



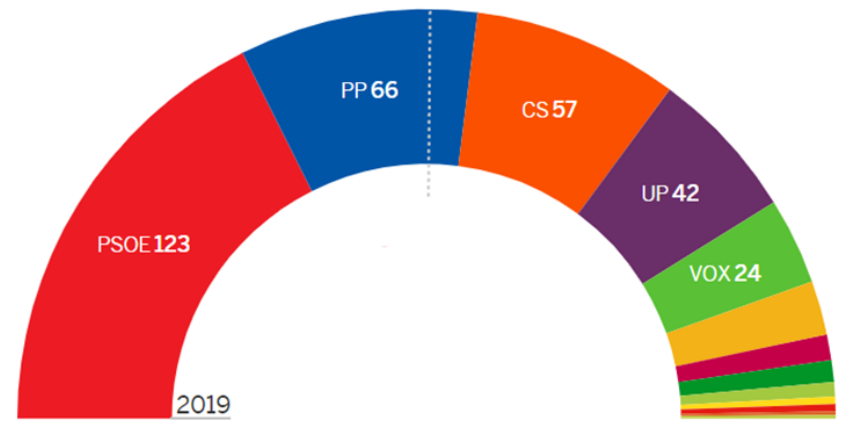
SPAIN GENERAL ELECTION

PSOE wins, government in sight



Spain's ruling Social Democrats (PSOE) won the most votes but fell short of an absolute majority in Sunday's snap general election. With the highest voter turnout in the last two decades, the contest was marked by the breakthrough of the alt-right Vox party and the plummeting results of the conservative People's Party (PP).

PSOE 7.480.755	28,7%
PP 4.356.023	16,7%
CS 4.136.600	15,9%
UP 3.732.929	14,3%
VOX 2.677.173	10,3%
OTROS 2.635.728	10,1%



Absolute Majority: 176

- ERC-S... 15
- JXCAT... 7
- PNV 6
- EH BIL... 4
- CCA-P... 2
- NA+ 2
- COMP... 1
- PRC 1

Source: El País

Spaniards headed to the polls on Sunday, April 28, for the third time in less than four years to cast their vote in an election dominated by uncertainty. Polls ahead of the election predicted that the Social Democrats (PSOE) would win the highest number of seats in Congress but there were doubts as to whether they would have enough seats to form government. Finally, polls turned out right. The Social Democrats (PSOE) of President Pedro Sánchez won the

highest number of seats in Congress but fell short of an absolute majority. With 100% of the vote counted, the PSOE obtained 123 seats. In this sense, the social democrat's strategy has played successfully. After reaching power through a no confidence vote to former conservative PM, Mariano Rajoy, the PSOE carried out a reformist agenda based on public spending which a majority of Spaniards welcomed positively. It is worth noting that the positive

results of PSOE are largely explained in the mobilization of the left voters due to the rise of an alt-right party. Voter turnout was one of the highest recorded in history, standing at approximately 76% - 8.5% more than in the 2016 general election.

Meanwhile Unidas Podemos (far-left) picked up 42 seats, losing 29 compared to the 2016 general election. Together, these two parties account for 165 seats, which is below the 176 needed for an absolute majority, meaning Sánchez will need the support of other political groups if he is to govern.

On the other side of the political spectrum, the People's Party suffered a crushing defeat on Sunday, obtaining just 66 seats (around 70 seats less compared to the 2016 general election). This is largely explained by the corruption scandals of the past legislature (which triggered the no confidence vote) and the political fragmentation of the conservative electorate, which divided its vote between three parties. At the expense of the PP, the Liberal Democrats, Ciudadanos which obtained 32 seats in 2016, increased considerably winning 57 seats, and significantly approaches the PP as the main centre-right party. Hence, Ciudadanos' tactic of refusal to a coalition with the PSOE has awarded the political group with an almost leading position within the centre-right bloc.

Meanwhile, the alt-right party Vox obtained a positive result in its national election debut. With 24 seats, it is the first time an alt-right party obtains representation in the Spanish Congress since 1982. However, they obtained less seats than what polls had portrayed in the last months, which proves that the average Spanish voter is moderate. Moreover, this election has confirmed the pro-European stance of the Spanish electorate and the possibility of a stable Social democratic party that could reinforce Spain's position in Europe – especially considering that it is poised to be the largest country with a social democratic government within the EU.

Additionally, the irruption of Vox triggered the mobilization not only of the voters of PSOE, but also of the nationalist parties, which performed very well in their respective regions. The turnout was particularly high in Catalonia, where the independence drive has deeply divided the region and it is worth noting that the rise was most notable in inland areas that are the strongest supporters of independence. In this sense, Catalan Esquerra Republicana, which is the most inclined party to negotiate with Spain's government within the independentist field, was the most voted political group in the region, obtaining 15 seats in congress. The other Catalan nationalist party, Junts per Catalonia (JxCat), which has been less keen to dialogue fell to 7 seats. The Basque political groups also obtained positive results with the conservative Basque Nationalist party and the left-wing EH Bildu, obtaining 6 and 4 seats respectively.

The Senate

In the Senate, the PSOE regained control of the Upper House for the first time since 1993, obtaining a total of 121 seats. With this result, the Social Democrats stand way above the 43 they picked in 2016. In addition to these seats, there are 18 other PSOE members appointed by regional designation. Therefore, the political group led by Pedro Sánchez totals 139 seats in a House of 266 and where the absolute majority is set at 134.

In Spain, the Upper House plays a less significant role in the legislative process compared to the Congress. However, its highly relevant when it comes to triggering exceptional legislative measures, such as Article 155, designed to limit the autonomy of disobedient regions (Catalonia).

Possible scenarios

With this result, President Sánchez is the only viable candidate for prime minister with no alternative on the right able to secure 176 seats needed for an absolute majority. The Socialist leader now has several possibilities in forming a coalition.

1) PSOE + Podemos. The most likely outcome of the election is a coalition government of PSOE and Podemos as a junior partner. This would need the external support of the Catalan nationalist party ERC because the former lack an absolute majority. Podemos has publicly stated during the campaign and yesterday after they were known that this is its first option and is committed to negotiate with President Sánchez. Additionally, this is the most preferred outcome for PSOE's activists and electoral base. However, it is not clear whether the PSOE leadership will favour this option, considering that Podemos could force the introduction of populist measures within the Government's agenda.

2) PSOE minority government. Another possibility which should not be discarded is that the Social Democrats try governing without any other political group. This option was announced during the campaign by President Sánchez, stating that he would include independent liberals in his government. If this option takes place, PSOE would still need the parliamentary support of Podemos and Esquerra Republicana, which makes this option less likely, considering that Podemos will leverage PSOE's fragile position to enter the Government.

3) PSOE + Ciudadanos. Considering yesterday's results, this would be the likeliest outcome. The sum of the 123 socialist seats of Pedro Sánchez and the 57 of Ciudadanos would give a large majority to govern with 179 seats, three above the absolute majority. However, Ciudadanos has built its electoral strategy on the promise that it would not compromise with Sánchez. Yesterday, following the announcement of the results, Albert Rivera (Ciudadanos'

president) stated his intention of leading the opposition. Also, if PSOE decides to take this road, it would have to go against the wishes of a considerable percentage of its electorate that also opposes this option. It is worth noting that this coalition is the one preferred by the economic elites, as it would arguably produce the most stable government which would have the power to carry on the reformist agenda that Spain needs, according to multilateral organizations, such as the IMF, and international investors.

4) Gridlock. At the beginning of the campaign, a political blockade was the most plausible scenario. However, with the results now at hand, this outcome seems very unlikely, but should not be ruled out due to political polarization and partisan interests.

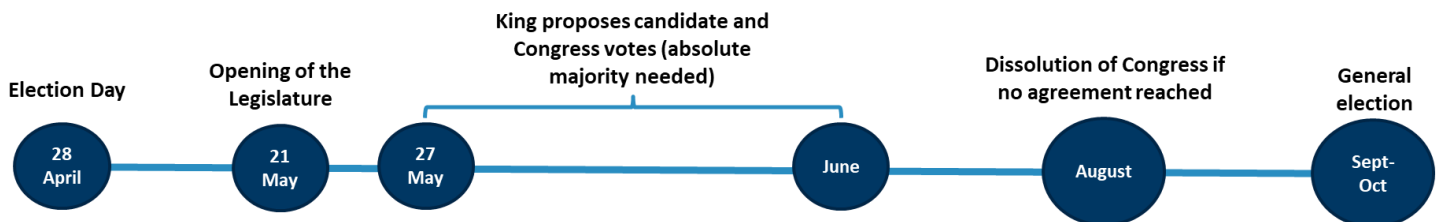
What's next?

In less than a month, Spain will hold regional and local elections. This is expected to condition coalition negotiations, as parties do not desire to carry out pacts which could hinder their chances of electoral success.

Congress will be convened for the opening of the new legislature on May 21, in which the presidency of the lower house will be elected. After the opening of the legislature, there are five days for the formation of parliamentary groups. In this sense, as of May 27 (following the regional, local and European elections) the round of talks with the King, Philip VI shall begin and a candidate for Presidency of the Government will be proposed.

The President of the House will convene the Plenary in which the candidate proposed by the King will set out his political programme and request the confidence of the House. A vote will then be taken, and if the candidate is supported by an absolute majority of its members, the King will appoint him as President – this could happen as soon as end of May/early June. However, if the result is negative, it will be voted again 48 hours later: by then a simple majority (half plus one) will suffice.

If no candidate obtains the approval of Congress within two months, the King will dissolve the Houses and call for new elections, which would be held after 54 days – between September and October.



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