Uruguay
Sovereign Debt Report

A quarterly report issued by the Debt Management Unit of the Ministry of Economy and Finance

January 2018

Highlights

- **New issuance calendar of Treasury Notes in the domestic market for 2018H1.**
- **DBRS affirmed Uruguay´s rating at BBB (low) with a stable trend.**
- **Uruguay`s first-ever global bond in nominal fixed-rate local currency issued in June 2017 is awarded *Best Local Currency Deal of the Year in Latin America*, by both Latin Finance magazine and Thomson Reuter`s International Financing Review magazine.**

New domestic market issuance calendar for January-June 2018

On December 19th, the Central Government announced its issuance calendar in the domestic market for the period January-June 2018. The new calendar intends to continue providing predictability and transparency to the market, promoting an efficient price discovery. In this regard, the Government aims to continue consolidating benchmark bonds by re-opening CPI-linked (UI) Treasury Notes. In addition, it started the issuance of a new CPI-linked Treasury Notes due 2030 (Series 25), which is intended to act as a benchmark in the middle-to-long section of the curve. The Ministry of Finance expects to raise an estimated USD 440 million during this calendar-period[1], based on the auction schedule shown below.

Auction Date	Instrument (*)	ISIN	Maturity	Type of Issue	Auction Amount (in million UI)	Amount Issued (in million UI)
01-09-2018	Serie 19 (UI)	UYNA00019UI4	09-27-2022	Reopening	250	307
01-23-2018	Serie 25 (UI)	N/A	07-23-2030	New	200	172
02-06-2018	Serie 20 (UI)	UYNA00020UI2	04-30-2020	Reopening	300	
02-20-2018	Serie 21 (UI)	UYNA00021UI0	11-26-2025	Reopening	250	
03-06-2018	Serie 19 (UI)	UYNA00019UI4	09-27-2022	Reopening	250	
03-20-2018	Serie 25 (UI)	N/A	07-23-2030	Reopening	200	
04-10-2018	Serie 20 (UI)	UYNA00020UI2	04-30-2020	Reopening	400	
04-24-2018	Serie 21 (UI)	UYNA00021UI0	11-26-2025	Reopening	250	
05-15-2018	Serie 19 (UI)	UYNA00019UI4	09-27- 2022	Reopening	250	
05-29-2018	Serie 25 (UI)	N/A	07-23-2030	Reopening	500	
06-12-2018	Serie 20 (UI)	UYNA00020UI2	04-30-2020	Reopening	350	
06-26-2018	Serie 21 (UI)	UYNA00021UI0	11-26-2025	Reopening	250	

(*) As of January 31th, the outstanding volume for series 19 is 2.779.460.000 UI (around USD 363 mm); 171.810.000 UI (around USD 22mm) for Series 25; 2.461.640.000 UI (around USD 322mm) for series 20 and 3.185.170.000 UI (around USD 416 mm) for series 21. Click here for auctions results.

Treasury Notes can be settled in Uruguayan Pesos or US Dollars. For more information, please access the Press Release or visit the DMU's website. Auction details announcement are done one week prior to the auction date.

In January the government issued the 5-year CPI-linked Treasury Notes for UI 307 million (around USD 40 million) and also launched a new 12.5 year CPI-linked Treasury Notes with an initial issuance of UI 172 million (approximately USD 22 million). These Treasury Notes series will be auctioned again next March and May. Likewise, the government will reopen every two months the CPI-linked Treasury Notes benchmarks in the middle and shorter

1 Government is legally authorized to allocate up to an additional 100% of the original tendered amount on each auction

section of the curve (Series 21 and 23). For both Series the auction volume will be UI 250 million (around USD 32 million).

Holders of Treasury Notes due on 2018 will have the option to receive final payment of interest and principal in either Pesos or US Dollars

The Government has granted the option to receive the final payment of interest and principal of Treasury Notes coming due during 2018 in either Pesos or US Dollars. This comprises the Nominal Peso Treasury Note due on 04/08/2018 (Series 7) and the CPI-linked Treasury Notes already due on 06/09/2018 (Series 22). Likewise, this option will be available for the first amortization of principal and interest payment of the CPI-linked Treasury Notes due on 03/07/2018 (Series 12) and with final redemption on 2020.

Bondholders who have a preference to receive their final payment in US Dollars shall proceed as indicated in the Communication released by the Central Bank of Uruguay (which acts as financial agent of the Republic).

DBRS affirmed Uruguay´s rating at BBB (low) with a stable trend

On January 24th, DBRS confirmed Uruguay's long-term foreign and local currency issuer ratings at BBB (low) with stable trend. According to DBRS, the rating confirmation balances Uruguay's solid economic and political fundamentals with ongoing fiscal challenges. DBRs stated that Uruguay's ratings are underpinned by its high-quality public institutions, low levels of corruption as well as policy predictability, all of which foster favorable conditions for economic growth. Furthermore, exchange rate flexibility and large foreign exchange buffers bolster the economy's defenses against potential shocks. While the key challenge that Uruguay's faces is the fiscal deficit, DBRS believes that meeting the 2019 deficit target looks achievable, particularly given the strong growth outlook. Access to DBRS's Press Release.

Uruguay`s first-ever global bond in nominal fixed-rate local currency is awarded *Local Currency Deal of the Year* and *Sovereign Liability Management Deal of the Year* by Latin Finance magazine; it is also distinguished as *Latin America Local Currency Bond of 2017* by Thomson Reuter`s International Financing Review.

On January 17th, 2018 the financial magazine LatinFinance recognized Uruguay`s 5-Year Global Nominal Fixed-Rate Local Currency transaction as the *Best Local Currency Deal* and *Best Sovereign Liability Management Deal* of 2017 in Latin America. Two weeks later, Thomson Reuters' International Financing Review (IFR) magazine also distinguished this transaction as Latin America Local Currency Bond of 2017. For a complete review of the transaction, please refer to July's Sovereign Debt Report.

Latin Finance noted that with this transaction, Uruguay set a 5-year local currency nominal benchmark which was met by large investor demand. The bond was subsequently included in the local currency benchmark index for emerging market debt (GBI-EM) and had a strong secondary market performance— paving the way for Uruguay to establish a 10-year local currency benchmark bond three months later. In selecting the awards, LatinFinance considered several factors, including "…the transaction`s significance, strategic importance, innovation, ground-breaking qualities, market success, as well as reception by peers, banks and investors". See LatinFinance review here.

In turn, IFR took into account the market significance and execution of Uruguay's capital market activity in 2017. The magazine highlighted that Uruguay broke new ground with its first-ever global peso fixed-rate bond, marking a significant shift in funding strategies, which until recently relied exclusively on US dollar or inflation-linked issuance abroad. IFR also highlighted the milestone event of completing all funding needs in local currency. See IFR review here.

Public Debt Coordination Committee Meeting

The Public Debt Coordination Committee (PDCC) held its quarterly meeting on December 7th, 2017. The PDCC addressed the following topics: (i) financing of the government in local currency for the first half of 2018, and (ii) recent developments in the sovereign asset and liability management framework. The next meeting will take place in March 2018. Access to the PDCC Press Release.

CENTRAL GOVERNMENT`S DEBT AND ASSET STATISTICS

Central Government`s statistics presented below are compiled by the Debt Management Unit (DMU) of the Ministry of Economy and Finance, with the purpose of monitoring debt portfolio indicators and supporting design of debt management strategies. Debt figures include all loans and public securities contracted/issued by the Central Government in domestic and foreign currency, in both local and international markets, and held by private and public-sector agents[1]. Total assets include deposits of the National Treasury at the Central Bank and *Banco de la República* accounts.

Table 1. Central Government Debt and Asset Position

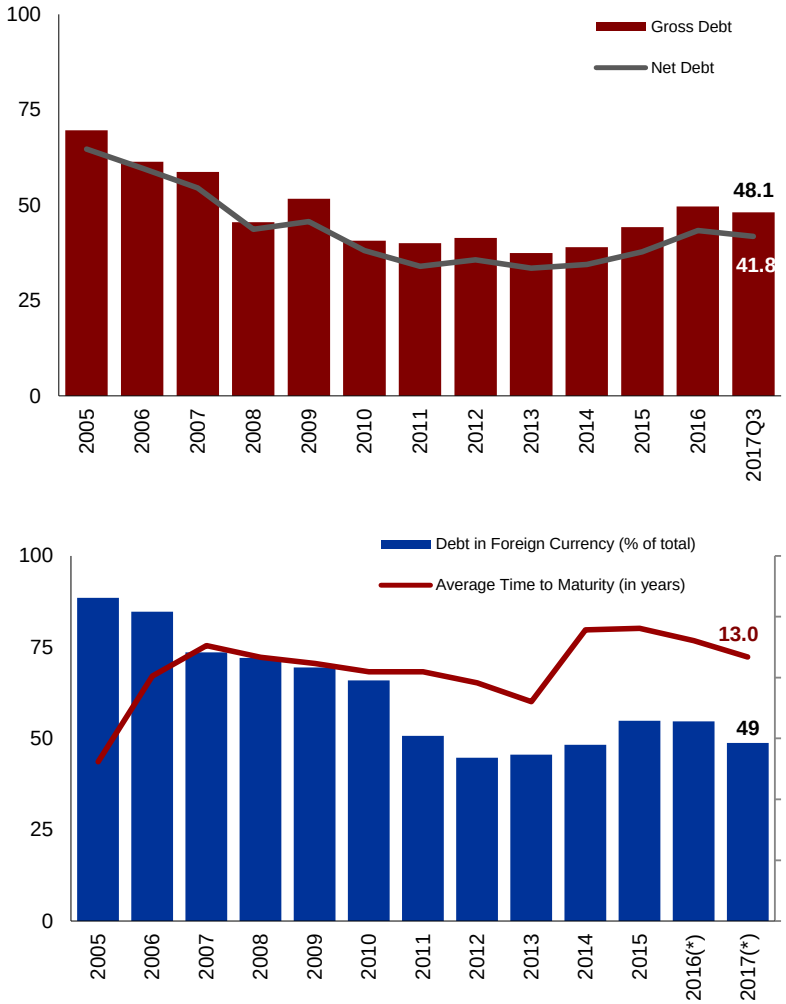
(in USD million, end-period)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017Q3	2017(*)
Gross Debt	12.121	12.046	13.767	13.839	16.376	16.375	19.199	21.191	21.520	22.346	23.581	26.098	27.983	28.421
Total Assets	858	335	985	580	1.891	1.046	2.886	2.935	2.285	2.635	3.446	3.321	3.679	3.208
Liquid Assets	858	335	985	580	1.509	663	2.477	2.395	1.802	2.104	3.001	2.515	2.737	2.246
Net Debt	11.263	11.711	12.782	13.260	14.485	15.329	16.313	18.256	19.235	19.711	20.135	22.778	24.305	25.213
Contingent Credit Lines	0	0	0	400	120	120	1.130	1.390	1.940	1.940	2.167	2.417	2.417	2.417
Memo Item: Nominal GDP (in USD)	17.403	19.630	23.468	30.387	31.703	40.263	47.997	51.229	57.483	57.276	53.293	52.556	58.118	(**)

(*) Preliminary
(**) GDP figures for 2017 to be released by the Central Bank in March 2018
Source: Debt Management Unit

Figure 1. Central Government Debt and Debt Indicators

(in % of GDP)



Source: Debt Management Unit

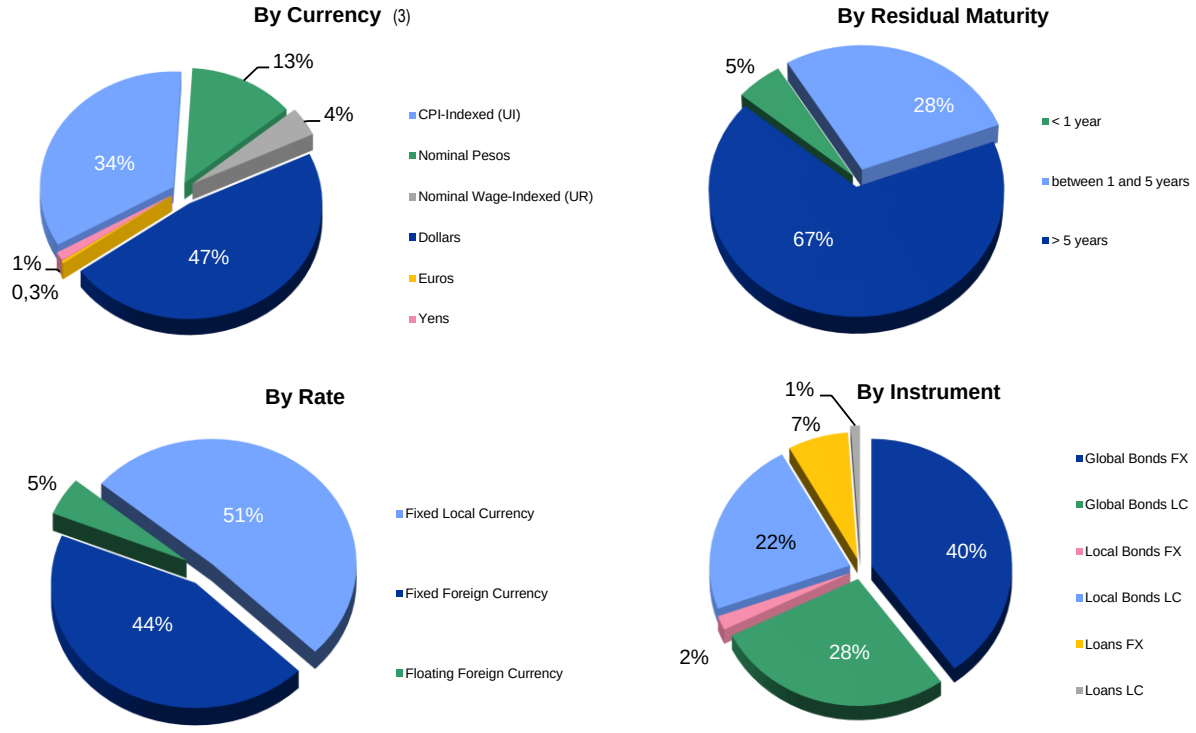
[1] The Central Bank of Uruguay compiles debt statistics for the consolidated Public Sector. This broader institutional coverage includes debt of the Central Government, the Central Bank, Public Enterprises, Local Governments and other public sector entities. As noted in Annex II of the 2015 IMF Article IV Report, Uruguay is a particular case among emerging market economies as it is one of the very few countries to report official debt statistics for the whole public sector, including Central Bank`s liabilities.
The Debt Management Unit of the Ministry of Economy and Finance contributes to the Standardized Public Debt Database of the Inter-American Development Bank LAC Debt Group. The information in the database, provided by the public debt offices of LAC countries, is intended to compile up-to-date standardized statistics for objective and homogeneous definitions of public debt to conduct cross-country comparisons.

Table 2. Composition of Central Government Debt
(in % of total, end-period)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016(*)	2017(*)
By Currency													
Foreign Curreny (FX)	**88**	**85**	**74**	**72**	**69**	**66**	**51**	**45**	**46**	**48**	**55**	**55**	**49**
Dollars	68	77	65	64	63	59	44	40	42	45	52	52	47
Other	21	8	9	8	7	7	6	5	4	3	3	3	2
Local Currency (LC)	**12**	**15**	**26**	**28**	**31**	**34**	**50**	**55**	**54**	**52**	**45**	**45**	**51**
Nominal Pesos	0	0	0	0	0	0	7	9	8	5	6	5	13
CPI-Indexed (UI)	12	15	26	28	31	34	43	46	47	42	35	36	34
Nominal Wage-Indexed (UR)	0	0	0	0	0	0	0	0	0	5	4	4	4
By Residual Maturity													
Short-Term (less than one year)	**16**	**5**	**3**	**2**	**4**	**6**	**3**	**3**	**3**	**4**	**3**	**5**	**5**
Medium and Long Term	**84**	**95**	**97**	**98**	**96**	**94**	**97**	**97**	**97**	**96**	**97**	**95**	**95**
By Rate													
Fixed (1)	**78**	**82**	**83**	**81**	**91**	**88**	**94**	**95**	**95**	**94**	**94**	**94**	**95**
Floating	**22**	**18**	**17**	**19**	**9**	**12**	**6**	**5**	**5**	**6**	**6**	**6**	**5**
By Instrument													
Bonds	**60**	**82**	**83**	**81**	**79**	**81**	**85**	**87**	**90**	**91**	**91**	**91**	**92**
Loans	**40**	**18**	**17**	**19**	**21**	**19**	**15**	**13**	**10**	**9**	**9**	**9**	**8**
By Residency of Holders (2)													
Resident	**43**	**36**	**34**	**38**	**44**	**43**	**48**	**46**	**39**	**37**	**38**	**47**	**49**
Non-Resident	**57**	**64**	**66**	**62**	**56**	**57**	**52**	**54**	**61**	**63**	**62**	**53**	**51**
By Jurisdiction Issued													
Local Market	**22**	**23**	**21**	**16**	**16**	**18**	**25**	**30**	**29**	**29**	**26**	**26**	**24**
Foreign Market	**78**	**77**	**79**	**84**	**84**	**82**	**75**	**70**	**71**	**71**	**74**	**74**	**76**

(*) Preliminary
(1) Includes local currency securities issued at fixed real rate
(2) Information reflects latest data available (2017Q3)
Source: Debt Management Unit

Figure 2. Breakdown of Central Government Debt
(As of end-December 2017)



(3) Foreign currency composition is defined on contractual basis and does not reflect adjustment for FX cross-currency swap operations.

Source: Debt Management Unit

Table 3. Central Government Debt Indicators

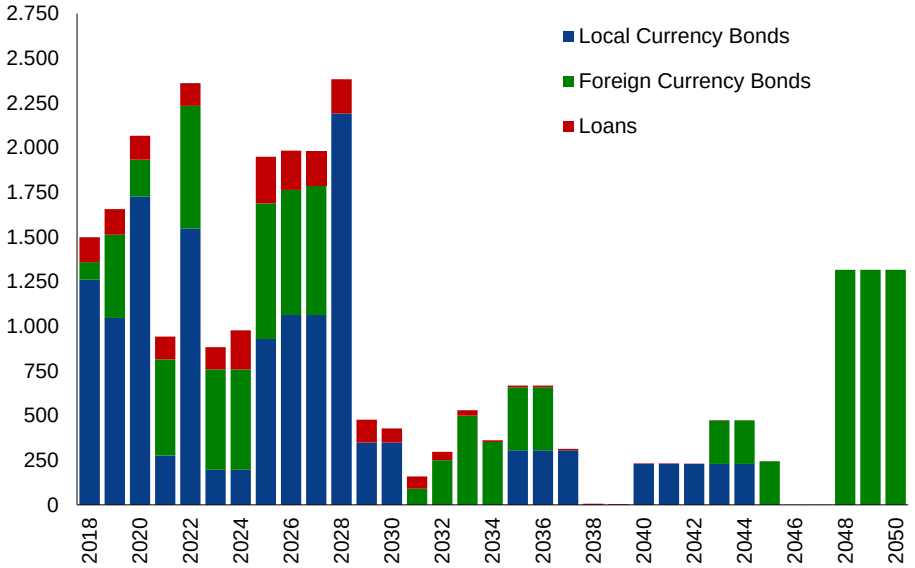
(in %, except where noted; end-period)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016(*)	2017(*)
Roll-Over and Liquidity Risk													
Average Time to Maturity (in years)	**7,9**	**12,1**	**13,6**	**13,0**	**12,7**	**12,3**	**12,3**	**11,7**	**10,8**	**14,4**	**14,4**	**13,8**	**13,0**
Share of debt due in one year	**16,0**	**4,8**	**2,9**	**2,3**	**3,6**	**5,5**	**2,6**	**2,8**	**3,3**	**4,1**	**2,6**	**5,1**	**5,4**
Liquid Assets /Amortization due in one year	**0,3**	**0,4**	**0,7**	**1,6**	**1,4**	**0,7**	**4,0**	**3,7**	**2,7**	**1,9**	**4,8**	**1,9**	**1,5**
Interest Rate Risk													
Duration (in years)	**8,0**	**8,9**	**10,5**	**9,9**	**10,3**	**10,4**	**10,2**	**9,8**	**8,8**	**11,3**	**10,6**	**10,3**	**10,3**
Share of debt that refixes in one year	**33,7**	**21,9**	**18,1**	**20,0**	**10,6**	**15,1**	**6,6**	**6,6**	**8,3**	**7,3**	**6,3**	**8,2**	**9,6**
Average Interest Rate (1)													
Dollars	7,8	7,0	7,1	7,0	6,5	6,5	6,5	6,1	5,6	5,3	5,1	5,1	5,2
Euros	6,9	6,9	6,9	6,9	6,9	6,9	6,9	5,8	5,9	5,9	5,9	5,3	5,3
Yens	2,5	2,5	2,3	2,3	2,3	2,3	1,9	1,9	1,9	1,9	1,9	1,9	1,6
Nominal Pesos							10,6	9,7	9,4	9,6	12,8	13,5	10,9
CPI-Indexed (UI)	5,4	5,3	4,4	4,3	4,3	4,3	4,2	4,0	4,0	3,9	4,0	4,1	4,1
Nominal Wage-Indexed (UR)										2,3	2,3	2,3	2,3

(*) Preliminary
(1) Weighted average
Source: Debt Management Unit

Figure 3. Central Government Redemption Profile, by Instrument

(All values as of end-December 2017, in USD Million)



Source: Debt Management Unit

Table 4. Central Government Flow of Funds

(in USD Million)

	2017(*)	**2018**(*)
USES	**3.575**	**3.077**
Interests Payments	1.558	1.682
Amortizations (a)	1.863	1.535
Primary Deficit (b)	154	-140
SOURCES	**3.575**	**3.077**
Multilaterals Disbursements	149	350
Bond Issuance (c)	3.045	2.700
Net Others	86	187
Use of Assets (d)	294	-160

(*) Preliminary
(a) For 2017 includes repurchases and early bond redemptions for USD 474 million.
(b) Negative value indicates a primary surplus of the Central Government.
(c) Includes both local and international issuances.
(d) Positive indicates a reduction in Central Government reserves.
Source: Ministry of Economy and Finance.

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