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Latam Daily: Chile's Presidential Election Result

- **Chile: Chilean leftist Mr. Gabriel Boric wins Presidential election with a wide margin**

CHILE: CHILEAN LEFTIST MR. GABRIEL BORIC WINS PRESIDENTIAL ELECTION WITH A WIDE MARGIN

On Sunday, December 19, the leftist candidate Gabriel Boric (35) won the presidential election against the right-wing candidate, José Antonio Kast. With a solid majority having won 55.9% of votes, Mr. Boric will become the next president of Chile, taking office in March 2022. Preliminary data by Chile's Electoral Service (Servel) showed a significant increase in turnout, especially in the lower-income districts. In this context, turnout reached 55.6%, with 8.3 million people, a historical record since voting was made voluntary.

The financial market has reacted by internalizing a scenario of structural reforms in pensions, health and education that will require an increase and redistribution of significant public spending in the coming years. This is how the president-elect's program contemplates a tax reform that would try to collect 5% of GDP in the next 4 years, which is considered ambitious and could require higher levels of public debt. According to the market, debt would increase at 50% of GDP or more to 2026, which is 11 percentage points more than the base projections of the Budget Office for the same year without reforms and considering fiscal convergence.

Initial market reaction: depreciation of the Chilean peso (CLP), losses in the stock market and rises in interest rates, as expected.

Polls prior to the elections showed some diffusion, but in general, they previewed a victory for Mr. Boric. In this context, the result is not a surprise and financial assets had partially internalized this electoral result in recent weeks. The main surprise is the wide gap in votes relative to the opposing candidate Mr. Kast's, which exceeded all projections. Faced with this broad support for the president-elect, the degree of uncertainty remains high and could only decrease given certain milestones over the coming months.

Looking ahead, there are milestones that could provide greater certainty and that we consider relevant to monitor. In forming the new government, it will be key to know the ministers responsible for the economic area, especially the Minister of Finance, who will be in charge of carrying out the pension reform and presenting the tax reform to the new Congress. We also consider it important to monitor the behavior, proposals and support of the Constituent Assembly in the face of an exit referendum that, for now, will take place in July 2022.

—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

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