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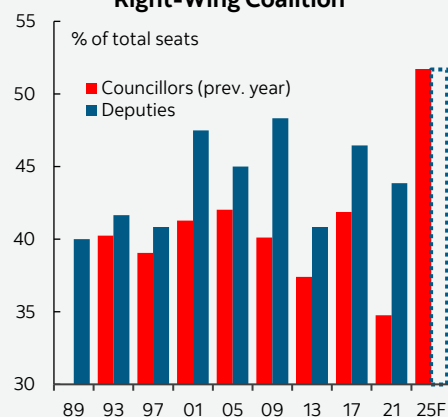
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Chart 1

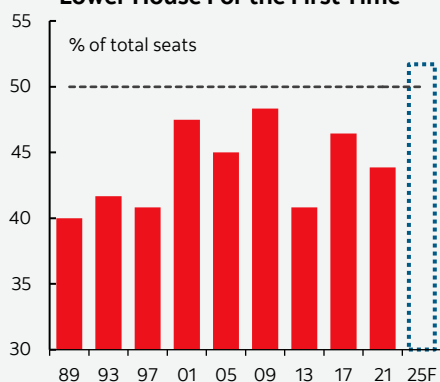
Councillors vs Deputies Elected by Right-Wing Coalition



Sources: Scotiabank Economics, Servel.

Chart 2

Deputies Elected by Right-Wing Coalition: Securing a Majority in the Lower House For the First Time



Sources: Scotiabank Economics, Servel.

Chile—Political Outlook Ahead of the 2025 Elections

- **We expect the right-wing coalition to achieve a majority at the Lower House for the first time since the return to democracy**

Current market dynamics suggest that investors are increasingly pricing in a likely victory for the right-wing presidential candidate in Chile's upcoming election. This expectation is supported by consistent polling data and prediction markets, which indicate a high probability of a right-wing win in the second round. Historically, markets have reacted positively to expectations of pro-business governance, and current pricing appears consistent with that pattern.

However, markets appear to be overlooking a second, less certain but highly relevant scenario: the possibility that the right-wing coalition secures a majority of members in the Lower House of Congress for the first time since Chile's return to a democratic system in 1990. In this note, we put forward that the two coalitions representing the center-right voters (*Chile Grande y Unido* and *Cambio por Chile*) will get "no less than" 50% of the seats in the Lower House, a scenario that we consider is not internalized in Chilean asset prices.

Recent surveys consistently show that any right-wing candidate—whether José Antonio Kast or Evelyn Matthei—would defeat the incumbent government-backed candidate, Jeanette Jara, in a second-round runoff.¹ This trend is also corroborated by Polymarket pricing, where contracts for a right-wing victory in the presidential race trade at a significant premium, reflecting market confidence in this outcome. While these signals provide a strong anchor for expectations regarding the presidency, they do not extend to congressional races.

We are two months away from the election of Chile's next president, under mandatory voting.² The first round of the 2025 presidential election will take place on Sunday, November 16th, while the runoff between the two highest-voted candidates is scheduled for Sunday, December 14th. This year, the entire Lower House (155 seats) and half of the Senate will also be renewed (23 of 50 seats), with only one round of voting taking place on November 16th. Currently, the ruling coalition does not have a majority in either chamber. In the senatorial elections, 10 seats held by the center-left and 13 by the center-right must be elected. These elections will be under mandatory voting, as has been the case since 2022 following the Constitutional Plebiscite.

While presidential outcomes dominate headlines, legislative dynamics are equally critical for policy execution. A fragmented Congress has historically constrained reform agendas, regardless of the president's political alignment.

However, the 2024 municipal elections—particularly the strong performance of right-wing parties in councillor races—signal a potential realignment at the parliamentary level. If replicated in the upcoming legislative elections, this could grant the center-right coalition an outright majority in the Chamber of Deputies, an unprecedented development in the post-1990 democratic era.

Municipal elections—particularly the vote for councillors—have historically served as a strong leading indicator of subsequent parliamentary elections. The comparative data between councillor and deputy elections from 1989 to 2025 (charts 1 and 2) confirms a consistent pattern: vote shares in councillor elections tend to anticipate the composition of the Lower House one year later. For our analysis, we used the official Electoral Service

¹ Cadem (September 7th) second round scenarios: Jara (32%) vs Kast (42%); Jara (32%) vs Matthei (43%). Criteria (September 28th) second round scenarios: Jara (35%) vs Kast (44%); Jara (34%) vs Matthei (39%).

² While voting is mandatory, no sanctions will be applied to eligible foreign residents. Nonetheless, turnout among the nearly 900,000 registered foreign voters is expected to remain robust. Consequently, participation rates are projected to be broadly in line with the previous electoral cycle.

results for the councillors and deputy elections, considering the parties that formed part of the right-wing coalition in each election.

In the 2024 municipal elections, the right-wing coalition achieved its best electoral performance since the return to democracy, far exceeding the percentage of councillors elected in previous years. If this historical correlation holds, the 2025 parliamentary elections could result in the first-ever majority for the right in the Chamber of Deputies, exceeding 50% of seats.

The strongest support for the right-wing coalition is observed even in districts that have historically been predominantly center-left and that elect the largest number of seats (eight each), such as Districts 6 and 7 in the Valparaíso region, Districts 8 and 9 in the Metropolitan region, and District 20 in the Biobío region.

The advance of the right in districts historically dominated by the center-left is not an isolated phenomenon but part of a broader trend of electoral realignment, as seen in the results of the recent councillors' elections (chart 3). The coalition's ability to consolidate in high-magnitude constituencies—such as Districts 6 and 7 in Valparaíso, 8 and 9 in the Metropolitan region, and 20 in Biobío—is politically significant: these territories concentrate urban populations, middle-class sectors, and areas historically linked to the *Concertación* and the *Frente Amplio*.

In 2021, for example, in District 6 (Valparaíso interior) the right secured 3 out of 8 seats, and in District 8 (Maipú, Cerrillos, Estación Central) it reached 3 out of 8, breaking the progressive hegemony. A similar outcome occurred in District 20 (Concepción and surrounding areas), where the right obtained 4 out of 8 seats—a result unthinkable a decade ago.

This pattern reflects a structural shift: issues such as security, migration, and disaffection with traditional parties have driven a more conservative vote even in urban areas that were once left-wing strongholds. At the macro level, this anticipates a more fragmented Congress and a legislative agenda where the right would hold veto power in key areas.

In Chile's upcoming 2025 parliamentary elections, the right-wing political sector is expected to compete via two separate coalitions—*Chile Grande y Unido* and *Cambio por Chile*—rather than presenting a unified electoral front. This fragmented approach may limit their ability to optimize seat allocation under the D'Hondt proportional representation system, which tends to favour larger, consolidated lists. Nevertheless, the left-wing parties are also expected to run on separate lists, which could offset the advantage typically gained from a broad coalition. As a result, the positive effect of list consolidation may be neutralized for both political blocs.

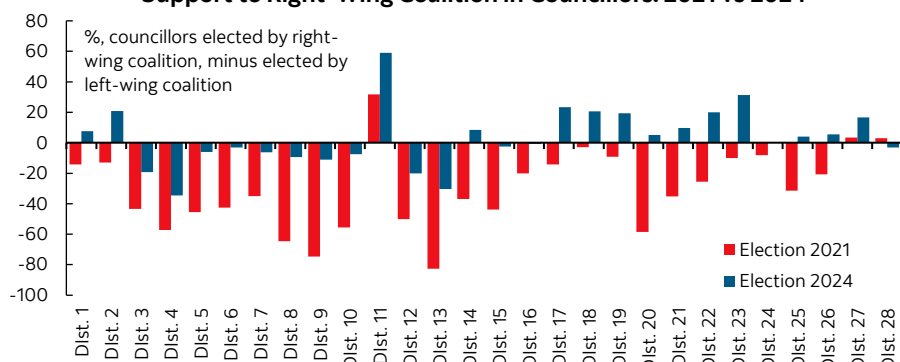
Such a majority in the Lower House would allow the coalition to pass legislation without needing support from the left-wing parties. Examples of laws that could be approved under this scenario include (table 1):

- **Tax reforms** aimed at stimulating investment and reducing corporate burdens.
- **Labour market flexibility measures** to enhance competitiveness.
- **Fiscal consolidation** and investment initiatives.
- **Security and migration legislation** aligned with conservative platforms.

While asset prices likely already reflect expectations of a right-wing victory in the 2025 presidential election, they do not appear to fully incorporate the possibility of a legislative majority, particularly in the Lower House. This is suggested by the current valuation discount observed in Chilean equities and the exchange rate, which may reflect residual uncertainty around legislative governability. If the right does

Chart 3

Support to Right-Wing Coalition in Councillors: 2021 vs 2024



Note: The bars show the difference between the percentage of councillors elected by the right-wing coalition and the percentage of seats obtained by the left, by district. Right-wing parties are the following, depending on the election: UDI, RN, Republicanos, Evópoli, Nacional Libertario, Social Cristiano, Amarillos, Demócratas, PRI, Conservador Cristiano, Unión Centro-Centro, SUR, PN. In 2015, the PRI joined the right-wing coalition (Chile Vamos). The PDG (Partido de la Gente) is not included within the right-wing coalition.

Sources: Scotiabank Economics, Servel.

³In the 2021 election, Communist Party (PC) deputy Karol Cariola secured a seat for fellow party member Boris Barrera in District 9 through the D'Hondt system. A similar outcome was anticipated this year with Daniel Jadue heading the list. However, his disqualification creates room for a potential realignment in the district, favouring center-right candidates.

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secure a legislative majority, the alignment between executive and legislative branches would reduce political risk and facilitate policy implementation. This could lead to:

- **Appreciation of the Chilean peso**, as political uncertainty diminishes.
- **Re-rating of domestic equities**, particularly in sectors sensitive to regulatory reform.
- **Compression of sovereign and corporate credit spreads**, reflecting improved fiscal and policy outlook.

In summary, the 2024 councillor election results point to a potentially transformative political shift in Chile. Yet, markets may not be fully pricing in the legislative implications, leaving room for repricing following the 2025 parliamentary elections—especially if a right-wing majority in the Lower House is confirmed.

Type of Rule	Definition	Quorum	Relevant Laws and Reforms	Matthei's Proposals	Jara's Proposals	Kast's Proposals
Interpretative Laws of the Constitution	Specify or clarify the meaning and scope of a constitutional provision	4/7 of sitting deputies and senators (89 deputies; 29 senators)	Constitutional plebiscites	No proposals	No proposals	No proposals
Organic Constitutional Laws (LOC)	Complementary rules to the Constitution on specific matters	Absolute majority of sitting deputies and senators (78 deputies; 26 senators)	Law Regulating the Legitimate Use of Force by Carabineros	Judicial Branch Reform (3 bodies, Supreme Court role)	No proposals	Anti-squatting protocols
Qualified Quorum Laws	Regulate matters specified in the Constitution	Absolute majority of sitting deputies and senators (78 deputies; 26 senators)	Law 21,556 (2023): firearms control	Organized crime prosecution	Firearms control	Border closure
Ordinary or Common Laws	Regulate other matters defined as 'matters of law' (Art 63 CPR)	Simple majority of members present in the session	Tax Reform; Budget Law	Corporate tax cut to 23% US\$8 billion spending reallocation	Austerity (zero growth in public employment, 50% reduction in political appointments) Unified Employment Subsidy Minimum wage of CLP 750,000	Eliminate SEIA Ministers' Committee Corporate tax cut (27%→23%, down to 20%) US\$6 billion spending adjustment Eliminate property taxes
Decrees with Force of Law (DFL)	Legal norms issued by the President of the Republic	Requires authorization granted by Congress through a law	MEPCO (fuel price stabilization mechanism)	No proposals	No proposals	No proposals
International Treaties	Formal agreements between States (Vienna Convention)	Congress approves with the quorum corresponding to the subject matter of the treaty	CPTPP/TPP-11	Security cooperation	Multilateralism, regional integration, SME support	Security and border control cooperation

Sources: Scotiabank Economics, Ley Chile, Presidential's Programs.

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