

# Uruguay Sovereign Debt Report



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

January 2016

## Highlights

**Central Government's debt service obligations in 2016 are estimated at around USD2.0 billion (3.3% of GDP), while liquid assets stand at 5.5% of GDP. The government still intends to issue in international markets in 2016 to meet its prefunding policy for 2017.**

During 2015 the Central Government undertook liability management operations (in both local and external markets) to further improve its debt profile and buttress its liquidity position. As of end-December 2015, cash reserves of the Central Government stood at around **5.5% of GDP (USD3.0 billion approx.)**<sup>1</sup>, while total gross financing needs for this year are estimated at **3.8% of GDP (USD2.2 billion approx.)**, of which USD2.0 billion is debt service). See table below for details.

**Central Government Flow of Funds 2016 (\*)**  
(in USD million)

| <b>USES</b>                    | <b>2.072</b> |
|--------------------------------|--------------|
| Interests Payments             | 1.400        |
| Amortizations                  | 623          |
| Others                         | 49           |
| <b>SOURCES</b>                 | <b>2.072</b> |
| Primary Balance <sup>(1)</sup> | -100         |
| Multilaterals Disbursements    | 500          |
| Bond Issuance                  | 1.500        |
| Others                         | 134          |
| Use of Assets (**)             | 38           |

(\*) Projected

(\*\*) Positive indicates a reduction in reserves

(1) Source: Macroeconomic and Financial Advisory Unit

While the government can amply cover its debt obligations during the calendar year, it still intends to issue in international markets in 2016 in line with its prefunding policy for 2017. A pillar of the debt management strategy is to keep a healthy currency mix, including by diversifying across hard-currencies the sovereign debt portfolio.

Subject to market conditions, overall bond issuance is estimated at around UD1.5bn for this year. Compared with previous years, the government is planning to rely relatively more on loans from multilateral organizations.

## New domestic market issuance calendar

On December 1<sup>st</sup>, the Central Government announced its issuance calendar in the domestic market for the period December 2015-May 2016. The Government continues reopening the CPI-linked (UI) Treasury Notes issued on April 2014 and due on April 2020 (Series 20). In addition, it started the issuance of a new CPI-linked (UI) Treasury Notes due 2018 (Series 22) that works as a benchmark in the middle-to-short section of the curve. Notes will continue to be auctioned every month until May 2016. The estimated nominal issuance amounts on each auction are UI 150 million (USD 15.5 million) and UI 100 million (USD 10.5 million) for the 2018 and 2020 Notes respectively.

For the first two months of the auction program, overall issuance amounted to UI 729 million, 1.5 times the amount originally targeted— despite a significantly more challenging environment for local currency deals. For more information please access the [Press Release](#) or visit the [DMU's website](#).

<sup>1</sup> The government's reserve buffers are underpinned by an additional **4.0% of GDP** in precautionary credit lines with multilateral institutions.

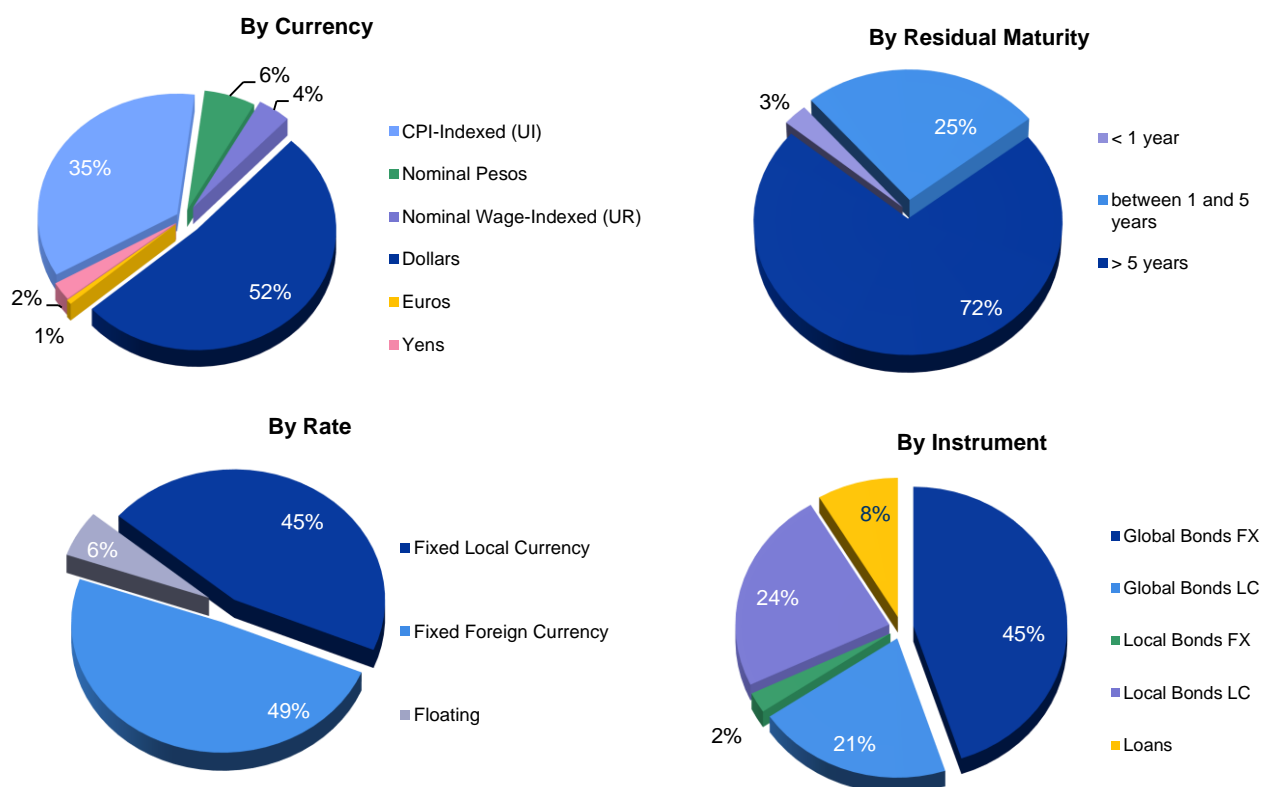
**Table 1. Composition of Central Government Debt**  
(in % of total, year-end)

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

(\*) Preliminary

(1) Includes local currency securities issued at fixed real rate

**Figure 1. Breakdown of Central Government Debt**  
(As of December 2015)



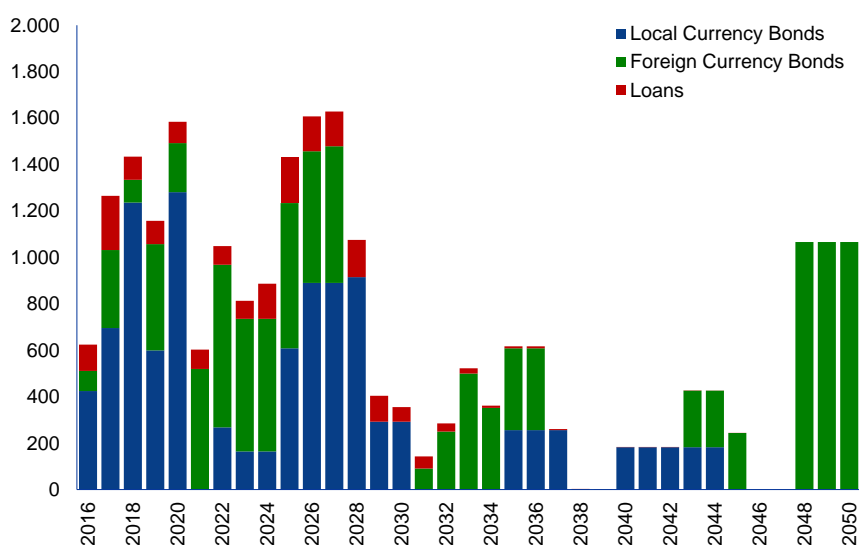
Source: Debt Management Unit

**Table 2. Central Government Debt Indicators**  
(in %, except where noted; year-end)

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

(\*) preliminary

**Figure 2. Central Government Redemption Profile, by Instrument**  
(As of December 2015, in USD Million)



Source: Debt Management Unit

**Table 3. Central Government Flow of Funds**  
(in USD Million)

|                                | 2015(*)      | 2016(*)      |
|--------------------------------|--------------|--------------|
| <b>USES</b>                    | <b>3.254</b> | <b>2.072</b> |
| Interests Payments             | 1.271        | 1.400        |
| Amortizations                  | 1.640        | 623          |
| Loans                          | 115          | 113          |
| Bonds                          | 1.525        | 510          |
| o/w Prepayments                | 605          | 0            |
| Others                         | 344          | 49           |
| <b>SOURCES</b>                 | <b>3.254</b> | <b>2.072</b> |
| Primary Balance <sup>(1)</sup> | -250         | -100         |
| Multilaterals Disbursements    | 136          | 500          |
| Bond Issuance                  | 4.157        | 1.500        |
| Others                         | 227          | 134          |
| Use of Assets <sup>(**)</sup>  | -1.017       | 38           |

(\*) Preliminary data

(\*\*) Positive indicates a reduction in reserves

(1) Source: Projection from the Macroeconomic and Financial Advisory Unit at the Ministry of Economy and Finance

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