



The country risk classifications are on a scale of 0 to 7.

The lower the number, the better the credit rating.



CONTACT

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BASIC FACTS

Population	18 million (2016)
Nominal GDP	USD 247 billion (2016)
GDP/capita	USD 13,576 (2016)

COUNTRY CLASSIFICATION HISTORY



Source: EKN

Continued growth outlook for Chile

Democracy has been very strong in Chile since the military handed over power in 1990. For many years, the country has conducted a market-oriented and predictable economic policy, and as a result Chile today is well-integrated in the international commodity and capital markets. Nevertheless, the country's current account is largely dependent on the price of the country's most important export product, copper. However, the country has adjusted well to the lower copper prices since 2011 thanks to a well-balanced macro-economic policy and low external debt at the outset. The development will continue to be characterised by growth-promoting reforms, and GDP is expected to increase by approx. two per cent in the next four-year period.

Chile has the lowest country risk category in South America according to EKN. If the Caribbean is included, only two countries apart from Chile are in country risk category 2. Overall, payment experience in Chile is good. EKN has normal risk assessment for all types of buyer, which means that there are no predefined restrictions in the issuance of guarantees.

THE COUNTRY'S STRENGTHS AND WEAKNESSES

STRENGTHS

- + Political stability and established democracy
- + Good access to information and predictable political institutions
- + Diversified economy with a large domestic market and growing purchasing power

WEAKNESSES

- Vulnerable public finances and rising public indebtedness
- Lack of economic diversification and innovation

SWEDISH EXPORTS TO CHILE, MSEK

Chile	MSEK
2016	2,534
2015	2,729
2014	2,675
2013	2,706
2012	3,205

Source: Statistics Sweden

EKN'S EXPOSURE

	MSEK
Guarantees	1,151
Offers	250

EKN'S POLICY

Chile has ranked in country risk category 2 since the end of the 1990s. Since a few years back, the country is not classified within the OECD cooperation, since it is now categorised as a high-income OECD country. This is a result of the stable economic development of the country since the end of the 1980s.

EKN'S COMMITMENT AND EXPERIENCE

EKN's payment experience in Chile is overall good. EKN's outstanding guarantees for transactions in Chile amount to SEK 1.2 billion and consist mainly of guarantees for export of buses to the public transport system in Santiago and the rest of the transport sector. In 2016, 33 guarantees were issued with a total value of SEK 749 million. The negative development of commodity prices in recent years has had repercussions on the Chilean economy, and consequently on the commercial opportunities of companies. This has resulted in a certain increase in the number of late payments. Additionally, EKN experienced problems in connection with the public transport system in Santiago (Transantiago), because the owner of the system, the Chilean state, failed to fully perform its contractual obligations, and the judicial system has failed to put in place sufficient conditions for a financially sustainable public transport system. This has resulted in profitability problems among several of the contracted operators, which in turn significantly increased the risks for the financiers of the Transantiago-system.

To date this year (January-July 2017), 16 transactions have been guaranteed to a value of SEK 385 million. This is the same number of transactions as in the corresponding period 2016, but with a higher amount (the guarantees issued in the corresponding period 2016 equalled a total of SEK 302 million).

In recent years, EKN has guaranteed an average of 27 transactions per year with a value of SEK 750 million annually. Overall, payment experience is good. There are arrears of SEK 18 million in eight transactions, where the maximum guarantee commitment amounts to less than SEK 70 million. Outstanding claims amount to SEK 206 million and are attributable to commercial indemnifications in eight transactions between 2004 and 2014.

WHAT MIGHT CAUSE A CHANGE IN THE COUNTRY POLICY

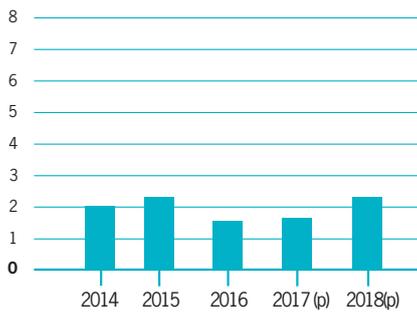
EASING

- Continuous improvement of structural weaknesses in, for example, energy supply, education and the business climate, strengthening the long-term growth outlook of the country
- Bolstering of public finances
- Increased diversification of the export sector

TIGHTENING

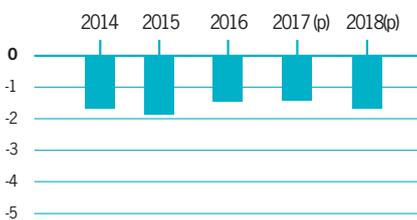
- Continued large deficits in the budget and current account
- Weakened banking sector or lack of government support to banks if required

GDP-GROWTH (% PER ANNUM)



Source: IMF WEO 2017

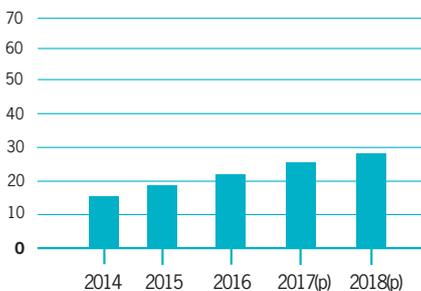
CURRENT ACCOUNT (% OF GDP)



The deficit in Chile's current account is covered by foreign direct investments.

Source: IMF WEO 2017

PUBLIC DEBT (% OF GDP)



Source: IMF WEO 2017

COUNTRY ANALYSIS

BACKGROUND

The economic policies in Chile have been characterised, for a long time, by consensus among the major political parties. Both the current and previous governments advocate economic policies favouring a free market economy. Political decision-making is also characterised by a pronounced consensual approach among the leading parties, forming the basis of a predictable and consistent macro-economic environment.

The most important external factor for the Chilean economy is the international copper price. Chile has over one third of the world's copper reserves and is by far the largest producer in the world. In recent decades, the country has successfully diversified its export portfolio to reduce its traditional dependence on copper. In connection with the major growth in demand for electrically powered vehicles, lithium could potentially become an important export product, as Chile has among the largest lithium reserves in the world.

Chile is one of the most open economies in Latin America, having signed a large number of trade agreements with several countries and economic unions. This has helped the country to attract investments and diversify its external trade dependence to several parties.

RECENT DEVELOPMENTS

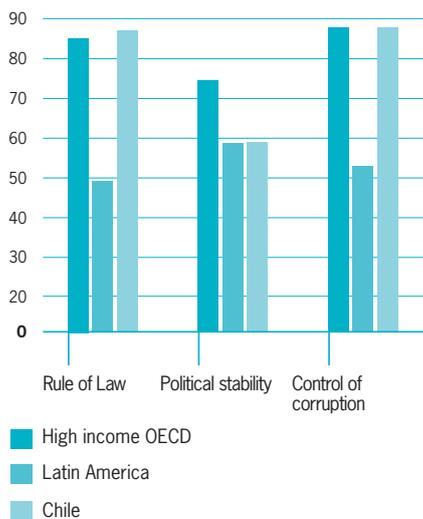
As a result of wide-spread dissatisfaction with the current government's handling of the country's poor growth in recent years and continued significant income differences in the country, a large part of the population is expected to vote in favour of a change in the presidential and congressional elections at the end of November 2017. President Bachelet, who took office in 2014 and represents a middle-left government, is expected to be replaced by Sebastián Piñera of the Chile Vamos-coalition, comprising middle-right parties. Piñera led the country between 2010 and 2014. If he takes back the presidency in 2017, no dramatic change of policy is expected.

Growth in 2016 amounted to a modest 1.6 per cent and is expected to increase somewhat over the next four-year period, to around 2 per cent per year. The slightly higher growth-rate is mainly due to a stronger development of Chile's most important trade partners, Brasil and China, and more stable prices of the country's most important export product, copper, supporting export and willingness to invest. However, future development is expected to be significantly slower than in the previous ten-year period, when the average growth amounted to 4.7 per cent per year.

LONG-TERM DEVELOPMENT

Chile's growth will continue to depend on the price of copper in the foreseeable future. As a commodity exporting country, Chile's terms-of-trade (the relative price between a country's exports and imports) will continue to be more volatile than, for example, those of more manufacturing-intensive growth economies in Asia.

BUSINESS ENVIRONMENT



Ranking from 0 (worst) to 100 (best)

Source: World Bank

The country's long history of political continuity is expected to continue in a substantially market-oriented direction, promoting savings and investments, which in turn supports the long-term growth potential. Combined with a modern infrastructure and stable macro-economic policies, this will continue to support the country's export- and investment-driven development model.

BUSINESS ENVIRONMENT

Chile is an open economy with strong democratic institutions, making it one of the most attractive countries for investment in Latin America. Relatively low crime compared to the other countries in the region, high legal certainty, promoting foreign direct investments in the country, and good growth are major advantages.

Access to financial information about private purchasers is good, and import on open account is common. Letters of credit are rare. In a relatively mature market such as Chile, demand for financial solutions via EKN is limited. In the World Bank's "Doing Business Indicators", Chile ranks 57 (out of 189) and fifth among the countries in the region. The ranking would be higher if not for a general Latin American problem, namely the slow judicial system (although less pronounced in Chile). In relation to other aspects of the business environment, such as legal certainty, corruption control and transparency, the country is in line with other OECD-countries. Chile is an institutionally highly developed country, where leading institutions such as the Ministry of Finance, the Central Bank and a banking inspection have a very good reputation.

The balance sheets of banks and other financial institutions are considered solid. In 2016, the revenues of the banking sector dropped, against the background of lower activity in the economy. The proportion of bad debt continues to be low, around two per cent of the total loan portfolio. The capital buffers are in line with the current regulatory requirements which are largely based on the Basel-I regulations. Chile is planning to tighten the solvency requirements in relation to the banking sector to the minimum level under the Basel III-regulations, which will further boost the sector's resistance to increased credit risks.