

Country Insight Snapshot

Chile

March 2018





OVERVIEW

OVERALL COUNTRY RISK RATING: DB3c

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

A

Rating Outlook: Stable

CORE OUTLOOK

- + Expect a broadly entrepreneur-friendly environment, institutional stability, and a well-run economy.
- + A growing middle-class has boosted local demand for items such as new cars and higher-end consumer goods.
- Chile's exposure to low mineral prices is felt through the exchange rate, export earnings and government revenue.
- Public disaffection with the political class is on the rise, increasing the risk of populism.

KEY DEVELOPMENT

Security reforms will be President Pinera's first priority due to a loss of trust between the police and attorney-general's office following evidence-tampering allegations.

CREDIT ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

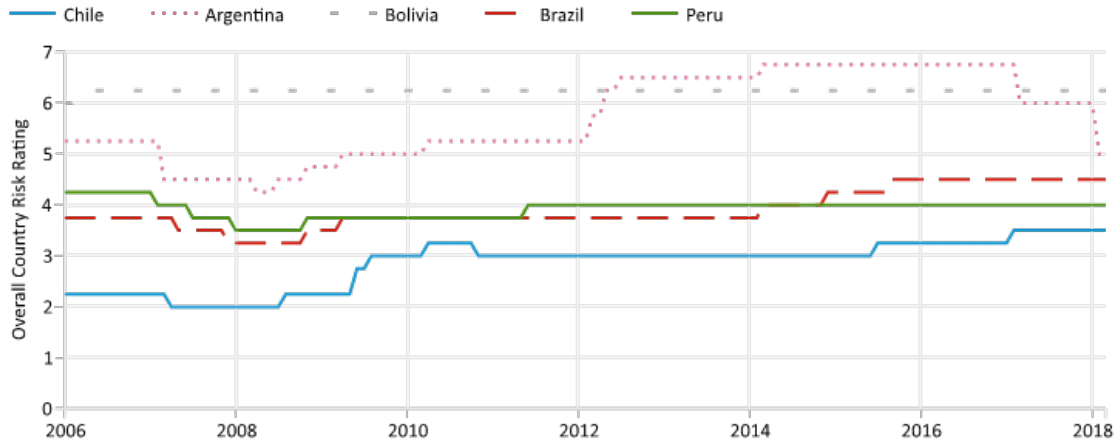
Trend: Deteriorating

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

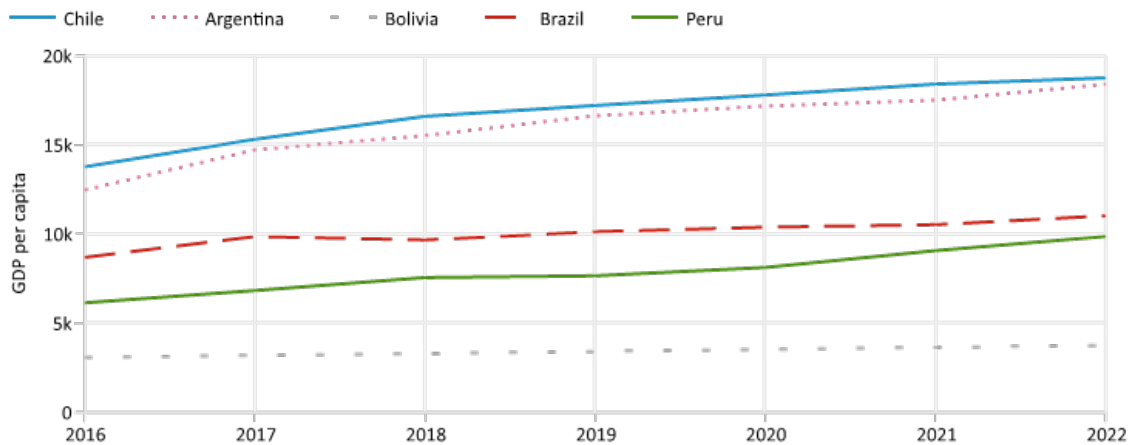
Rating History and Comparison



Source : Dun & Bradstreet

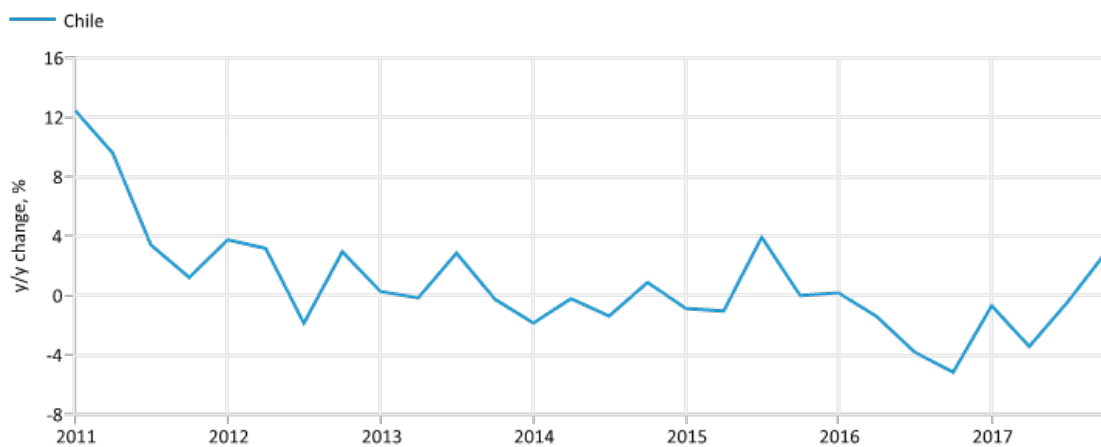
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2015	2016	2017e	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	-1.9	-1.4	-1.2	-1.1	-0.9	-0.8	-0.7	-0.6
Govt balance, % GDP	-2.1	-2.7	-2.0	-1.4	-1.2	-1.0	-0.8	-0.6
Inflation, annual avge %	4.3	3.8	2.2	2.8	2.8	2.6	2.6	2.5
Real GDP Growth, %	2.3	1.6	1.5	3.2	3.3	3.2	3.2	3.2
Unemployment, %	5.8	6.1	6.4	6.1	5.9	5.8	5.7	5.7

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Chile's central bank held USD39.95bn in international reserves in late February, USD500m below the end-2016 level, and sufficient to provide cover for around 6.0 months of goods and services imports. At end-2017 Chile also held USD24.7bn held offshore in two sovereign wealth funds, providing further currency protection. The peso traded at CLP590:USD at end-February, boosted substantially in recent months by rallying copper prices and the confidence engendered by December's presidential election run-off, which saw Sebastián Piñera, of the centre-right Chile Vamos coalition, elected to a four-year term starting on 11 March. Earlier currency stability had already brought inflation down to below the lower limit of the central bank's 2.0-4.0% target range; inflation stood at 2.2% in January. Given little inflationary pressure, the monetary authority may decide on another interest rate reduction in H1 2018 following four cuts in 2017, which left it at 2.5%. Transfer risks will remain low.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

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

Recommended Terms: SD

Dun & Bradstreet'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

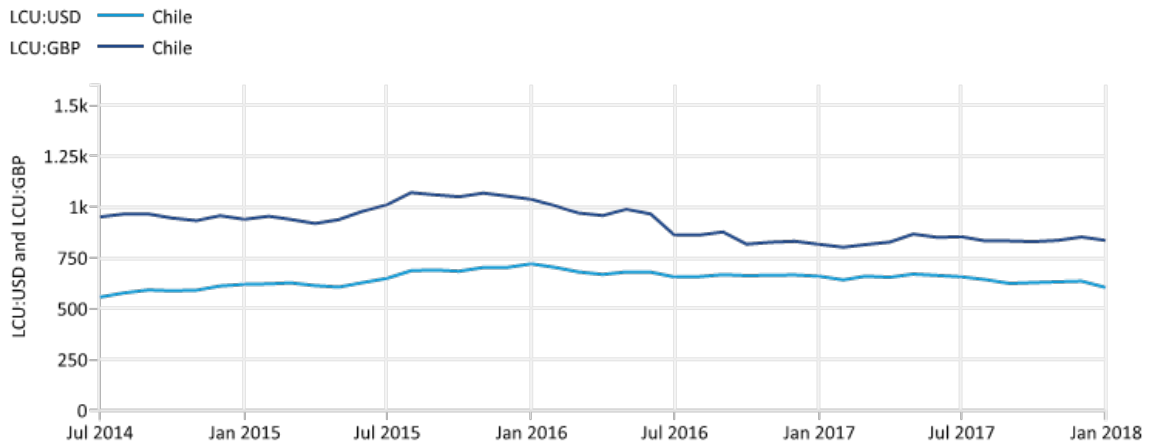
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



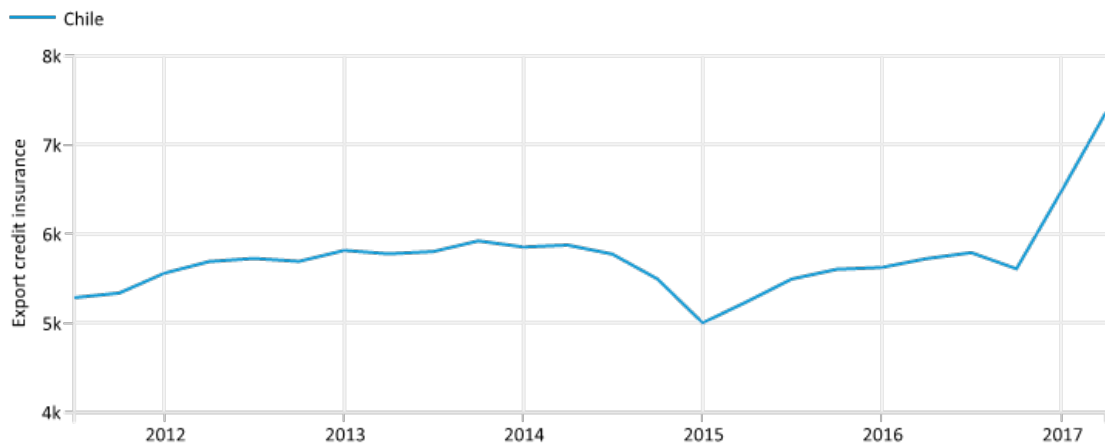
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Chilean peso

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm; increase going into 2017 is partly due to methodology changes.



RISKS AND OPPORTUNITIES

Political/Insecurity Risk

Police and security reforms first priority

Sebastián Piñera of the centre-right Chile Vamos coalition takes office for a four-year term as president on 11 March. His first priorities will be police reform and dealing with the simmering indigenous Mapuche conflict in the south of the country. In recent years there have been a series of arson attacks on business interests in impoverished southern regions. Following one such attack in August 2017, police intelligence from electronic communications surveillance led to the arrest of eight Mapuche individuals on charges of involvement in terrorist activities. (The use of anti-terrorism legislation against the Mapuche was in itself controversial.) The intelligence was gathered by Chile's military police, the Carabineros, and when the Fiscalía (the attorney-general's office) began to analyse the evidence, it found inconsistencies, determining that the Carabineros had tampered with evidence. They dropped the case and instead opened an investigation into the Carabineros.

Piñera will thus start his presidency facing a breakdown of trust between the Fiscalía and the Carabineros, and has promised to enact reforms to police intelligence units as well as to anti-terror legislation, which he considers unsuitable for the continuing problems in the south. The outgoing centre-left government of Michelle Bachelet tried - but failed - to quell the unrest in the south, which stems from ancestral land claims, and concerns that the Mapuche have been forgotten by successive governments.

Short-Term Economic Outlook

Rates left unchanged

The central bank left its monetary policy rate unchanged at 2.5% in February, but considered making a quarter-point cut, given greater business confidence and a strengthening peso. There remains scope for a quarter-point cut in H1 2018, as a gentle upward trend in rates is now expected as growth gathers pace. The monetary policy rate has been unchanged since mid-2017; four quarter-point cuts were made in H1 2017 to encourage domestic demand growth in a climate of subdued expectations.

Market Potential

Talks on deeper EU partnership

Chile is in discussions with the EU to expand their economic association agreement - implemented in 2005 - which has already contributed to a doubling of investment flows between 2003 and 2016, when bilateral trade reached EUR15.9bn. The EU accounted for around 15% of Chile's exports in 2017 and around one-third of investment. The two parties hope to add extra provisions on non-tariff barriers, intellectual property rights and extra provisions on investment, which would introduce clauses on sustainable development and strengthened protection of employees and the environment. With the additional clauses in place, Chile would hope to be allowed greater livestock and dairy quotas. In early March Chile hopes to be able to also move forward with the Trans Pacific Partnership Agreement. Following the withdrawal of the US from the deal in 2017, 11 countries are expected to sign the treaty on 8 March. This would then go to each country's parliament for ratification.



COUNTRY PROFILE AND STATISTICS

Overview

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

Chile'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, particularly mining, remain important. Government revenues and the broader economy are closely linked to copper earnings: the main global player, Codelco, is a state-owned company. There is a thriving agricultural sector, with fruits, vegetables and wines its major export products.

Since its return to democracy in 1990, Chile has mostly been governed by the main centre-left coalition, Nueva Mayoría (formerly dubbed Concertación), with the exception of 2010-14 when Sebastián Piñera of the centre-right Alianza (since renamed Chile Vamos) held the presidency.

A general election was held in November and December 2017, with Piñera winning the presidency in a second-round vote against Alejandro Guillier of Nueva Mayoría. He takes office for a four-year term on 11 March 2018, but will need to reach a consensus as he will lack a legislative majority. He promises a more business-friendly government than the outgoing government of Michelle Bachelet.

Key Facts

Key Fact	Detail
Head of state	President Michelle BACHELET
Capital	Santiago
Timezone	GMT -04-00
Official language	Spanish
Population (millions)	18.1
GDP (USD billions)	277.0
GDP per capita (USD)	15,340
Life expectancy (years)	79.2
Literacy (% of adult pop.)	96.6
Surface area (sq km)	756,630

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2013	2014	2015	2016	2017e
Real GDP growth (%)	4.0	1.9	2.3	1.6	1.5
Nominal GDP in USDbn	278	261	243	247	277
Nominal GDP in local currency (bn)	137,876	148,855	158,637	167,227	179,836
GDP per Capita in USD	15,941	14,817	13,653	13,793	15,340
Population (year-end, m)	17.5	17.6	17.8	17.9	18.1
Exchange rate (yr avge, USD-LCU)	495.3	570.3	654.1	677.0	649.3
Current Account in USDbn	-11.5	-4.5	-4.7	-3.6	-3.4
Current Account (% of GDP)	-4.1	-1.7	-1.9	-1.4	-1.2
FX reserves (year-end, USDbn)	41.1	40.4	38.6	40.5	39.2
Import Cover (months)	5.5	5.8	6.5	7.1	6.2
Inflation (annual avge, %)	1.9	4.4	4.3	3.8	2.2
Govt Balance (% GDP)	-0.5	-1.5	-2.1	-2.7	-2.0

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	3.2	3.3	3.2	3.2	3.2
Nominal GDP in USDbn	303	316	329	343	352
Nominal GDP in local currency (bn)	190,627	202,255	213,986	226,397	239,301
GDP per Capita in USD	16,628	17,235	17,821	18,437	18,785
Population (year-end, m)	18.2	18.3	18.5	18.6	18.7
Exchange rate (yr avge, USD-LCU)	630.0	640.0	650.0	660.0	680.0
Current Account in USDbn	-3.2	-3.0	-2.7	-2.5	-2.2
Current Account (% of GDP)	-1.1	-0.9	-0.8	-0.7	-0.6
FX reserves (year-end, USDbn)	40.5	42.0	44.0	45.0	45.0
Import Cover (months)	5.7	5.3	5.0	4.5	4.0
Inflation (annual avge, %)	2.8	2.8	2.6	2.6	2.5
Govt Balance (% GDP)	-1.4	-1.2	-1.0	-0.8	-0.6

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Chile	Argentina	Bolivia	Brazil	Peru
Income per Capita (USD)	16,628	15,545	3,317	9,694	7,583
Country Population (m)	18.2	44.7	11.2	209.2	32.3
Internet users (% of population)	66.0	70.2	39.7	59.7	45.5
Real GDP Growth (% p.a., 2018 - 2027)	2.2 - 3.2	1.5 - 2.8	2.0 - 5.8	1.0 - 2.0	3.9 - 8.5

Source : Various sources/Dun & Bradstreet



LINKS

User Guide

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

Other Dun & Bradstreet Products and Services

Sales

Email: 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

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 240m companies worldwide. Visit 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) 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 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 Dun & Bradstreet 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 Dun & Bradstreet 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 judgement when choosing to rely upon the reports.