



Decide with Confidence

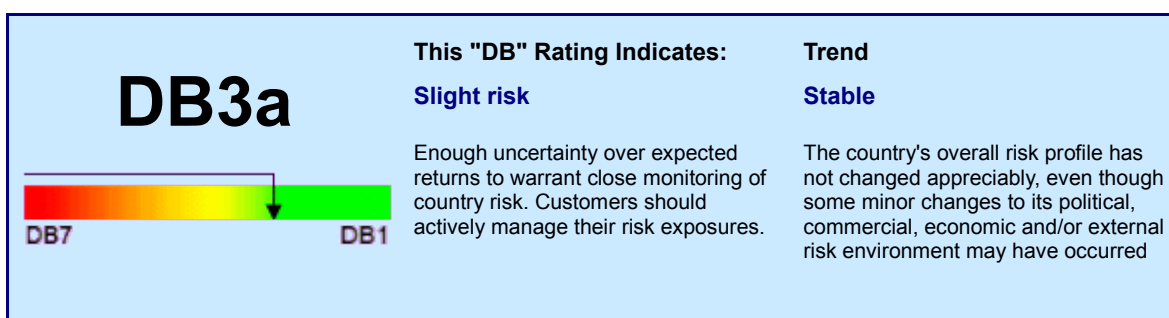
D&B Country RiskLine Report

CHILE

Region : The Americas

Edition : March 2012

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 remains among the most business-friendly countries in the region, having made reforms to improve starting a business, accessing credit and trading across borders over the past year, according to the World Bank's *Doing Business 2012* 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. Nevertheless, in the immediate term we advise vigilance with respect to exchange rate and commodity price movements, given ongoing global financial market volatility. While the central bank will continue to attempt to smooth sharp currency movements, volatility could undermine the ability (or willingness) of some firms to service their liabilities in a timely manner.

Export Credit Agencies

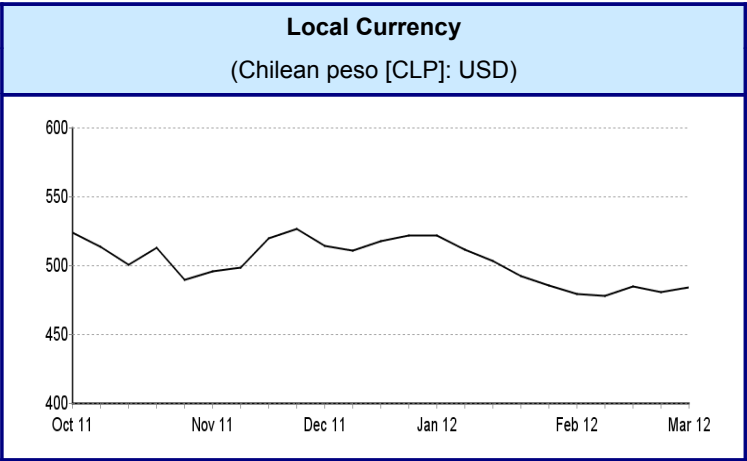
US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2009	2010	2011	2012f	2013f
Real GDP growth, %	-1.5	5.1	5.9	4.3	5.3
Inflation, annual ave, %	1.5	1.4	3.3	3.0	3.4
Govt balance, % GDP	-4.5	-0.4	1.4	-0.5	0.5
Unemployment, %	9.6	8.8	7.1	7.6	7.4
C/A balance, % GDP	1.8	2.4	-0.7	-1.5	-2.4

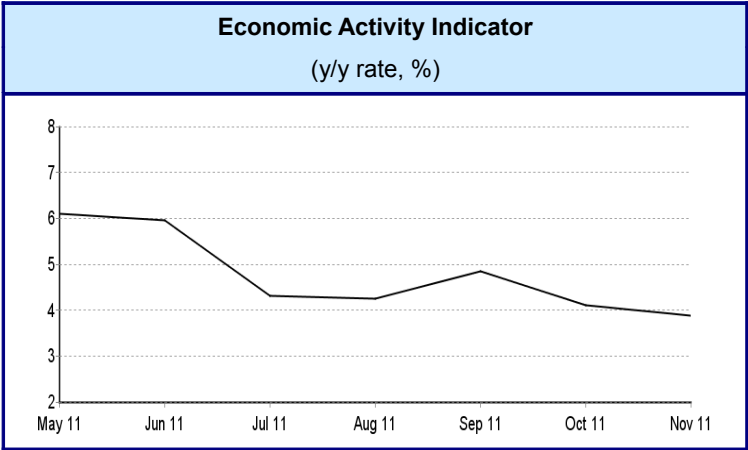
Currency Information

Exchange Rates	
(London, 05 Mar 12)	
EUR	638.66
GBP	766.876
JPY*	593.072
USD	483.65
*(x 100)	



Local Currency (Chilean peso [CLP]: USD)						
	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12
Week 1	523.475	495.350	513.750	521.750	478.850	483.650
Week 2	513.250	498.150	510.450	511.550	477.750	
Week 3	500.150	519.550	517.550	503.375	484.750	
Week 4	512.600	526.150	521.750	491.850	480.650	
Week 5	489.550			485.450		

Economic Activity Indicator



Data Table						
May 11	Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11
6.09	5.95	4.31	4.26	4.85	4.1	3.89

Risk Factor

The Chilean economy is continuing to slow as weakening regional and global growth poses a significant headwind to domestic economic performance. Following strong Q1 2011 real-term economic growth, the economy has consistently slowed over the course of 2011. While Q4 2011 GDP figures are not yet available, we expect the economy to have expanded by 5.9% for 2011 overall. This pace of growth is unlikely to be sustained and we continue to forecast a slowdown to 4.3% in 2012 and a modest pick-up to 5.3% in 2013. Consistent with the economic slowdown, employment growth has slowed from 3.9% year on year (y/y) in Q1 2011 to 2.7% y/y in Q4 2011. This has continued into 2012, with January employment growth of just 1.8% y/y and the unemployment rate appearing to have stabilised at 6.1% over the past two months. On a more positive note, S&P re-affirmed Chile's sovereign credit rating as A+ with a positive outlook. If Chile can continue to maintain prudent monetary and fiscal policies, while ensuring economic stability, then it has the potential for an upgrade over the next 18 months.

Alongside slowing economic activity, inflation pressures remain strong. Notably, wholesale price inflation (WPI) accelerated from 3.7% y/y in July to 10.0% y/y in December. However, this seems to reflect high import growth over 2011 as well as the depreciation of the peso towards the end of 2011. Indeed, domestic WPI stood at 7.6% y/y in December, while imported WPI was 14.8% y/y. That said, average earnings growth has followed this trend and re-accelerated to 6.3% y/y in December. Similarly, CPI inflation accelerated over H2 2011, reaching 4.4% in December (the highest reading since April 2009). However, there was better inflation news for the Banco Central de Chile (BCC), as January CPI eased to 4.2%. While this remains above the BCC's 2-4% target range, we do expect CPI inflation to decelerate during 2012 in tandem with the economic slowdown. This should leave the door open on further interest rate cuts by the BCC following January's 25 basis point reduction to 5.0%.

On the political front, President Sebastian Pinera has seen his poll ratings remain depressed compared with the 66% he achieved in the autumn of 2010 (following the rescue of the 33 Chilean miners). While his rating recovered from 26% in mid-2011 (the lowest of any elected president since 1990) to 35% by November, it has since slipped to 33% in January. The government's planned USD3.2bn Hidroaysen hydroelectric project, which entails the flooding of 14,000 hectares of Patagonia's nature reserves, remains deeply unpopular. At the same time the Student Movement protests during 2011 and recent protests by locals in the Aysen region have prompted the government to re-focus on social spending programmes given socio-economic divisions.

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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