



Spain

Economics

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Spain update: challenging negotiations

We published a *Data flash* – ‘Spain update: challenging negotiations’ on 04 February 2016. Here are the key points:

- As expected, on 2 February the King of Spain nominated Sanchez, the leader of the centre-left PSOE, to form a government.
- We see two main avenues for Sanchez. *Scenario 1*: a left-leaning coalition with the support of the Catalan nationalist parties. *Scenario 2*: a coalition with both Podemos and Citizens.
- Were Sanchez to be unsuccessful, we continue to see two main alternatives. *Scenario 3*: a last-minute temporary agreement among the PP, PSOE and Citizens. *Scenario 4*: a new election, possibly at the end of June.
- Scenario 3 is, in our opinion, the least likely. Scenario 2 seems only marginally more probable than Scenario 3. Hence, this week’s events have not changed our view that Scenarios 1 and 4 remain the most likely. But we continue to find it difficult to assess whether the chances of the former are greater than those of the latter.
- Still, we continue to think that an early election at a national level is a question of *when* rather than *if*. Even if a government is formed, it seems highly likely to be unstable. Passing the annual budget this autumn may be the key hurdle to survival.

Click/ copy this link into a browser to access the report: http://pull.db-gmresearch.com/p/3016-3000/89271196/DB_DataFlash_2016-02-04_0900b8c08abee551.pdf