

Our View On-The-Ground

REGIONAL MARKET VIEWS

Chile's Election:

A Turning Point for Latin America Markets?

Chile is approaching its first mandatory voting presidential election on Sunday, November 16. Just days before the vote, Jeannette Jara of the Left/Communist party appears to be leading the polls by a narrow margin over José Antonio Kast (Right), followed by Evelyn Matthei (Center-right). According to polls and forecasts, no candidate is expected to secure a majority, which would trigger a run-off between Jara and Kast on December 14. In that scenario, many analysts predict Kast will win the second round, as Matthei's voters are more likely to align with Kast than with Jara.

Chile is at a pivotal moment. Over the past few decades, the country has gone from having one of the lowest to one of the highest GDPs per capita in the region, positioning itself among Latin America's strongest economies. However, it is now facing stagnation. Until around 2013, Chile experienced a period of economic expansion, with its GDP growing at approximately 4% per year. Over the past 11 years, growth has slowed, averaging just 2% annually.

Economists attribute this slowdown to two main factors: declining productivity and reduced investment. Productivity, a key driver of growth from the 1990s through the early 2000s, began to weaken in the following decade and has now turned negative in the past five years, averaging -0.8%. Meanwhile, investment has dropped sharply. Gross capital formation, which once accounted for 28–29% of GDP, has now fallen to 23%. This decline is linked to bureaucratic hurdles that delay project approvals, along with a steady rise in corporate taxes to 27%, above the OECD average of 23%, which undermines Chile's tax competitiveness. This marks a shift from previous decades, when Chile had one of the most investment-friendly tax regimes among OECD economies.

The conflict that arose in Chile back in 2019, known as "Estallido Social", where people challenged the government's indifference to the economic issues of inequality, cost of living, and unemployment, favored Boric and led him to the presidency in 2021. Today, voters' concerns are more toward crime, inflation, growth, employment, and immigration, areas where right-wing candidates hold stronger credibility.

| Jeannette Jara

Jeannette Jara represents the coalition of 9 political parties that are from the center to the left. Her main key strength is the union of one front against the right. Mainly, her proposals focus on measures that will alleviate the economic crisis. Her program is built on four main pillars:

- **Economy & Labor:** Her proposal concentrates on reducing tax evasion and eliminating certain tax exemptions. Unlike her opponents, Jara will not cut or attempt any changes to tax rates on corporations and individuals, nor will she reduce public sector spending. Her administration aims to enhance public sector efficiency and reallocate expenditures.

Jara proposes raising the minimum wage to approximately \$800 to give a decent standard of living. She supports promoting investment in both the private and public sectors, focusing on lithium, adding value to exports, R&D, and green hydrogen.

- **Health, Education, Housing:** Proposes building 260,000 homes, modernizing hospitals, and primary healthcare, and increasing mental Health services. Her government will seek universal access to high-quality public education.
- **Security:** Jara proposes focusing on using technology rather than more police force on the streets to increase security by targeting border control and criminal finances.
- **Governance, Institution, and rights:** Her plan includes strengthening human rights institutions, recognizing indigenous people's rights. Emphasize the importance of climate actions and the importance of trade diversification with Latin America, China, and India.

| Jose Antonio Kast

Jose Antonio Kast's program is built around three Pillars:

1. **Security:** Proposes border tightening and national policy to close borders to illegal immigration. Combat criminal organizations' operations and finances. The plan also seeks to strengthen police authority, reform the prison systems, and restore safety. All of this aims to control and fight organized crime, Drug trafficking, terrorism, and violence.
2. **Economic:** Aims to boost growth to 4% via deregulation, lower taxes, cuts, and adjustments to public spending. This includes reducing the corporate tax rate from 27%-23%, and proposes a \$6 billion cut in public spending in the first 18 months.

3. **Pension Reform:** Proposes to eliminate the mechanism through which individuals lend part of their contributions to the State. This is controversial among opponents as they argue that this could lower future retirement payouts for workers.

| Evelyn Matthei

Matthei's platform shares many of Kast's economic priorities but presents a more balanced and pragmatic approach.

- **Economic:** She also proposes reducing the corporate tax rate to 23%, and eventually to 20%, but conditions these cuts on available fiscal space. Her plan includes streamlining investment procedures through a single digital permit window and improving inter-ministerial coordination to accelerate project approvals.
- **Security:** Advocates for strengthening the police, enhancing intelligence systems, and leveraging technology rather than military force. While her stance on immigration aligns with Kast's in principle, it is less hardline; she supports stricter border controls and expedited deportation of immigrants involved in crime, while emphasizing due process and adherence to international standards.
- **Social:** Her proposals focus on improving education, healthcare, and housing. She aims to reduce wait times in the public health system and expand access to affordable medicines for all Chileans. Given that cancer is the leading cause of death in the country, she plans to establish a specialized oncology team within the Ministry of Health and declare an oncological alert to prioritize cancer prevention.

It's a tight race among the leading candidates. Although Jara holds a slight lead in the polls, a second round appears likely, one where the left could lose to the right. This would reinforce a broader trend across South America, with Chile potentially becoming the third country this year to turn away from the left, following the victories of center-right presidents Daniel Noboa in Ecuador and Rodrigo Paz in Bolivia.

Financial markets seem to be pricing in a shift in political direction. The IPSA stock index, which remained relatively stable throughout Boric's presidency, has begun to trend upward, signaling investor optimism and expectations of a more market-friendly approach. The sharp drop after the left's victory in 2021, and again when the constitutional draft was rejected, underscores how closely investor confidence is tied to political outcomes.

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This opinion article was written on November 10, 2025, by the team of analysts at OTG Asset Management.

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