

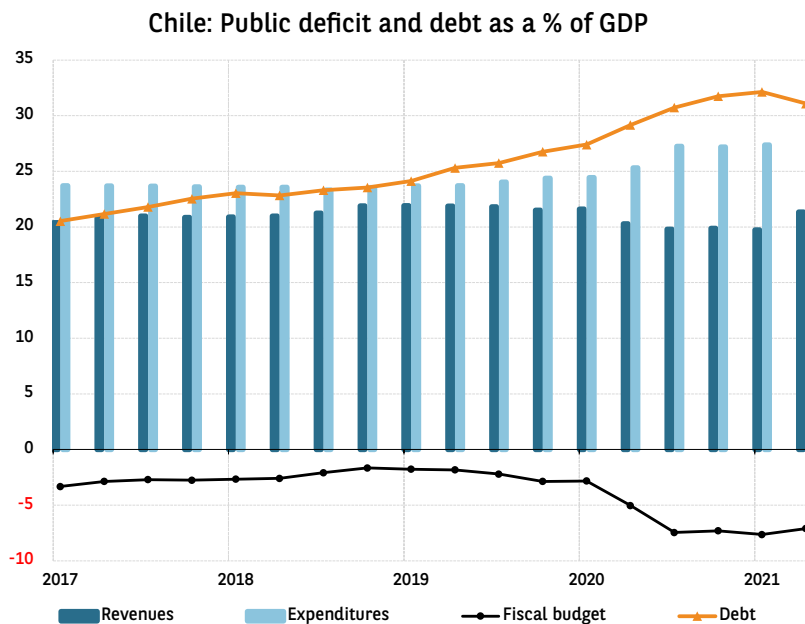
# CHART OF THE WEEK



22 December 2021

## CHILE: CHALLENGES APLENTY FOR THE NEW GOVERNMENT

Hélène Drouot



Source: Central Bank, Ministry of Budget, BNP Paribas

Gabriel Boric, the candidate heading up the very broad left-wing coalition, won the second round of voting in Chile's presidential election on 19 December, beating J. Kast, the far-right candidate. While the country's economic fundamentals have held up relatively well over the past two years, the incoming administration (taking office in March) will have to deal with a number of very thorny issues.

Chile's health situation, high inflation and restrictive monetary policy will be a drag on growth in the short to medium term. What's more, expectations among the country's population are very high concerning pension system reforms, access to healthcare and education. The new constitution, currently being drafted, is expected to contain an extensive social chapter, which will push up public spending significantly over the long haul. The new government will have to walk the tightrope of meeting these expectations with a divided parliament (all reforms will require compromises and coalitions), while adopting a "fiscally responsible" approach to contain the growth in debt during its term in office.

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