

Public Debt Coordination Committee Press Release

The Public Debt Coordination Committee (PDCC), headed by the Manager of Economic Policy Markets of the Central Bank of Uruguay (BCU) and the Director of the Debt Management Unit at the Ministry of Economy and Finance (MEF), gathered on April 2nd, 2020.

During the meeting, the following agenda was covered:

- **Government's external financing strategy amidst the COVID health emergency.** As has been witnessed in most countries around the world, the disruption in economic activity from the COVID-19 virus spread in Uruguay and the ensuing government's response, will lead to an increase in financing needs in the short term. At the same time, international financial markets have experienced surges in volatility, and dollar interest rates have fallen across the maturity spectrum. In this context, the Committee analyzed different external financing alternatives, both market-based and from multilateral organizations.

The Committee underlined the advantages offered by loan disbursements from multilateral organizations within his context. First, it provides quick access to funding, without conditionality, and for a large amount, since all the contractual terms have been previously agreed and approved. Second, the financing cost of these loans has been substantially reduced, in line with the decrease in LIBOR rates. Third, they provide greater flexibility to the financing strategy, enabling to choose across different currencies, terms and repayment conditions.

The government will continue to monitor the evolution of the external market, looking for cost-efficient windows of opportunity to tap the bond market. However, the financing flexibility built in recent years through precautionary credit lines makes it possible to asses, without urgency, favorable opportunities to access the global market.

- **Evolution of the domestic market for government securities in recent months.** Committee members exchanged their views on recent developments in the domestic financial markets, since the onset of the COVID-19 crisis. They assessed the way changes in domestic investors' preferences have affected the FX market and issuance strategy of public securities by both institutions. The Ministry of Finance and the Central Bank will retain flexibility in their respective issuance programs, reconciling the goals of budgetary financing and monetary policy, respectively, with changes in portfolio preferences and the demand for money. The members of the Committee stressed the importance of close coordination between both institutions in this context, which allows consolidating a common view on the absorption capacity of the domestic market, the price formation process, and the dynamics of the secondary market for public sector securities.

The next Committee meeting will take place in June 2020.