Policy responses to COVID-19 from the Central Bank of Uruguay

X Central Banking Operations Meeting

September 3rd, 2020
Central Bank of Uruguay responses to COVID-19

- Emerging challenges
- Policy responses
- Main results
Emerging challenges

- Transactions flows were affected
- Families and companies react accumulating money
- Markets segmentation
- Companies illiquidity and its effects on the balance sheet
- FX market: level and volatility were affected
- Operational challenges
The Central Bank of Uruguay in the emerging situation

The financial system as part of the solution
The Central Bank of Uruguay in the emerging situation

Policy responses

- Expansive monetary policy with a drop of interest rate
- Reduction in bank reserve requirements to stimulate credit
- Extension in the terms of credits
- Facilities in the calculation of guarantees
- Simplification in request processing
Main results

• No operational incidents in the health emergency

• Bank credit was able to expand with the measures implemented

• Liquidity was sufficient without impact on inflation expectations
The day after
Policy consistency
Thanks
### Changes in reserve requirements

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average reserve requirement</td>
<td>57,247,782</td>
</tr>
<tr>
<td>Credit expansion</td>
<td>5,461,736</td>
</tr>
<tr>
<td>Average cap</td>
<td>16,653,026</td>
</tr>
<tr>
<td>Reduction over cap</td>
<td>33%</td>
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<tr>
<td>Reduction over total</td>
<td>10%</td>
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</tbody>
</table>
Changes in reserve requirements

Evolución de Créditos a Deducir de Obligaciones de Encaje
Promedio Mensual, Millones de Pesos

- tope 15.943 (abr-20)
- tope 16.221 (may-20)
- tope 16.653 (jun-20)

BOF   | BP+Cooperativa
Monetary policy expansion
SiGa Emergency guarantee
11: million uruguayan pesos
(August 2020)

- Number of guarantees granted: 9,974
- Amount of guaranteed: $11,017 (millones)
- Amount of guaranteed credits: $14,640 (millones)
- Average cobertura: 75%
- Average guaranteed credits: $1,468,000
- Percent in domestic currency: 42%