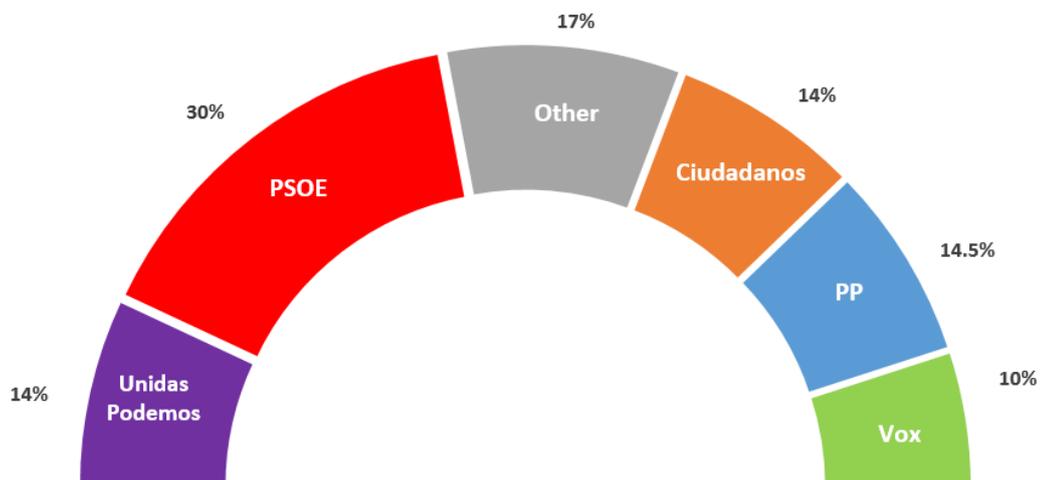




SPAIN GENERAL ELECTION: Pre-electoral survey



With just six days to go before the Spanish general election (April 28th), FTI Consulting releases the results of its latest poll carried out between the 6th and the 9th of April. The results shed light on the electoral behaviour and social concerns of Spaniards ahead of the election, considered by many as the most decisive in the nation's recent democratic history.



Source: FTI Consulting

On Sunday, Spain will hold its third general election in less than three years and a half, and uncertainty regarding the outcome has never been higher. Spain faces today a much more fragmented and increasingly polarized political landscape. The old times of a two-party system have long been buried at national and regional levels. With the recent irruption of alt-right Vox in December's regional election in Andalusia (Spain's most populous region) the political system is now composed of five parties at national level with negotiation capacity to determine coalitions and future

policy making in a proportional electoral system. With such political fragmentation, it is clear that the only possible way to reach power will be through coalition building. In this sense, two ideologically different blocs have formed: The centre-right bloc, represented by the People's Party (PP), Ciudadanos (lib. Democrats) and Vox, and the left bloc, made of the Social Democrats (PSOE) and Podemos (left-wing). Both blocs hold serious chances of governing the country, but it is uncertain whether they will be able to reach an absolute majority to form a government.

PSOE set to win

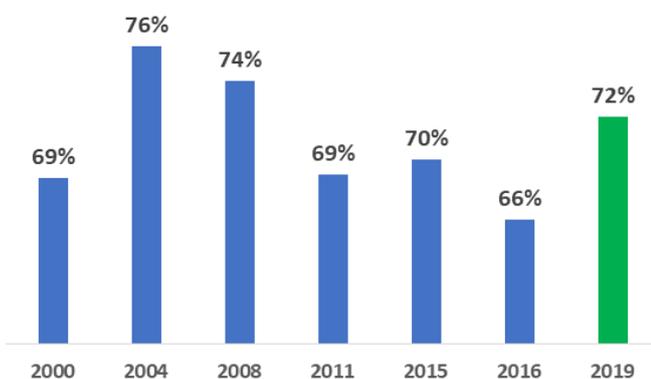
The official electoral campaign for the general election began on April 12th with polls greatly favouring PSOE. The poll carried out by FTI Consulting confirms the uptrend the Social Democrats have been experiencing in the last few weeks and the downturn of the traditional conservative, People's Party. According to the poll, PSOE will be the most voted party with 30% of the votes, followed by the PP (14.5%) which would experience a crushing blow placing itself far from the 33% it obtained in the 2016 general election. The two young parties, Ciudadanos and Unidas Podemos would position themselves in third place with the same amount of support (14%). With 10% of the votes, Vox would make an entry in the Spanish Congress, obtaining parliamentary representation for the first time since its foundation in 2013. With these results, the left bloc would total 44% of the votes, while the centre-right bloc would just add 38% and would be far from an absolute majority.

Additionally, the FTI poll shows that Catalan independentist parties, Esquerra Republicana (left-wing) and JxCat (centre-right) would obtain 4% and 1% of the national vote, respectively. The Basque National party would obtain 1%, as the Valencian left-wing, Compromís. Although the share vote of these parties is comparatively low, their final bargaining power for a potential coalition government is considerably high, as their seats are vital for obtaining an absolute majority.

Who should I vote for?

According to FTI Consulting's poll, electoral participation could be the highest of the last decade, with 72% of Spaniards saying they will definitely vote. The reason underlying this can be found in the irruption of an alt-right party after 40 years of democracy which has polarised the Spanish party system, causing great mobilization among voters. In this sense, it is worth noting that a participation above the 70% mark has historically been considered to benefit the Social Democrats.

Voter turnout: Spain's general elections



However, with little time to go for the electoral date, almost 40% of Spaniards declare themselves undecided on which party to vote. In other words, one out of every four voters will decide the direction of their vote in the remainder of the campaign: six million undecided people who could end up tipping the balance of power on one side or the other. According to the State-owned Centre for Sociological Research (CIS), the most determining voters will be those who doubt between blocks: 9% will vote either for PSOE and Ciudadanos and 7% for PP or PSOE.

Every outcome is still possible

Although polls grant greater chances to the left bloc to form a governing coalition, nothing is certain. Polls portray a very tight scenario in which a small percentage of votes will determine the outcome. With the results of FTI Consulting at hand, it is possible to hypothesize on the plausible outcomes and coalitions which could take place after the election.

It is worth noting that in the poll published by the State-owned Centre for Sociological Research (CIS) on April 9th, the left bloc added together 42% of the votes which would translate in an estimation of approximately 156-179 seats in Congress (absolute majority at 176) and would hold the highest chances to form a governing coalition. In this poll, although the centre-right bloc added 43% of the votes, it obtained less seats in Congress (138-136) due to the Spanish electoral system which penalizes fragmentation.

Potential scenarios

1) **PSOE + Podemos + Nationalist parties** is the likeliest coalition to take place. In the best of cases for the left bloc, both PSOE and Podemos could add enough seats in Congress to form an Executive and would not need the support of other political groups. In case of not reaching the essential 176 seats, the left bloc would seek the backing of nationalist parties such as the Basque National Party and Valencian left-wing, Compromís, and would not need the backing of the Catalan independentist parties, which have threatened to block the formation of government due to the trial against independentist leaders.

2) **PSOE + Ciudadanos**. Another possibility which has been greatly debated about is the alliance between PSOE and Ciudadanos. Polls show that both parties together would stand at the doorstep of an absolute majority and it is known that the Social Democrats fancy this option. In this sense, José Luis Ábalos, PSOE's Organization Secretary, stated his party's preference to form a government with Ciudadanos, rather than with nationalist groups. However, Ciudadanos publicly ruled out such possibility in February, stating their unwillingness to form a government with Pedro Sánchez. Nevertheless, it is yet to be seen whether they will be true to their words when the time comes if they finally reach enough seats.

3) **PP + Ciudadanos + Vox.** A coalition government of the centre-right is increasingly unlikely but should not be discarded. The centre-right bloc has been on an electoral roller coaster for the last month, as polls portrayed a brighter scenario for this coalition. However, that has changed. As mentioned previously, PP, Ciudadanos and Vox would add 38.6% of the votes and would stand far from an absolute majority.

4) **Gridlock.** If all these possible coalitions are unable to add enough seats to form an executive, a situation of political instability can be foreseen in the coming months and Spain could end up once again with a hung parliament forced to hold elections in the second half of the year, as it was the case in 2015. Despite the latest polls favour the left bloc scenario, a gridlock should not be discarded – in fact, this was the base scenario considered by the Economist Intelligence Unit in a study released in March.

Fairness in society, the cost of living and overall economic prosperity are also a top concern for Spanish voters, with more than half of them expressing their dissatisfaction with the current situation in all these dimensions in Spain. What underlies this data is the social disappointment with the downsize of the welfare state in Spain, which has seen in recent years public spending cuts in many areas, especially in health and education. In this sense, both healthcare and education top, together with employment opportunities, the main priorities that the next government should follow, according to more than half of Spanish voters.

In this regard, during their short time in power, the Socialist government has carried out a reformist agenda by approving social measures and increasing public spending, which could be the main reason that explains their impressive surge in the polls. For instance, the minimum wage was raised from 858€

Left on the rise

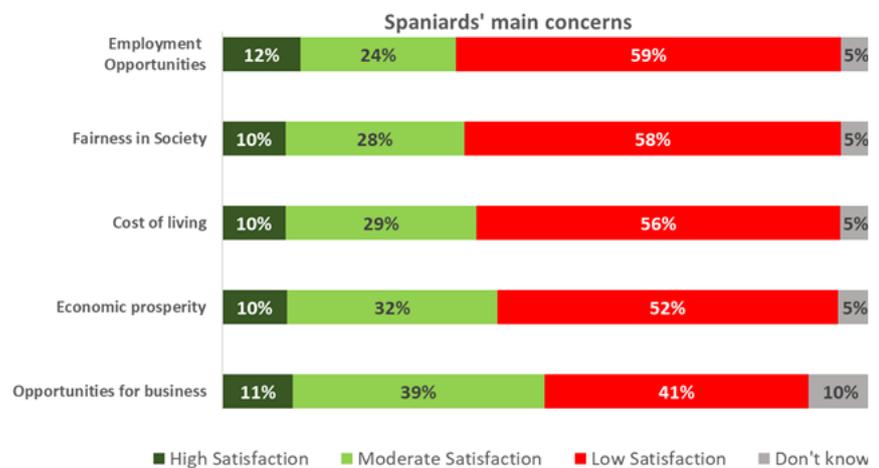
Since the elections were called by President Sánchez last February, polls have been showing a steady growth of the left bloc. With a week to go, FTI Consulting's and many public polls show that the PSOE's voting intention has not peaked yet and could exceed 30%, the best result in more than a decade.

Is it the economy, stupid?

FTI Consulting has also surveyed the main concerns of Spaniards ahead of the general election. Both the general public and business leaders have been interviewed regarding which factors do they consider will determine the electoral outcome.

Following the financial crisis, Spain's economic recovery has been strong, with growth equal to or higher than 3% over the three years spanning 2015 to 2017. During this time, the economy has expanded by an estimated 14% and the level of GDP is now above its pre-crisis peak. However, even though the current growth forecast for Spain in 2019 is 2.1% and 1.9% for 2020 (above the Euro area) according to FTI Consulting's poll, Spaniards are considerably disappointed with the economic situation.

It should come as no surprise that almost 60% of Spaniards stated their dissatisfaction with current employment opportunities in the country. As of today, Spain is the second country in the EU with the highest percentage of unemployment (14.1%), just behind Greece, although it peaked at 26% at the height of the crisis (2012-13). Hence, employment opportunities are also considered to be the top priority for the next government.



Q: How would you presently rate the following in your country?
 Base (General Population): Spain n= 1,061

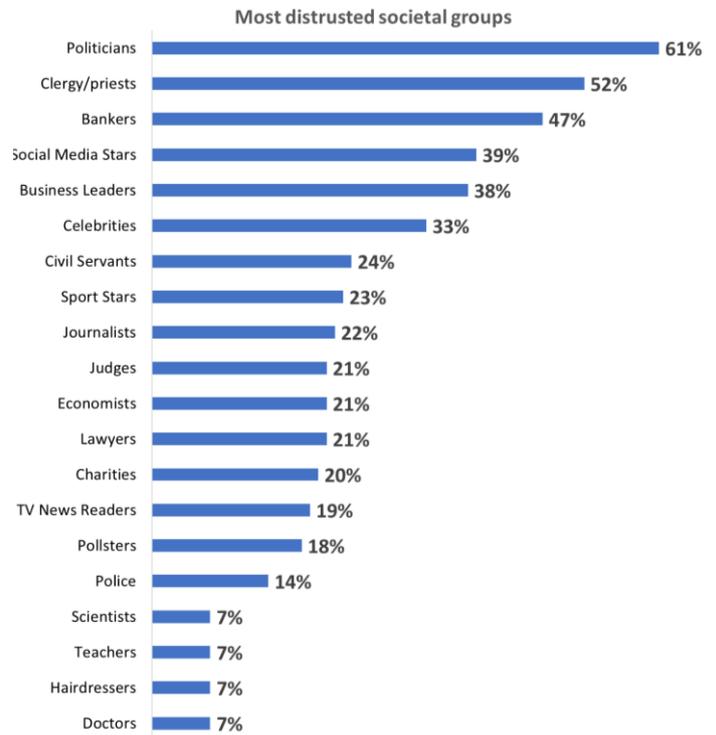
to 1050€ per month and the unemployment benefits were extended to citizens over 52-year old. It is worth noting that such measures have been greatly criticized by the opposition, labeling it as irresponsible regarding the public deficit obligations. Additionally, institutions such as the Bank of Spain warned the executive that such an increase in social spending would worsen the country's deficit and could raise it by up to 2.5% in 2019.

On the other hand, business leaders are more optimistic regarding the current situation of the Spanish economy. Most of them (63%) show moderate or high satisfaction with the current opportunities for doing business in Spain, while also a majority think that the level of economic prosperity in the country is moderately or highly positive. Despite this, the Spanish Confederation of Business Organizations (CEOE), the main trade body in the country, has released a manifesto for the election that urges the next government to "continue the process of structural reforms" in the future, carrying out an economic policy that solves problems such as the low potential growth due to the high unemployment rate; the difficulty in reducing the deficit in spite of the high economic activity rates; the ageing population; the low productivity, or the high fiscal deficit.

Low trust in politicians

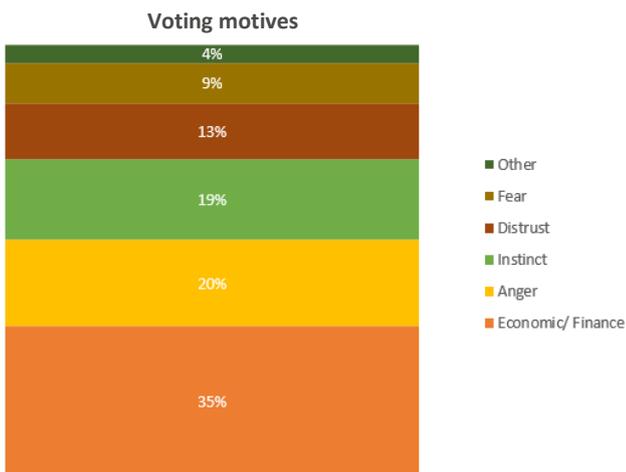
According to the survey carried out by FTI Consulting, 79% of Spaniards would prefer to vote on issues and not for political parties. This confirms the bad perception politicians have amongst citizens in Spain, placing themselves as the most mistrusted or hated group by 61% of Spaniards. However, this does not seem to be a Spanish specific issue, as recent studies have shown that democracies are distrusted by a majority of their citizens around the world. The distance between political elites and citizens has widened in recent years and this phenomenon is widely seen as a factor that can destabilise democracy.

Together with politicians, the Church and bankers top the main positions as the most distrusted and hated societal groups. Business leaders are also included in the #5, while journalists, judges and economists all exceed 20% of distrust. Paradoxically, 13% of those surveyed distrust pollsters, which may be the reason why more than 40% of business leaders still expect that a different party instead of PSOE is poised to win the next general election.



Q: Generally speaking, which of the following best describes your attitude to the following groups?

Base (General Population): Spain n= 1,061



Q: How would you divide the reasons for your expected voting behaviour in the 2019 Spanish general election?

Base (General Population): Spain n= 980

Rational or emotional voting?

Despite the analysis, business leaders consider that citizens' voting behaviour will be mainly determined by emotional reasons. In this sense, even though most citizens consider the economy as their main area of concern, business leaders think that emotions such as anger, instinct, distrust or fear will weigh on a majority of voters. This would be in line with recent research on how emotion plays a role in our democratic allegiances.

Methodology

Research was conducted online from 6th – 9th April 2019 and was run with two different audiences in Spain:

- Audience 1: 508 senior business leaders (evenly split between SME and large companies)
- Audience 2: 1061 general population



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