



**BANCO CENTRAL
DEL URUGUAY**



**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 June 10th, 2021.

During the meeting, the following agenda was covered:

- **Assessment of the government's recent global transaction.** The international transaction executed on May 13th, which allowed the government to make considerable progress in its funding program for 2021, was aimed at financing the policy response to the COVID-19 and support economic activity and employment. Committee members agreed that, in addition to the country's institutional strength and social and political stability, the transaction benefited from the recent downward trend in domestic inflation and the structural consolidation of public finances.

The Committee highlighted that the new issuance further develops the nominal fixed-rate peso market, by establishing a new 10-year benchmark reference. Reducing the dependence on foreign currency funding will help to mitigate the exposure to foreign exchange risk of the government's debt portfolio, a key credit metric monitored by investors and rating agencies. At the same time, the development of the curve in nominal pesos contributes to strengthening the monetary policy's transmission channels and the financial de-dollarization process, and encourages the development of the hedging market.

- **Analysis of the domestic market in recent months, and next steps.** Committee members exchanged views on how the public debt market (Monetary Regulation Bills and Treasury Notes) evolved during the first six months of 2021. The government highlighted that total issuance during the first semester almost doubled the baseline calendar amount announced in December of last year, helping to refinance already the total amount of Treasury Notes due in 2021. The

Central Bank mentioned the stability in average yields of Monetary Regulation Bills since the last committee, with a slight increase in the past weeks. In addition, the 30-day rate remained in line with the average rate for fine-tuning instruments.

Both institutions agreed on the importance of continuing to deepen the development of the nominal peso curve and the relevance of having on-the-run instruments in the front-end of the curve.

The next Committee meeting will take place in September 2021.