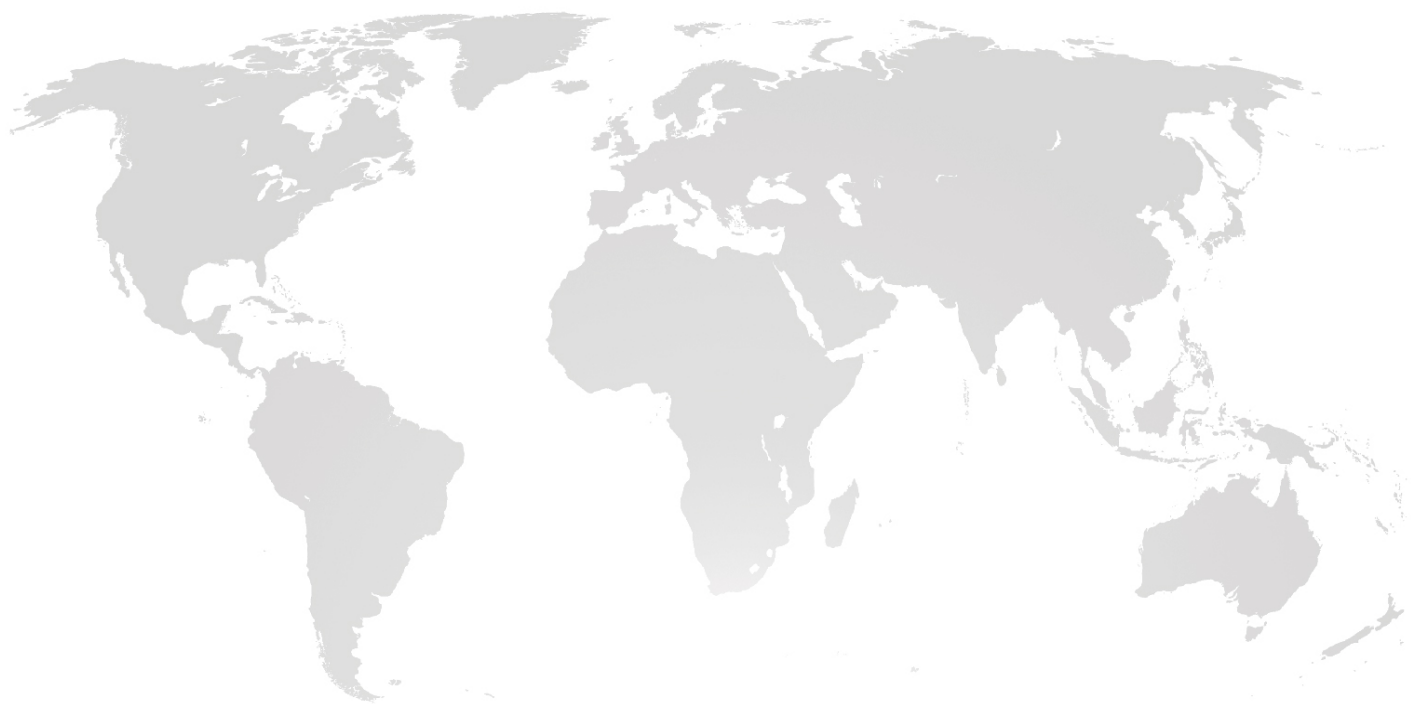




D&B Country Insight Snapshot: Chile

July 2015



Written 03 July 2015



Overview

Overall Country Risk Rating : DB3b



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.
- Strike action is rising as the government struggles to honour its election commitments.

Key Development

Dun & Bradstreet downgrades Chile's country risk rating amid a delayed economic recovery, education protests and government struggles over reform and corruption.

Credit Environment Outlook 

Key Development has had a negative impact on the outlook.

Supply Environment Outlook 

Key Development has had a neutral impact on the outlook.

Market Environment Outlook 

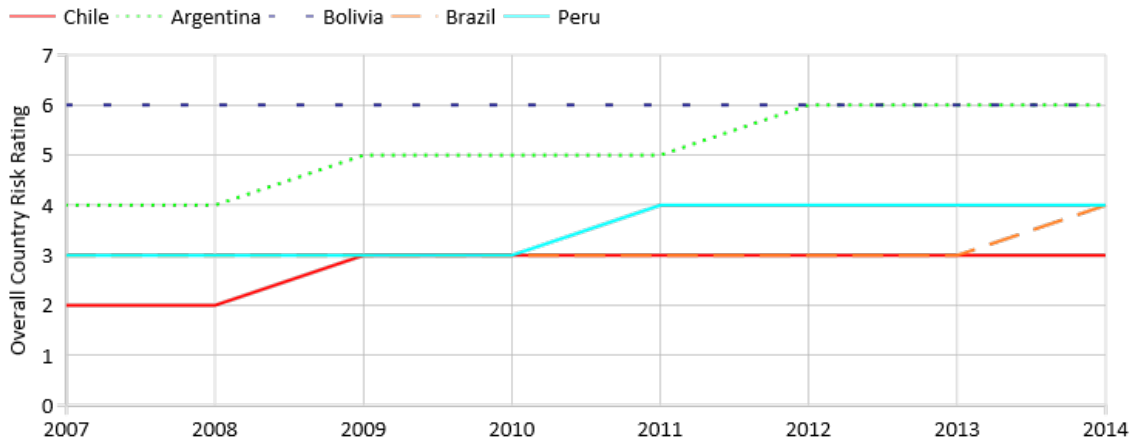
Key Development has had a negative impact on the outlook.

Political Environment Outlook 

Key Development has had a negative impact on the outlook.

Key Indicators

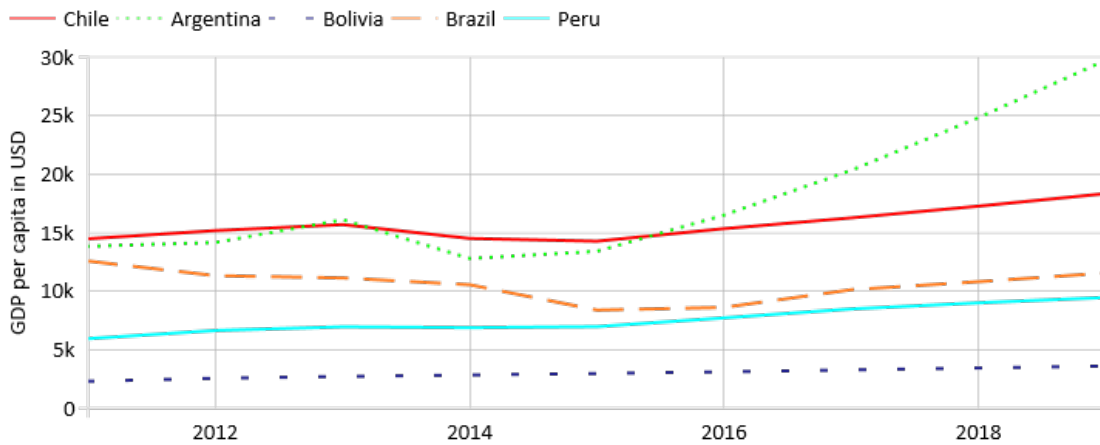
Rating History and Comparison



Source : D&B

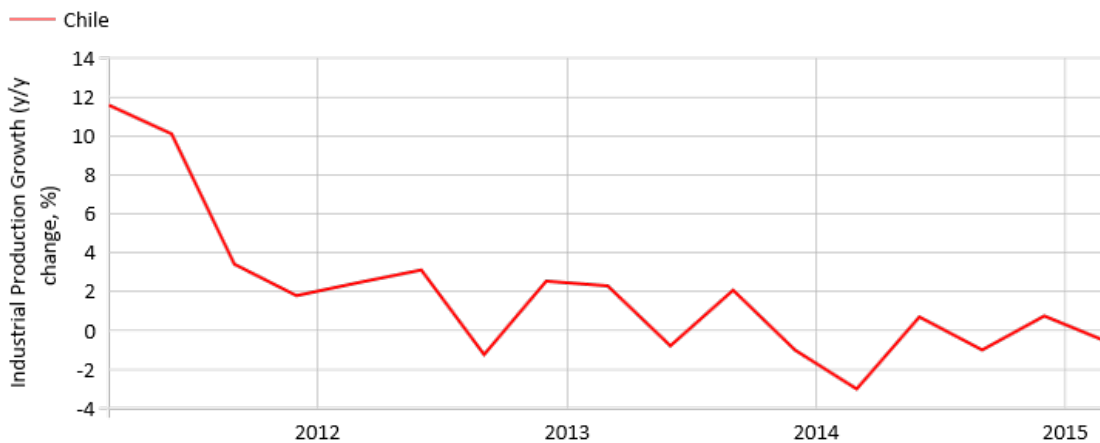
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Industrial Production Growth (Quarterly)



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2012	2013	2014	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	-3.6	-3.7	-1.2	-0.7	-1.5	-1.3	-1.2	-1.0
Govt balance, % GDP	0.7	-0.5	-1.6	-2.0	-1.4	-1.0	-0.7	-0.3
Inflation, annual avge %	3.0	1.9	4.4	3.8	3.2	3.1	3.0	3.0
Real GDP Growth, %	5.5	4.2	1.9	2.3	3.4	3.8	4.0	4.0
Unemployment, %	6.1	5.7	6.0	6.1	5.9	5.8	5.8	5.8

Source : Haver Analytics/D&B

Trade and Commercial Environment

The Chilean central bank held FX reserves of USD38.9bn in late June, up by USD200m on the month and sufficient to provide cover for 5.8 months of goods and services' imports. The country has a further USD22.6bn held offshore in two sovereign wealth funds, providing substantial further currency protection. The peso traded at CLP635:USD in late June, having weakened by a nominal 2.8% since May, to stand 4.6% weaker than at end-2014. Inflation returned to the 2.0-4.0% target in May (when it stood at 4.0%) after several months above the target range, but sluggish domestic demand has brought it on a downward trend from a recent high of 5.7% in October 2014. We forecast no rate cuts in 2015 following October's quarter-point reduction to 3.0%. 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

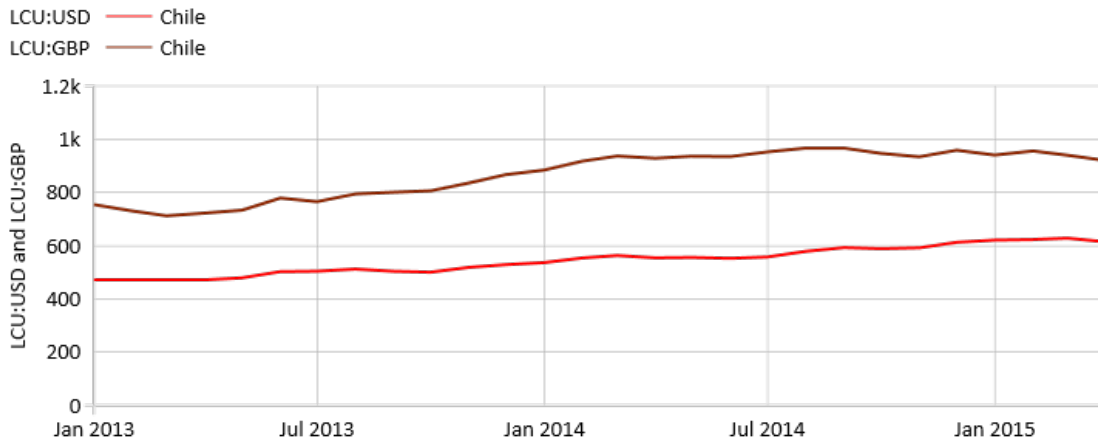
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



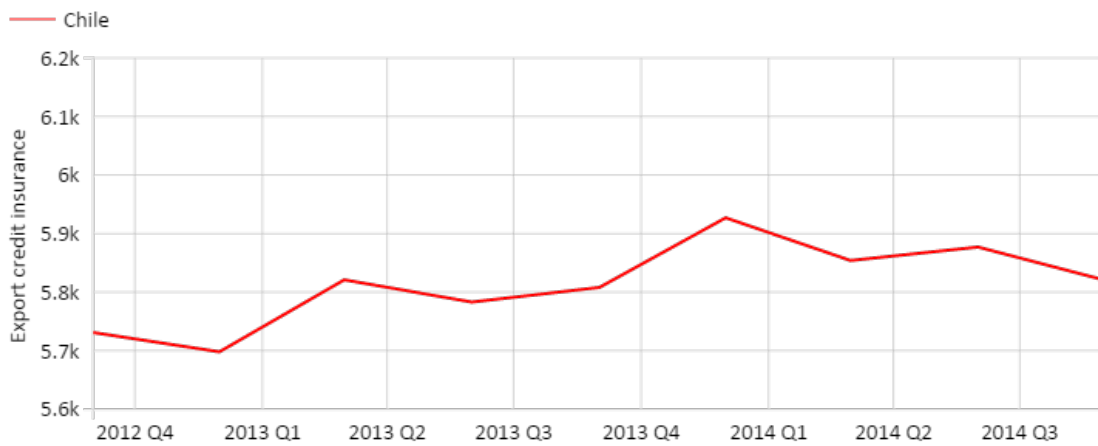
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm

Risks and Opportunities

Short-Term Economic Outlook

Rating downgrade amid political strain and economic weakness

Following the publication of April growth figures we have made a downward revision to our growth forecast this year, from 2.8% to 2.3%. This has also, along with recent political troubles and related concerns over the economic outlook, triggered a downgrade in our risk outlook for Chile, from DB3a to DB3b. The central bank has also cut its forecast for growth this year, from 2.5-3.5% to 2.25-3.25%. We had previously assumed that a recovery would start in the second quarter, but this now appears unlikely. Economic activity did not rise in April, and a monthly business confidence survey shows a fall from 48.48 points in April (over 50 reflects pessimism) to 46.45 in May. The economy has already undergone a period of monetary and fiscal stimulus, and business confidence is now the key factor in raising investment and thus growth expectations. With inflation low and wage growth also falling (to 6.4% y/y in April from 7.1% in March), the Central Bank is prepared to wait until early 2016 before tightening monetary policy. Should the looming monetary tightening by the US trigger a sharp currency fall and raise inflationary expectations, Chile's monetary tightening may start in Q4, potentially stifling growth prospects further.

Insecurity/Civil Disorder Risk

Education minister replaced amid continued protests

Education workers and students have continued to protest at President Bachelet's education reform programme, claiming that it has failed to deliver promised improvements and that the next stage of reforms are not deep enough. Education is Bachelet's flagship reform, and she is struggling with both the protests and an earlier series of minor corruption scandals within her government. In a move to appease protesters concerned at the slow pace of reforms, as well as a perceived lack of dialogue over the reforms, in late June Bachelet replaced the education minister, Nicolás Eyzaguirre, with Adriana Delpiano, a former mayor of Santiago. Student leaders welcomed the replacement, but have maintained pressure on the government to speed reforms and involve education leaders in debate over future policy. In the meantime, protests and strikes will continue.

Business Continuity

Industrial action at Chile's main ports

In late June, dockworkers in Chile's main ports started industrial action in protest at the lack of progress in labour reforms. The strike is not nationwide or continuous, but should sporadic action continue over the coming months, then delays in commercial trade in many parts of the country are likely. Some fruit and copper shipments were held up in the early days of the strike, but most are going through.

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 in 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)	258.1
GDP per capita (USD)	14,520
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 (%)	5.76	5.84	5.46	4.23	1.89
Nominal GDP in USDbn	217.54	250.83	265.23	276.67	258.06
Nominal GDP in local currency (bn)	110,999	121,319	129,028	137,029	147,185
GDP per Capita in USD	12,684	14,492	15,186	15,702	14,520
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	0.7	-0.5	-1.6

Source : D&B

Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	2.3	3.4	3.8	4	4
Nominal GDP in USDbn	256	277.4	296.6	317.4	339.6
Nominal GDP in local currency (bn)	156,160.0	166,470.0	177,960.0	190,410.0	203,740.0
GDP per Capita in USD	14,283	15,352	16,278	17,280	18,349
Population (year-end, m)	17.9	18.1	18.2	18.4	18.5
Exchange rate (yr avge, USD-LCU)	610	600	600	600	600
Current Account in USDbn	-1.7	-4.2	-4	-3.8	-3.5
Current Account (% of GDP)	-0.66	-1.51	-1.35	-1.19	-1.03
FX reserves (year-end, USDbn)	42	42.5	43	43.5	44
Import Cover (months)	5.23	4.52	4.07	3.67	3.29
Inflation (annual avge, %)	3.8	3.2	3.1	3	3
Govt Balance (% GDP)	-2	-1.4	-1	-0.7	-0.3

Source : D&B

Comparative Market Indicators

Indicator	Chile	Argentina	Bolivia	Brazil	Peru
Income per Capita (USD)	14,520	12,803	2,859	10,563	6,903
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&B

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