

# Chile: What The New President-Elect Means



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# Chilean leftist Boric won the Presidential run-off election by a large margin. Turnout increased to 56%, around 8.4 million people.

Escrutado el 99.99% a las 01:42 Participación ⓘ 55,6% 8.364.534 votos / 15MM inscritos



Convergencia Social  
Gabriel Boric  
**55,9%**  
4.620.671 votos



Republicanos  
José Antonio Kast  
**44,1%**  
3.649.647 votos

Mayoría



[@DecideChile](#)

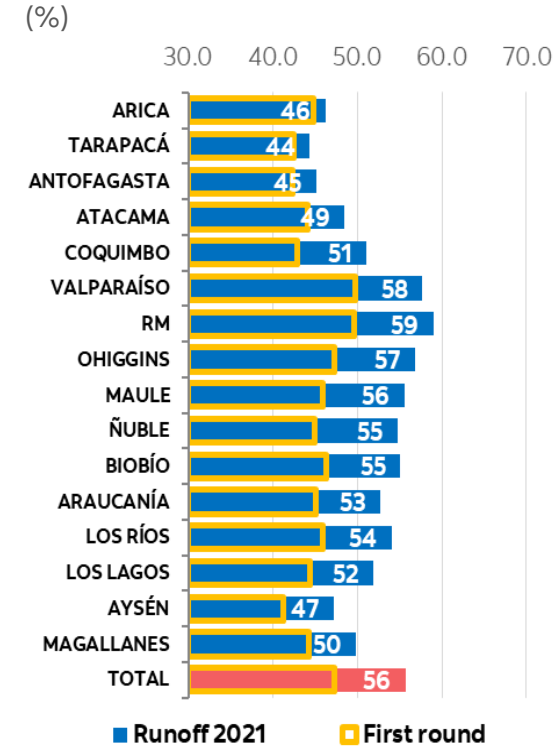
✈ Válidos 98,9% 8.270.318

— Blancos 0,3% 23.944

✕ Nulos 0,8% 70.272

# Higher turnout in low-income districts compared to the first round, largely explained by the increase in Metropolitan Region (RM: +552k).

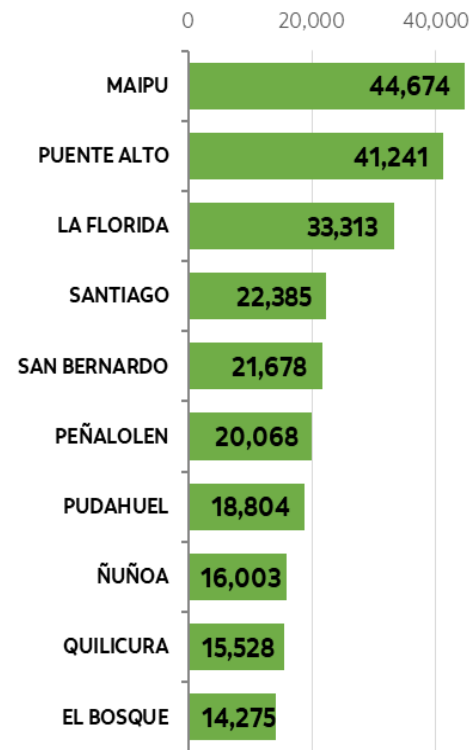
## Turnout by region



Dif. wrt first round	
Region	Voters
ARICA	2,620
TARAPACÁ	4,953
ANTOFAGASTA	13,815
ATACAMA	10,544
COQUIMBO	51,377
VALPARAÍSO	126,472
<b>RM</b>	<b>551,756</b>
OHIGGINS	74,082
MAULE	86,181
ÑUBLE	41,867
BIOBÍO	116,435
ARAUCANÍA	67,773
LOS RÍOS	28,533
LOS LAGOS	56,663
AYSÉN	5,865
MAGALLANES	8,895
<b>TOTAL</b>	<b>1,247,831</b>

## 10 largest increases in turnout in RM

(voters, and % for candidates)



Municipalities	% of votes	
	Boric	Kast
MAIPU	66.6	33.4
PUENTE ALTO	70.3	29.7
LA FLORIDA	64.8	35.2
SANTIAGO	60.7	39.3
SAN BERNARDO	64.5	35.5
PEÑALOLÉN	65.3	34.7
PUDAHUEL	68.5	31.5
ÑUÑO A	59.6	40.4
QUILICURA	68.0	32.0
EL BOSQUE	65.8	34.2
<b>RM</b>	<b>60.3</b>	<b>39.7</b>

Sources: DecideChile, Servel, Scotiabank Economics.

# Boric's economic program

<b>Boric</b>
<b>Collection: 5.0% of GDP in 4 years</b>
<b>Sources of collection</b>
1.6% of GDP from tax evasion and avoidance
1.3% of GDP from super rich tax
0.8% of GDP from exemptions
0.8% of GDP from royalty
0.3% of GDP from green taxes
0.2% of GDP from income tax
<b>Some public policies</b>
2.5% of GDP to finance the Basic Pension
2.5% of GDP: public health care, minimum wage, universal gratuity for education, among others
<b>Public debt</b>
Stabilization of public debt without a target

Sources: Presidential program of G. Boric, Scotiabank Economics.

# Less pessimistic view of external analysts

GDP forecasts for 2022 (y/y, %)

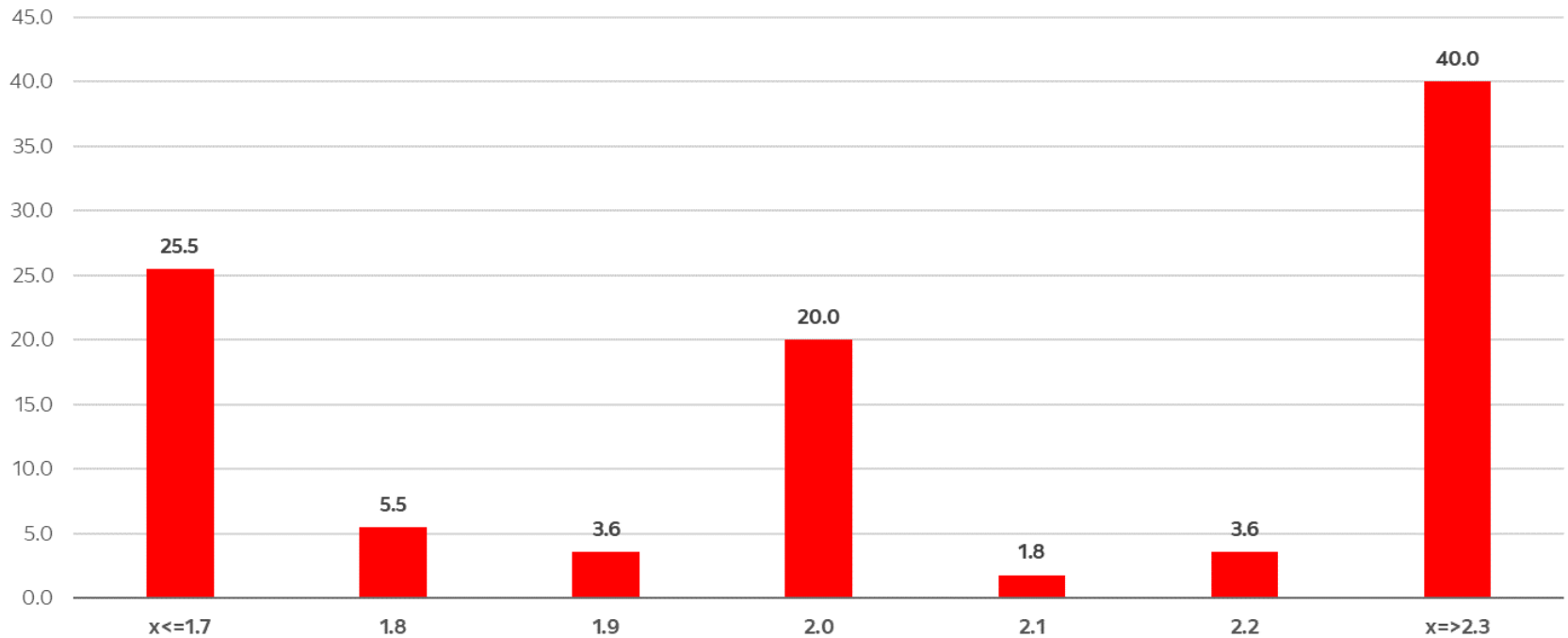
Institution	GDP growth (%)
Barclays	4.0
Capital Economics	4.0
EIU	3.7
OECD	3.5
BTG-Pactual	3.5
IHS Market	3.3
Citibank	3.0
Moody's	3.0
Deutsche Bank	2.5
Scotiabank	3.5-4.5
<b>Consensus (external+local)</b>	<b>2.6</b>

Sources: Consensus forecasts, Scotiabank Economics.

**High diffusion in expectations for 2022 GDP growth among domestic professional forecasters. Most of them (40%) forecast GDP growth above 2.3% y/y. Bimodal distribution: just 20% forecasting 2.0% y/y.**

## Expected GDP growth for 2022

(%, Economic Expectations Survey)

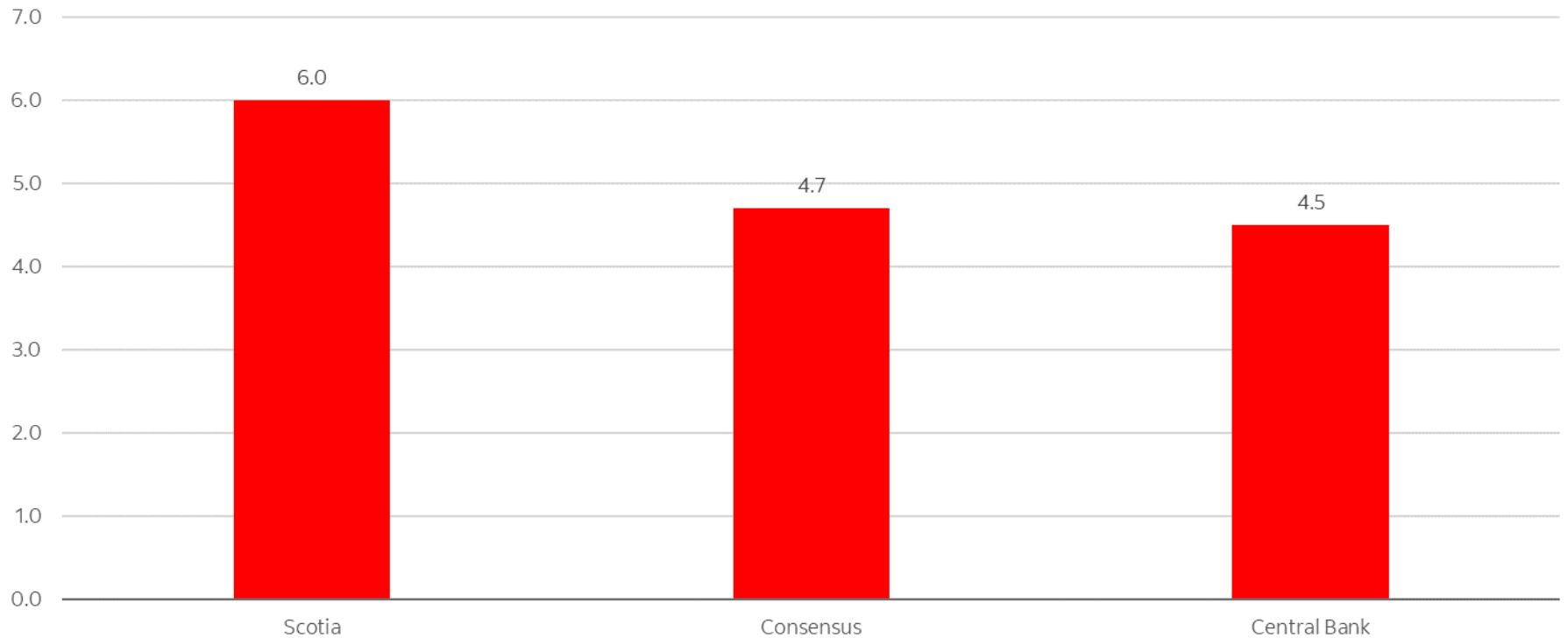


Sources: Central bank, Scotiabank Economics.

# Late in 2020, both central bank and consensus underestimated GDP growth for 2021.

## GDP forecast for 2021 made in December 2020

(y/y, %)

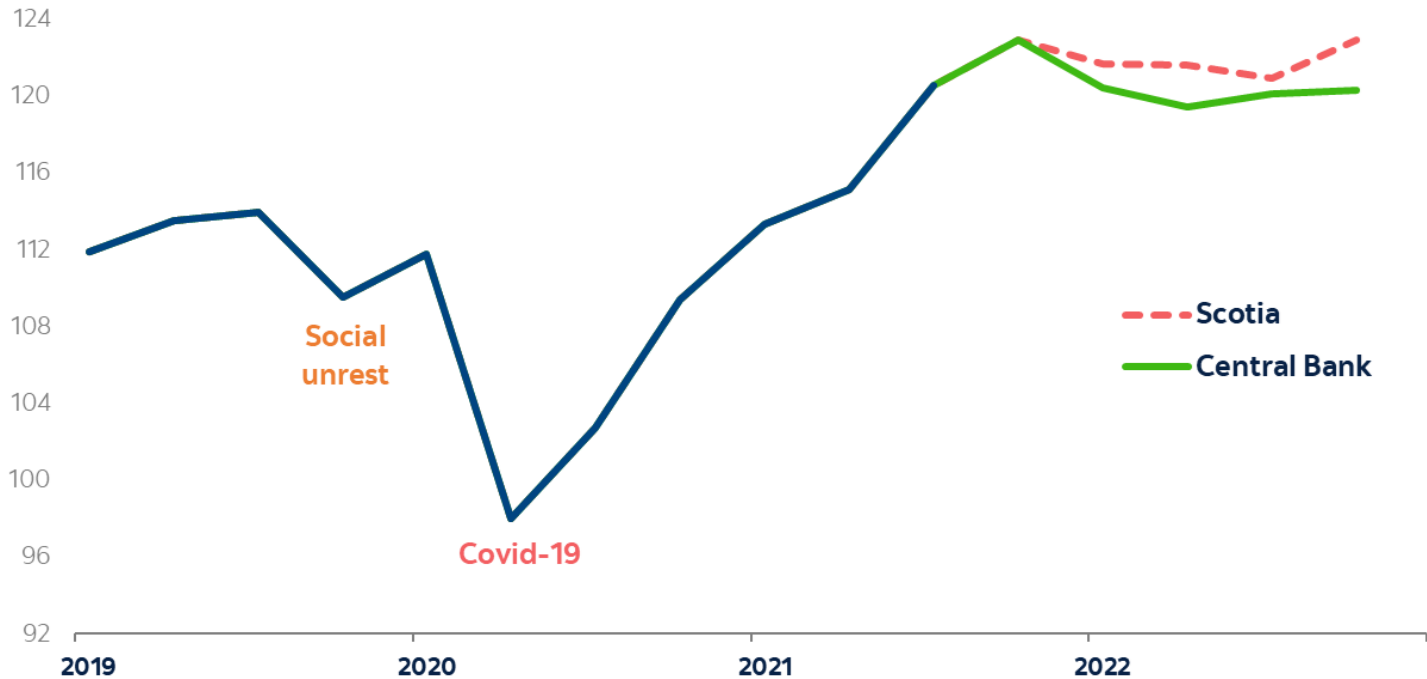


Sources: Central bank, consensus forecasts, Scotiabank Economics.

**Central bank is estimating a drop in the level of GDP, which stays low during 2022–23.** It seems that the CB is forcing a rapid long-run convergence and/or giving significant weight to political uncertainty.

## GDP level

(level, index 2013=100, seasonally adjusted)



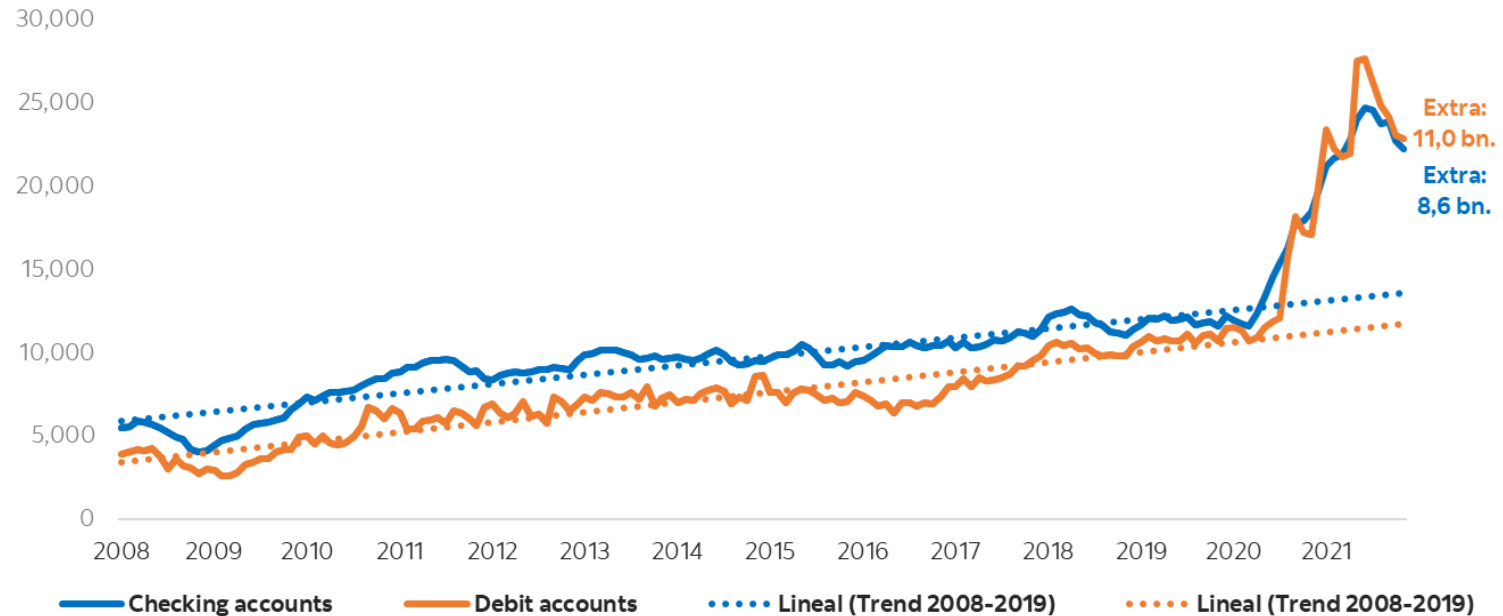
Sources: Central bank, Scotiabank Economics.



Liquidity is normalizing, but there is still an extra USD 20 bn in checking and debit accounts that (we estimate) will last until mid-2022 (at least).

## Liquidity in non-remunerated accounts

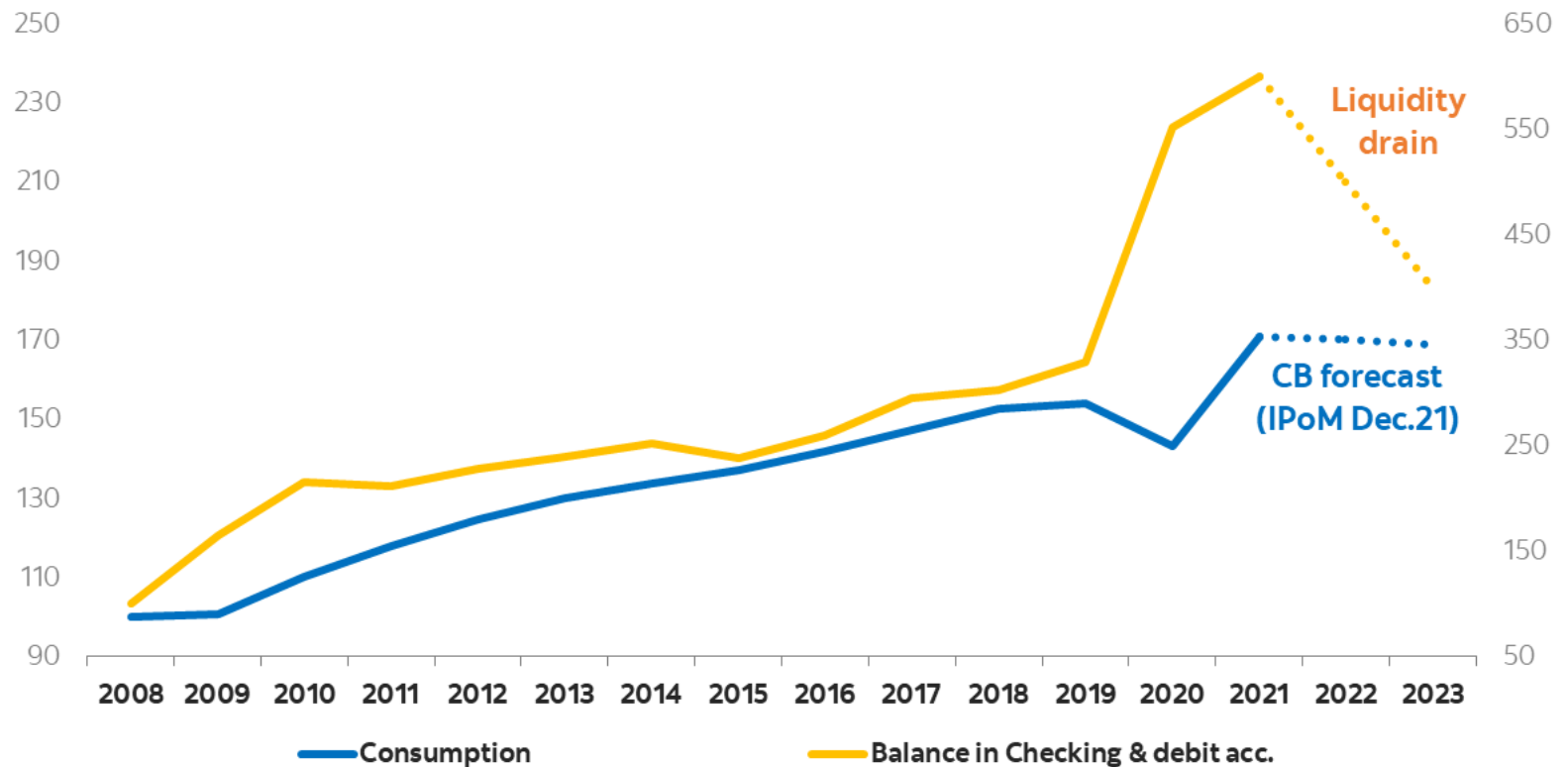
(millions of USD, natural persons, as of Nov. 2021)



Central bank forecast a reduction in the level of consumption in 2022 and 2023. Liquidity drain would avoid a sharp adjustment in consumption.

### Consumption and Liquidity in non-remunerated accounts

(index 2008=100)



Sources: Central bank, Scotiabank Economics.

# Uncertainties

- **Key ministers (Finance and Interior)**
- **Interaction with the Assembly**
- **Fiscal responsibility**
- **Relationship with 50/50 Congress**

# Impact on rates

- **Nominal rates up**
- **Inflation-linked rates up: breakeven rates rising**
- **Central bank reactions (?)**
- **Changes in the budget law for 2022?**

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