

## Spain: En route to a minority government

Spain's election results didn't surprise markets much as the polls had predicted the outcome quite well. Although weakened, PSOE still remains Spain's largest party, which is why we think that a PSOE-led minority government is the most likely outcome



Prime Minister of Spain, Pedro Sanchez thanks his supporters as they wave flags outside of the PSOE headquarters

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The biggest winner in Spain's elections was the far-right Vox party. In April, they won 24 seats, but this time they won 52 seats, becoming Spain's third-largest party. The Partido Popular (PP) also gained more seats increasing their share from 66 to 88.

The centre-right party, Ciudadanos were the biggest losers last night as they lost seats 47 seats coming down from 57 to just 10. Spain's far-left Unidas Podemos party also lost seats. It now controls just 35 seats, compared to 42 previously. This loss is partly due to the split with Más País (green-left and radical left) who gained two seats.

Spain's governing Socialists (PSOE) remains the largest party as it gained 120 seats compared to 123 in April.

In terms of seats, the power of the main Catalan parties hasn't changed much compared to the previous elections (Republican Left of Catalonia-Sovereignists loses 2 seats and so now controls 13 seats and Together for Catalonia-Together gains one and so now controls 8 seats ).

The two Basque parties: the Basque Nationalists and the Basque Country Unite gained one seat each.

## Two options: A coalition or a minority government?

As no party won the required number of seats (176) for a majority in parliament, there are two options now.

The first option is a coalition government, something which has never happened before in modern democratic Spain.

The right block (PP, Citizens and VOX) gained 150 seats (from 147 in April), but this is not enough to form a majority. On top of that, a real coalition with Vox seems unlikely. The left block together with regional parties (PSOE, Podemos, Más País and Catalan and/or Basque parties) would be a coalition with enough seats, but the big question mark is about the Catalan parties. The situation is still tense, and the relationship between the PSOE and the Catalan parties is still difficult. A coalition without the Catalan parties (PSOE, Podemos, Más País and the Basque parties) falls short of six seats for a majority.

The second option is a minority government. If enough parties abstain during the second vote to install the government, then a minority government could be formed. As the largest party, the PSOE will probably pursue this strategy, but the stability of such a government will, of course, won't be very high.

The results haven't made us change our view. The political situation remains difficult, but the pressure to find a solution after four elections has risen. A minority government led by the PSOE remains the most likely outcome.