

Uruguay *Debt Report*



A quarterly report issued by the Debt Management Unit

April 2011

Executive

Economy Minister Fernando Lorenzo said in a working lunch with local executives that in 2011, Uruguay is going to achieve the conditions that will enable the Republic to achieve investment grade. The Minister pointed out that the objective of reaching 55% of debt denominated in foreign currencies (which was the target for 2014), will be reached this year. In line with this objective the Government continues to work in the reduction of roll-over and interest risk. This quarterly report presents the set of risk indicators used by the government in the design and execution of its financial strategy.

The Ministry of Economy and Finance, through the Debt Management Unit (DMU), identifies and quantifies the risks of the central government debt portfolio in order to design an adequate funding strategy in line with its indebtedness guidelines. At the same time, the establishment and strengthening of data dissemination of public debt statistics enhances transparency in debt management and provides relevant information for investors, ratings agencies, other government agencies, and for the general public. The main risks managed by the DMU are: roll-over risk, interest rate risk, and foreign exchange risk, which are identified by the following indicators:

Refinancing risk.

Refinancing risk is measured by the Average Time to Maturity expressed in years (ATM), the percentage of debt maturing in the next year and the amortization profile.

In addressing liquidity risk, the DMU calculates the number of times the Central Government Liquid Assets cover the debt service paid in the next 12 months (amortization of principal) and the number of times that tax revenues for the period cover the debt service payments for the same period (payments of principal).

Interest rate risk.

Interest risk is calculated using four different measures: duration¹, Average Time to Refix (ATR), both expressed in years, the percentage of debt that refixes the interest rate in one year and the debt composition by type of interest rate (Fixed and Floating). It is worth noting that debt instruments in Units Linked to CPI are defined as a subtype of the fixed rate.

Foreign Exchange risk.

To measure exchange rate risk, the DMU calculates the share of debt in foreign currency and local currency over the total stock of debt. Debt is broken down according to its actual currency of denomination: debt in local currency (nominal pesos and units linked to CPI), debt in U.S. dollars, and debt in other foreign currencies.

Others Indicators.

- Debt Composition by instruments: Public securities issued by the Central government under local or international jurisdiction, and the total of loans signed by it.
- Debt Composition by Jurisdiction. Local Market instruments include Public Securities issued in local jurisdiction and loans with locals Banks,² and external market includes Public Securities issued by international jurisdiction and international loans signed with official creditors.
- Average cost of Debt Portfolio. This rate is calculated for each debt in different currencies as the average coupon expressed in annual percentage.

All liabilities and assets are measured at nominal value, except for zero coupon Treasury Bonds and Treasury Bills,³ which are presented in face value (nominal value minus interest). The local currency-denominated debt is converted into dollars using the average interbank exchange rate established in the statistics on the last day of that quarter. The liabilities denominated in other currencies are converted into dollars using the exchange rate of the last day of the quarter of reference. In the case of inflation-indexed instruments, these are valued using CPI indexed unit (UI) of the last day of the quarter of reference. Principal and interests repayments are projected with assumptions of inflation and devaluation estimated by the Macroeconomics and Financial Counseling of the Ministry of Economy and Finance. Bloomberg is used for projecting the prices of others currencies and interest rates.

¹ Using a discount rate equal to zero.

² At the moment there are no obligations for that concept.

³ Currently, there are no obligations under this concept.

Central Government Risk Indicators

	IV.2004	IV.2005	IV.2006	IV.2007	IV.2008	IV.2009	IV.2010	I.2011
Roll Over Risk								
ATM (years) ⁽¹⁾	7,4	7,9	12,1	13,6	13,0	12,7	12,3	12,2
% debt due in one year	11,3%	16,0%	4,8%	2,9%	2,3%	3,6%	5,5%	4,0%
Tax Revenues /Amortization Payments	1,4	2,6	1,6	6,0	4,6	17,9	7,6	7,6 ⁽³⁾
Liquid Assets CG/Amortization Payments due in one year	0,3	0,3	0,4	0,7	1,6	1,4	0,7	1,8 ⁽⁴⁾
Interest Rate Risk								
% debt that refixes rate in one year	32%	34%	22%	18%	20%	11%	15%	9%
ATR (years) ⁽²⁾	4,9	6,6	11,1	12,3	11,9	12,0	11,3	11,5
Duration (years)	5,6	8,0	8,9	10,5	9,9	10,3	10,4	10,3
% debt with Fixed Rate	77%	78%	82%	83%	81%	91%	88%	91%
% debt with Floating Rate	23%	22%	18%	17%	19%	9%	12%	9%
Foreign Currency Risk								
% debt in Local Currency	11%	11%	15%	26%	28%	31%	34%	41%
% debt in dollars	62%	64%	77%	65%	64%	63%	59%	54%
% debt in others currencies	26%	25%	8%	9%	8%	7%	7%	5%
Debt Composition by Instrument								
Loans	44%	40%	0%	17%	19%	21%	19%	18%
Bonds	56%	60%	0%	83%	81%	79%	81%	82%
Debt Composition by Jurisdiction								
Local Market	22%	22%	23%	21%	16%	16%	18%	25%
External Market	78%	78%	77%	79%	84%	84%	82%	75%
Average interest rate (annual % by currency)								
Dollars	6,1	7,8	7,0	7,1	7,0	6,5	6,5	6,3
Units Linked to CPI	7,1	5,4	5,3	4,4	4,3	4,3	4,3	4,2
Uruguayan Pesos								9,4
Euros	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	2,2

(1) Average time to Maturity

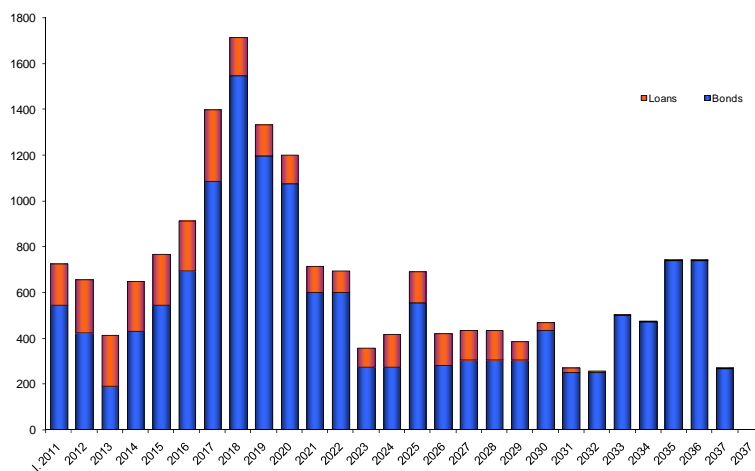
(2) Average time to Refix

(3) 12 month period ended february 2011

(4) Amortizations of the next 12 months starting in February 2011

Central Government Debt Profile

USD Million



Central Government Flow of Funds

USD Million

	2010	2011
USES	2251	2259
Interests Payments	948	1068
Amortizations	1156	1022
Loans	519	215
Bonds	637	807
Others	147	168
SOURCES	2251	2259
Primary Surplus	471	489
Multilaterals Disbursements	74	250
Issuances	594	1710
Others	154	123
Use of Assets*	957	-313

*Positive indicates a reduction in reserves

DEBT MANAGEMENT UNIT
CONTACT INFORMATION

☎ +598 2 1712 ext. 2957

Email: debtinfo@mef.gub.uy

Azucen Arbeleche, Director

Victoria Buscio

Antonio Juambeltz

Rodrigo Sarachaga