

# Uruguay Debt Report



A quarterly report issued by the Debt Management Unit

April 2013

## Executive

**Uruguay prepaid loans with the IDB in conjunction with the approval of a contingent credit line with this institution. These two transactions are part of the same strategy to reduce short-term amortizations (in this case with a cost above the Uruguayan cost of funding in the markets) and strength the financial buffer through contingent credit lines.**

On January 2013, the Government prepaid USD 520 million in nominal value of loans from the Inter –American Development Bank (IDB) with maturities up to 2024. The transaction represented financial savings in terms of present value of around USD 40 million, which comes from the difference between the loans's interest rate and the actual funding cost of the government in the international market at the same tenor. The interest rate of these loans was fixed some years ago, resulting in a significantly higher cost than the Republic's current funding in the market at the same tenor.

The debt prepayment is part of the strategy implemented by the government to diminish the rollover risk of the Central Government debt. Through this operation the average time to maturity of the debt was increased as shorter-term debt was amortized, contributing also to smooth the debt amortization profile. Additionally, the prepayment supports the improvements already achieved in terms of debt-dedollarization, as the prepaid loans were denominated in foreign currency. At the end of March, the debt denominated in local currency reached 59% of the total stock.

The transaction also helped strengthen the country's pre-funding policy, as Uruguay signed a new policy loan with a deferred disbursement option for USD 550 million, the largest amount ever approved for the country. The new policy loan comprises Uruguay's regular IDB allocation for 2013 and another share derived from the Bank's brand-new "Reallocation Program". This product, recently approved by the IDB, provides access to additional resources from the IDB's regular allocation that came from the prepayment of outstanding loans completed in the past January. It's also the first IDB operation structured as a policy loan with a deferred drawn option, being Uruguay the first country to use the new Program.

The loan from the regular allocation is for USD 183.75 million with a final maturity of 20 years (average life up to 12.75 years) and floating interest rate. This loan can be disbursed within a three-year period that can be renewed for an additional three years. The loan that corresponds to the reallocation program is for an amount of USD 366.25 million with a final maturity of 11.5 years and a one-year grace period (average life of 7.75 years) at floating rate. This loan can be disbursed within a three-year period and cannot be renewed.

This new loan provides an immediate source of financing as a formal basis to continue the policy program when no capital market funding is available and can be drawn by the country if required. With this precautionary credit line, the Republic increases its contingent financing (early approved) that helps reduce the country's vulnerability to external shocks. After this, Uruguay's contingent credits lines amount to nearly USD 2 bn (or around 4% of GDP): with CAF for USD 400 million, with FLAR another USD 470 million, with the World Bank a DDO for USD 520 million and the recently approved with IDB for USD 550 million.

Besides keeping the precautionary cash reserves 12-month rule to cover Central Government amortizations for at least one year, the safety network created with contingent lines allows to set-up a more cost-efficient pre-funding policy mix. Within the current international environment of low returns from reserve assets, the maintenance fee of either contingent lines (if any) is financially more convenient than keeping liquid assets in excess.

## Central Government Risk Indicators

	IV.2004	IV.2005	IV.2006	IV.2007	IV.2008	IV.2009	IV.2010	IV.2011	IV.2012 (*)	I.2013 (*)
<b>Roll Over Risk</b>										
ATM (years) <sup>(1)</sup>	7,4	7,9	12,1	13,6	13,0	12,7	12,3	12,3	11,7	11,8
% debt due in one year	11,3%	16,0%	4,8%	2,9%	2,3%	3,6%	5,5%	2,6%	2,8%	2,7%
Tax Revenues /Amortization Payments	1,4	2,6	1,6	6,0	4,6	17,9	7,6	3,6	7,6	4,3 <sup>(3)</sup>
Liquid Assets CG/Amortization Payments due in one year	0,3	0,3	0,4	0,7	1,6	1,4	0,7	4,0	3,7	1,6 <sup>(4)</sup>
<b>Interest Rate Risk</b>										
% debt that reflexes rate in one year	32%	34%	22%	18%	20%	11%	15%	7%	7%	6%
ATR (years) <sup>(2)</sup>	4,9	6,6	11,1	12,3	11,9	12,0	11,3	11,7	11,2	11,4
Duration (years)	5,6	8,0	8,9	10,5	9,9	10,3	10,4	10,2	9,7	10,0
% Debt with Fixed Rate	77%	78%	82%	83%	81%	91%	88%	94%	95%	95%
% Debt with Floating Rate	23%	22%	18%	17%	19%	9%	12%	6%	5%	5%
<b>Foreign Currency Risk</b>										
% debt in Local Currency	11%	11%	15%	26%	28%	31%	34%	49%	55%	59%
% debt in Foreign Currency	89%	89%	85%	74%	72%	69%	66%	51%	45%	41%
<b>Debt Composition by Instrument</b>										
Loans	44%	40%	18%	17%	19%	21%	19%	15%	13%	10%
Bonds	56%	60%	82%	83%	81%	79%	81%	85%	87%	90%
<b>Debt Composition by Jurisdiction</b>										
Local Market	22%	22%	23%	21%	16%	16%	18%	25%	30%	32%
External Market	78%	78%	77%	79%	84%	84%	82%	75%	70%	68%
<b>Average interest rate (annual % by currency)</b>										
Dollars	6,1	7,8	7,0	7,1	7,0	6,5	6,5	6,5	6,1	6,1
Units Linked to CPI	7,1	5,4	5,3	4,4	4,3	4,3	4,3	4,2	4,1	4,0
Uruguayan Pesos								10,6	9,7	9,7
Euros	6,9	6,9	6,9	6,9	6,9	6,9	6,9	6,9	5,8	5,8
Yens	2,5	2,5	2,5	2,3	2,3	2,3	2,3	1,9	1,9	1,9

(\*) Preliminary Data

(1) Average time to Maturity

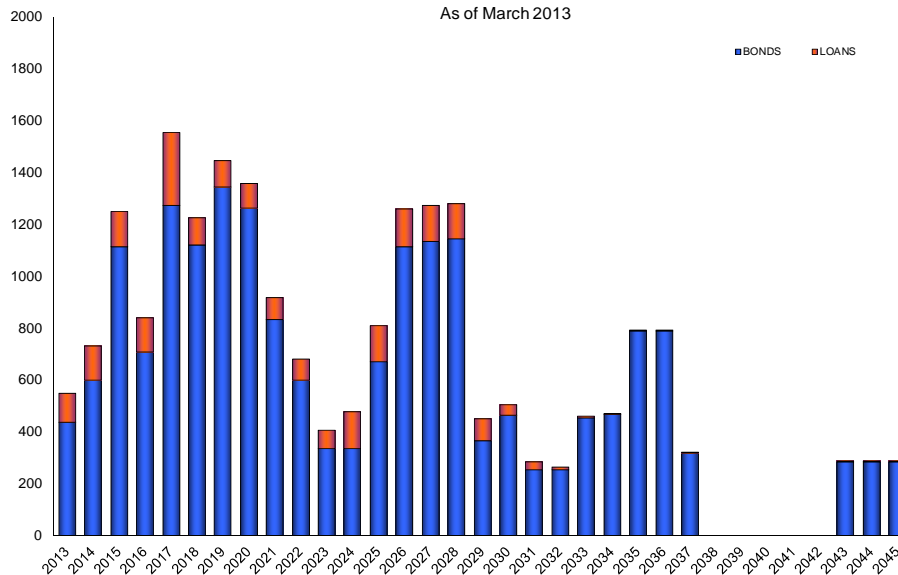
(2) Average time to Refix

(3) 12 months period ended Feb 2013

(4) Amortizations of the next 12 months starting in April 2013

## Central Government Debt Profile

USD Million



## Central Government Flow of Funds

USD Million

	2011	2012(*)	2013(*)
<b>USES</b>	<b>3976</b>	<b>2689</b>	<b>3109</b>
Interests Payments	1170	1163	1416
Amortizations	2736	1227	1126
Loans	457	186	647
Bonds	2280	1041	478
Others	69	299	567
<b>SOURCES</b>	<b>3976</b>	<b>2689</b>	<b>3109</b>
Primary Surplus	884	195	253 <sup>(1)</sup>
Multilaterals Disbursements	237	186	83
Issuances	4673	2436	1250
Others	119	92	258
Use of Assets**	-1937	-219	1264

(\*) Preliminary Data

(1) Source: Macroeconomic and Financial Advisory Unit Preliminary Estimate

\*\* Positive indicates a reduction in reserves

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