URUGUAY

Uruguay’s economic freedom score is 70.2, making its economy the 27th freest in the 2023 Index. Its score is 0.2 point higher than last year. Uruguay is ranked 4th out of 32 countries in the Americas region, and its overall score is significantly above the world and regional averages.

Overall, Uruguay’s economy performs quite well in maintaining the four pillars of economic freedom and a prudent macroeconomic environment. Scores for property rights and freedom from corruption are relatively high compared to other countries in the region. The modern regulatory environment encourages the development of a more robust private sector.

BACKGROUND: One of Latin America’s most stable democracies, Uruguay was established in the 19th century along with Bolivia and Paraguay as a buffer between Brazil and Argentina. President Luis Lacalle Pou of the center-right National Party won a five-year term in 2020. He has withdrawn Uruguay from the leftist UNASUR regional group and has pressed for pro-market reforms in the MERCOSUR trade bloc. He seeks a free-trade agreement with the United States and is negotiating a trade agreement with China. The economy, based on exports of commodities like milk, beef, rice, and wool, has been stimulated by construction and infrastructure projects.
The overall rule of law is well respected in Uruguay. The country’s property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.

Recent reforms have significantly enhanced regulatory efficiency, and the cost of completing licensing requirements has been reduced. The non-salary cost of employing a worker is low, but restrictions on work hours are not flexible. Despite relatively high inflation, monetary stability has been maintained.

The top individual and corporate tax rates are, respectively, 36 percent and 25 percent. The tax burden equals 26.6 percent of GDP. Three-year government spending and budget balance averages are, respectively, 31.6 percent and –3.4 percent of GDP. Public debt equals 65.1 percent of GDP.

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The trade-weighted average tariff rate is 9.6 percent, and nontariff barriers add to the cost of trade. Foreign investments do not need prior authorization or registration, and the investment regime is efficient. The financial sector has become more modernized, but the government presence remains significant.