

Economic Alert iQ



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International

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Economic Alert: S&P downgrades Chile sovereign debt for first time in decades

- On July 14, 2017, Standard & Poor's (S&P) Ratings Services downgraded Chile's long-term foreign currency rating by one notch to 'A+' from 'AA-' with a stable outlook. This is the country's first downgrade since the 1990's, as weak business confidence and low prices for the key export copper have eroded fiscal revenues.
- "The downgrade reflects prolonged subdued economic growth that has hurt fiscal revenues, increased government's debt burden, and eroded the country's macroeconomic profile," S&P said.
- Chile, Latin America's wealthiest country, is the region's highest-rated sovereign debt holder, with a long record of stability, sound fiscal management, and rainy-day buffers in the form of sovereign wealth funds.
- Falling commodities prices have severely hurt the export-dependent economy in recent years, while corruption scandals in a country have shattered confidence.
- More recently the economy came under pressure following a long mining strike in its key copper production site.
- The downgrade was not entirely unexpected. S&P had changed its outlook on Chile to "negative" from "stable" in January 2017, following a similar move by Fitch in December 2016.
- Chile has sovereign foreign currency credit ratings of A+ (with negative outlook) from Fitch Ratings and Aa3 (with stable outlook) from Moody's Investors Service.



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