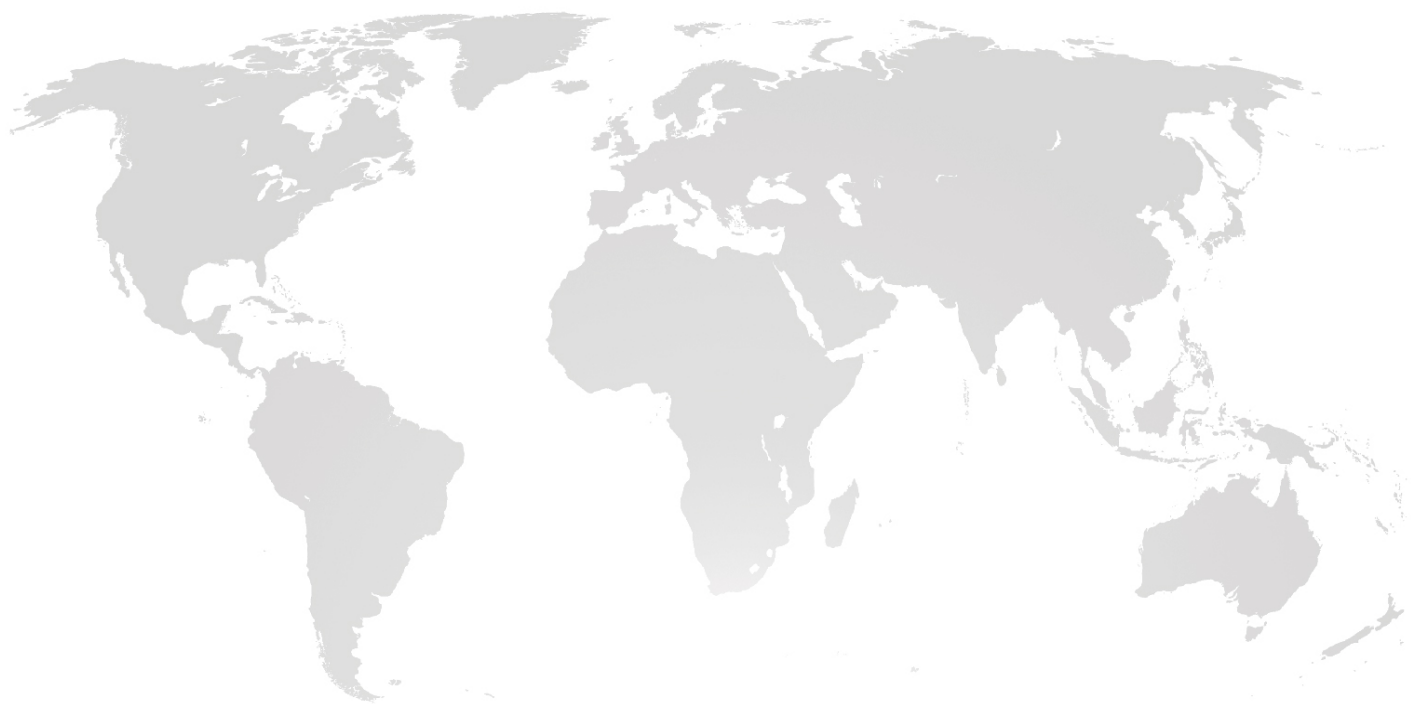




# D&B Country Insight Snapshot: Chile

*April 2015*





**Overview**

**Overall Country Risk Rating : DB3a**



**Slight risk** : Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

**Rating Outlook:** Stable →

**Core Outlook**

- + Expect an entrepreneur-friendly environment, institutional stability and a well-run economy.
- + A growing middle class has raised local demand for items such as new cars and higher-end consumer goods.
- A failure to raise the quality of the education system would dampen Chile’s long-term growth prospects.
- Large energy projects can suffer from long lead times, given strict environmental legislation.

**Key Development**

Minor corruption allegations have dogged the political class in recent months, but they are being addressed, and their prominence serves to highlight how clean the Chilean system is.

Credit Environment Outlook 

Key Development has had a neutral impact on the outlook.

Supply Environment Outlook 

Key Development has had a neutral impact on the outlook.

Market Environment Outlook 

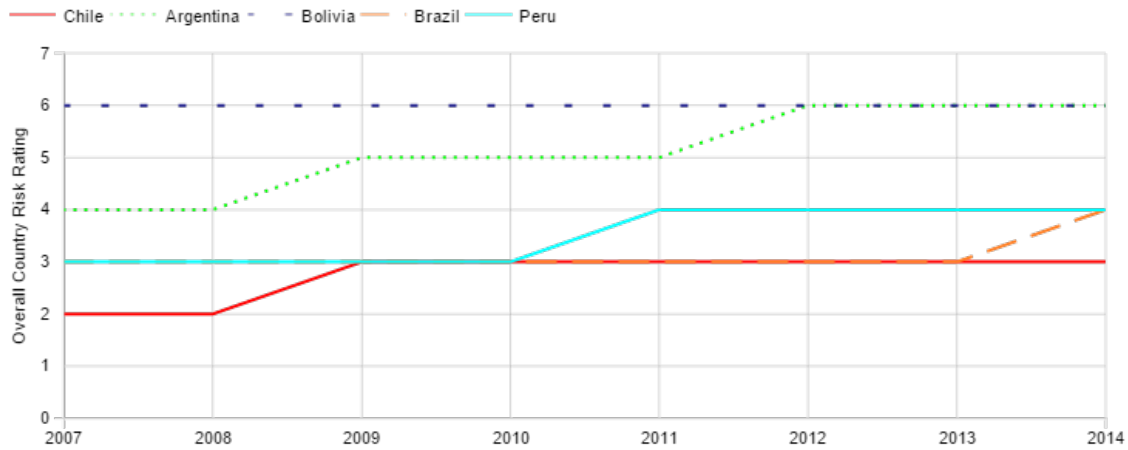
Key Development has had a neutral impact on the outlook.

Political Environment Outlook 

Key Development has had a neutral impact on the outlook.

## Key Indicators

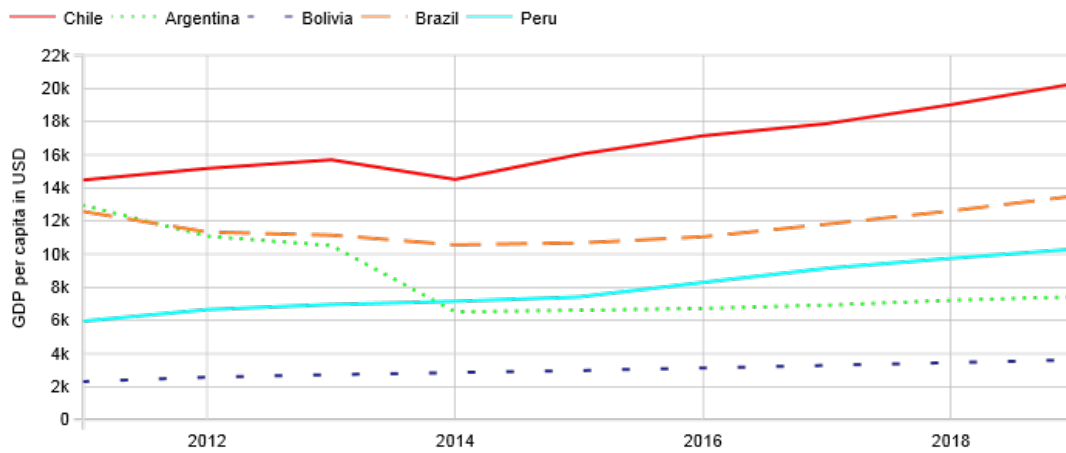
### Rating History and Comparison



Source : D&B

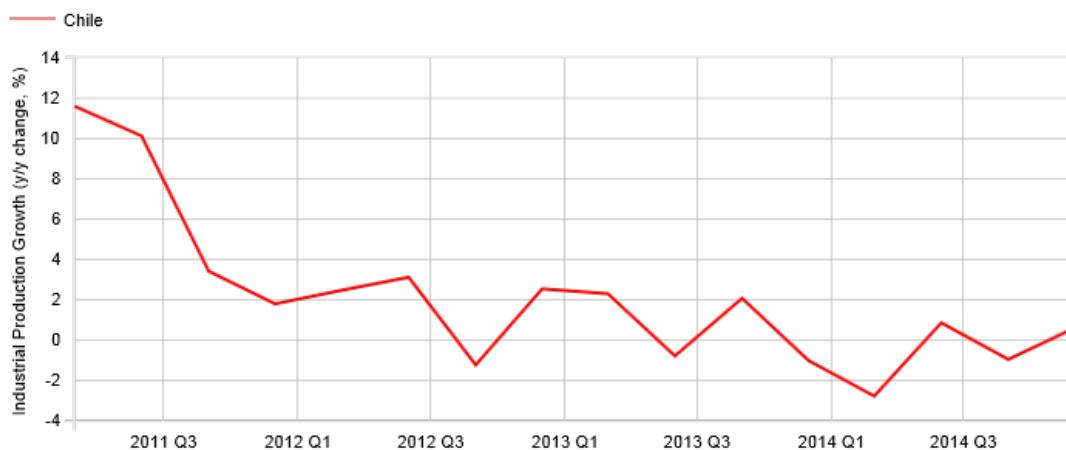
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : D&B

### Chart of the Month



Source : National Statistical Offices / Haver Analytics

## Economic Indicators

Indicator	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	-3.6	-3.7	-1.2	-0.6	-1.4	-1.2	-1.1	-0.9
Govt balance, % GDP	0.8	0.5	0.3	0.4	0.6	0.6	0.6	0.6
Inflation, annual avge %	3.0	1.9	4.4	3.6	3.2	3.1	3.0	3.0
Real GDP Growth, %	5.5	4.3	1.8	2.8	3.7	4.0	4.2	4.5
Unemployment, %	6.1	5.8	5.8	5.8	5.8	5.8	5.8	5.8

Source : Haver Analytics/D&B

## Trade and Commercial Environment

The Chilean Central bank held FX reserves of USD38.3bn at end-March, slightly down from end-2014 but still sufficient to provide cover for 5.8 months of goods and services' imports. The country has a further USD22.7bn held offshore in two sovereign wealth funds, providing substantial further currency protection. The peso traded at CLP628:USD in early April, 1.9% weaker than at end-2014. Although inflation is above the 2.0-4.0% target (at 4.4% in February), sluggish domestic demand has brought it on a downward trend from 5.7% in October 2014, and we do not consider inflation to present a risk to the economy. We forecast no further rate cuts in H1 2015 following October's quarter-point reduction to 3.00%. Transfer risks will remain low.

## Trade Terms and Transfer Situation

### Minimum Terms: OA

*The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.*

### Recommended Terms: SD

*D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.*

### Usual Terms: 30-60 days

*Normal period of credit associated with transactions with companies in the stated country.*

### Local Delays: 0-1 month

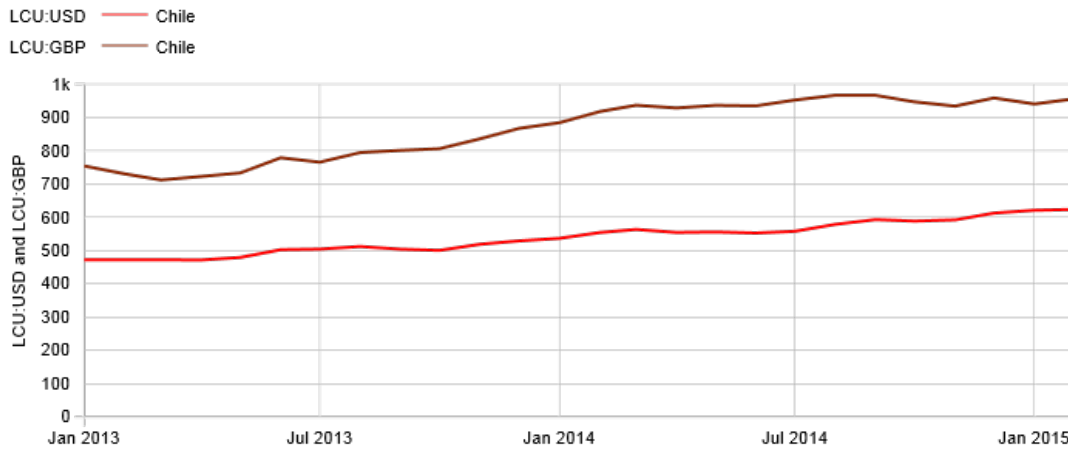
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### FX/Bank Delays: 0-1 month

*The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.*



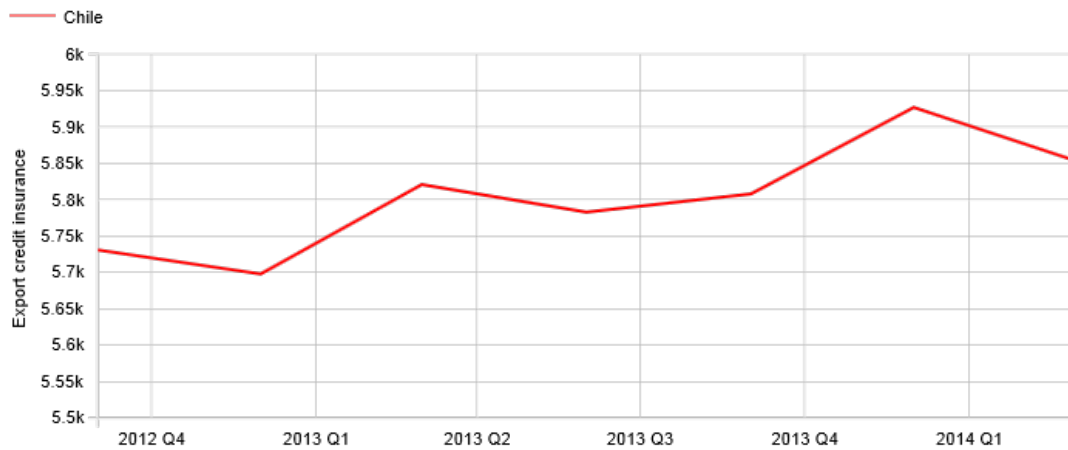
## Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

*LCU = Local Currency Unit*

## Credit Conditions



Source : Haver

*Insured export credit exposures, USDm*

## Risks and Opportunities

### Business Environment Quality

#### *President responds to corruption scandals*

The government has been struggling in the wake of corruption scandals, which have dominated the national media and implicated both the ruling and opposition parties, drawing attention away from the reforms that the president is attempting to push through. Compared with most other countries in the region the scandals are of little consequence, but the political scene in Chile is such that any suggestion of impropriety by public officials is cause for major public reproach. The president's son resigned his official post late in 2014 after it was revealed that he gained privileged access to a USD10m loan the day after Bachelet was elected in December 2013. The opposition Alianza has also been hit by a campaign financing scandal. The electorate has held public accountability to scrutiny in recent years, and Bachelet has responded to the latest wave of scandals by proposing reforms that all public officials will have to present a detailed declaration of all professional and business activities within a two-year window of gaining public office. Although the scandals have highlighted corruption within the public sector in Chile, their scope is small and the strong reaction is testament to the seriousness with which Chile is dealing with any allegation of impropriety within public office. Despite the publicity, Chile can still be viewed, along with Uruguay, as the cleanest public sector within the region.

### Business Continuity

#### *Chile responds to a series of natural disasters*

Chile has been hit by a series of devastating natural disasters, and the prospect is of continuing problems. An eight-year long drought has hit hydroelectric generation, agricultural production and contributed to forest fires; a series of substantial earthquakes have hit both the north and south of the country; a volcanic eruption has led a town to be evacuated; and freak rains have devastated parts of the northern Atacama Desert unused to any rainfall. The government accepts that climate change may mean that large parts of the country will now have to get used to substantially lower rainfall in parts of the country, and has committed to investing in desalination plants and reservoirs to ensure continued access to potable water. Investment in gas and wind power will also be stepped up, in part to offset expected long-term falls in hydroelectric potential. Freak floods in the Atacama Desert in the north of the country – normally the world's driest place – took the country by surprise and killed 17 people. The floods in the north and forest fires in the normally lush south led the government to declare states of emergency in both regions. While the government is prepared and able to cope with temporary aberrations, there is a fear that the changes in weather are part of a longer-term pattern, which would prove devastating if they were to endure.

## Country Profile and Statistics

### Overview

Chile stretches for 2,650 miles along the Andean Mountains and Pacific coast, with an average width of just 110 miles. Its climate varies from arid northern deserts, temperate central valleys and rain-swept forests to glaciers in the south.

The country's favourable business environment is underpinned by prudent economic management and by liberal trade and investment policies. The country has a well-developed financial sector and diversified economy, though primary sectors remain important. Government revenues and the broader economy are closely linked to copper revenues: the main global player, Codelco, is a state-owned company. There is a thriving agricultural sector, exporting fruits, vegetables and wines.

Since the return to democracy in 1990, Chile has been governed by the main centre-left coalition, Nueva Mayoría (formerly dubbed Concertación), with the exception of 2010-14 when the centre-right Alianza held the presidency. Business-friendly policies have continued uninterrupted, and there are avowed policies to reduce inequality and poverty while boosting investment into education.

### Key Facts

Key Fact	Detail
Head of state	President Michelle BACHELET
Capital	Santiago
Timezone	GMT -04-00
Official language	Spanish
Population (millions)	17.8
GDP (USD billions)	258
GDP per capita (USD)	14,515
Life expectancy (years)	80
Literacy (% of adult pop.)	95.7
Surface area (sq km)	756,630

Source : UN / Haver Analytics / D&B

### Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	5.74	5.75	5.53	4.32	1.84
Nominal GDP in USDbn	217.31	250.65	265.11	276.61	257.98
Nominal GDP in local currency (bn)	110,881	121,234	128,968	136,996	147,138
GDP per Capita in USD	12,670	14,482	15,180	15,698	14,515
Population (year-end, m)	17.15	17.31	17.47	17.62	17.77
Exchange rate (yr avge, USD-LCU)	510.25	483.67	486.47	495.27	570.35
Current Account in USDbn	3.19	-3.19	-9.63	-10.13	-2.99
Current Account (% of GDP)	1.47	-1.27	-3.63	-3.66	-1.16
FX reserves (year-end, USDbn)	27.82	41.93	41.64	41.08	40.44
Import Cover (months)	4.89	5.81	5.52	5.45	5.87
Inflation (annual avge, %)	1.4	3.3	3	1.9	4.4
Govt Balance (% GDP)	-0.4	1.4	0.8	0.5	0.3

Source : D&B

## Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	2.8	3.7	4	4.2	4.5
Nominal GDP in USDbn	284.4	306.9	322.7	345.9	371.8
Nominal GDP in local currency (bn)	155,004.72	165,700.05	177,464.75	190,242.21	204,510.38
GDP per Capita in USD	15,868	16,978	17,709	18,834	20,093
Population (year-end, m)	17.9	18.1	18.2	18.4	18.5
Exchange rate (yr avge, USD-LCU)	545	540	550	550	550
Current Account in USDbn	-1.4	-4.1	-4.1	-4.1	-4.1
Current Account (% of GDP)	-0.49	-1.32	-1.26	-1.17	-1.09
FX reserves (year-end, USDbn)	40.5	41.6	42	41.6	42
Import Cover (months)	5.05	4.43	3.98	3.51	3.14
Inflation (annual avge, %)	3.6	3.2	3.1	3	3
Govt Balance (% GDP)	0.4	0.6	0.6	0.6	0.6

Source : D&amp;B

## Comparative Market Indicators

Indicator	Chile	Argentina	Bolivia	Brazil	Peru
Income per Capita (USD)	14,515	6,526	2,859	10,573	7,159
Country Population (m)	17.8	41.8	10.8	203.2	30.7
Internet users (% of population)	66.5	59.9	39.5	51.6	39.2
Real GDP Growth (% p.a., 2015 - 2024)	4.5 - 5.5	2.8 - 4.5	5 - 5.5	2.5 - 4.5	5.5 - 6

Source : D&amp;B



## Links

### User Guide

Please [click here](#) to visit our online user guide.

### Other D&B Products and Services

#### Sales

Email: [countryinsight@dnb.com](mailto:countryinsight@dnb.com)

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office  
or call +44 1628 492700

#### Publisher

D&B

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: [countryinsight@dnb.com](mailto:countryinsight@dnb.com)

D&B provides information relating to more than 240m companies worldwide. Visit <http://www.dnb.com> for details. Additional information relevant to country risk can be found in the:

*International Risk & Payment Review* : Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service ([www.dnbcountryrisk.com](http://www.dnbcountryrisk.com)) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

### Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this D&B Country Insight report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

### Disclaimer

*Whilst D&B attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by D&B means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgment when choosing to rely upon the reports.*