



**Ministerio
de Economía
y Finanzas**

Public Debt Coordination Committee Press Release

The Public Debt Coordination Committee (PDCC), headed by the Manager of Economic Policy and Markets of Banco Central del Uruguay (BCU) and the Director of the Debt Management Unit at the Ministry of Economy and Finance (MEF), gathered on March 9th, 2021.

During the meeting, the following agenda was covered:

- **Analysis of the evolution of public securities market in recent months.** Committee members exchanged views on how the public debt market (Monetary Regulation Bills and Treasury Notes) evolved since the last meeting on December 4th, 2020.

The Central Bank highlighted the reduction in interest rates of monetary regulation bills at longer maturities, with a downward adjustment of the nominal-peso yield curve between 50 and 100 basis points. This reduction has led to a decrease in the break-even differential of nominal rates with respect to real rates, consistent with the reduction observed in the median expected inflation surveyed from analysts.

The government emphasized the strong demand received in its issuance calendar in the domestic market during the first two months of the year, also with decreasing auction rates. This has enabled the government to complete approximately 60% of the base amount announced for the whole semester, when only a third of the issuance calendar has been executed so far.

The Committee also assessed the recent financial volatility in light of the monetary and fiscal policy decisions of the world's main economies, expected path of inflation in the U.S., and the uneven pace of Covid-19 vaccination across countries. This has resulted in a rebound in US Treasury interest rates, cooling somewhat investors' demand for emerging markets assets. However, and despite

this context, the Committee highlighted the relative stability of Uruguay's sovereign yield curves in local currency, both in nominal and real rates.

- **Meetings with domestic and international investors.** The Committee gauged as productive the exchange process carried out in recent months jointly by MEF and BCU with domestic and international investors. Public officials provided an update on the macroeconomic situation, the government's financing needs for the current year, and the latest monetary policy actions, as well as Central Bank's inflation projections. Committee members agreed that active engagement with the investor community is key to communicate government policies in managing the Covid-19 pandemic, as well as the fiscal results obtained during 2020, the counter-cyclical policy responses, and growth prospects for the current year.
- **Participation in the Network for Greening the Financial System.** The Central Bank communicated its voluntary incorporation to the Network for Greening the Financial System (NGFS). This organization, made up of central banks and supervisors of the financial system, is composed of 87 members and 13 observer institutions. The main purpose of the network is to help strengthen the global response required to meet the objectives of the Paris agreement, as well as to enhance the role of the financial system to manage risks and mobilize capital for green and low-carbon investments to achieve environmentally-sustainable development. The member countries aim to exchange experiences, generate common knowledge and produce actionable recommendations. This is a new step for the Republic towards an approach that prioritizes sustainable goals, both in the managing public debt and the country's international reserves.

The next Committee meeting will take place in June 2021.