

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 July 2nd, 2020.

During the meeting, the following agenda was covered:

- **Assessment of the government recent global transaction in local currency and dollars.** The international transaction executed on June 24th, which allowed the government to make considerable progress in its financing program for this year, was analyzed. Mainly, the government managed to obtain sizeable and long-term funding in local currency (CPI-linked) at competitive rates—despite the current context of uncertainty and volatility marked by the global pandemic. Reducing the dependence on foreign currency funding will help mitigate the exposure to foreign exchange risk of the government debt portfolio, which is a key credit metric monitored by rating agencies, analysts and investors.

The Committee assessed as essential the previous work carried out jointly by the Ministry of Economy and Finance and the Central Bank, in coordination with the deal book-runners, carrying an open dialogue with a wide spectrum of domestic and international investors. This marketing exercise through virtual platforms was key to identify and create appetite for local currency bonds in a critical and diversified mass of investors, particularly foreigners. Until then, international investors had only participated in issuances from emerging countries denominated in “hard” currencies.

Committee members agreed that, in addition to the country's institutional and political strength, the government's approach towards the Covid-19 epidemic made a decisive contribution to the results achieved in the transaction.

- **Analysis of the evolution of public securities market in recent months.** Committee members exchanged their views on how the public debt market (Monetary Regulation Bills and Treasury Notes) evolved in the four months following the outbreak of Covid-19 on global financial markets. The Central Bank highlighted the reduction in the average rates of return of the monetary regulation bills, with a downward adjustment of the average yield curve of approximately 100 basis points. The government emphasized the issuances made during the first semester of this year, nearly doubled the base amount announced in December of last year, having been able to refinance all of the Treasury Notes due in 2020. Lastly, the government shared the domestic Treasury Notes issuance schedule for the second half of 2020 presented on June 30, comprised of issuances linked to CPI and nominal wages.

- **Actions to continue strengthening the exchange-rate hedging strategies of public enterprises.** The development of exchange-rate hedging programs for state-owned companies, as a short and medium-term policy to reduce financial risks, was positively valued. The Committee evaluated legal, regulatory and market aspects that facilitate transactions in financial derivatives of public enterprises with different market counterparts (private sector and financial institutions), as well as with multilateral organizations.

The next Committee meeting will take place in September 2020.