



****Coronavirus Covid-19 Update****

The risks associated with doing business are likely to be negatively impacted by the global coronavirus pandemic. Severe disruption to supply chains caused by lockdown procedures in many countries will affect country risk ratings. Demand will also be lower than initially anticipated as export earnings will be reduced amid a global economic slowdown and falls in both business and consumer confidence, as well as lower investment due to decreasing corporate earnings. We advise clients to monitor the containment efforts, as the adverse economic and supply chain effects will persist until the outbreak is controlled.

Country Insight Snapshot

Chile

May 2020






OVERVIEW

OVERALL COUNTRY RISK RATING: DB4b

Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

A

Rating Outlook: Deteriorating 

CORE OUTLOOK

- + The government will seek to maintain 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.
- Public disaffection with income inequality the ruling class has brought about mass protest, likely to lead to a period of change in Chile's institutional framework.
- Chile's exposure to low mineral prices is felt through the exchange rate, export earnings and government revenue.

KEY DEVELOPMENT

Dun & Bradstreet downgrades Chile's country risk rating to DB4b, as the coronavirus pandemic seriously damages short-term prospects as well as opportunities for investors and existing businesses.

CREDIT ENVIRONMENT OUTLOOK


A

Trend: Deteriorating 

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Deteriorating 

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Deteriorating 

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

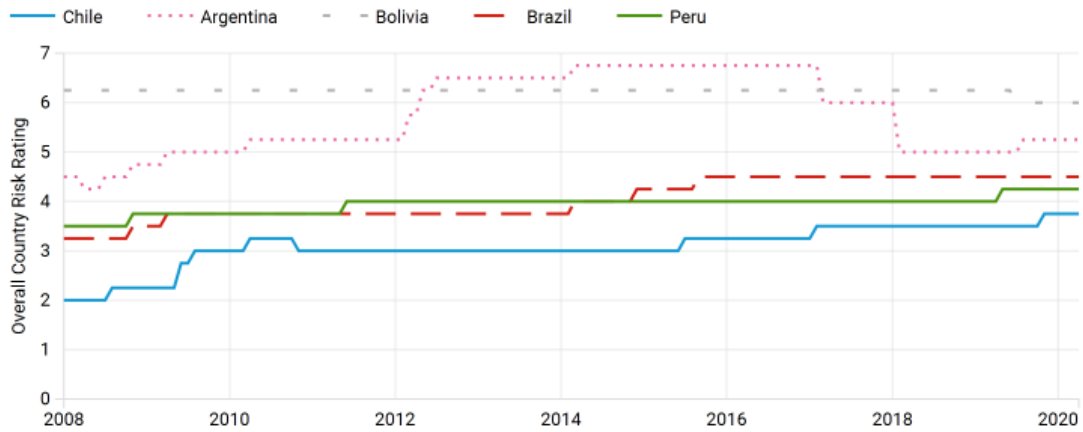
Trend: Deteriorating 

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

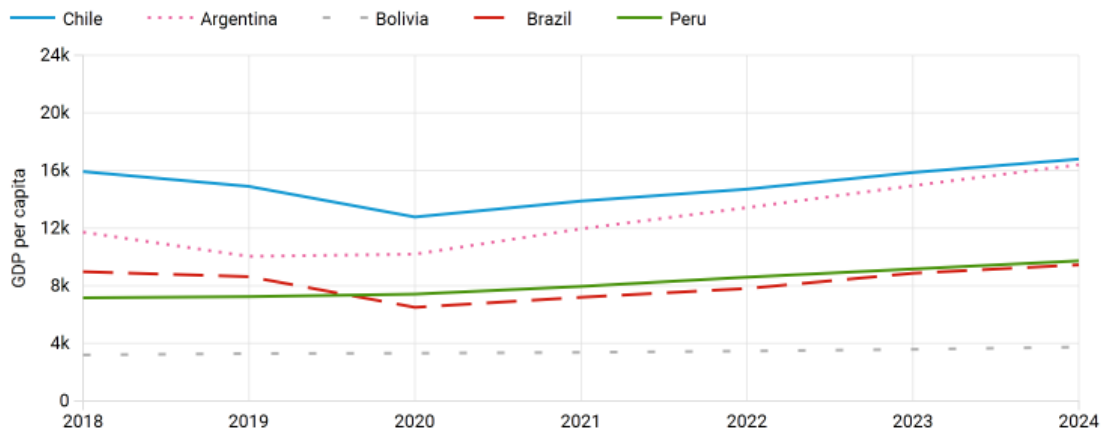
Rating History and Comparison



Source: Dun & Bradstreet

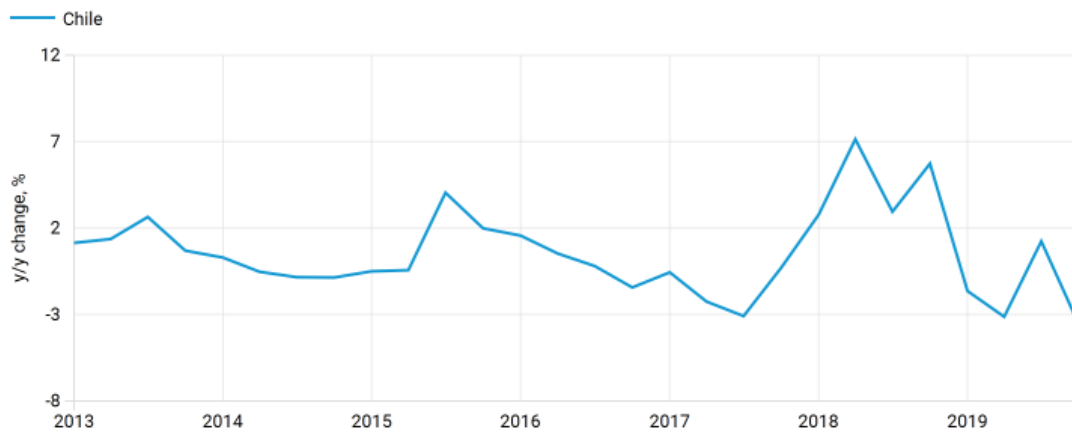
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source: Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	-2.3	-3.6	-3.9	-4.3	-4.2	-4.3	-4.0	-3.9
Govt balance, % GDP	-2.6	-1.5	-2.0	-7.0	-5.0	-3.5	-2.8	-2.0
Inflation, annual avge %	2.2	2.3	2.3	3.4	2.8	3.0	3.0	3.0
Real GDP Growth, %	1.2	3.9	1.1	-2.5	2.4	2.5	2.8	2.8
Unemployment, %	6.4	6.7	6.8	6.6	6.4	6.3	6.2	6.2

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The Central Bank held USD37.1bn in international reserves in late April, USD3.6bn below the end-2019 level, but still sufficient to provide cover for around 6.0 months of (2019) goods and services imports. At end-2019 Chile also held USD22.2bn offshore in two sovereign wealth funds, providing further currency protection. Levels of foreign exchange are likely to fluctuate as bonds are issued and drawn upon in 2020. The free-floating peso has been volatile since protests erupted in October 2019, between CLP710:USD and CLP828:USD in Q4 2019, and CLP750:USD and CLP863:USD in the first four months of 2020, reacting to domestic troubles, the partial lockdown brought about by the coronavirus pandemic and the related fall in copper prices. While further volatility is probable, we consider that this will not be on such a scale in the rest of 2020. The Central Bank's reference interest rate will remain at a record low 0.5% throughout 2020. Inflationary pressures may rise as a result of the weaker currency, but with demand pressures low we expect the monetary authority to keep inflation within its 2.0-4.0% target range. 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

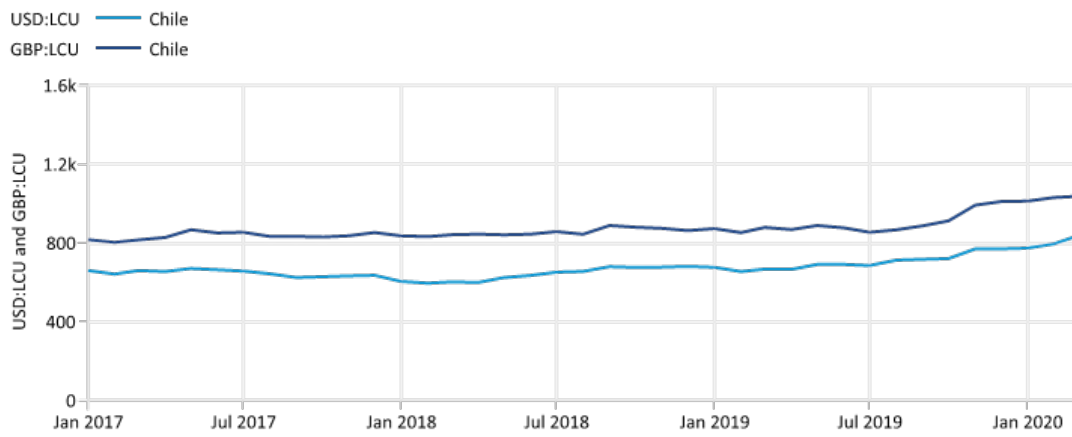
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: No delays reported

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.



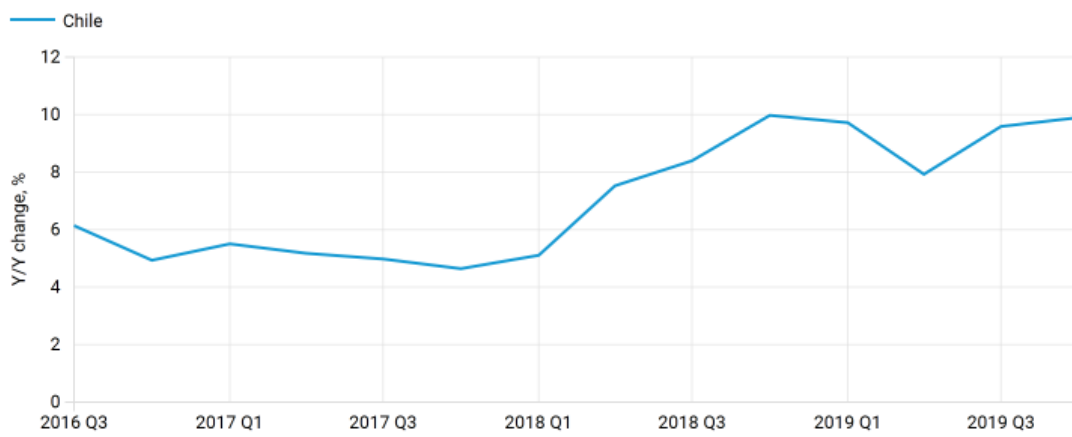
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Chilean peso

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Risk rating downgraded

Dun & Bradstreet has downgraded Chile's country risk rating by two quartiles, to DB4b, as the coronavirus pandemic seriously damages short-term prospects as well as opportunities for investors and existing businesses. For the same reason we have changed the Market, Credit and Supply Environment Outlooks from Green to Amber.

On 3 March Chile recorded its first positive Covid-19 case, after which the government moved swiftly to enact a lockdown, curfew and social distancing measures. These measures included the cessation of all cross-border travel with exceptions made for returning nationals or departures of non-nationals; orders to work from home if possible; the closure of non-essential businesses (food retailers, pharmacies and medical centres remain open, and restaurants are able to offer a delivery service only); as well as tight travel restrictions.

The outbreak of the virus in China earlier in the year had already dealt a blow to the Chilean economy, as China is the largest recipient of Chilean copper, and the domestic lockdown will have a similarly devastating effect. Supply chains have been disrupted for all industries, and some industries, such as tourism, have effectively shuttered. We currently forecast GDP growth to fall by 2.5% this year, recovering to 2.4% in 2021 on the assumption that global trade links are able to gradually reopen.

Business Continuity

Government brings in support measures worth 5% of GDP

On 19 March the government announced a package of measures intended to support businesses to mitigate the effects of the lockdown. The financial aid package, targeted through tax breaks, employment support and increased public health spending, initially totalled USD11.75bn (4.7% of GDP), and was designed to protect jobs, companies and investments. Tax obligations have been postponed and financing made easier for companies.

Chile has the flexibility to provide such respite, given a good international reserves position, as well as assets within its offshore sovereign wealth funds, and the country is also re-entering international bond markets to help finance a forecast fiscal deficit this year of around 7.0% of GDP.

In late April the government announced that it would seek to start gradually and cautiously reopening the economy, but few details have been announced. Despite good early testing, the country has one of the highest death rates in Latin America, and there remain fears that a devastating second wave could take hold. Controversially, the government will hand out 'health passports' to those that are known to have recovered from the virus, with many experts warning that immunity post-recovery is not assured.

Political / Insecurity Risk

Protests have only been paused during lockdown

While the lockdown has given the embattled government of Sebastián Piñera some respite from the massive wave of protest that engulfed the country from Q4 2019, the mood of the population does not appear to have changed, and protests are likely to resume once the lockdown starts to lift. A referendum on a new constitution has been postponed from April until October 2020.



COUNTRY PROFILE AND STATISTICS

Overview

Chile stretches for 2,650 miles along the Andes mountains and the Pacific Ocean, and has 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. Since a wave of protests in late October 2019, Chile's political and policy environment have been in a state of uncertainty. The protests against income inequality appear likely to lead to a shift in the social and policy landscape. Hitherto, Chile's business environment had been underpinned by prudent economic management and by very-liberal trade and investment policies. The popular call for a different developmental model is likely to bring long-term changes. A referendum on whether and how to draft a new constitution, originally due in April 2020, has been postponed until October; this appears likely to pass.

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 reformed as Chile Vamos) held the presidency. Piñera regained the presidency in March 2018, but needs to reach cross-party consensus as he lacks a legislative majority.

Key Facts

Key Fact	Detail
Head of state	President Sebastian Pinera
Capital	Santiago
Timezone	GMT -04-00
Official language	Spanish
Population (millions)	19.0
GDP (USD billions)	282.3
GDP per capita (USD)	14,896
Life expectancy (years)	79.8
Literacy (% of adult pop.)	96.4
Surface area (sq km)	756,630

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	2.3	1.7	1.2	3.9	1.1
Nominal GDP in USDbn	244	250	277	298	282
Nominal GDP in local currency (bn)	159,553	169,537	179,756	191,266	198,441
GDP per Capita in USD	13,574	13,754	14,999	15,925	14,896
Population (year-end, m)	18.0	18.2	18.5	18.7	19.0
Exchange rate (yr avge, USD-LCU)	654.1	677.0	648.8	641.3	702.9
Current Account in USDbn	-5.7	-5.0	-6.4	-10.6	-10.9
Current Account (% of GDP)	-2.4	-2.0	-2.3	-3.6	-3.9
FX reserves (year-end, USDbn)	38.6	40.5	39.0	39.8	40.6
Import Cover (months)	6.5	7.1	6.2	5.6	6.1
Inflation (annual avge, %)	4.3	3.8	2.2	2.3	2.3
Govt Balance (% GDP)	-2.1	-2.6	-2.6	-1.5	-2.0

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	-2.5	2.4	2.5	2.8	2.8
Nominal GDP in USDbn	244	267	283	305	323
Nominal GDP in local currency (bn)	200,227	210,638	222,224	235,113	248,749
GDP per Capita in USD	12,773	13,878	14,706	15,862	16,791
Population (year-end, m)	19.1	19.2	19.3	19.2	19.2
Exchange rate (yr avge, USD-LCU)	820.0	790.0	785.0	770.0	770.0
Current Account in USDbn	-10.5	-11.2	-12.1	-12.3	-12.6
Current Account (% of GDP)	-4.3	-4.2	-4.3	-4.0	-3.9
FX reserves (year-end, USDbn)	36.1	39.7	43.7	45.9	48.2
Import Cover (months)	6.1	6.3	6.5	6.4	6.4
Inflation (annual avge, %)	3.4	2.8	3.0	3.0	3.0
Govt Balance (% GDP)	-7.0	-5.0	-3.5	-2.8	-2.0

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Chile	Argentina	Bolivia	Brazil	Peru
Income per Capita (USD)	12,773	10,190	3,317	6,501	7,418
Country Population (m)	19.1	45.2	11.7	211.4	32.1
Internet users (% of population)	66.0	70.2	39.7	59.7	45.5
Real GDP Growth (% p.a., 2020 - 2029)	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

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