

Trading in South America – the inside track

Atradius publishes new insight report for businesses

Trade credit insurer [Atradius](#) has published a new insight report for businesses looking to trade in South America. The report analyses the political and economic risks within the major South American markets and also provides a sector performance outlook.

Atradius protects businesses from non-payment and provides essential advice on the risks and opportunities of global trade. The report is designed as a trading tool for businesses with established links within the continent and for those looking to export there for the first time.

Political change coupled with economic decline has placed South America's emerging economies in the spotlight over the last year. However, there is still ample opportunity for UK businesses to develop trade links within these markets.

South America has a population of close to 423 million and the demand for goods and services is strong. The UK already exports £7bn of goods and services to the continent annually and the Federation of Small Businesses reports that the number of British SMEs exporting to South America has doubled within the last five years. The top export destinations reported by the FSB are Brazil, Chile, Argentina and Colombia.

Mike Rowan, Regional Manager for Atradius' Northern Hub said: "The key to a successful trading relationship with South America is information. Insight into the ins and outs of the local economy, political landscape, cultural differences and the payment behaviour of individual businesses is vital whether you're exporting for the very first time or managing a long-established trade relationship.

"This new country report by Atradius is part of a suite of regular reports that sit alongside our tailored insights and expert advice on trading overseas. Trade credit insurance has evolved significantly over the decades and supporting our customers with access to information is a key component. Atradius doesn't just insure against non-payment but plays a strategic role in identifying the risks and opportunities of doing business, facilitating trade and supporting the export journey from the very first steps."

Snapshots from the Atradius South America Report:

Brazil

- a modest economic rebound is expected in 2017 but the economic environment will remain challenging
- high unemployment of more than 10%, a weak manufacturing sector and recent declines in business and consumer confidence
- currency volatility is likely to persist, given the current political volatility and uncertainty over US trade policies
- business insolvencies have increased significantly and are expected to increase further in 2017, by about 10%.
- financial services and food are the strongest performing sectors with a 'good' performance outlook

- consumer durables, electronics and the oil/gas industries are at the other end of the spectrum with a 'bleak' outlook.

Chile

- the business environment remains one of the best in the region and the government continues to stimulate foreign investment
- good access to foreign and domestic capital by local companies reduces refinancing risks
- the impact of the new US administration's economic policy will be important
- financial services and food have a 'good' outlook
- five sectors have been ranked as 'bleak'; construction, mining, metals, steel and textiles

Argentina

- Argentine households severely impacted by sharply increased consumer prices
- significant inflation rise in 2016 of 35% due to a massive peso devaluation
- inflation is expected to decrease in 2017 and 2018, and economic growth will return
- while peso appreciation should sustain export growth, this upswing could be severely dampened by any additional US import tariffs
- many businesses will continue to face higher liquidity risks due to volatile credit markets, an uncertain political and economic environment, uncertainty over global bank loaning capacity and a weak local currency
- agriculture and food sectors are ranked as having a 'good' performance outlook
- metals, steel and textiles industries are ranked as 'bleak'.

Colombia

- decreasing commodity prices have slowed Colombia's GDP growth since 2015
- the growth outlook remains modest, rising by 2% in 2017, and a 3% rebound in 2018
- in recent years sound economic policies have contributed to higher earnings capacity and economic resilience
- agriculture, automotive, construction and financial services all have a 'good' outlook
- every other industry has been ranked as 'fair'.

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