

Chile: Analyzing November's Election Results

Bigger state versus pro-business policies and law & order

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November 2021



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First-round Presidential election: results

Elecciones 2021 Presidenciales

Escrutado el 100.00% a las 06:36 Participación ⓘ 47,3% 7.115.590 votos / 15MM inscritos



Republicanos
José Antonio Kast
27,9%
1.961.122 votos



Convergencia Social
Gabriel Boric
25,8%
1.814.809 votos



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Franco Parisi
12,8%
899.403



Sebastián Sichel
12,8%
898.510



Yasna Provoste
11,6%
815.558



Marco Enríquez-O
7,6%
534.485



Eduardo Artés
1,5%
103.181

Economic programs—they will change in the coming weeks

	José Antonio Kast	Gabriel Boric
Collection and taxes	<p>Sustainable economic growth and collection thanks to GDP growth.</p> <ul style="list-style-type: none"> (i) Reduction of the first category tax rate for SMEs to 0%, and from 27% to 17% for large companies. (ii) VAT reduction by 2%. (iii) Gradual reduction of real state contributions. 	<p>Increase tax collection around 8% of GDP under regime</p> <p>Tax reform with gradual implementation (6-8 years)</p> <ul style="list-style-type: none"> (i) New income tax regime (1% of GDP) - Disintegration income tax for large companies - Increase the tax burden for those who earn more than CLP 4.5 mn per month. (ii) Eliminate some exemptions (1% of GDP) - Capital gains in stock instruments - DFL-2 benefits - Special VAT fiscal credit for construction companies (iii) Wealth tax (1.5% of GDP) - Super rich tax - Tax on retained earnings - Increase the land tax rate (iv) Green taxes (1% of GDP) - Increase the CO2 tax - Increase the specific tax on fuels from 6 to 7 monthly tax unit per cubic meter (v) Royalty for the mining sector (1% of GDP) (vi) Reduction of evasion and elusion (2.5% of GDP)
Pension System	<ul style="list-style-type: none"> (i) Increase the solidarity pillar or replace it with a universal basic pension, financed with general income. (ii) Use of individual resources and then a contribution from the Government to finance the pension. (iii) <u>Increase 4% the individual contribution</u>, directed to the individual account. (iv) Incentives for voluntary savings for pension. (v) Unemployment insurance must cover the payment of contributions. (vi) Gradual increase in the retirement age of women. (vii) Separate the functions of the AFPs. 	<p>New pension system without AFP and with solidarity</p> <ul style="list-style-type: none"> (i) Creation of a public and autonomous entity. (ii) Guarantee of a minimum <u>universal pension floor of CLP 250,000</u>. Creation of a Reserve Fund with the current Pension Reserve Fund (FRP). (iii) <u>Increase the contribution in 6%, to 18%</u>, charged to the employer.
Health	<p>Health as a government priority</p> <ul style="list-style-type: none"> (i) New powers for the Ministry of Health. (ii) Reform of the structure of COMPIN. (iii) <u>FONASA will be a public insurance.</u> 	<p>Universal Health System</p> <ul style="list-style-type: none"> (i) <u>Universal FONASA</u>, leaving all the people affiliated with the institution, which will collect and redistribute individual and public health contributions. The Isapres will be voluntary complementary insurance. (ii) Increase in the public investment in health to OECD average.
Education	<ul style="list-style-type: none"> (i) Free initial and school education. Funding must be provided to higher education students. 	<p>Universal gratuity</p> <ul style="list-style-type: none"> (i) Expand gratuity and <u>eliminate banking sector</u> (CAE) and use of debt to study. (ii) Cancellation of educational debt. (iii) Expansion of the public education. Improve the financing of the public Technical Training Centers (CFTs).
Natural Resources	<ul style="list-style-type: none"> (i) Reduce dependence on oil in the energy matrix. (ii) Evaluate the hydroelectric potential. (iii) Modernization of the Chile's Water Department (DGA). (iv) Transition towards electromobility. (v) National Green Hydrogen Strategy. 	<ul style="list-style-type: none"> (i) Generation of value in mining, which allows generating wealth beyond extraction. (ii) Repeal of the Fishing Law.

Sources: Scotiabank Economics based on Presidential platforms.

Senate composition: right-wing parties get historic number of senators

Elected (new, 50 senators, 27 elected)



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Apruebo Dignidad	Nuevo Pacto Social	Otros	Chile Podemos +	Frente Social Cristiano
912.1 K votos	726.1 K votos	942.5 K votos	1.3 M votos	401.6 K votos
5 1 ○ 2 ● FREVS 2 ● PC	17 9 ○ 2 ● PDC 2 ● PPD 4 ● PS	5 3 ○ 2 ● IND	22 10 ○ 2 ● EVOP 5 ● RN 5 ● UDI	1 1 REP

Senate composition: pre-election

Actual (before election, 43 senators)



Sources: DecideChile, Scotiabank Economics.

Lower-House composition: *status quo*

Elected (155 deputies elected)



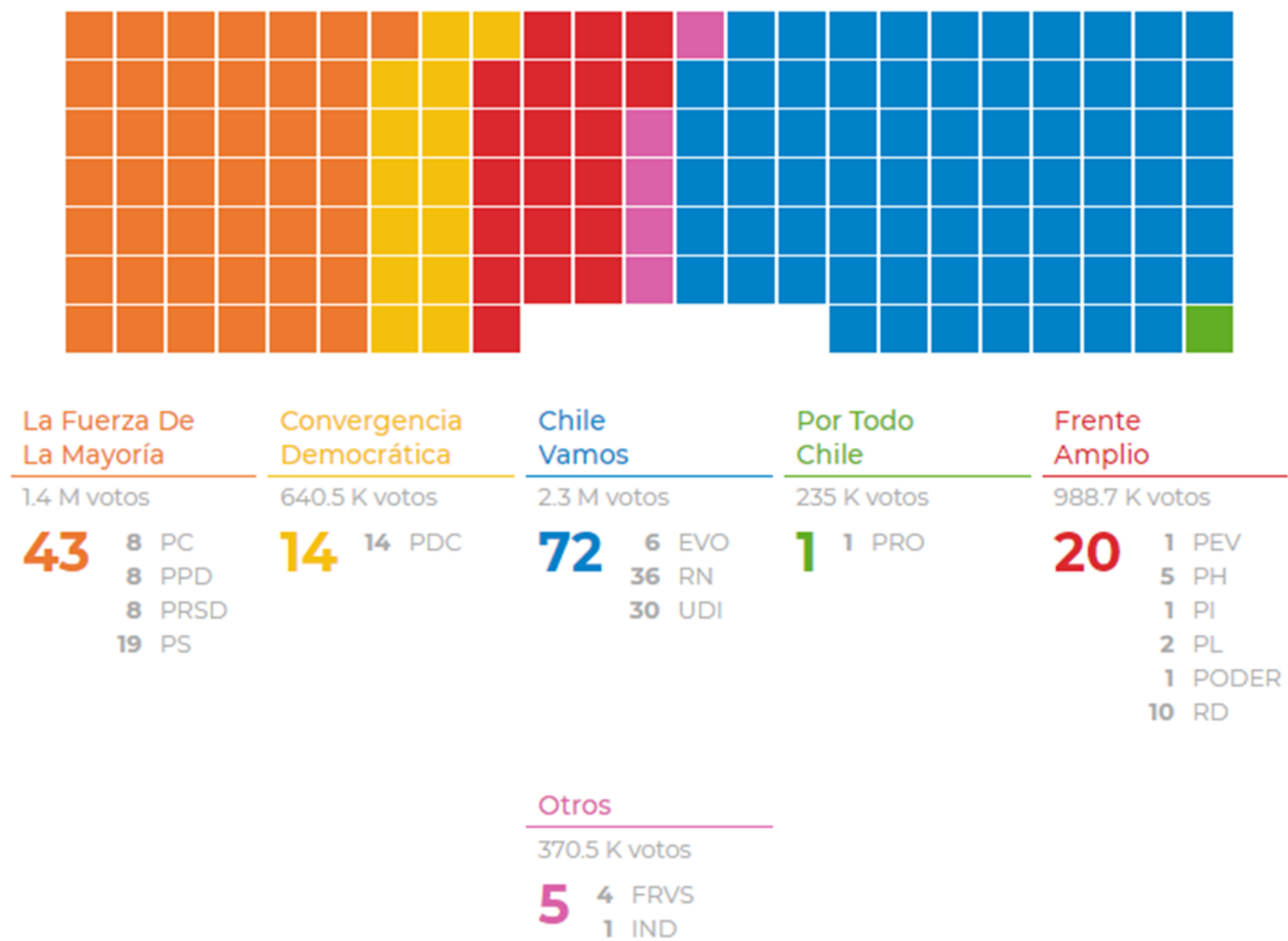
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Apruebo Dignidad	Nuevo Pacto Social	Otros	Partido de la Gente	Chile Podemos +	Frente Social Cristiano
1.3 M votos	1.1 M votos	1 M votos	534.9 K votos	1.6 M votos	707.3 K votos
37 6 COMU 9 CS 2 FREVS 12 PC 8 RD	37 1 CIUD 8 PDC 4 PL 7 PPD 4 PR 13 PS	7 3 PH 1 CU 2 PEV 1 IND	6 6 PDG	53 4 EVOP 1 PRI 25 RN 23 UDI	15 1 PCC 14 REP

Sources: DecideChile, Scotiabank Economics.

Lower-House composition: pre-election

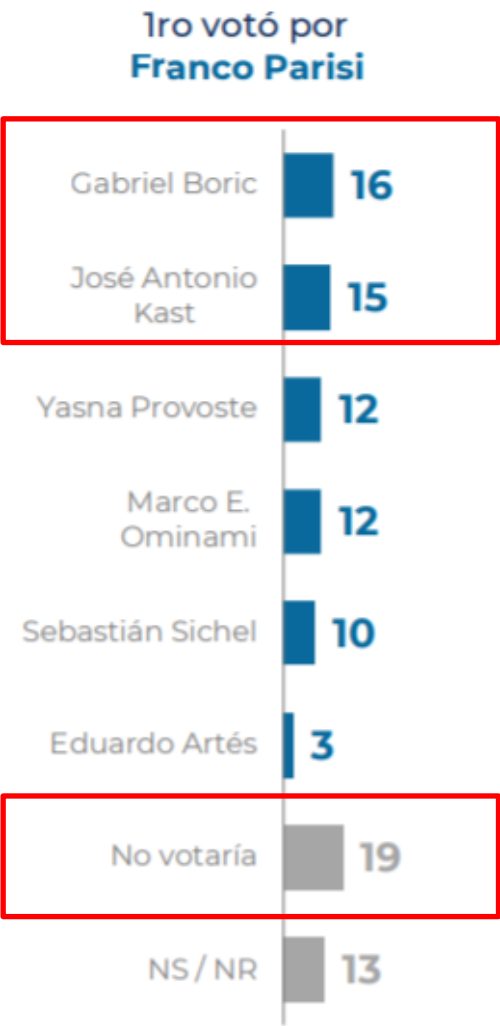
Actual (155 deputies)



Sources: DecideChile, Scotiabank Economics.

PARISI: Where are Parisi votes going in the runoff?

"Cadem" Survey: second Presidential option
(%, second choice of voters who will vote in the first round for Parisi)



Elected Deputies from Partido de la Gente:
Liberal economically, conservative on values

Partido de la Gente	
0 / 6 Diputados	
G. Rivas	PDG
K. Medina	PDG
R. Arroyo	PDG
R. Oyarzo	PDG
V. Pino	PDG
Y. Ahumada	PDG

Sources: Cadem, Scotiabank Economics.

Parisi's economic program

- Keep pension-fund system with minor changes
- Increase tax revenue, eliminating exceptions and evasion
- Lower VAT on specific items (medicines, among others)
- Lower gasoline taxes
- Royalties on the mining sector

Six deputies from Parisi's party

- Not very well known
- They seem to be more center-right than center-left
- Economic liberals, but conservative on values
- One was former deputy of a right-wing party (RN)

Fourth withdrawal of pension funds should be a reality soon

- Boric wants a new withdrawal
- Key to get more votes for the run-off

MEO and Provoste voters not guaranteed for Boric

- In previous election, some of MEO's voters went to Piñera
- President of CD has not taken a decision to support Boric

- Referendum by July 2022: approve or reject?
- Low probability of changes in current conditions
- Assembly will have to move carefully with a center-right congress

Boric versus Kast: result will be tight

- No more than 100k-vote difference in the second round
- Next President (Boric or Kast): limited scope to act

- CLP, rates, and equities: positive short-run impact
- But also (mild) positive medium-term effects
- Monetary policy implications
- Fiscal sustainability

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