

CHART OF THE WEEK



7 September 2022

CHILE: REJECTION OF THE DRAFT CONSTITUTION

Hélène Drouot

Chile: USD/CLP, appreciation of the Peso



Source: Central bank

In Chile, a large majority of voters (nearly 62%, with an exceptional voter turnout) rejected the draft new constitution in the referendum held on 4 September. The draft, which contains almost 400 articles, did not propose a profound reform of the Chilean economic model; the Central Bank had to remain independent, while property and labour rights were not called into question. But it guaranteed better access for the population to a set of social rights (housing, education and access to healthcare), whereas the State currently only pays for those needs not covered by the private sector. This meant a substantial and long-term increase in public spending.

However, the debate is not over yet: a very large majority of the population and all the political parties expressed themselves in favour of a new constitution, and at the very least the amendment of the current constitution. From before the referendum, President G. Boric (elected last December) paved the way for the establishment of a new constitutional assembly. Several solutions are possible (new assembly, "mixed" assembly, composed of newly elected representatives and deputies, or an assembly composed only of deputies who have already been elected) and discussions should start in the next few days.

The rejection of this draft goes beyond the strictly constitutional framework. The number and extent of the reforms proposed by the government for the remainder of the mandate will have to be reduced.

The rejection of the draft constitution has been relatively well received by the markets. Since mid-July, the currency has appreciated continuously, while the "no" victory led in the polls. The medium-term outlook remains mixed. The political climate should remain tense throughout the mandate, and investment decisions could be postponed once again, while considering the country's growth potential.

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