

Uruguay Debt Report



A quarterly report issued by the Debt Management Unit

July 2012

Executive

The Central Government will restart its issuances in the domestic market in local currency to further improve the local debt market consistent with the Financial Strategy present in the Annual Budget Law ("Rendición de Cuentas"). The Government announced an Issuance Program for the next six months that offers transparency and predictability to the market, and also provides a steady supply of benchmark bonds.

The Central Government seeks to implement an issuance strategy that will increase the efficiency of the government securities market in Uruguay and provide a sound basis for further financial market development. The Central Government presents an Issuance Program for the next six months that offers transparency and predictability to the market, and also provides a steady supply of benchmarks bonds. The Program consists of issuances in local currency in the domestic market in line with the objective of promoting the local debt market, and as part of its prefunding policy (especially in light of the uncertainty about the international economic situation). Also, the issuance program in local currency contributes to the objective of dedollarization of the debt.

It is part of the strategy for 2012, to continue improving the efficiency of the peso and CPI linked yield curves in standardized points of reference. Regarding the nominal peso curve, the Government will issue a new 3 year peso Note with final maturity in 2015. For the CPI linked curve, the bonds that will be offered have a maturity of 5 years (Final maturity at 2017) and 10 years (Final Maturity at 2022).

The total amount to be issued per month is planned to be around the equivalent of USD 100 million. The Government will issue twice in a month according to the following scheme: the 3 years Nominal Peso Note will be issued every month, and each of the CPI Treasury Notes will be reopened every two months. Reducing the frequency of the regular auctions is expected to enhance activity in the secondary market and improve the efficiency of the yield curve.

Emphasis will be placed on the continued effort to build up benchmark series. Total Treasury bond issuances for the period August 2012- January 2013 is planned to be the equivalent of USD 600 million. Estimated nominal issuance in individual series is set forth in the following table:

Bond Series	Benchmark size (USD million equivalent)	Preliminary issuance amount per auction (USD million equivalent)
3 Years Peso Note	Around 400	40
5 Years CPI Note	Around 400	80
10 Years CPI Note	Around 500	40

Following this auction scheme, the benchmark size for the three instruments is expected to be reached in 9 months, 11 months, and 24 months for the 3 year Peso Note, 5 year CPI Note, and 10 year CPI note, respectively. But this can be accelerated as the Government has the legal capability to accept up to 200% of the total amount offered for each series.

Auctions Final Amounts and any further information on issuances on individual series of bonds will be posted one week prior to the auction date on deuda.mef.gub.uy, Debt Management Unit (DMU) website and www.bcu.gub.uy Central Bank of Uruguay (CBU) website.

The auction will be structured as a single-price auction; all accepted bids will be offered to investors at the same price. Uruguay will announce the price and the amount accepted around one hour after the closing of the auction on the DMU and BCU websites. Settlement will be held on the next business day after the auction date.

The announced plan remains subject to further changes depending on market conditions. Central Government intends to follow the presented plan in order to improve domestic market performance.

Central Government Risk Indicators

	IV.2004	IV.2005	IV.2006	IV.2007	IV.2008	IV.2009	IV.2010	IV.2011	I.2012	II.2012
Roll Over Risk										
ATM (years) ⁽¹⁾	7,4	7,9	12,1	13,6	13,0	12,7	12,3	12,3	11,9	11,3
% debt due in one year	11,3%	16,0%	4,8%	2,9%	2,3%	3,6%	5,5%	2,6%	2,8%	3,1%
Tax Revenues /Amortization Payments	1,4	2,6	1,6	6,0	4,6	17,9	7,6	6,8	8,3 ⁽³⁾	3,9 ⁽³⁾
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	4,2 ⁽⁴⁾	5,3 ⁽⁴⁾
Interest Rate Risk										
% debt that refixes rate in one year	32%	34%	22%	18%	20%	11%	15%	7%	6%	8%
ATR (years) ⁽²⁾	4,9	6,6	11,1	12,3	11,9	12,0	11,3	11,7	11,3	10,7
Duration (years)	5,6	8,0	8,9	10,5	9,9	10,3	10,4	10,2	9,9	9,2
% Debt with Fixed Rate	77%	78%	82%	83%	81%	91%	88%	94%	94%	94%
% Debt with Floating Rate	23%	22%	18%	17%	19%	9%	12%	6%	6%	6%
Foreign Currency Risk										
% debt in Local Currency	11%	11%	15%	26%	28%	31%	34%	49%	53%	50%
% debt in Foreign Currency	89%	89%	85%	74%	72%	69%	66%	51%	47%	50%
Debt Composition by Instrument										
Loans	44%	40%	18%	17%	19%	21%	19%	15%	14%	14%
Bonds	56%	60%	82%	83%	81%	79%	81%	85%	86%	86%
Debt Composition by Jurisdiction										
Local Market	22%	22%	23%	21%	16%	16%	18%	25%	29%	27%
External Market	78%	78%	77%	79%	84%	84%	82%	75%	71%	73%
Average interest rate (annual % by currency)										
Dollars	6,1	7,8	7,0	7,1	7,0	6,5	6,5	6,5	6,5	6,3
Units Linked to CPI	7,1	5,4	5,3	4,4	4,3	4,3	4,3	4,1	4,0	4,0
Uruguayan Pesos								10,6	10,2	10,2
Euros	6,9	6,9	6,9	6,9	6,9	6,9	6,9	6,9	6,9	6,9
Yens	2,5	2,5	2,5	2,3	2,3	2,3	2,3	1,9	1,9	1,9

(1) Average time to Maturity

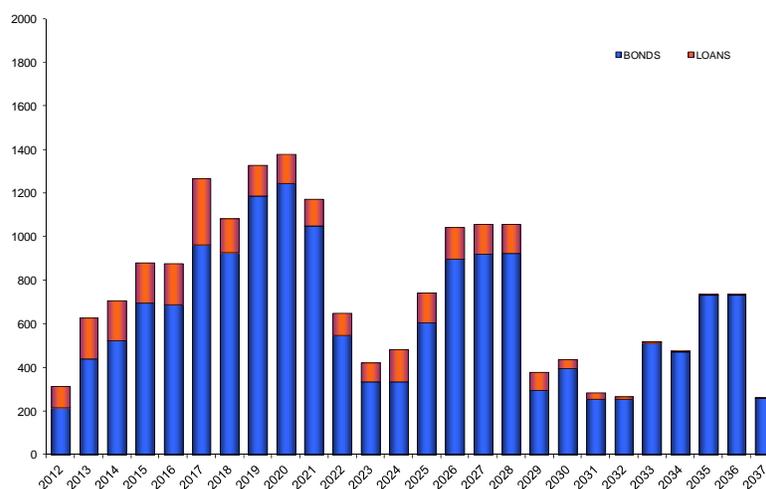
(2) Average time to Refix

(3) 12 months period ended May 2012

(4) Amortizations of the next 12 months starting in May 2012

Central Government Debt Profile

USD Million



Central Government Flow of Funds

USD Million

	2011	2012	2013
USES	3976	2073	1970
Interests Payments	1170	1174	1278
Amortizations	2736	611	643
Loans	457	190	189
Bonds	2280	421	454
Others	69	288	49
SOURCES	3976	2073	1970
Primary Surplus	892	602 ⁽¹⁾	729 ⁽¹⁾
Multilaterals Disbursements	237	190	188
Issuances	4673	1500	1200
Others	119	92	147
Use of Assets*	-1945	-311	-294

*Positive indicates a reduction in reserves

(1) Source: Macroeconomic and Financial Advisory Unit

DEBT MANAGEMENT UNIT
CONTACT INFORMATION

☎ +598 2 1712 ext. 2957

Email: debtinfo@mef.gub.uy

Web site: deuda.mef.gub.uy

Azucena Arbeleche, Director

Victoria Buscio

Antonio Juambeltz

Rodrigo Saráchaga

Juan Siutto