ATREVA

LATIN AMERICAN KEY HIGHLIGHTS

AUGUST 2025





The **tariff offensive** launched by the **Trump** administration is hitting **Latin America** unevenly. Overall, the region has not fared too badly, especially considering that the **United States** is one of its main trading partners. Most countries are facing the **minimum 10% rate**.

Argentina is among the beneficiaries: the political and personal alignment between Javier Milei and Trump has translated into favorable treatment. Colombia has also received the minimum tariff, despite tensions between President Gustavo Petro and Washington. Uruguay and Paraguay are in a similar situation, although Montevideo is concerned about the impact on key sectors such as beef and pulp.

Chile's focus was on **copper**, its top export. Ultimately, refined copper was exempted from the 50% tariff announced for products made with this material, which comes as a relief for the industry. **Peru** also remains among the best positioned, consolidating the **positive momentum reflected in its economic indicators**.

Ecuador, on the other hand, has been hit with a **15%** tariff. The government is holding talks with the U.S. in search of solutions that would bring it closer to the conditions enjoyed by its neighbors.

Mexico, for its part, secured a last-minute 90-day extension after a call between President Claudia Sheinbaum and Trump. During that period, it must reach agreements on trade and security matters to avoid additional tariffs of 30%.

At the opposite end stands **Brazil**. The alleged political persecution of former President **Jair Bolsonaro**, prosecuted for attempting a coup, has been used by the White House as grounds to impose **50% tariffs on nearly 36% of its exports**.

The punishment of the South American giant could translate into a competitive advantage for its neighbors. For instance, Colombia's coffee sector now has the opportunity to expand its presence in the U.S. market, traditionally dominated by Brazilian beans. Similar dynamics are emerging across several industries and products.



POLITICAL CONTEXT

Legislative Elections in Buenos Aires Province and Lower U.S. Tariffs

President Javier Milei led the launch of La Libertad Avanza's campaign for the legislative elections in Buenos Aires Province, set for September 7, 2025, making opposition to Kirchnerism the central theme. The country's most populous and largest district has long been a Peronist stronghold, though internal tensions are now weakening its cohesion. This fragmentation offers an advantage to the ruling coalition, which seeks to consolidate a unified right around the presidential figure.

The government is awaiting a new USD 2 billion disbursement from the IMF while promoting measures to attract foreign currency, including lowering export duties and the possibility of granting Argentine citizenship to foreigners who make "significant investments" in the country.

The U.S. imposed a 10% tariff on Argentina, softened by the personal and political alignment between Milei and Trump.

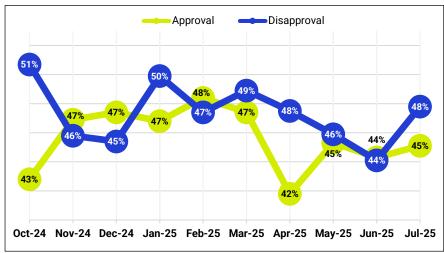
SOCIAL CONTEXT

Presidential Veto on Disability Emergency Law

President Milei vetoed the Disability Emergency Law, approved by the Senate on June 10. The legislation, promoted by lawmakers from all parties, sought to regularize payments to providers, update rates, and reform non-contributory pensions. The government rejected it, calling it "regressive and welfare-oriented," while also citing its high fiscal cost. In the same decree, Milei also vetoed the pension increase previously approved by Parliament.

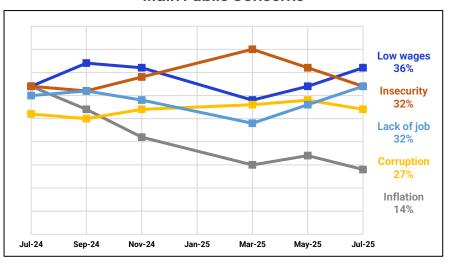
Alarms are growing over deaths linked to contaminated medical fentanyl. The ongoing judicial investigation has confirmed at least 76 fatalities and warns the figure could be higher. Bacterial contamination affected more than 300,000 ampoules of the synthetic opioid: around 45,000 were already administered to patients, while the rest were seized or withdrawn from circulation.





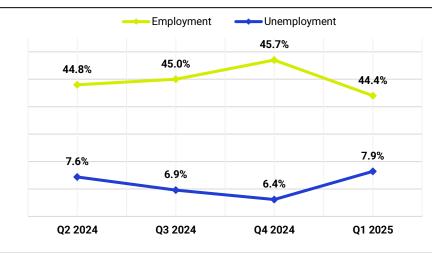
Source: Atlas Intel

Main Public Concerns



Source: ESPOP, Universidad de San Andrés

Labor Market Trends



Source: INDEC





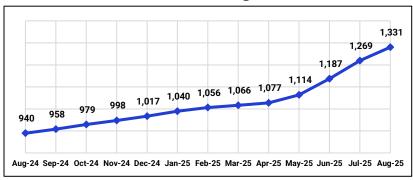
Inflation Remains Stable Despite Peso Depreciation

July inflation stood at 1.9%, above the 1.6% recorded in June, according to INDEC. The increase was driven mainly by Recreation and Culture (+4.8%) and Restaurants and Hotels (+2.8%), reflecting the impact of winter holidays and the mid-year bonus payments.

The figure is striking considering that the dollar rose from 1,235 to 1,380 pesos in July, a depreciation of nearly 12%. According to consultancy LCG, "almost half of that exchange rate correction took place in the final days of July, so its full effect will be seen in August." EcoGo, on the other hand, argues that companies are adjusting their pricing strategies by more precisely reviewing the impact of the exchange rate on their costs.

Despite the monthly acceleration, year-on-year inflation continues its downward trend.

ARS/USD Exchange Rate



Source: BCRA

Monetary Policy Rate



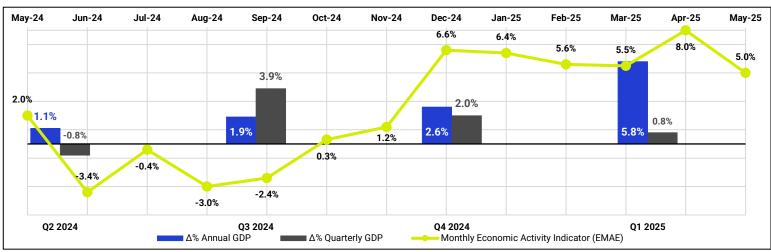
Source: BCRA

Inflation Trend



Source: INDEC

Economic Trend



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

Source: INDEC



POLITICAL CONTEXT

Bolsonaro Trial Heightens Polarization and Creates Uncertainty Over Right-Wing Succession

Brazil is experiencing intense political polarization centered on former President Jair Bolsonaro, who is under house arrest while facing trial at the Supreme Federal Court for an alleged attempted coup. The verdict is expected between September and October, following his final plea, in which he denied the charges and cited a lack of evidence.

The measure limits his direct political activity, but his support base remains mobilized, keeping him a key figure of conservatism. This situation introduces uncertainty regarding political succession and right-wing alliances ahead of the 2026 elections, highlighting the judiciary's role in containing institutional crises.

The case has reignited debates over political freedom, legality, and accountability, reflecting the tension between protecting democracy and managing polarizing leaders in a context of pronounced instability.

SOCIAL CONTEXT

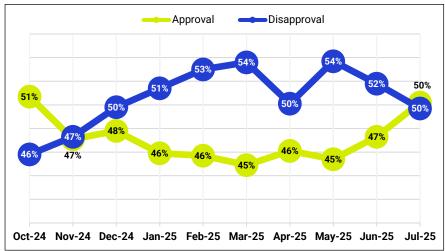
Digital Regulation Bill and Environmental Protests

More than 5,000 indigenous women participated in the IV March of Indigenous Women in Brasília, demanding a presidential veto of the "Devastation Bill," legislation that loosens environmental licensing in the Amazon. President Lula signed the law with 63 vetoes.

The government is promoting a law to regulate social media, focused on protecting minors and controlling harmful content such as violence, pedophilia, and hate speech. The ANPD will oversee compliance, though the measure has drawn criticism over potential restrictions on freedom of expression and platform autonomy.

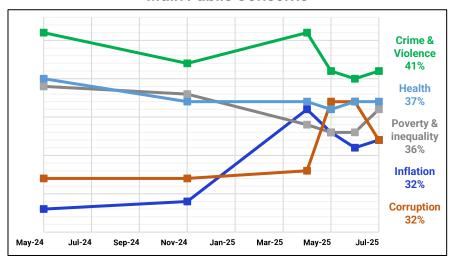
U.S. tariffs are creating uncertainty in the agricultural sector. China authorized 183 new Brazilian coffee companies to export to its market, providing a way to diversify destinations and mitigate the impact, although challenges remain in compensating for the volume lost to the U.S., its main buyer.





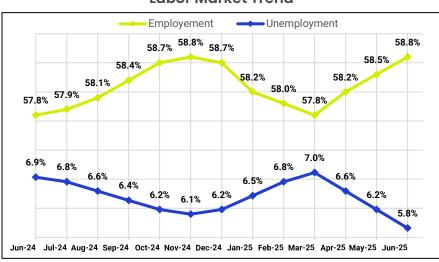
Source: Atlas Intel

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: IBGE





Brazilian Economy Under Pressure: U.S. Tariffs and High Interest Rates

The United States has imposed 50% tariffs on Brazilian products since August 6, affecting nearly 36% of exports. According to Washington, the measure responds to a "national security threat" linked to the trial of former President Jair Bolsonaro, a political ally of Trump. In response, Brazil launched a 30 billion reais package to protect the sectors most affected by the trade crisis.

The Selic rate remains at 15%, the highest level since 2006, in an attempt to contain inflation, which has accumulated 5.23% over 12 months, above the 3% target.

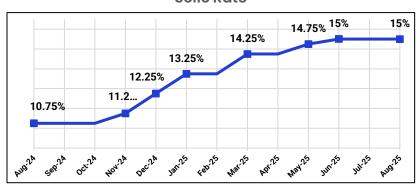
The Ministry of Finance expects GDP to grow 2.5% in 2025, driven by household consumption and labor market resilience. In parallel, the government is implementing adjustments to the Financial Transactions Tax and new fiscal measures to strengthen public accounts.

BRL/USD Exchange Rate



Source: BCB

Selic Rate



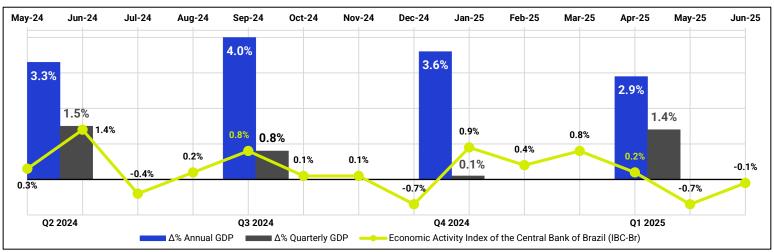
Source: BCB

Inflation Trend



Source: IBGE

Economic Trend



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

Source: IBGE



POLITICAL CONTEXT

Chilean Copper Escapes Tariffs as Election Campaign Kicks Off Ahead of November

The 50% U.S. tariff on copper-based products will not affect refined copper, Chile's main export to that market. Meanwhile, negotiations on tariffs ranging from 10% to 20% continue, despite the existing Free Trade Agreement.

The Constitutional Court approved the Sectoral Authorizations Framework Law to streamline investment permits, although criticisms remain regarding inter-institutional coordination. In addition, the Economic and Environmental Crimes Law came into effect, expanding criminal liability, introducing new classifications, and toughening penalties.

The political alliances Cambio por Chile (far-right) and Unidad por Chile (government coalition) registered for the parliamentary elections in November. Meanwhile, Chile Vamos reached a parliamentary agreement with the Democratic Party, considered a "significant step toward unity and governability," after overcoming tensions caused by independent deputy Miguel Ángel Calisto's Senate candidacy.

SOCIAL CONTEXT

Increase in Electricity Bills and Government Subsidy to Mitigate Impact

Since August, Chilean households have experienced additional budgetary pressure due to adjustments in electricity rates. According to the National Energy Commission (CNE), electricity bills increased by an average of 6% to 7%, driven by the annual adjustment decree.

At the same time, the government continued administering the electricity subsidy aimed at the most vulnerable households, providing monthly discounts of up to 68,109 pesos (USD ≈ 70) depending on household size. The third application period, open between June and July, has allowed around 200,000 families to benefit so far.

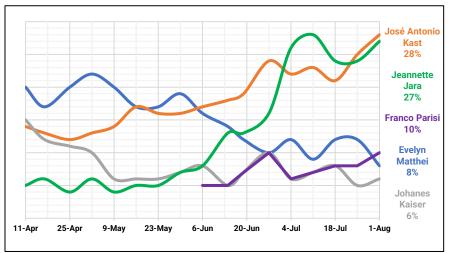
Regarding the euthanasia debate, the case of Susana Moreira, a woman with muscular dystrophy, highlighted the delay of the law in the Senate. Surveys show public support close to 90%, but discussions over palliative care continue.





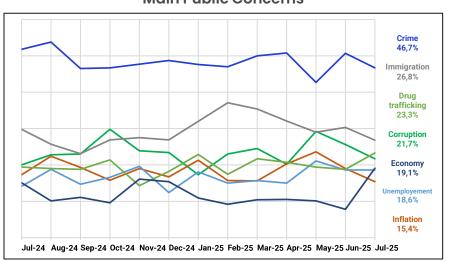
Source: Plaza Pública de Cadem

Electoral Preferences



Source: Plaza Pública de Cadem

Main Public Concerns



Source: Pulso Ciudadano de Activa



ECONOMIC CONTEXT

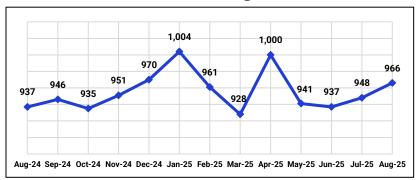
Interest Rate Cut and Positive Fiscal Data

The Central Bank reduced the interest rate by 25 basis points to 4.75%, marking its first cut of 2025. The decision was supported by declining inflation, which stood at 4.1% year-on-year in June, below expectations, and is projected to fall to 3%.

Preliminary data from the Budget Directorate indicate that government revenues grew by 4.3% in the first half of 2025 compared to the same period last year, while tax revenues rose 6.2%, driven by VAT and income tax. According to the finance minister, this performance would allow public debt to close the year at around 42% of GDP, below the prudent threshold of 45%.

The CNE launched an exceptional short-term tender to secure electricity supply for regulated clients in 2026, following the early termination of contracts awarded in 2021.

CLP/USD Exchange Rate



Source: SII

Monetary Policy Rate



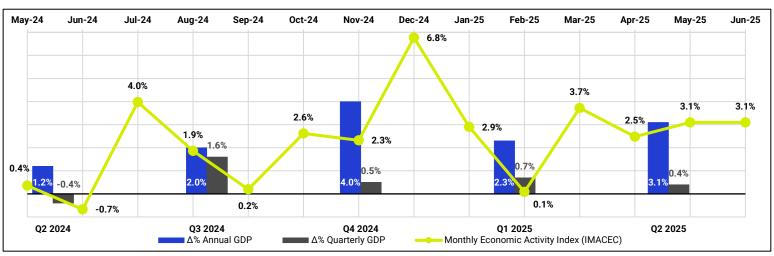
Source: BCCh

Inflation Trend



Source: INE

Economic Trend



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

Source: BCCh



POLITICAL CONTEXT

Diplomatic and Government-Business Tensions in the Final Legislative Year

In the last legislative year of Congress, new leadership boards were elected. The government retained seats in the Chamber, but lost control of several Senate committees, foreshadowing challenges for the upcoming tax reform, as well as for health reform, which the Executive has already begun implementing in part via decree.

Uribismo (right-wing), shaken by the assassination of Senator Miguel Uribe, decided to maintain its internal vote in October, while the Pacto Histórico (left-wing) will hold a consultation to choose its presidential candidate on October 26.

At ANDI's Business Congress, the country's main trade event, the president was not invited, and the cabinet was absent as a block, intensifying tensions with the business sector. These are compounded by diplomatic frictions, such as the border dispute with Peru, the coal veto toward Israel, and the cooperation agreement with Venezuela.

SOCIAL CONTEXT

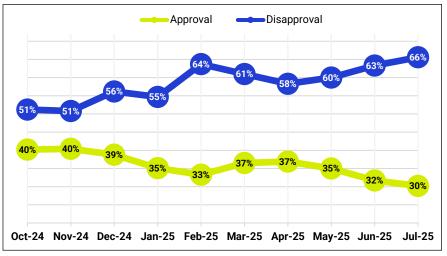
Humanitarian crisis and talks with armed groups

The International Committee of the Red Cross warned that 2025 could become the most critical humanitarian year in a decade. Norte de Santander and Cauca are experiencing mass displacements and confinement due to clashes between the ELN and FARC dissidents. Between January and May, 524 people were victims of mines and explosives, a 145% increase compared to 2024, with 70% of them civilians.

At the same time, the government is advancing a decree to regulate the "Peace Regions," aimed at coordinating negotiations and actions in affected territories. In addition, it has reactivated contacts with the Clan del Golfo, considered the country's main criminal organization.

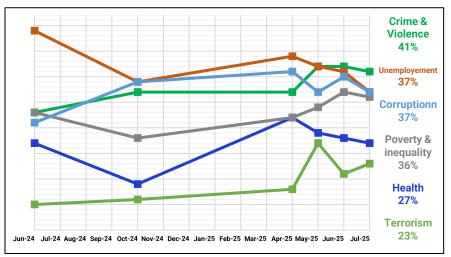
In the area of migration, more than 84,000 people traveling irregularly crossed Colombia in 2025 toward the Darién, increasing pressure on the regional humanitarian response.





Source: Atlas Intel

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: DANE



ECONOMIC CONTEXT

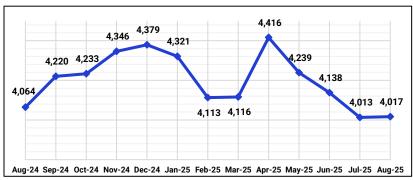
Modest GDP Growth, Historic Budget, and U.S. Tariffs

GDP grew 2.1% in the second quarter of 2025, below the projected range of 2.6%–3.2%. Agriculture and trade drove the expansion, while construction, oil, and coal sectors declined. The Central Bank of Colombia kept its policy rate at 9.25%, despite pressure from the government, citing inflationary risks.

The Executive presented the 2026 budget, totaling 556.9 trillion pesos, the highest in recent years despite high public debt. Its approval is contingent on an ambitious tax reform targeting fossil fuels, high-net-worth assets, and dividends, and including environmental and financial taxes.

The U.S. confirmed a 10% tariff for Colombia, significantly lower than those applied to Brazil or India. In this context, President Petro met with U.S. lawmakers to discuss trade and cooperation ahead of the Trump administration's decision on Colombia's anti-drug certification in September.

COP/USD Exchange Rate



Source: BanRep

Intervention Rate



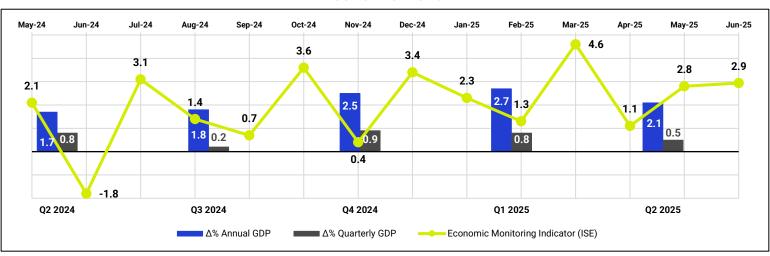
Source: BanRep

Inflation Trend



Source: DANE

Economic Trend



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

Source: DANE



POLITICAL CONTEXT

Ecuadorian Government Promotes Citizen Consultation and Reform

President Daniel Noboa submitted five questions to the Constitutional Court (CC) for a citizen consultation scheduled between November and December 2025: four referendums on hourly contracts in the tourism sector, reduction of assembly members, elimination of the Council for Citizen Participation, and political oversight of Supreme Court judges, as well as a consultation to authorize casinos in five-star hotels.

In parallel, he signed seven decrees to merge ministries and secretariats in order to optimize public administration.

On August 12, Noboa led a march against the CC to protest the suspension of articles from three laws aimed at combating organized crime, a move criticized by international organizations. In addition, the president continues an international tour in Brazil, Uruguay, Argentina, and Japan to promote investment.

SOCIAL CONTEXT

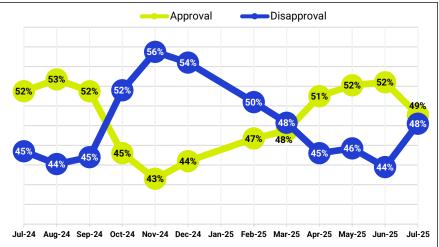
Government Faces Security Challenges and Social Mobilizations

In the first half of 2025, 4,619 homicides were recorded, a 47% increase compared to 2024—the highest figure in the country's history and equivalent to more than one murder per hour, according to the Ecuadorian Observatory of Organized Crime.

This surge is linked to the fragmentation of criminal gangs following the capture of their leaders, which intensified violence in Guayas, Manabí, Los Ríos, and El Oro, provinces under a state of emergency since 2024. Guayaquil accounts for 40% of the cases, while Durán ranks among the hardest-hit cities. The conflict between Los Choneros and Los Lobos, worsened after the extradition of alias "Fito," has led to violence in several cities over control of ports and drug trafficking routes.

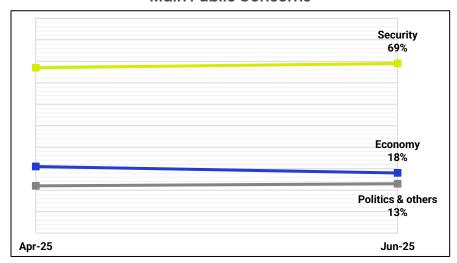
The United Workers Front called for a national mobilization on September 11 to protest President Noboa's administration and reforms.





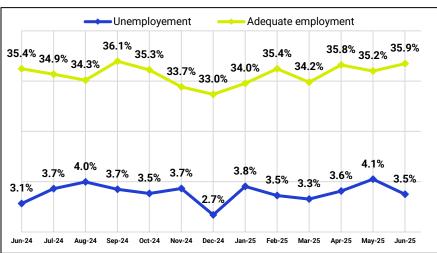
Source: CB Consultora Opinión Pública

Main Public Concerns



Source: Centro de Investigaciones y Estudios Especializados - CIEES

Labor Market Trend



Source: INEC





Ecuador Negotiates Tariffs and Reports Economic Growth

Since August 7, a 15% tariff has applied to Ecuadorian products that previously entered the U.S. duty-free, mainly affecting shrimp, bananas, and cocoa. Ecuador's Minister of Foreign Trade met in Washington with U.S. trade representatives, presenting a counterproposal that includes the removal of the tax for a specific group of products, although the final decision rests with President Donald Trump. Ecuador seeks to expand this list to more exports, while uncertainties remain regarding the sectors that will be excluded.

The economy grew 3.9% in the first half of the year, with non-oil exports reaching a record USD 14.491 billion, led by cocoa (33.7%) and shrimp (16.3%).

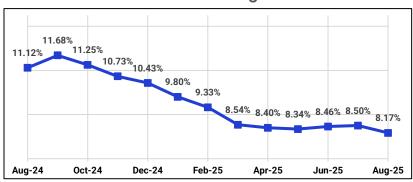
Tax revenue reached USD 12.586 billion through July, according to the Internal Revenue Service. In addition, Ecuador signed a fiscal information exchange agreement with Panama.

Country Risk



Source: BCI

Reference Lending Rate



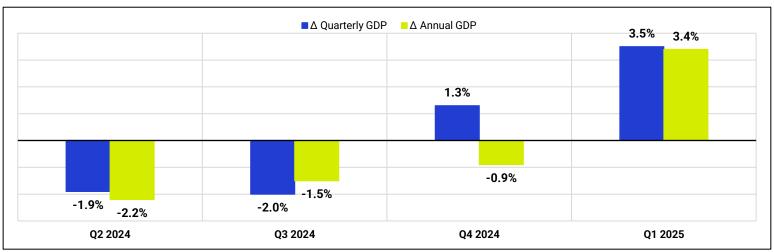
Source: BCE

Inflation Trend



Source: INEI

Economic Trend



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

Source: BCE



POLITICAL CONTEXT

Government Proposes Controversial Electoral Reform

The government is preparing an electoral reform aimed at optimizing resources, strengthening transparency, and redesigning institutions. The initiative will be reviewed by the Presidential Commission for Electoral Reform, led by Pablo Gómez Álvarez, and is expected to be presented in the Chamber of Deputies in the coming weeks.

Key proposals include the elimination of multimember districts, reduction of public funding for parties, regulation of electoral spending, and changes to overseas voting.

The measure has drawn criticism from the opposition due to the composition of the commission, made up solely of executive branch officials, and for its potential effects on proportional representation, political pluralism, and restrictions on freedom of expression on digital platforms. The reform has become a central element of the ruling Morena party's political agenda ahead of internal elections and the consolidation of its political project.

SOCIAL CONTEXT

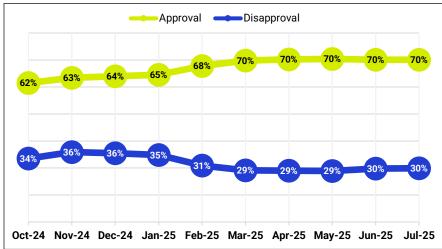
Drop in Poverty; Government Strengthens Security Cooperation with the U.S.

According to the National Institute of Statistics and Geography (INEGI), in 2024 there were 38.5 million people living in multidimensional poverty, 8.3 million fewer than in 2022, reducing the rate from 36.3% to 29.6%. Extreme poverty also declined, from 7.1% to 5.3%, equivalent to a decrease from 9.1 to 7 million people.

In response to alerts from the U.S. Department of State regarding violence and terrorist risks in Mexico, the government extradited 26 individuals linked to drug trafficking to the U.S. The measure aims to reinforce national security and comply with international treaties.

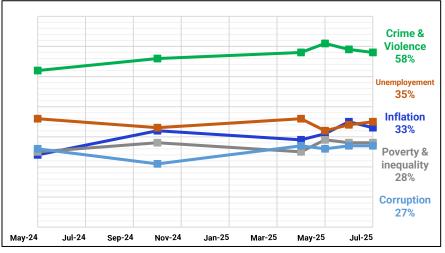
Meanwhile, the Executive Secretariat of the National Public Security System reported 2,452 intentional homicides in July, totaling 17,846 so far this year, reflecting a 25.3% reduction in the daily average.





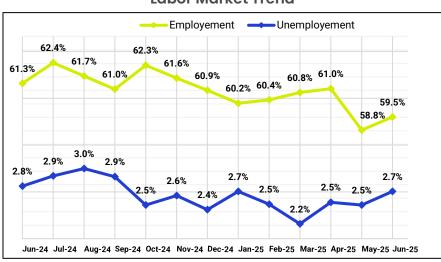
Source: Mitofsky

Main Public Concerns



Source: IPSOS

Labor Market Trend



Source: INEGI



ECONOMIC CONTEXT

90-Day Extension on U.S. Tariffs and Interest Rate Cut

Mexico secured a 90-day extension for the additional 30% tariffs on exports to the U.S., following a call between the presidents of both countries. During this period, Mexico has committed to removing non-tariff trade barriers and negotiating a new agreement, while existing tariffs of 25% on products outside USMCA and 50% on certain metals remain in place.

The Bank of Mexico its policy rate by 25 basis points to 7.75%, its lowest level in three years, amid inflation of 3.51% in July, the lowest since 2020.

The Ministry of Energy presented Pemex's 2025–2035 Strategic Plan, including a debt issuance to improve finances, strengthen operations, and ensure energy sovereignty. This comes in the wake of the arrest in the U.S. of Carlos Treviño Medina, former Pemex CEO, with an extradition request to Mexico. He faces charges of corruption and bribery related to the Odebrecht case.

MXN/USD Exchange Rate



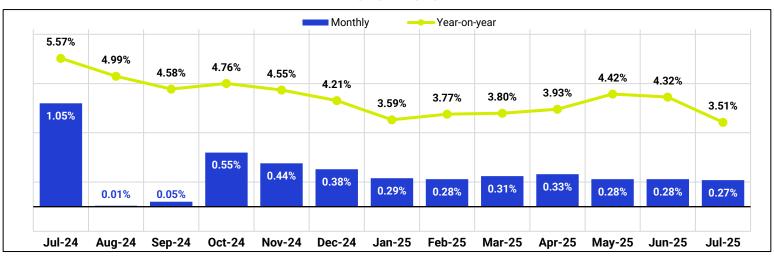
Source: Banxico

Reference Interest Rate



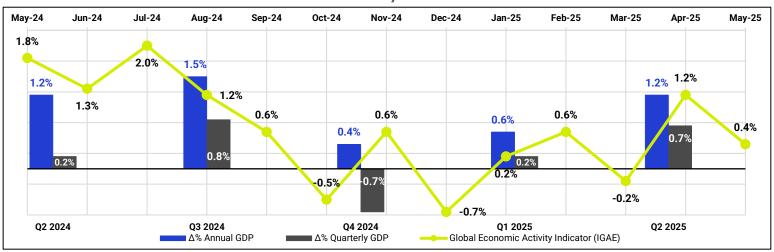
Source: Banxico

Inflation Trend



Source: Banxico

Economy Trend



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

Source: Banxico



POLITICAL CONTEXT

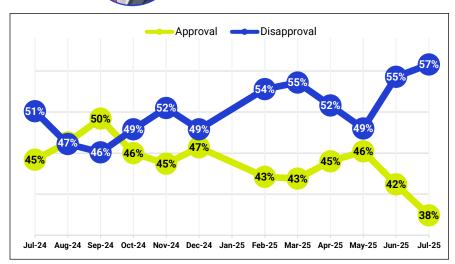
Intense Diplomatic Agenda

Brazilian President Lula da Silva confirmed his visit to Asunción following an invitation from President Santiago Peña, aiming to reactivate the review of Annex C of the Itaipú Treaty, which governs the binational hydroelectric plant. This review, initially scheduled for 2023, has become a key discussion point, as Paraguay seeks to improve energy sales to Brazil and increase revenue from electricity not consumed domestically, following interruptions caused by a spying incident attributed to Brazilian intelligence. Both presidents emphasized mutual respect as the foundation for resuming negotiations.

The visit of Spanish President Pedro Sánchez strengthened bilateral relations, with the signing of cooperation agreements on infrastructure and migration.

The official invitation to the President of Taiwan highlighted Paraguay's differentiated foreign policy, maintaining diplomatic relations with Taipei in a regional environment dominated by Beijing.

Santiago Peña Approval President of Paraguay



Source: CB Consultora Opinión Pública

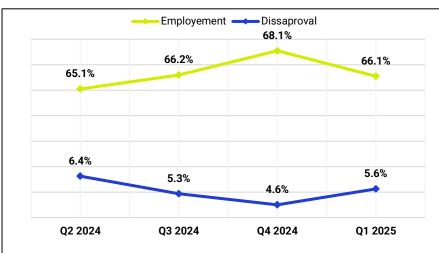
SOCIAL CONTEXT

Investigation into Possible Links Between Criminal Organizations and State Institutions

The report "Alianza Paraguay," produced by the Organized Crime and Corruption Reporting Project in collaboration with ABC Color, revealed how criminal organizations may have infiltrated the Public Prosecutor's Office. The alleged goal was to obstruct the investigation into the murders of journalist Leo Veras and prosecutor Marcelo Pecci, the latter targeted by a transnational group linked to drug trafficking. The attack on Leo Veras is part of a list of 19 journalists killed in Paraguay over the past 30 years.

This is compounded by the case of former deputy Lalo Gomes, who died in 2024 during a police raid on his residence as part of an investigation against him for drug trafficking and money laundering. Delays in the investigations and information leaks have revived perceptions of connections between public actors and organized crime, heightening concerns about political corruption in Paraguay.

Labor Market Trend



Source: INE





Positive Economic Outlook for the Second Half of the Year

The Central Bank of Paraguay (BCP) revised upward its economic growth projection for 2025, raising it from 4.0% to 4.4%, driven by sectors such as services, livestock, and manufacturing. Additionally, a slowdown is observed in the volatile components of prices. Annual inflation rose to 4.3% in July, following a monthly increase of 0.4%, but remains within the BCP's target range.

The country faces external challenges: while imports are growing, exports are declining. In this context, the U.S. imposed a 10% tariff on Paraguayan products, one of the lowest rates in the region, reducing the impact compared to other economies.

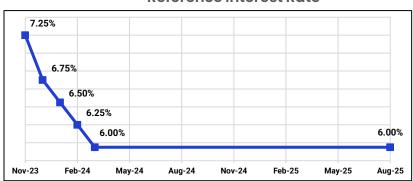
The guaraní remains relatively stable, supported by a prudent monetary policy that helps maintain macroeconomic balance in an environment that is still volatile.

PYG/USD Exchange Rate



Source: BCP

Reference Interest Rate



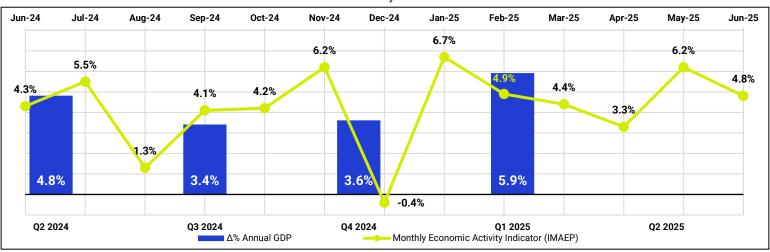
Source: BCP

Inflation Trend



Source: BCP

Economy Trend



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

Source: BCP



POLITICAL CONTEXT

President Boluarte's Message to the Nation and the Road to the 2026 Elections

The country has entered a key phase ahead of the 2026 General Elections. In July, the deadline for political parties to formalize alliances and register their candidacies expired, marking the start of a campaign expected to be intense.

President Dina Boluarte delivered her message to the nation in the final year of her term, highlighting progress in transportation, health, culture, security, and the fight against violence. She noted that for 2026, formal employment and private investment are projected to grow, particularly in infrastructure, defense, foreign relations, and energy. She also indicated that a fiscal deficit of 1.0% of GDP is expected.

Congress elected José Jerí Oré (Somos Perú) as its president for 2025–2026 with 79 votes. The leadership board is completed by Rospigliosi (Fuerza Popular), Waldemar Cerrón (Perú Libre), and Ilich López (Acción Popular).

SOCIAL CONTEXT

Strengthening Trade Agreements and Diversifying the Export Sector

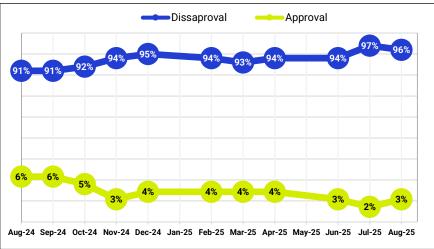
Peru expanded its trade ties with Hong Kong and Indonesia, allowing for greater market diversification for its products. Traditional exports, particularly minerals, remained stable.

The employed population reached 17.47 million in the second quarter of 2025, an increase of 0.8% compared to the same period in 2024, according to the National Institute of Statistics and Informatics (INEI). Of the total, 55.5% are men and 44.5% women; male employment grew 1.6% year-on-year, while female employment declined 0.2%, according to the national labor market technical report.

INEI launched the 2025 National Census, mobilizing over 30,000 census workers equipped with digital tablets to modernize data collection.

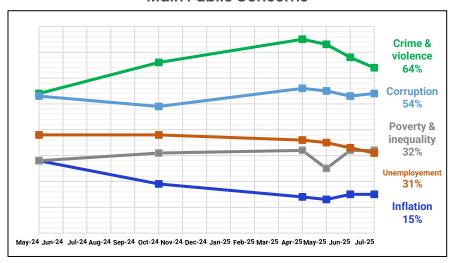
The judiciary ordered five months of preventive detention for former President Martín Vizcarra over alleged acts of corruption, making him the fifth former Peruvian president to face such a measure in recent times.





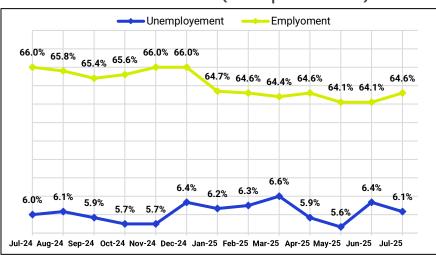
Source: Datum

Main Public Concerns



Source: IPSOS

Labor market Trend (Metropolitan Lima)



Source: INEI



ECONOMIC CONTEXT

Peruvian Economy Continues to Show Positive Indicators

Peru remains among the best-positioned countries in the U.S. tariff offensive, facing the minimum 10% rate despite the Free Trade Agreement. The U.S. is its second-largest trading partner, with copper and fresh fruits as the main exports.

National production grew 4.52% in June, its best performance since March's 4.70%, according to INEI. This growth is driven by primary and manufacturing sectors. Additionally, economic activity increased 3.33% in the first half of 2025 and 3.75% over the past twelve months.

Central Bank President Julio Velarde projects inflation of 1.8% in 2025 and 2% in 2026, below U.S. levels, consolidating a trend of controlled prices that has been in place since 1997. In this context, the monetary authority decided to maintain the interest rate at 4.50%.

PEN/USD Exchange Rate



Source: Suna

Reference Interest Rate



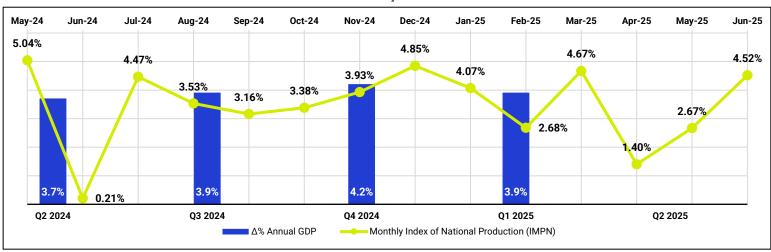
Source: BCRP

Inflation Trend



Source: INEI

Economy Trend



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

Source: INEI



POLITICAL CONTEXT

U.S. Pressures Uruguay on Defense and Geopolitical Alliances

The opposition pushed for an investigative commission regarding the purchase of 4,400 hectares of land by the National Colonization Institute, intended for families in rural areas needing land for production. The operation, amounting to USD 32.5 million, was approved solely with votes from the governing party, Frente Amplio, and the Executive is accused of paying 55% above market value.

U.S. Ambassador Louis Rinaldi pressured Uruguay to reject Chinese military equipment and to rule out joining the BRICS, while the government maintains a cautious stance, evaluating the diplomatic implications.

The Executive is moving forward with modifications to the Shoot-Down Law to facilitate military cooperation with the U.S. The reform will allow the exchange of satellite data and joint operations with the U.S. Southern Command, a measure accelerated following diplomatic pressure due to Uruguay's interest in acquiring Chinese drones.

SOCIAL CONTEXT

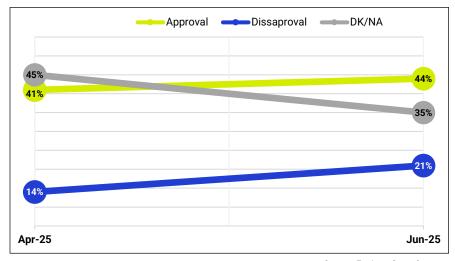
Montevideo Faces Rising Violence in Vulnerable Areas

Montevideo continues to be affected by violence, as evidenced by a recent school shooting in a vulnerable area, in which a teenager was injured during school hours. The incident, widely reported by national media, highlights the presence of criminal activity in educational environments.

Following this and other recent cases, the Ministry of the Interior reinforced operations in so-called "red zones," while local residents held marches demanding greater security. The government plans to install 300 surveillance cameras in public spaces by September.

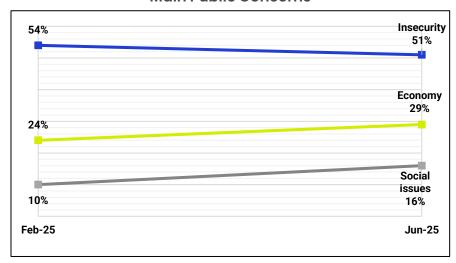
The Economic Commission for Latin America and the Caribbean (ECLAC) notes that Uruguay maintains homicide rates below the regional average (9.7 per 100,000 inhabitants in 2024), although the concentration of crimes in marginalized areas reflects socioeconomic fractures. Meanwhile, Uruguayan human rights organizations are calling for social reintegration programs in response to the rising involvement of adolescents in criminal activity.





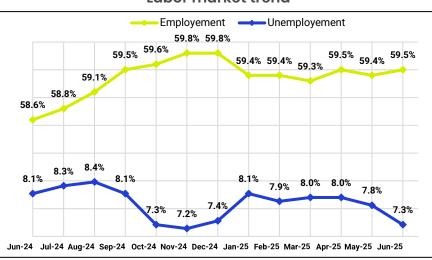
Source: Equipos Consultores

Main Public Concerns



Source: FACTUM

Labor market trend



Source: INE





Uncertainty Over U.S. Tariffs and Interest Rate Cut

The government and exporters are closely monitoring Trump's tariff policy, as in 2024 exports of meat and pulp to the U.S. reached USD 1.192 billion, making the country the fourth-largest destination for these products. The 10% tariff raises concerns, although it could provide a comparative advantage over countries with higher rates. In this context, ECLAC projects Uruguay's economic growth at 2.8% for 2025.

The government is considering including in the Budget Law a tax on income from foreign deposits held by Uruguayan residents, which total USD 61.862 billion. This initiative is the most significant and controversial measure of the tax reform.

The Central Bank of Uruguay cut the interest rate from 9% to 8.75%, marking the second consecutive adjustment, following the consolidation of inflation at the 4.5% target, reflecting price stability and the continuation of the downward cycle.

UYU/USD Exchange Rate



Source: BCL

Monetary Policy Rate



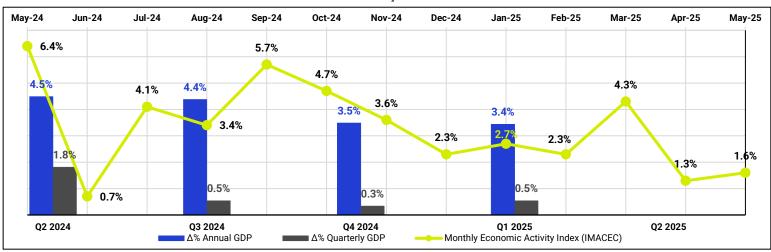
Source: BCU

Inflation Trend



Source: INE

Economy Trend



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

Source : BCU

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