rivera. Winter tourism exceeded expectations: Colonia received 27% more visitors than in 2024, and Punta del Este reached 92% hotel occupancy.

However, the World Bank downgraded its growth forecast for 2025 to 2.1%, citing global volatility, commodity prices, and trade tensions. The government announced tax incentives for exporting SMEs, and the forestry industry plans USD 300 million in investments for pulp mills.

UYU/USD Exchange Rate



Source: BCL

Monetary Policy Rate



Source: BCU

Inflation Trend



Source: INE

Economy Trend



Expected GDP Growth by End-2025 (BCU) → +2,40%

Source : BCU



EUROPEAN PERSPECTIVE FOR LATIN AMERICA



EU and Latin America Strengthen Their Alliance to Lead Responsible and Inclusive Artificial Intelligence

Europe, Latin America, and the Caribbean reaffirmed their commitment to a human-centered artificial intelligence during the third session of the EU-LAC High-Level Political Dialogue on AI and Platform Governance, held in São Paulo. Over 100 representatives from governments, multilateral organizations, academia, and civil society promoted joint projects such as a bi-regional supercomputing network and the development of the LATAM-GPT language model.

The meeting highlighted the transformative potential of AI for sustainable development and the challenges of its governance. Brazil and Slovenia endorsed the Hamburg Declaration on the responsible use of AI, and a proposal was made to create a high-performance computing network between both regions, supported by the BELLA cable's digital infrastructure. LATAM-GPT, driven by Chile and with contributions from several LAC countries, exemplifies regional technological sovereignty.

This cooperation is part of the EU-LAC Digital Alliance, a strategic initiative of the European Global Gateway that aims to strengthen the technological capabilities and digital autonomy of both regions. The São Paulo dialogue demonstrates a shared digital agenda that will be key at the upcoming EU-CELAC Summit to be held in Colombia this November.

Mercosur Signs Tariff Agreement with EFTA and Boosts Negotiations for an EU Pact

In a significant step toward greater bi-regional trade integration, Mercosur signed a free trade agreement with the European Free Trade Association (EFTA), which includes Iceland, Liechtenstein, Norway, and Switzerland. The pact provides for the gradual elimination of tariffs on agricultural, industrial, and service products, and is seen as a useful model for future negotiations with the European Union.

This progress comes amid a renewed political push to finalize the long-delayed EU-Mercosur agreement.

With Brazil holding the rotating presidency of the South American bloc, both regions have reaffirmed their interest in resuming talks, modernizing the terms of the agreement, and strengthening a strategic partnership that goes beyond trade to also address sustainability, technological development, and political cooperation.

From Brussels, the European Commission has welcomed this new momentum, emphasizing that a strong partnership between the EU and Latin America is key to strategic autonomy, the green and digital transition, and the strengthening of global multilateralism.

EU and Central America Hold First Association Council and Place Sustainable Investment at the Core of Their Alliance

The European Union and six Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) held their first Association Council in Brussels since the Association Agreement entered into force in May 2024. This ministerial meeting marked a political milestone for strengthening dialogue on shared challenges such as global conflicts, climate change, migration, and the fight against organized crime.

Both sides reaffirmed their commitment to multilateralism, respect for international law, and democratic principles, recognizing their different contexts and the need for cooperation based on shared values. For Central America, the meeting was key to consolidating regional integration, diversifying strategic alliances, and seeking joint solutions to structural problems such as poverty, inequality, and insecurity.

A key focus was the promotion of sustainable investment through the Global Gateway initiative, which mobilizes public and private capital to close gaps in education, health, clean energy, digital connectivity, environmental protection, and local value chains. The strengthening of the Regional Electricity Market was highlighted as a driver of growth and cohesion.

In addition, opportunities were identified in energy integration, secure connectivity, innovation, and digitalization. The Council agreed to convene technical committees and subcommittees to prepare for the next meeting in 2027 in Central America, and to strengthen cooperation among governments, the private sector, and civil society to implement the agreement.

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