

October 22nd, 2021

Ministry of Finance reports on rating action commentary of Fitch

Santiago, October 22nd, 2021.- Yesterday the risk rating agency Fitch reported the results of its periodic credit evaluations of the Republic of Chile. On this occasion, the agency maintained the country's risk rating at “A-” with a “stable” outlook. The risk rating of the Republic of Chile remains the highest in the region.

Faced with the macro-fiscal challenges derived from the management of the pandemic, the Ministry of Finance reaffirms the importance of recovering economic growth, while reiterating its commitment to fiscal responsibility, the gradual reduction of the structural fiscal deficit, and the maintenance of a sustainable situation for public finances.

The Minister of Finance, Rodrigo Cerda, highlighted the rating action “Fitch maintained its rating and outlook to our country, notings the strength in our fiscal management, the low level of debt compared to other emerging countries, the credibility in the macroeconomic policies and a favorable macro institutions”. He added that “as the Ministry of Finance we are working on these aspects to maintain and improve them. In this sense, the 2022 Budget Law is very relevant because return to the path of sustainable public spending. The maintenance of our risk rating avert Chile from higher indebtedness costs, which allows to finance social demands and public investment projects, instead of paying higher interests.”

Main drivers of the rating

The Agency explains in its report that the rating is supported by a strong fiscal policy framework, highlighting a public debt level significantly below its peers, solid governance indicators and a track record of credible macroeconomic policies.

These strengths are balanced by a per capita income projected to remain low relative its peers, dependence on commodities, and weaker external leverage and liquidity metrics.

That said, Fitch highlights that, although there are pressures for an increase in public spending, the Chilean public policy framework continues to be effective in buffering the negative impact of exogenous factors, noting a high value in its qualification of rule of law, regulatory and institutional quality and control of corruption.

The Republic of Chile shares the “A-” rating with Spain, Latvia, and Poland.

The full commentary is available, at the following link:

<https://www.fitchratings.com/research/sovereigns/fitch-affirms-chile-at-a-outlook-stable-21-10-2021>