ATREVA LATIN AMERICAN

KEY HIGHLIGHTS

September 2025





After several months focused on the **United States** and **tariffs**, attention has shifted back to **domestic matters**. The spotlight of debates has been on issues such as the **2026 budgets**, pension system reforms, and social programs.

On the political front, **Argentine** President **Javier Milei** suffered both electoral and legislative setbacks, which generated market volatility, partially contained by signals of support from the U.S. Another right-wing figure, former **Brazilian** president **Jair Bolsonaro**, also had a grim month after being convicted for attempting a coup. Meanwhile, the country recorded negative monthly inflation, although the year-on-year figure has yet to allow a reduction of the high **15% interest rate**.

In contrast, **Peru's Central Bank** implemented a **rate cut** following August's deflation. **Chile's** monetary authority made the same decision thanks to **price stability**, in a polarized pre-electoral context where communist candidate **Jeannette Jara** and far-right leader **José Antonio Kast** are leading the polls.

Mexico's historic judicial reform was consolidated with the swearing-in of new members elected by popular vote. For its part, the Executive presented its first Government Report and the 2026 budget, focused on spending and social projects. Meanwhile, Colombia's Congress made progress on its budget, but the tax reform intended to finance its deficit remains under debate, facing resistance in the Senate.

In **Uruguay**, the 2026 budget has been questioned for raising the tax burden, although its approval is expected thanks to the ruling majority, while progress continues on signing the **Mercosur-EFTA agreement**. Similarly, **Paraguay's** government under **Santiago Peña** presented Congress with a bill increasing social spending by 6%, in a legislature marked by the suspension of two **senators over corruption**.

Ecuador's President **Daniel Noboa** eliminated the diesel subsidy, sparking protests across the country. The Indigenous movement called for a **general strike**, prompting the government to extend the state of emergency and impose **curfews in five provinces**.

Finally, the **European Commission** proposed the adoption of the agreement with **Mercosur**, creating the world's largest free trade area after 25 years of negotiations. The goal is to have it gradually **enter into force before 2026**, requiring the backing of 15 member states, the approval of the European Parliament, and ratification by all states.



POLITICAL CONTEXT

Ruling party loses in Buenos Aires province and the Chamber of Deputies rejects Milei's vetoes

The legislative elections in Buenos Aires province dealt a setback to the government: La Libertad Avanza, Javier Milei's party, lost to the Peronist Fuerza Patria, which secured 47% of the vote compared to the ruling party's 33%. Despite the outcome, Milei stated that he will stick to his economic, fiscal, monetary, and exchange-rate roadmap.

In this context, the national legislative elections in October will be decisive for the government's political stability. The ruling party's ability to regain ground in Congress will be key to advancing its reforms and keeping the economic course.

The Executive also suffered another blow in Congress: the Chamber of Deputies overturned presidential vetoes on the university funding and pediatric emergency laws, with support even from former allies. This decision highlights the growing tension between the Executive and Legislative branches. It will now be up to the Senate to determine whether both laws are enacted.

SOCIAL CONTEXT

Marches demand passage of social laws while official poverty figures face scrutiny

The presidential vetoes on the University Funding, Pediatric Emergency, and Disability Emergency laws, the latter also rejected by the Senate in early September, triggered massive demonstrations demanding the enactment of these measures, aimed at protecting groups particularly affected by budget cuts.

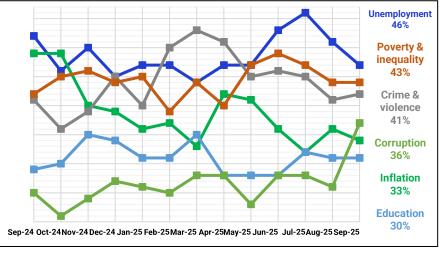
Regarding poverty, discrepancies remain between official figures and estimates from private consultancies. In several speeches, President Milei claimed to have lifted "more than 10 million people out of poverty," according to INDEC data. However, experts dispute this figure. Agustín Salvia, director of the Social Debt Observatory at UCA, downplayed the claim: "The situation is critical, we are in the middle of a recession. The president's figure is an exaggeration."





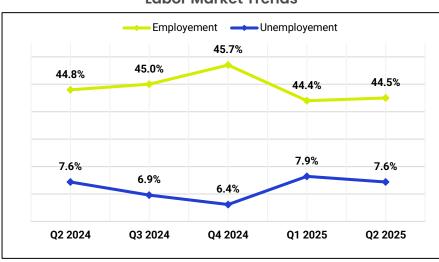
Source: Atlas Intel

Main Public Concerns



Source: IPSOS

Labor Market Trends



Source: INDEC





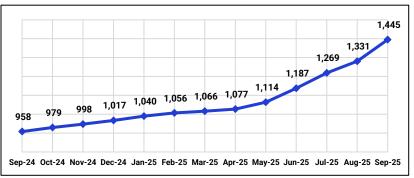
Dollar surges, but inflation remains stable at 1.9% monthly

The outcome of the Buenos Aires legislative elections was immediately reflected in the markets: the dollar spiked sharply and, despite Central Bank interventions with significant disbursements, the currency broke through the floating band. Uncertainty spread to financial assets amid political tensions following the ruling party's defeat.

After weeks of volatility, the government sought to send calming signals. It announced the temporary removal of export duties on all grains and received a message of support from U.S. Treasury Secretary Scott Bessent. In response, Argentine stocks rebounded up to 20% abroad, country risk fell by more than 350 basis points, and the U.S. dollar retreated against the peso.

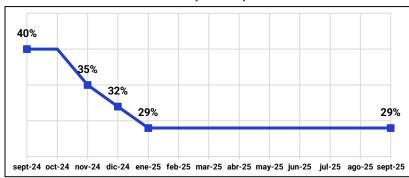
Meanwhile, INDEC reported that August inflation remained at 1.9%, bringing the cumulative rate to 19.5% for the year and 33.6% year-on-year.

ARS/USD Exchange Rate



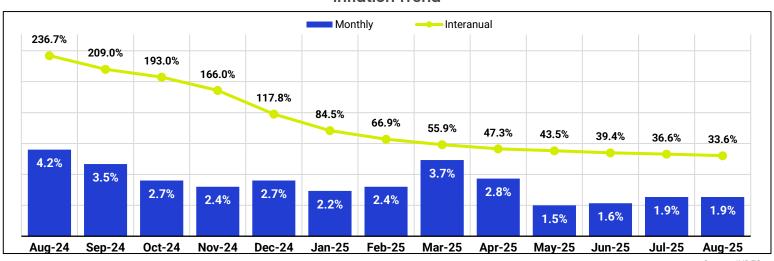
Source: BCRA

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

Bolsonaro sentenced and Independence Day demonstrations mobilize Brazil

On September 11, 2025, former president Jair Bolsonaro was sentenced by the Federal Supreme Court to 27 years and 3 months in a closed-custody regime for attempted coup d'état and five other crimes.

Several members of his government and supporters were also convicted in the same case. There was one dissenting vote, from Justice Luiz Fux, who argued insufficient evidence. Bolsonaro's defense announced it will appeal the ruling in all possible instances, including international courts.

During Independence Day on September 7, demonstrations in São Paulo gathered around 42,200 Bolsonaro supporters demanding amnesty for those convicted for the January 8 events and impeachment proceedings against Supreme Court Justice Alexandre de Moraes. At the same time, a rally organized by left-wing groups drew approximately 8,800 participants.

SOCIAL CONTEXT

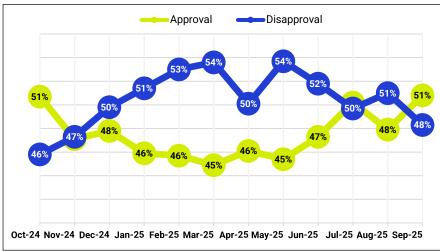
Lula's popularity rises amid the water crisis and rising cost of living

The popularity of President Luiz Inácio Lula da Silva has recently increased, following an upward trend that has persisted for several months. According to an Atlas Intel survey, his approval rating stands at 51%, surpassing the 48% disapproval.

The water crisis, worsened by scarce rainfall and advancing deforestation, has affected supply in several regions—especially the Center-West and North—and has strained electricity generation, which relies heavily on hydroelectric power.

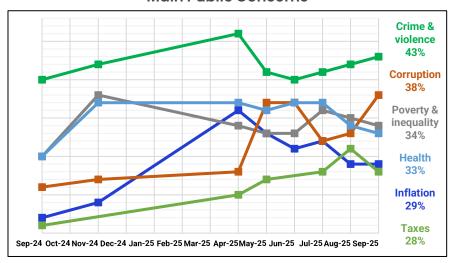
As a result, energy costs have risen, pressuring household budgets already strained by higher gas prices. To mitigate these effects, the government expanded social programs such as the vale-gás, which subsidizes part of the cost for low-income households.





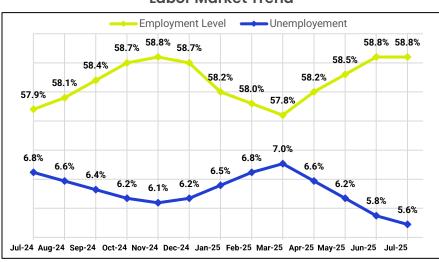
Source: Atlas Intel

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: IBGE





Inflation eases but growth still faces internal and external pressures

The economy continues to seek balance between controlling inflation and reviving growth. Although some prices have declined, internal and external challenges require caution from both the government and the Central Bank, which has kept the Selic rate at 15% annually, reflecting a restrictive monetary policy.

The Broad Consumer Price Index recorded deflation of -0.15% in August, driven by food and energy components. However, 12-month accumulated inflation stood at 5.09%, still above the official target, justifying the maintenance of high interest rates.

GDP grew only 0.4% in the second quarter of 2025, leading to a downward revision of the year-end forecast to 2.3%. Growth of 2.4% is expected in 2026, signaling a slow recovery. In addition, U.S. tariffs could subtract 0.2 percentage points from GDP, affecting both exports and the country's competitiveness.

BRL/USD Exchange Rate



Source: BCB

Selic Rate



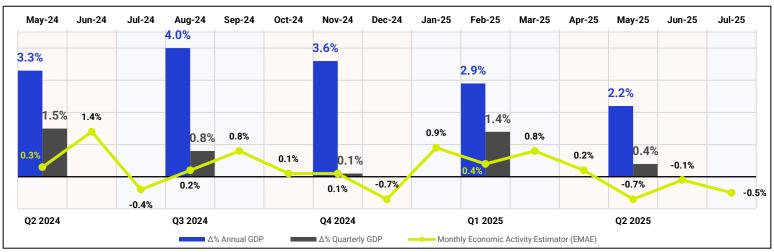
Source: BCB

Inflation Trend



Source: IBGE

Economic Trend



Expected GDP Growth by End-2025 (BCB - Relatório Focus) → +2.16%

Source: IBGE



POLITICAL CONTEXT

Ministerial resignations and alliance-building mark the start of the electoral period

The deadline for candidate registration has ended, and political blocs have already defined their pacts, regrouping around the right-wing alliances "Cambio por Chile" and "Chile Grande y Unido", and the left-wing coalitions "Unidad por Chile" and "Verdes, Regionalistas y Humanistas".

Since September 1, the Universal Guaranteed Pension increased from CLP 224,000 to CLP 250,000 (≈USD 260). The increase will be implemented gradually: first benefiting those aged 82 and over, and between October 2025 and August 2026 extending to those who reach that age within that period.

Agriculture Minister Esteban Valenzuela resigned following his party FRVS's decision to leave the ruling coalition. Mario Marcel left the Finance Ministry for personal reasons and was replaced by Nicolás Grau, formerly Economy Minister, while Álvaro García—who had previously held that portfolio—took over the Economy Ministry again.

SOCIAL CONTEXT

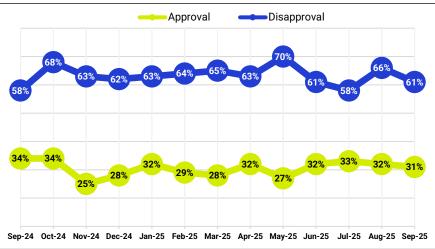
Jara and Kast lead voting intention; security and jobs are top citizen priorities

Ahead of the November 16 presidential elections, voting intention is led by Jeannette Jara of the Communist Party and ruling coalition, with 26%, followed by José Antonio Kast of the Republican Party (right) with 24%. They are followed by Evelyn Matthei (UDI, right, 16%), Franco Parisi (Partido de la Gente, center-right, 11%), and Johannes Kaiser (Republican Party, right, 9%), according to pollster CADEM.

Voters particularly value in a president the ability to address crime and drug trafficking (43%), the capacity to solve national problems and manage crises (37%), and the ability to drive economic growth and create jobs (30%).

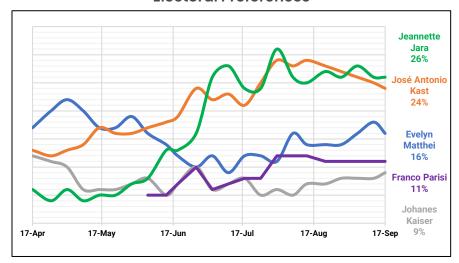
As for the current government's performance, the worst-rated areas are crime and organized crime (75% disapproval), followed by immigration (71%) and employment (64%).





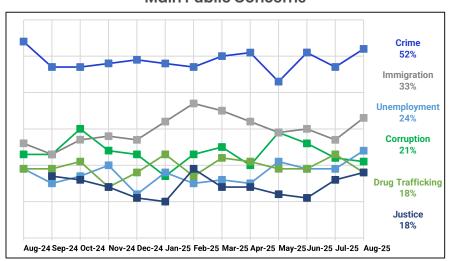
Source: Plaza Pública de Cadem

Electoral Preferences



Source: Plaza Pública de Cadem

Main Public Concerns



Source: Pulso Ciudadano de Activa





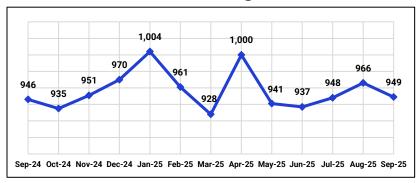
Economic growth exceeds expectations and Central Bank cuts rate to 4.75%

The economy grew 3.1% in the second quarter of 2025 compared to the same period last year, surpassing market expectations of 2.9%.

The Consumer Price Index (CPI) for August posted no monthly variation (0.0%), accumulating 2.9% so far this year and 4.0% over the past twelve months. This figure is within the range projected by the Central Bank of Chile for the year.

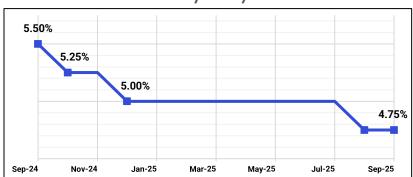
The monetary authority cut the interest rate to 4.75%, the first adjustment in seven months, taking advantage of CPI stability in August. The measure aims to stimulate economic activity without jeopardizing inflation control, in a context of moderate growth.

CLP/USD Exchange Rate



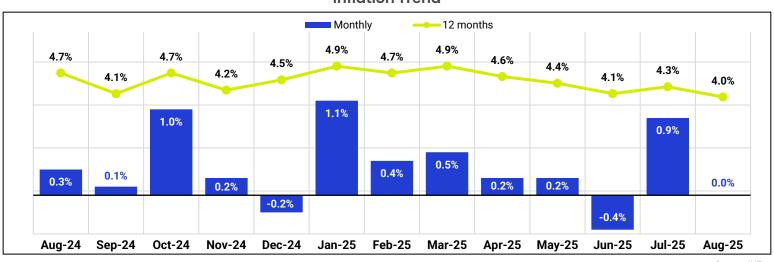
Source: SII

Monetary Policy Rate



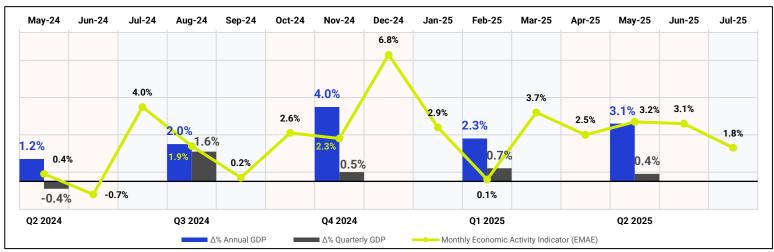
Source: BCCh

Inflation Trend



Source: INE

Economic Trend



Expected GDP Growth by End-2025 (BCCh) \rightarrow +2.0%; +2.75%

Source: BCCh



POLITICAL CONTEXT

2026 budget and tax reform, government priorities under debate

Congress is debating the 2026 General Budget, set at COP 556.9 trillion. After weeks of gridlock, the bill cleared its first hurdle, reducing the risk that the Executive would have to enact it by decree.

The first major challenge was financing a COP 26.3 billion deficit. To address it, the government introduced a tax reform that originally aimed to raise that amount, but was later adjusted to COP 16.3 billion after scrapping levies on fuels, beer, hybrid vehicles, and gambling.

These changes seek to ease consensus-building, but tensions in Congress remain. The House of Representatives has shown greater willingness to move forward, while the Senate continues to resist. Thus, while the budget achieved a key step forward, the tax reform remains under debate and its full approval is still uncertain.

SOCIAL CONTEXT

United States withdraws drug certification for Colombia and revokes Petro's visa

The United States withdrew Colombia's certification in the fight against drug trafficking, citing that President Gustavo Petro's government failed to meet international commitments and allowed a historic increase in coca cultivation.

The measure maintains nearly half a billion dollars in military cooperation but raises risks, could affect access to multilateral loans, and impacts economic and social cooperation resources. The U.S. will review its position in 2026 only if concrete progress is made in crop reduction and drug control.

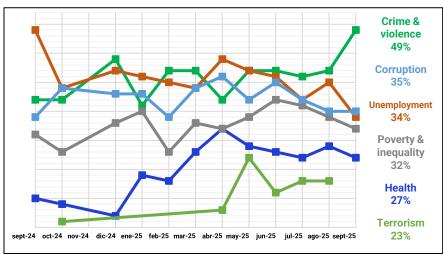
Additionally, the U.S. State Department revoked Petro's visa following his participation in a protest in New York, where he urged U.S. soldiers to disobey Trump's orders. Petro described the action as a violation of his diplomatic immunity and stated that it does not affect him, as he holds European citizenship and can travel under the ESTA program.





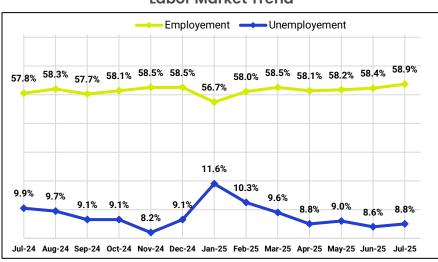
Source: Atlas Intel

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: DANE





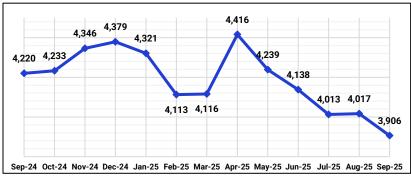
Employment down, inflation up

The unemployment rate stood at 8.8% in July, the lowest for that month since 2001 and 1.1 points below the 2024 level. The improvement in the labor market was supported by commerce, hospitality, and public services. However, informality—at 54%—continues to constrain incomes and tax revenues.

Inflation rose in August, reaching 5.1% year-on-year, above July's 4.9% and outside the Central Bank's target range. Housing, utilities, food, and restaurants drove the increase, with a monthly variation of 0.19%.

In this context, the Bank is expected to keep the interest rate at 9.25% for the remainder of 2025, ruling out cuts. The projected increase in the minimum wage for 2026 adds pressure on the business sector and keeps the risk that inflation may not return to the target range.

COP/USD Exchange Rate



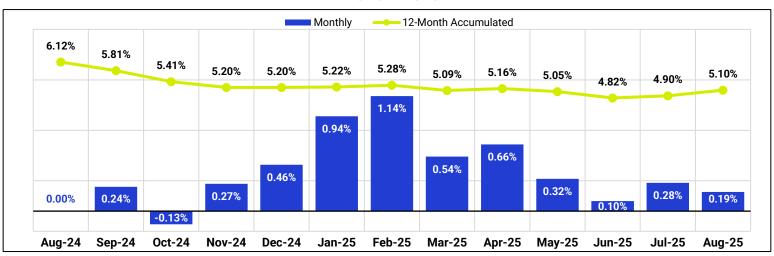
Source: BanRer

Intervention Rate



Source: BanRep

Inflation Trend



Source: DANE

Economic Trend



Expected GDP Growth by End-2025 (BanRep) → +2.6%

Source: DANE



POLITICAL CONTEXT

Government eliminates diesel subsidy, faces protests, and proposes constituent assembly

President Daniel Noboa eliminated the diesel subsidy, raising its price from USD 1.80 to USD 2.80 per gallon, with the goal of saving USD 1.1 billion annually. The measure includes compensation for transport operators and the provision of social bonds and loans.

The decision triggered road blockades in several provinces such as Imbabura, Pichincha, and Cotopaxi. The Confederation of Indigenous Nationalities of Ecuador (CONAIE), led by Marlon Vargas, called for an indefinite national strike, although interprovincial transport was excluded after talks with the government. In response, the administration extended the state of emergency to eight provinces, declared curfews in five, and warned that violent acts will be prosecuted.

The Executive is promoting the 2025 Referendum for November 16, with two questions regarding foreign military bases and political party financing. At the same time, the Constitutional Court is reviewing President Noboa's proposal to establish a Constituent Assembly.

SOCIAL CONTEXT

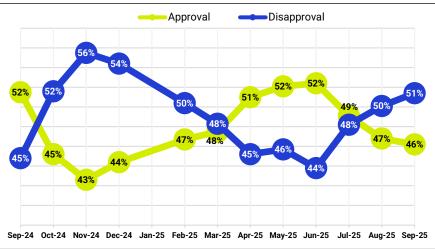
Government implements health measures and faces protests

The Ministry of Public Health issued Agreement 00031, ordering the Integrated Public Health Network to expedite the supply of medicines and strategic goods, and to assess the declaration of an emergency to ensure their purchase, in line with Executive Decree 133.

At the same time, the government announced an investment of between USD 150 and 200 million to address the hospital crisis, linked to corruption cases and ties between staff and organized crime, which led to the dismissal of up to 40% of workers in some centers.

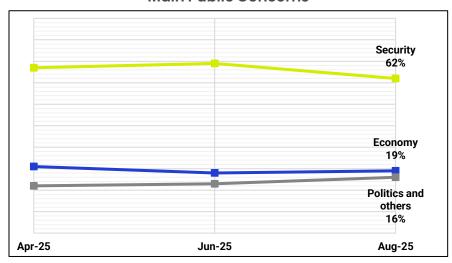
CONAIE called for an indefinite national strike against the elimination of the diesel subsidy, supported by organizations such as the United Workers Front, the National Union of Educators, and the Federation of University Students of Ecuador, with protests in several provinces.





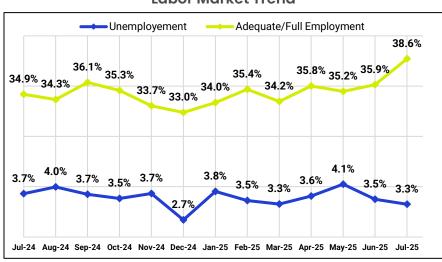
Source: CB Consultora Opinión Pública

Main Public Concerns



Source: Centro de Investigaciones y Estudios Especializados - CIEES

Labor Market Trend



Source: INEC





High growth forecast for 2025 and increased tax revenue

The government eliminated the diesel subsidy to redirect resources to social programs, productive loans, and sectoral incentives. Minister of Economy Sariha Moya stated that this is a structural change, focused on vulnerable sectors and preventing funds from financing organized crime.

The compensation plan includes bonuses of up to USD 1,000 for farmers, payments between 400 and 1,800 for transport operators, and a scrappage program with incentives of up to 20,000. In addition, USD 81 million will be invested in the delivery of 1,200 tractors, and agreements worth USD 220 million were reached with transport operators, while the gas subsidy remains in place.

The Central Bank projects GDP growth of 3.8% in 2025, following a -2% contraction in 2024, although it foresees a slowdown to 1.8% in 2026. The SRI reported an additional USD 172 million in revenue thanks to stronger tax enforcement.

Country Risk



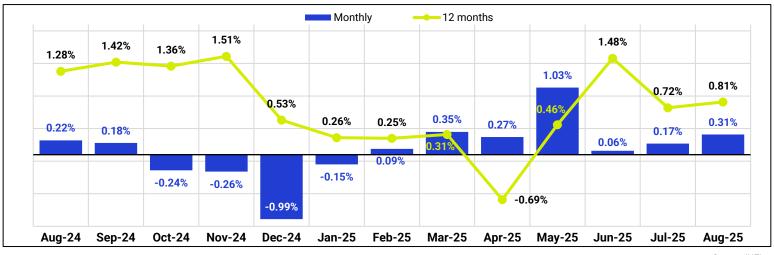
Source: BCE

Reference Lending Rate



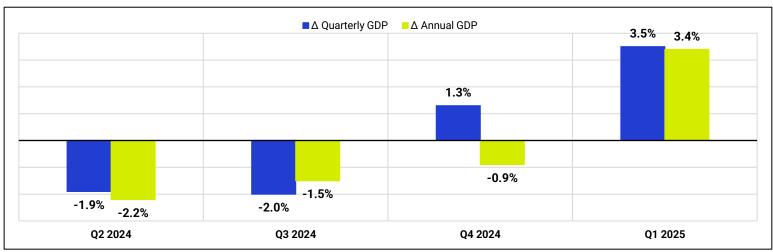
Source: BCE

Inflation Trend



Source: INEI

Economic Trend



Expected GDP Growth by End-2025 (BCE) → +3.8%

Source: BCE



POLITICAL CONTEXT

Historic renewal of the Judiciary and strengthened cooperation with the U.S.

President Claudia Sheinbaum presented her first Government Report, highlighting as a central axis the Welfare Programs—such as pensions, scholarships, and rural support—along with the reinforcement of free healthcare and social infrastructure projects, confirming that direct social spending is one of her top priorities.

The historic swearing-in of the new members of the Federal Judiciary took place: nine justices, magistrates, and judges elected by popular vote, with Hugo Aguilar Ortiz as president of the Supreme Court of Justice of the Nation.

John K. Hurley, U.S. Undersecretary for Terrorism and Financial Intelligence, met with Mexican authorities to discuss illicit financing, cartels, and fentanyl routes. At the same time, Canadian Prime Minister Mark Carney spoke with Sheinbaum about trade, investment, energy, infrastructure, and the upcoming USMCA review.

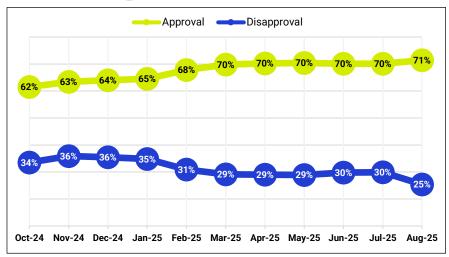
SOCIAL CONTEXT

Fight against fuel smuggling

Security faces challenges linked both to organized crime and institutional corruption, particularly the so-called "fiscal huachicol", understood as the smuggling and theft of fuel to evade taxes. The Secretariat of Security and Citizen Protection (SSPC), the Navy, and the Attorney General's Office (FGR) confirmed the arrest of 14 individuals—among them businesspeople, active and retired naval officers, and customs officials—allegedly part of this smuggling network.

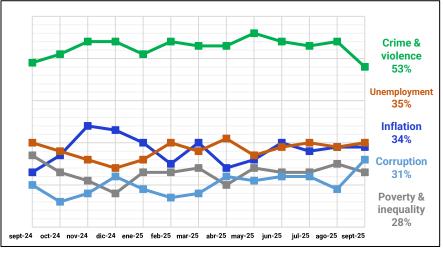
The most significant case was the seizure of a vessel in Tampico, Tamaulipas, carrying 10 million liters of diesel with falsified documentation to avoid taxes. In this context, SSPC Secretary Omar García Harfuch emphasized that "there will be no impunity" and stressed the need to strengthen state and municipal police forces, since 96% of crimes fall under state jurisdiction.





Source: Mitofsky

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: INEGI





2026 Economic Package focuses on social spending and interest rate cut

The 2026 Economic Package, submitted to Congress, proposes fiscal discipline without new general taxes, though it adjusts the Special Tax on Production and Services (IEPS). The tax burden on tobacco rises to 200%, while sugary drinks increase their levy to 3.08 pesos per liter, and certain digital video game services are taxed at 8%. Federal net spending amounts to 10.1 trillion pesos, prioritizing social programs such as the Women's Welfare Pension, educational scholarships, and free healthcare.

The Bank of Mexico lowered the interest rate by 25 basis points to 7.5%, despite rising inflation, in order to stimulate the economy.

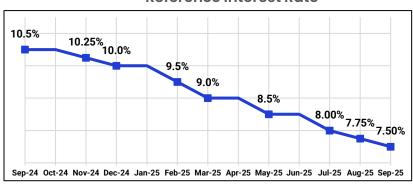
Consultations have begun ahead of the USMCA review, led by the Ministry of Economy with private sector participation, addressing rules of origin, digital trade, labor, environmental aspects, investment, and regional competitiveness.

MXN/USD Exchange Rate



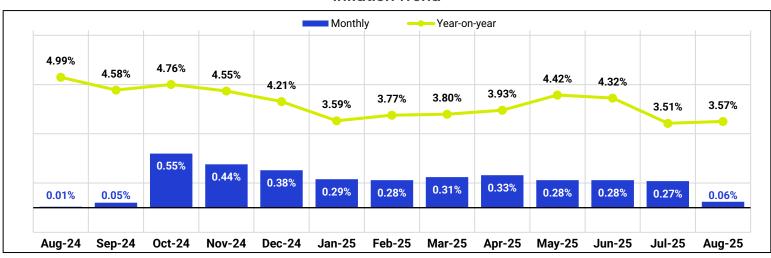
Source: Banxico

Reference Interest Rate



Source: Banxico

Inflation Trend



Source: Banxico

Economy Trend



Expected GDP Growth by End-2025 (Banxico) \rightarrow +1.2%; +1.17%

Source: Banxico



POLITICAL CONTEXT

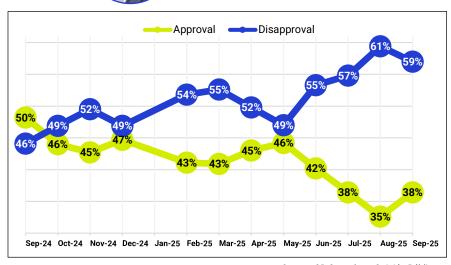
2026 budget, pension reform, and Senate expulsions

The government of Santiago Peña presented the 2026 General Budget, with an emphasis on social spending and personnel services, which rise by 6% compared to 2025. Physical investment remains stable, while financing relies on bonds and loans for priority projects. The plan seeks to keep the fiscal deficit under control, in line with the Fiscal Responsibility Law, without compromising the State's obligations.

The pension system reform continues its path within the special fiscal reform commission. It proposes extending the retirement benefit calculation period to 120 months, aiming to better reflect workers' contributions and reduce distortions from atypical wages.

The Senate confirmed the expulsion of former senator Norma Aquino after leaked audio revealed corruption, vote-buying, and institutional favors. At the same time, senator Javier Vera was suspended for 60 days without pay. This episode exposed divisions within Honor Colorado.

Santiago Peña Approval President of Paraguay



Source: CB Consultora Opinión Pública

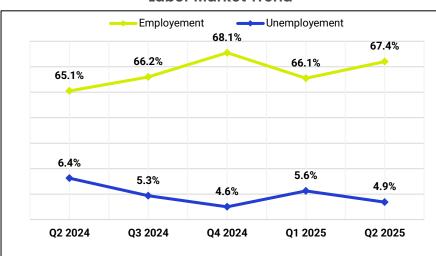
SOCIAL CONTEXT

Social expectations and public discontent

The gradual rise in the prices of essential goods has generated discontent among households, who perceive their incomes as failing to keep pace with costs. Coupled with the political crisis, a growing gap is evident between institutional commitments to transparency and the everyday experience of citizens. While there are no official monthly data on public perceptions, media outlets have reported complaints and stories reflecting this widespread sentiment.

By the end of August, social spending reached \$24 billion, with two out of every five guaraníes allocated to Education and Health. Highlights included improvements in schools, distribution of food rations under the "Hambre Cero" program, investment in sports infrastructure, increased pension system beneficiaries, and greater implementation of assistance programs and the universal pension for the elderly.

Labor Market Trend



Source: INE





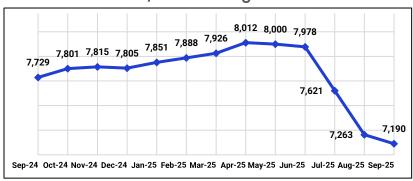
Contained inflation and record exports

Monthly inflation was 0.1% in August, below July's 0.4%. The year-on-year rate rose slightly for the third consecutive month, standing at 4.6%, while cumulative inflation for the year reached 3.4%.

The manufacturing sector had a strong month: exports reached USD 127 million, a monthly record, totaling USD 801 million so far this year, boosting formal job creation. This confirms that the manufacturing industry remains a key driver of productive diversification and international projection. In contrast, soybean production is facing challenges, and overall foreign trade posted a deficit of around USD 831.4 million through August, compared to a surplus in the same period of 2024.

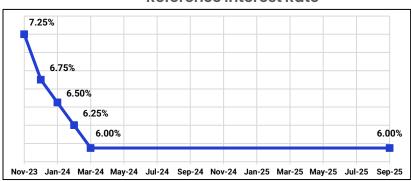
The nominal \$\text{\$\text{\$\text{\$}}USD\$ exchange rate is expected to close the year at around 7,700 guaranies, reflecting room for depreciation without the risk of a currency crisis.

PYG/USD Exchange Rate



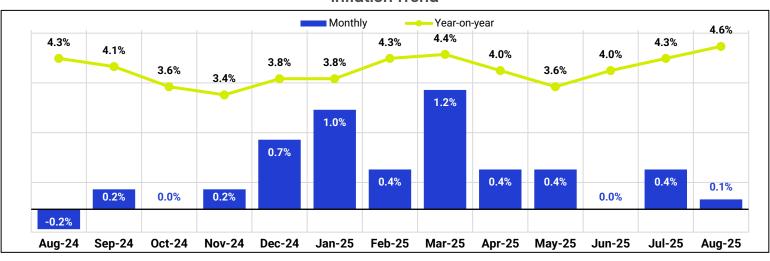
Source: BCP

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

Government launches 2026 fiscal agenda as path toward bicameralism begins

The Executive presented the draft Law on Budget, Fiscal Balance, and Public Debt for 2026, totaling S/ 257.562 billion, up 2.3% from 2025. The proposal prioritizes infrastructure, health, and security, while maintaining a focus on macroeconomic stability.

President Dina Boluarte announced the construction of a high-tech prison, dubbed "El Frontón 2.0." Meanwhile, Congress shelved the constitutional complaint against her over deaths during protests, a decision that deepened political divisions and drew criticism from human rights organizations.

Normative reforms have begun to implement a bicameral system in the next Congress, set to be installed in 2026, which will alter legislative dynamics. In addition, debate on pension reform has been revived, with proposals aimed at expanding system coverage and allowing greater flexibility for early withdrawals.

SOCIAL CONTEXT

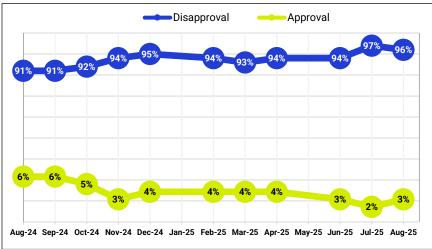
Employment growth in Lima and surge in new businesses

The labor market in Metropolitan Lima recorded a 2.8% increase in employed population between June and August, with greater dynamism in construction, higher education, and medium-sized companies. Average monthly income grew 12.1%, while the unemployment rate held steady at 6.0%.

In Q2 2025, 88,654 new companies were established in Peru, 25.6% more than in the same period of 2024. Closures dropped 46.7%, and Lima accounted for 33.6% of registrations, led by commercial businesses and individual enterprises. However, the total number of active companies fell 1% year-on-year.

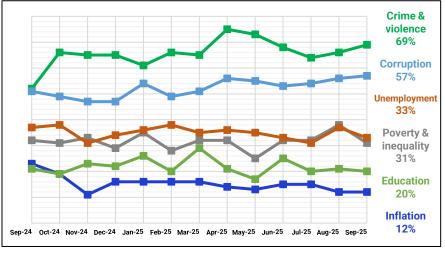
On the cultural front, a group of Cusco artisans received an award at the London Design Biennale for their sustainable textiles, a recognition that reinforces both the economic value and the heritage character of Peruvian craftsmanship in international markets.





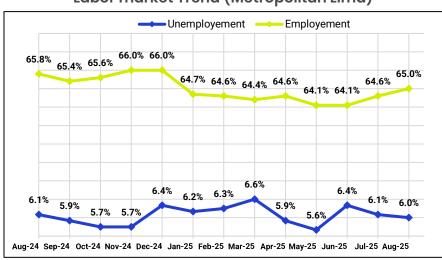
Source: Datum

Main Public Concerns



Source: IPSOS

Labor market Trend (Metropolitan Lima)



Source: INEI





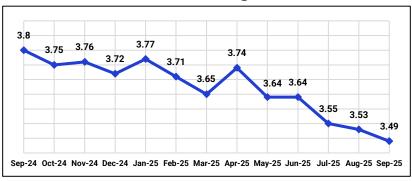
Peru positions itself with investors as BCRP cuts interest rate

The Central Reserve Bank of Peru (BCRP) lowered its benchmark interest rate to 4.25%, after three months of no changes. This decision responds to negative monthly inflation in August and expectations within the target range, prompting analysts to revise their 2025 economic forecasts.

In this context, BCRP President Julio Velarde took part in the inPERU Europe 2025 Roadshow, presenting the country as a trusted investment destination, highlighting macroeconomic stability, low inflation, and financial openness. During his remarks, he projected 3.1% economic growth for 2025.

PromPerú promoted tourism capital inflows through a portfolio of more than 40 hotel projects in Lima, Cusco, Arequipa, and Piura. These initiatives prioritize sustainability and regional connectivity and are part of the government's strategy to stimulate Peru's economy.

PEN/USD Exchange Rate



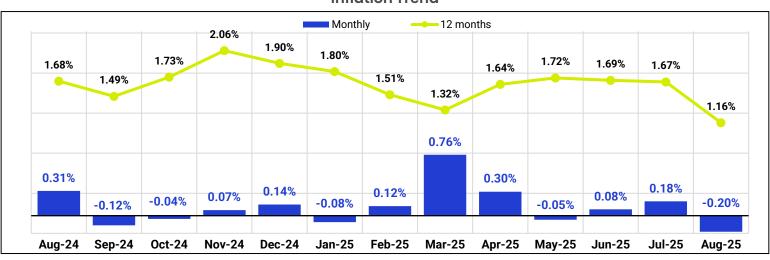
Source: Suna

Reference Interest Rate



Source: BCRP

Inflation Trend



Source: INEI

Economy Trend



Expected GDP Growth by End-2025 (INEI) \rightarrow +3.0%

Source: INEI



POLITICAL CONTEXT

Active diplomacy and cross-cutting social policies

The government of Yamandú Orsi presented the 2025–2029 Budget, which sets the 2026 finances and is currently being debated in Parliament. The opposition, mainly the National and Colorado parties, criticizes the expansion of taxes, such as the levy on agrochemicals and the VAT on foreign purchases, arguing that these measures contradict the promise of not increasing the tax burden and could deter investment. Despite these criticisms, approval is expected thanks to the ruling coalition's majority, although adjustments may occur during parliamentary debate.

Meanwhile, Uruguay is advancing in international agreements and its social agenda. Highlights include the signing of the Mercosur-EFTA treaty (Iceland, Liechtenstein, Norway, and Switzerland), which will benefit more than 97% of exports between the regions; the expansion of the Social Dialogue, a participatory process to generate agreements on social protection and security across more departments; and the opening of human rights offices in all municipalities.

SOCIAL CONTEXT

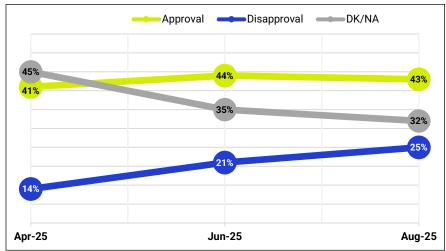
Protection of vulnerable groups and institutional responses

The government presented a five-year housing plan prioritizing families in vulnerable situations, aiming to reach 70,000 households between 2025 and 2030. The initiative focuses on informal settlements and groups such as children, women, the elderly, and former inmates.

Operations assisted 2,718 people experiencing homelessness, with expanded overnight shelters. Additionally, calls for proposals were launched to improve youth employability, allocating 20 million pesos to training projects for young people aged 15 to 29, whose unemployment rate is four times the national average.

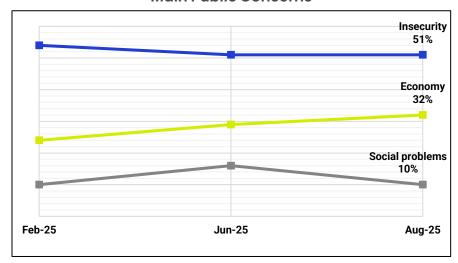
The Ministry of Social Development implemented a new protocol for addressing domestic violence, while social organizations demanded more resources for addiction programs. The Municipality of Montevideo increased slots in UTU vocational training courses, and coordinated temporary shelters in response to polar cold alerts.





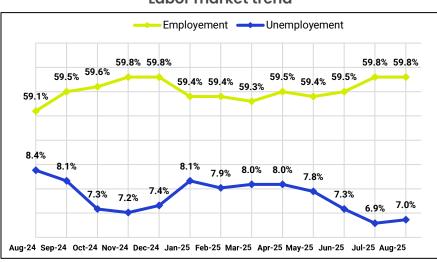
Source: Equipos Consultores

Main Public Concerns



Source: FACTUM

Labor market trend



Source: INE





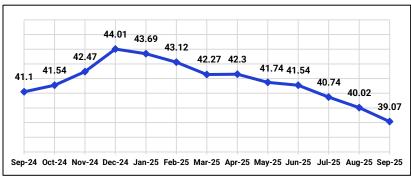
Macroeconomic stability with competitiveness challenges

Uruguay's economy maintains relative macroeconomic stability, despite challenges in access to credit. The Central Bank of Uruguay (BCU) noted that real interest rates in pesos exceed those of neighboring countries, affecting businesses and households.

Tax collection showed real year-on-year growth of 3.8% through August, reflecting fiscal strength. In addition, the Mercosur-EFTA treaty is expected to boost exports and investment, although parliamentary ratification is still pending.

The agricultural sector is recovering after recent droughts, while the manufacturing industry faces global logistical costs. The BCU projects GDP growth of 2.5% for 2025 but warns of external inflationary pressures. Domestic consumption maintains moderate expansion, with retail sales up 1.2% in August. International reserves remain adequate, covering more than 12 months of imports.

UYU/USD Exchange Rate



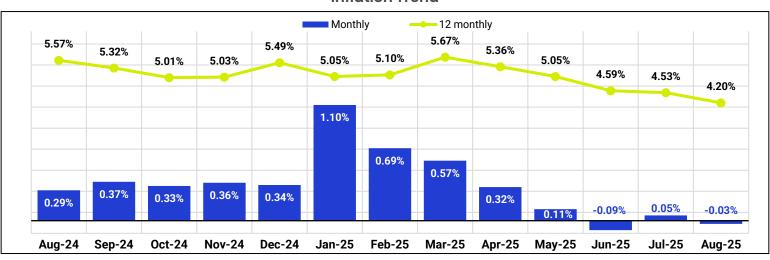
Source: BCL

Monetary Policy Rate



Source: BCU

Inflation Trend



Source: INE

Economy Trend



Expected GDP Growth by End-2025 (BCU) \rightarrow +2.5%

Source : BCU



EUROPEAN PERSPECTIVE FOR LATIN AMERICA



The Commission proposes adoption of the EU-Mercosur Association Agreement

The European Commission has presented its proposals for signing the EU-Mercosur Association Agreement (Argentina, Brazil, Paraguay, and Uruguay) after 25 years of negotiation. The pact strengthens the EU's geopolitical position in Latin America at a time when China and the United States are seeking to expand their influence in the region.

The agreement will create the world's largest free trade area, covering a market of 700 million people, and allow European companies to access a bloc that previously maintained high tariffs. It is estimated that EU exports to Mercosur could increase by up to 39% (€49 billion), supporting over 440,000 jobs, by reducing tariffs on industrial products such as automobiles (35%), machinery (14–20%), and pharmaceuticals (up to 14%). Agrifood exports would grow nearly 50%, with reduced tariffs on wine (35%), chocolate (20%), and olive oil (10%), while protecting 344 geographical indications. The agreement limits Mercosur's preferential imports and reinforces safeguards against harmful increases.

The Commission aims for the trade chapters to enter into force before the end of 2025 through a Provisional Trade Agreement, requiring the support of 15 Member States representing 65% of the EU population and simple majority approval in the European Parliament. The remainder of the agreement must be ratified by all Member States.

The Commission proposes adoption of the Modernized Global EU-Mexico Agreement

The European Commission has presented its proposal for the signing of the Modernized Global EU-Mexico Agreement (MGA), a key initiative to diversify trade relations and strengthen economic and political ties with strategic partners. The MGA aims to reinforce value chains, ensure access to essential raw materials, and generate immediate benefits through lower tariffs and costs.

Mexico is a historic EU partner and its second-largest market in Latin America, with European exports exceeding €70 billion annually. The agreement will remove the remaining tariffs on European agri-food products such as cheese, poultry, pork, and wine—some reaching up to 100%—increasing the competitiveness of these products.

It will also simplify procedures for exporters and expand the protection of 568 European geographical indications. Additionally, it will guarantee access to strategic raw materials such as fluorite, bismuth, and antimony, benefiting key industries in Europe.

To enter into force, the MGA requires separate approval by the European Parliament and the Member States. The Commission proposes two legal instruments: the main Modernized Global Agreement, which must be ratified by all Member States, and a Provisional Trade Agreement covering the EU's exclusive competences, which will expire once the main agreement is in effect.

The Commission proposes creating a free data flow space between the EU and Brazil

The European Commission has initiated the process to adopt a data adequacy decision with Brazil, after determining that the country guarantees a level of protection comparable to that of the EU.

Once adopted, the decision will allow the free flow of data between the EU and Brazil, benefiting companies, public authorities, and research projects. It represents one of the broadest scopes possible under the General Data Protection Regulation. Brazil, reciprocally, has also initiated a process to adopt an equivalent decision to facilitate the flow of Brazilian data to the EU.

The Commission emphasizes the importance of closer collaboration with natural partners such as Brazil, given shared challenges and cultural and economic ties. Mutual adequacy decisions will bring the two economies closer together and strengthen partnerships with countries that maintain high data protection standards.

The draft decision will be submitted to the European Data Protection Board for an opinion and referred to a committee of representatives of EU Member States. The European Parliament may also examine it. Once the procedure is completed, the Commission will adopt the final decision, which will be subject to periodic reviews to ensure proper functioning and continuous updating.

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