Uruguay
Sovereign Debt Report

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

October 2015

Highlights

- Uruguay issued a new 2027 dollar-denominated global bond and concurrently executed an intraday liability-management operation. The transaction supports the pre-funding policy of the Central Government, while creating a new benchmark in the mid-section of the dollar curve.
- DMU swapped foreign currency-denominated multilateral loans to Uruguayan Pesos
- R&I affirmed BBB- and changed rating outlook from Stable to Positive.

New Global Bond Issuance and Tender Offer

On October 19th, Uruguay issued a new USD global bond amortizing in 2027 (with an average life of 11 years.) Alongside the new issue, Uruguay announced a tender offer targeting shorter global USD bonds (maturing in 2017, 2022, 2024, and 2025). Holders were given the opportunity to either "switch" into the new issue (preferred tenders) or sell them for cash. Both legs of the operation were launched concurrently and executed intra-day.

The transaction was announced with initial price thoughts of T+265 bps area. On the back of a strong book, the guidance swiftly became T+250±5. The strength of demand (USD3.2bn) allowed Uruguay to price the USD1.7bn bond at a yield of 4.475%, with a spread of 245 bps and an estimated new issue premium (NIP) of 13.5bps.[1] The transaction marked the lowest "10 year" dollar coupon ever achieved by the Republic.

Of the total bond issuance, USD1.2bn was new cash and the remainder was used to finance preferred tenders. The sovereign accepted only those bonds maturing in 2024s, thus marginally increasing the average maturity of the debt portfolio. The main goal of the LM operation, however, was to establish the 2027 as new mid-section reference in the USD curve, reinforcing its benchmark status by increasing it's outstanding. The Republic target the 2024 for two reasons: (i) it was the cheapest above par, thus minimizing the increase in gross debt associated with the tender, and (ii) to switch investor attention away from the former on-the-run 2024 bond which had the largest outstanding.

Through this operation, the Central Government further buttressed its liquidity position as part of its pre-funding policy and with a view on the impending normalization of monetary policy in the US. Liquid assets increased to around 6.4% of GDP— enough to cover more than one and a half years of future debt service. Reserve buffers are underpinned by an additional 3.9% of GDP in contingent credit lines with multilateral institutions.

This transaction represented Uruguay's first issuance under the 2014 ICMA Collective Action Clauses (CACs) and Pari Passu language recommendation.

DMU swapped foreign currency-denominated multilateral loans to Uruguayan Pesos

As part of its strategy to manage currency risk in the debt portfolio, the DMU swapped during September loans from multilateral banks denominated in foreign currency into Uruguayan Pesos. The DMU will continue its proactive management of the FX exposure of its portfolio by seeking conversion of other loans from multilateral and development banks.

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[1] With Uruguay's USD 2024s trading at T+192bps and with a curve extension cost of around 35bps (2024 to 2027), the implied new issue premium (NIP) was about 13.5bps.

R&I affirmed Uruguay's ratings at BBB- and changed outlook to Positive from Stable.

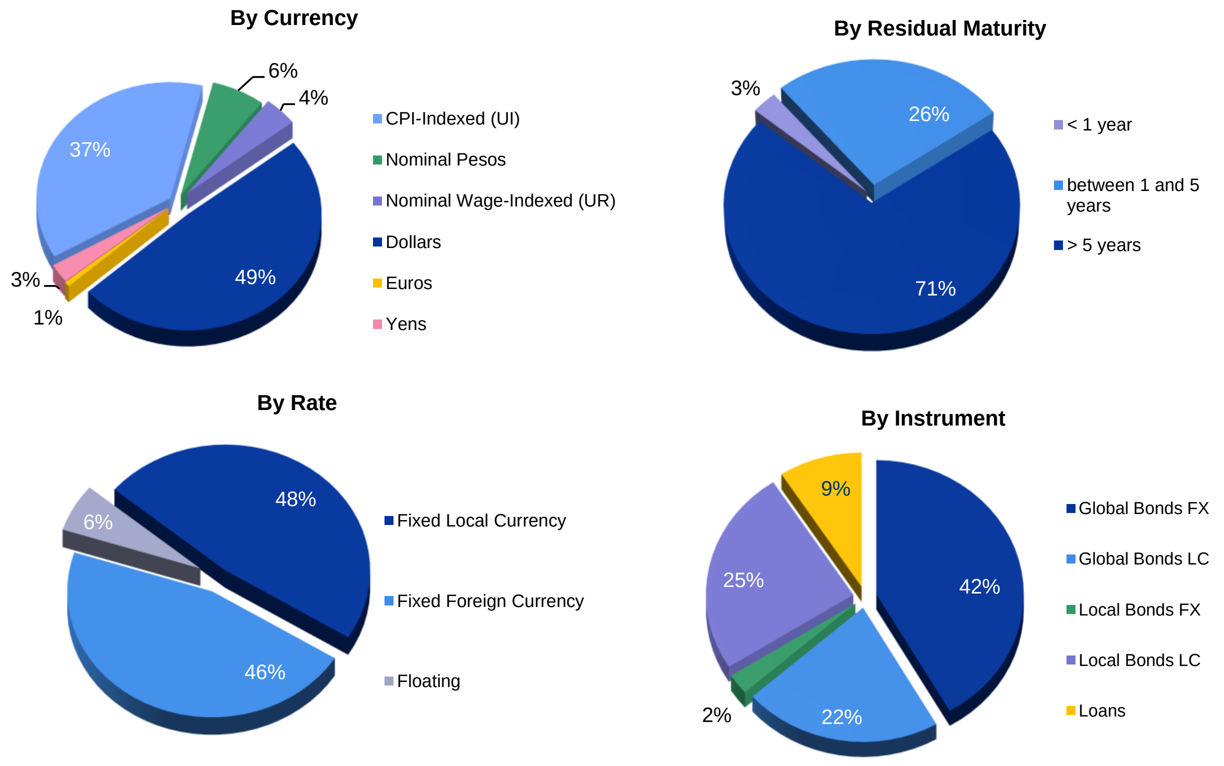
On August 31st, Rating and Investment (R&) affirmed the Foreign Currency Issuer Rating of BBB- and changed the Rating Outlook to Positive. The credit-rating agency emphasized Uruguay’s relatively stable economic and fiscal prospects amid the harsh external environment. R&I considers that if Uruguay's economy is able to expand stably amid such circumstances while keeping the fiscal and external deficits in check, the possibility of a rating upgrade will increase.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014(*)	III.2015(*)
By Currency												
Foreign Curreny	**89**	**88**	**85**	**74**	**72**	**69**	**66**	**51**	**45**	**46**	**48**	**52**
Dollars	62	68	77	65	64	63	59	44	40	42	45	49
Other	26	21	8	9	8	7	7	6	5	4	3	3
Domestic Currency	**11**	**12**	**15**	**26**	**28**	**31**	**34**	**50**	**55**	**54**	**52**	**48**
Nominal Pesos	0	0	0	0	0	0	0	7	9	8	5	6
CPI-Indexed (UI)	11	12	15	26	28	31	34	43	46	47	42	37
Nominal Wage-Indexed (UR)	0	0	0	0	0	0	0	0	0	0	5	4
By Residual Maturity												
Short-Term (less than one year)	**11**	**16**	**5**	**3**	**2**	**4**	**6**	**3**	**3**	**3**	**4**	**3**
Medium and Long Term	**89**	**84**	**95**	**97**	**98**	**96**	**94**	**97**	**97**	**97**	**96**	**97**
By Rate												
Fixed (1)	**77**	**78**	**82**	**83**	**81**	**91**	**88**	**94**	**95**	**95**	**94**	**94**
Floating	**23**	**22**	**18**	**17**	**19**	**9**	**12**	**6**	**5**	**5**	**6**	**6**
By Instrument												
Bonds	**56**	**60**	**82**	**83**	**81**	**79**	**81**	**85**	**87**	**90**	**91**	**91**
Loans	**44**	**40**	**18**	**17**	**19**	**21**	**19**	**15**	**13**	**10**	**9**	**9**
By Jurisdiction Issued												
Local Market	**22**	**22**	**23**	**21**	**16**	**16**	**18**	**25**	**30**	**29**	**29**	**27**
Foreign Market	**78**	**78**	**77**	**79**	**84**	**84**	**82**	**75**	**70**	**71**	**71**	**73**

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

Breakdown of Central Government Debt
(As of September 2015)



Source: Debt Management Unit

Central Government Debt Indicators

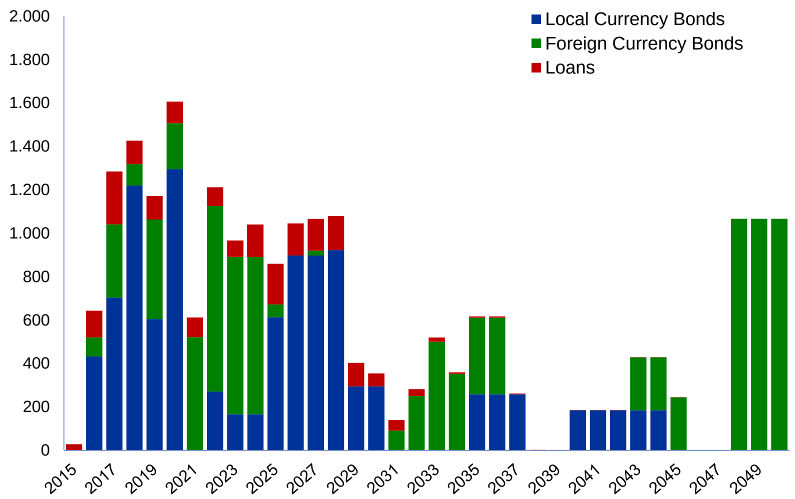
(in %, except where noted; end-period)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014(*)	III.2015(*)
Roll-Over and Liquidity Risk												
Average Time to Maturity (in years)	**7,4**	**7,9**	**12,1**	**13,6**	**13,0**	**12,7**	**12,3**	**12,3**	**11,7**	**10,8**	**14,4**	**15,3**
Share of debt due in one year	**11,3**	**16,0**	**4,8**	**2,9**	**2,3**	**3,6**	**5,5**	**2,6**	**2,8**	**3,3**	**4,1**	**2,9**
Liquid Assets /Amortization due in one year	**0,3**	**0,3**	**0,4**	**0,7**	**1,6**	**1,4**	**0,7**	**4,0**	**3,7**	**2,7**	**1,9**	**3,7**
Interest Rate Risk												
Duration (in years)	**5,6**	**8,0**	**8,9**	**10,5**	**9,9**	**10,3**	**10,4**	**10,2**	**9,8**	**8,8**	**11,3**	**11,4**
Share of debt that refixes in one year	**32,3**	**33,7**	**21,9**	**18,1**	**20,0**	**10,6**	**15,1**	**6,6**	**6,6**	**8,3**	**7,3**	**6,5**
Average Interest Rate												
Dollars	6,1	7,8	7,0	7,1	7,0	6,5	6,5	6,5	6,1	5,6	5,3	5,2
Euros	6,9	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	2,5	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)	7,1	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

Central Government Redemption Profile

(As of September 2015, in USD Million)



Central Government Flow of Funds

(in USD Million)

	2015(*)	2016(*)
USES	**3.257**	**2.091**
Interests Payments	1.274	1.393
Amortizations	1.640	649
Loans	115	123
Bonds	1.525	525
Others	344	49
SOURCES	**3.257**	**2.091**
Primary Balance (1)	0	30
Multilaterals Disbursements	110	120
Issuances	4.154	1.550
Others	228	206
Use of Assets (**)	-1.235	185

(*) Preliminary data

(**) positive indicates a reduction in reserves

(1) Source: Projection from the Macroeconomic and Financial Advisory Unit

Source: Debt Management Unit

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