



Decide with Confidence

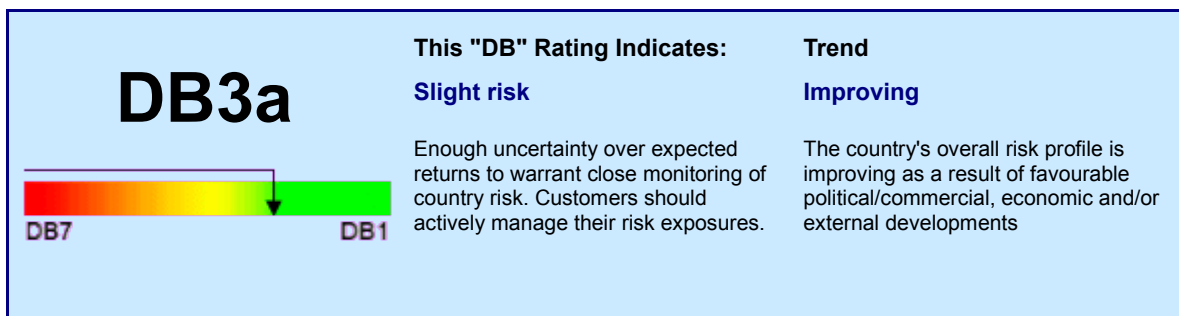
D&B Country RiskLine Report

CHILE

Region : The Americas

Edition : November 2010

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	17.0m
Surface area (sq km):	756,630
Capital:	Santiago
Timezone:	GMT -04:00
Official language:	Spanish
Head of state:	President Sebastian PINERA Echenique
GDP (USD):	163.2bn
GDP per capita (USD):	9,616
Life expectancy (years):	78
Literacy (% of adult pop.):	95.7

Country 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 in the south.

The 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 the primary sector remains important. Government revenues and the broader economy are also 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.

After 20 years of left-wing government (Concertacion), a centre-right president was elected in 2010. Business-friendly policies continue, while there are avowed policies to reduce inequality and poverty while boosting investment into education.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	OA
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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
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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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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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
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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.

Trade & Commercial Environment

Chile has the region's most business-friendly environment, according to the World Bank's *Doing Business 2010* report. The regulatory environment is sound, with a limited bureaucracy, and the economy is amongst the region's most open, with a number of incentives for foreign investors. Moreover, Chile enjoys a relatively secure environment by regional standards and, despite a recent increase in the number of strikes, industrial action does not generally pose a major impediment to business. Corruption levels are also low by regional standards. Positively, the financial sector has proved resilient to last year's slowdown: net profits in the banking sector increased by 57% in the first half of 2010 and loans were up 6.1% from the same period last year.

Export Credit Agencies

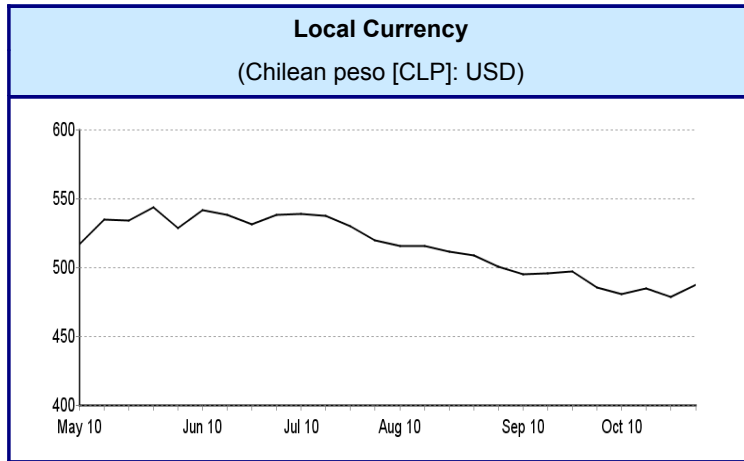
US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2007	2008	2009	2010f	2011f
Real GDP growth, %	4.7	3.5	-1.4	5.5	6.0
Inflation, annual ave, %	4.4	8.7	1.5	3.5	3.0
Govt balance, % GDP	8.8	6.9	-4.2	0.8	1.0
Unemployment, %	7.0	7.7	9.6	8.8	8.5
C/A balance, % GDP	4.7	-1.5	2.9	3.2	4.2

Currency Information

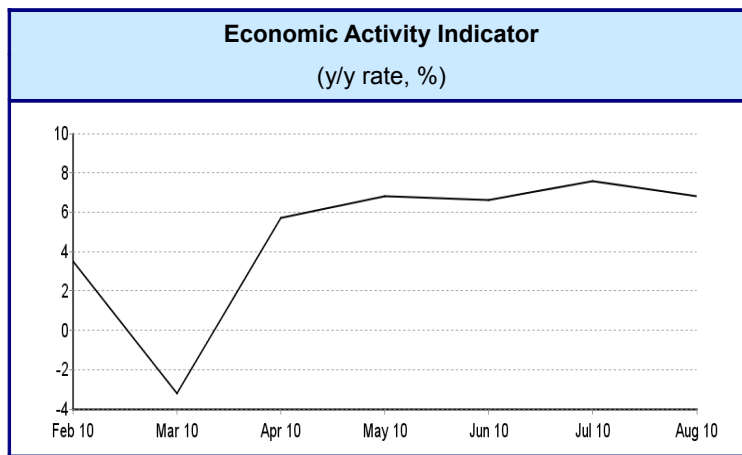
Exchange Rates	
(London, 11 Oct 10)	
EUR	674.681
GBP	771.507
JPY*	591.631
USD	484.25
(x 100)	



Local Currency
(Chilean peso [CLP]: USD)

	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10
Week 1	516.500	541.350	538.750	515.350	495.150	480.650
Week 2	534.725	537.700	537.550	515.350	495.550	484.250
Week 3	533.850	531.450	530.050	511.550	496.700	478.200
Week 4	543.750	537.950	519.750	508.750	485.450	487.250
Week 5	528.350			500.200		

Economic Activity Indicator



Data Table

Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10
3.5	-3.2	5.7	6.8	6.6	7.6	6.8

Risk Factor

D&B has upgraded Chile by one quartile to Db3a as the economy continues to show a strong performance and the outlook is positive. In Q3 the economy continued with the rapid recovery after the recession of 2009 and the series of earthquakes in Q1 2010. Recent data suggest that the expansion in Q3 has been around 7.0% year on year (y/y), after expanding by 6.3% y/y in Q2, the highest rate in five years. Positively, the recovery of the economy is well balanced, driven by both domestic and external demand. Exports reached USD6.5bn during September (34.0% up y/y) and were up 29.3% in the first nine months of the year. High copper prices have contributed to this development: copper traded at an average of USD7,708/metric tonne in September, around 24% higher than a year ago.

However, imports have grown rapidly due to the momentum of domestic demand and the trade surplus has deteriorated during 2010. In the first nine months of the year the trade surplus was 1% lower than during the same period in 2009. More importantly, the peso has continued its appreciation against the USD (in the three months to September the peso appreciated around 8% against the USD) and the real effective exchange rate has also deteriorated, affecting the competitiveness of exporters. Despite the reduction in the trade surplus, the external risk is minimal. We expect the central bank to participate actively in the FX market if the peso continues to appreciate; moreover, amid the current performance of the peso, and despite the increased inflationary pressures (which moderated in September), we expect the central bank to slow down the increase in its reference rate in the coming months. Positively, the rapid recovery of the economy has contributed to a fiscal surplus of 0.8% of GDP in the first half of the year. Although government spending will accelerate in the second half of the year as part of the reconstruction plans after the earthquakes, we expect Chile's government to have a surplus of around 0.8% of GDP this year. The labour market continues to perform well and unemployment in the three months to August decreased to 8.3%, well below the 11.6% recorded a year ago.

D&B is also optimistic about the medium- to long-term outlook of the Chilean economy; we expect opportunities for doing business there to expand rapidly over the coming years. Amid a stable institutional framework and stable policy-making process, Chile will continue to expand its liberal trade policy; in particular, we expect trade with China to increase further (exports to China expanded by more than 60% y/y in the first half of the year) and the country is in discussions regarding a free trade agreement with India. The political environment is stable and there is regular co-operation between the government and opposition parties.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

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

Local Delays:

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

F/X Bank Delays:

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.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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