Fitch Confirma Rating Soberano de Chile

9 de marzo de 2006

Fitch Ratings-New York-09 March 2006: Fitch Ratings today affirmed Chile's foreign currency Issuer Default Rating (IDR) of 'A' and its local currency IDR of 'A+'. The Rating Outlook for both is Stable. At the same time, Fitch affirmed the short-term IDR at 'F1' and the Country Ceiling at 'A+'. Chile's ratings are supported by its prudent, rules-based macroeconomic policies, its low general government debt relative to peers, and the stability of its balance of payments despite volatility in copper export receipts. The ratings are constrained by Chile's high net external debt relative to peers and, to a lesser extent, its low per capita income. According to Fitch's lead sovereign analyst for Chile, Morgan C. Harting, 'Chile's sound policy framework and institutional integrity position it well to continue along a path of steady economic growth and gradually improving creditworthiness. We expect that the incoming Bachelet government will broadly maintain existing macroeconomic policies and that it will prioritize microeconomic policies aimed at sustaining long-term growth prospects and reducing poverty and income inequality.' Harting expects that 'with medium-term fiscal settings largely defined by the structural surplus commitment, general government debt should continue to decline and its profile should improve.' Increased credibility of macroeconomic policies, improvements in the terms of trade, and ongoing regulatory refinements have boosted growth prospects in recent years. Investment rates have picked up, and market estimates for trend growth rates are now around 5% per year, following a period of sluggish expansion averaging 2.7% from 1998-2003. New trade agreements are bearing fruit as evidenced by non-mining export growth of 15% or more per year since 2003, despite some appreciation of the real exchange rate. Windfall fiscal revenues associated with high copper prices and above-trend growth have been used to repay debt and to increase financial assets, including those of the copper stabilization fund. Some of the recent improvement in fiscal balances and reduction in external debt is clearly due to high copper prices because the red metal accounts for 21% of centralgovernment revenues and 44% of merchandise exports. Non-copper revenues are also risingbriskly, however; they accounted for about half of the increase in central government revenueslast year. These developments improve Chile's competitiveness and should leave publicfinances and the private sector better able to sustain weaker external demand, deterioration inthe terms of trade, or higher global interest rates. Meeting the new government's objectives of reducing poverty and income inequality is likelyto generate incremental demands for government spending. Continued strong growth in GDPand exports will therefore be critical in order to increase government revenues commensuratelyso as to maintain the structural fiscal surplus. Assuming this is achieved, public and externaldebt ratios should continue to decline, improving creditworthiness over time. Converging with category peers in per capita income is a longer term expectation, and need not be a binding constraint to the long-term foreign currency IDR reaching 'A+'. Trends in creditworthiness could stabilize or reverse, on the other hand, if the credibility of fiscal or monetary policy were to deteriorate because of unduly expansionary stances. Contact: Morgan C. Harting, CFA +1-212-908-0820 or Roger M. Scher +1-212-908-0240, New York. Media Relations: Christopher Kimble, New York, Tel: +1 212-908-0226. Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.