

SPECIAL REPORT

2015 territorial power distribution in Spain

Madrid, October 2014

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1. INTRODUCTION. OBJECTIVE OF THE REPORT

With the linkage of Municipal and Regional Elections (May 2015), General (November-December 2015) and again Autonomic Elections in 2016 (Andalucía in Spring ,Cataluña in Autumn, although with the possibility of advancement; and again in autumn in Galicia), Spain will go into a permanent electoral campaign over the next two years.

The objective of this report is to anticipate the potential outcome of the territorial power distribution that the Local and Regional Elections will entail, a result which will be key to determine the fate of Spanish politics.

Therefore, we will analyze the latest evolution of the party system in Spain, examine the electoral prospects taking into account the most recent opinion polls and explain the various factors that might lead to changes in the current predictions until May 2015. The loss of votes for Partido Popular and Partido Socialista has been continuous but has slow down after the European Elections. Those popular and socialist ex voters have nourished other parties, as well as a bag of abstainers who do not show a clear voting intention for 2015. The ability of Podemos (and other minor forces) to continue gathering this undecided vote will determine to a large extent next electoral results.

Novembers 'next CIS barometer will confirm the ability of Podemos to grow in voting intention. In this report we make a future plan towards May 2015 avoiding momentary effects such as the ones which could have been caused by the ebola crisis, the legal investigation on Pujol family or the scandal of the opaque cards.

2. THE TRANSFORMATION OF THE SPANISH PARTY SYSTEM

The influence of the economic situation

“Although the disposable Spanish household income is starting to grow again in 2014, this increase takes place in a context of strong wage moderation”

The outcome of the last European Elections showed signs of a deep transformation in the electorates of all parties. In fact, Europe is experiencing significant changes regarding political support as a result of discontent, the feeling of a “failing system” and the loss of trust in politicians, parties and unions.

However, this is expressed differently in each country. In Spain, European Elections unveiled the anger that the Spanish society is feeling against the two main parties. The left half of the political spectrum channeled this dissatisfaction through the emergence of Podemos. The causes behind this wave of displeasure and the success of Podemos are clearly defined.

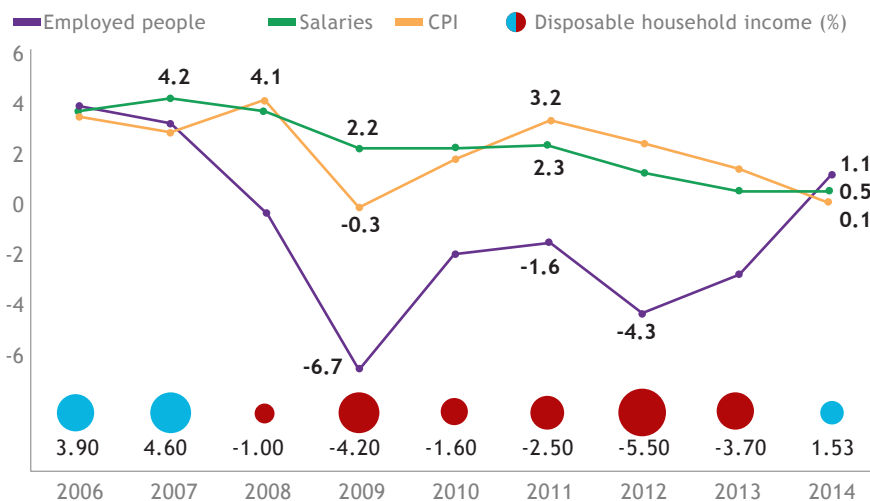
Firstly, we need to consider the consequences of the economic situation that Spain has been enduring for nearly seven years. Such a long crisis puts several social sectors in a particularly difficult situation and, although Spain is slowly seeing the light at the end of the tunnel, most people consider that the end of recession will be achieved at the expense of a reduction in their quality of life and the deterioration of the employment quality in a context of growing social inequality. As shown in the chart below, although the disposable Spanish household income is starting to grow again in 2014, this increase takes place in a context of strong wage moderation, entailed by the changes in the labor market introduced in the labor market reform.

The 1.3% GDP growth expected this year in Spain indicates that demand is strengthening, which could be even more significant if the government forecasts of 2% GDP growth are met.

However, the low decreases expected in the current high level of unemployment in Spain: 24.7% in 2014 and 22.9% in 2015, will still put many families in serious financial difficulties at least during the next two years, which will attenuate the social perception of economic recovery. Although the CIS barometer showed that the perception of a “bad” or “very poor” economic situation has dropped from

DISPOSABLE HOUSEHOLD INCOME

Rate of annual change (%)



Source: Cinco Días

“It is likely that the existing low expectation of wage increases, given their recent evolution, promotes the aforementioned state of resignation”

80% to 78.8% for the first time during the present legislature, it remains very high. In addition, 75.3% of the population consider unemployment as the biggest problem in Spain (a drop of 1.7% compared to the previous barometer, published in July).

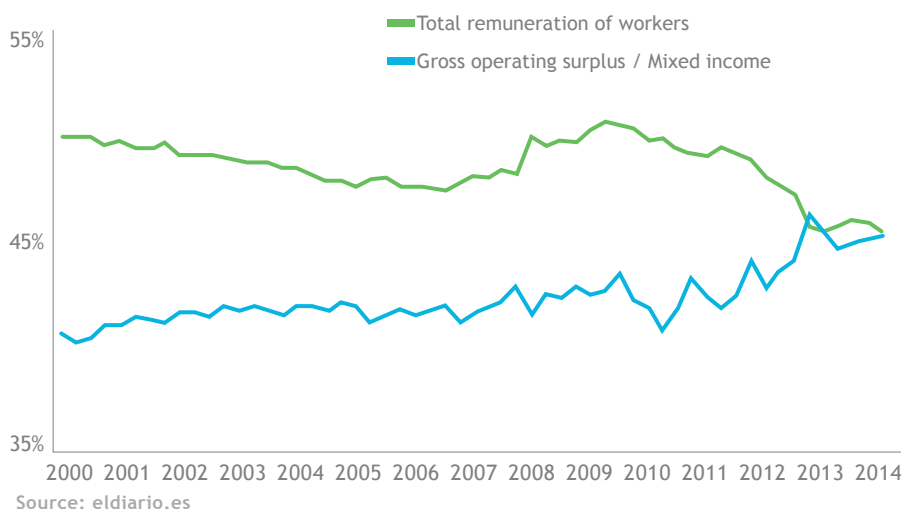
This slight improvement in the perception of the general economic situation is also reflected in the personal economic situation perception, which 20.3% of the population described as “good” in September 2013 while 29.2% did the same in September 2014. Nevertheless, prospects for improvement within a year do not grow accordingly, since 20.1% thought the situation will ameliorate in 2014 and 17.7% hoped so in 2013. The fastest growing opinion was the one that considered that the situation will remain unaltered (from 52.5% in

2013 to 60.7% in 2014). It is likely that the existing low expectation of wage increases, given their recent evolution, promotes the aforementioned state of resignation.

The situation is different for the development of corporate profits in Spain, which according to the BBVA Research Service had a positive differential of 0.24% compared to the euro area as an annual average from 2009 to 2013, while wages had a negative differential of 0.23% during the same period. Meanwhile, productivity grew by 1.17%. At the beginning of 2014, the upward trend of earnings was reinforced, as stated in the Bulletin of the Bank of Spain of September, which showed an increase in the ordinary net profit of non-financial corporations of 7.7% during the first quarter, compared to the decline of 12.6% in the previous year. However, wages continued dropping; 0.6% during this period. The evolution in participation of salary income in Spanish economy can be noted in the chart of the left.

This general situation translates into extreme stress on the weak points that have flourished during the crisis: the blocked generation: people under 35 with difficulties to access to employment (with the most significant segment of the population, 20-24 years, experiencing a drop in employment of 14.29%, i.e., 250,000 people) and the lost generation: people over the age of 45 coming from the private sector, usually with average or low qualification

DEVELOPMENT OF THE ECONOMIC PARTICIPATION OF WORKERS



“Concerns over corruption are growing among the Spanish population”

levels, whose working conditions and wages have worsened or who have lost their job and also feel abandoned by the unions (a key factor in the drop in support by social networks towards PSOE). Both groups feel that the political discourse of the two main parties does not take into account their needs, which contrasts with the huge investments that have been made to bail out the financial sector, and which promoted estrangement from PP and PSOE. These sectors are seeking new forms of political representation and those who sympathize with left-wing parties have found it through Podemos.

Evolution of the political situation.

Secondly, the majority of the population believes that the current parties will not put an end to the corruption that plagues Spanish politics. The last CIS barometer of September 2014 shows that concerns over corruption are growing among the Spanish population: compared to the previous year, it ranks second in the list of Spanish problems, a position that was previously held by economic difficulties, and which now worries 42.7% of the citizens (31.7% in 2013). With such figures, it is not surprising that a big part of society considers that politicians have low self-imposed standards of ethics which contrast with the huge costs that are being paid by society as a result of crisis (and when the aforementioned barometer was published, the scandal of “the black cards” used by members of the board of directors of Caja

Madrid and Bankia, who belonged to different parties and unions, had not yet broken out).

The Local and Regional Elections of May 2011 gave almost full power to PP throughout national territory (because of the abstention of PSOE voters), with an absolute majority in almost every single Region (except Catalonia, Basque Country, Andalusia and Asturias) and nearly every city but Barcelona (CiU), Zaragoza (coalition between PSOE, IU and Chunta), Bilbao (PNV), San Sebastian (Bildu), Vigo (PSOE with BNG), the large cities of the metropolitan area of Barcelona and a few more.

It was the huge difference of PP and PSOE votes that granted PP an absolute majority in the Congress, not a massive shift of electorate towards PP (PP obtained 10.8 million votes, an increase of merely 500,000 voters compared to 2008, while PSOE dropped from 11.3 million in 2008 to 7 million).

Since then, social unrest has resulted in the proliferation of several movements for change in political alignment. On one hand, due to the great gap between the Government’s discourse (focused on the start of economic recovery) and the discourse of the majority of society (which emphasizes on the social costs of the crisis), PP is running out of steam (decline that has been taking place since the beginning of the term), in a more serious way than published surveys are stating. The following chart shows voting intentions and political sympathy, number of

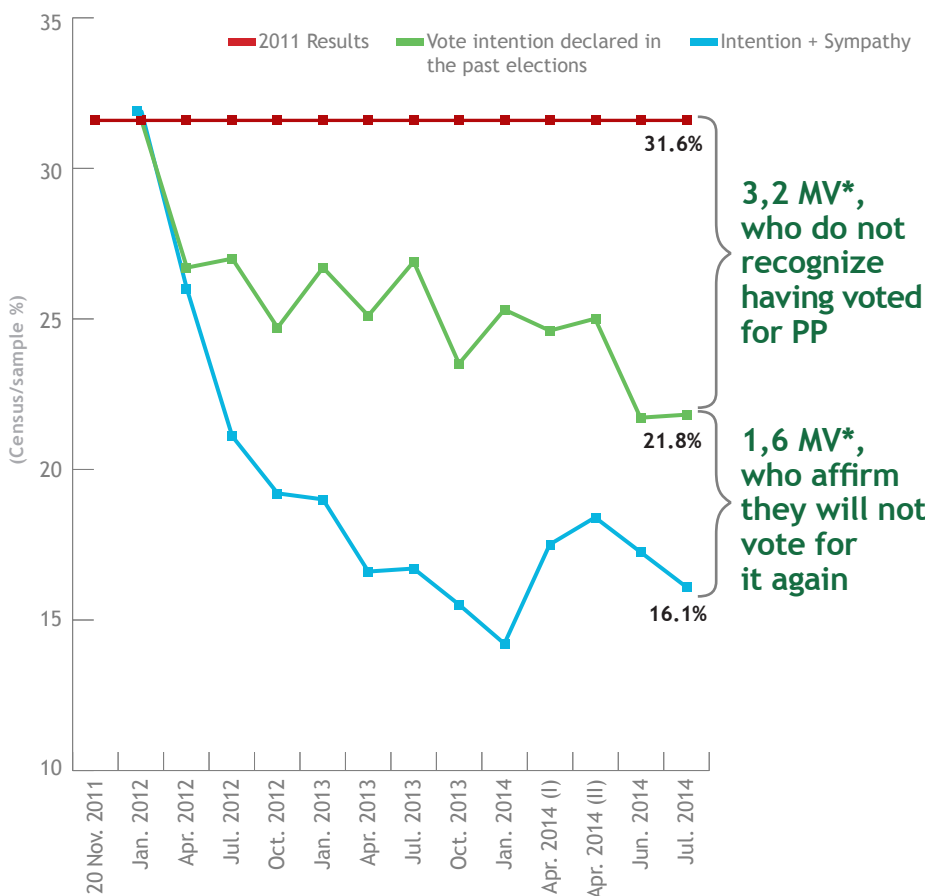
people who declared voting for PP in the last elections as well as a vote estimation based on the collected data.

As noted, PP would have obtained 16.1% of the votes in July, compared to 31.6% of the General Elections of 2011, i.e., almost the half (more recently, the survey carried out by Metroscopia and published in El País on 05/10/2014 granted 15.9% of the votes to PP). An important data: over three million voters seem to have “forgotten” voting for PP in 2011, which looks like a clear sign of separation. Furthermore, the voters that are dumping PP (4.8 million since 2011) have gone to what could be called

“the new indignation bag”, a “new abstention” group which accounts for about five million votes from the center-right political spectrum. For the moment, published surveys do not reflect this group, as they focus on the parties and not on abstention.

Moreover, PSOE has registered two different movements during the present term. On one hand, it has lost around 500,000 votes from middle classes and active generations (between 25 and 55 years), ideologically moderated, towards the aforementioned “bag of anger”. It has also lost some votes to IU (200,000 votes) and Podemos (1,000,000 votes). In return, it also recovered 1,400,000 votes from the abstention in 2011. This exchange translates into a negative balance as time passes. The designation of Pedro Sánchez has not had any positive effects on the vote intention in favor of PSOE (if anything, it has allowed to recover the lost votes after the European Elections campaign, according to the aforementioned Metroscopia survey of 05/10/2014, which states that PSOE would currently receive 20.7% of the votes, a similar figure to the one showed by CIS surveys published in April and reports of previous months).

At the same time, IU and UPyD have had similar developments. Both parties grew during the first half of the term, gaining the lost votes of PSOE and PSOE and PP respectively. They adopted a passive strategy, as if they only needed to wait to pick up the votes both parties would lose due to



* MV: millions of votes
Source: CIS for Intention and political sympathy and Vote intention declared in the past elections.

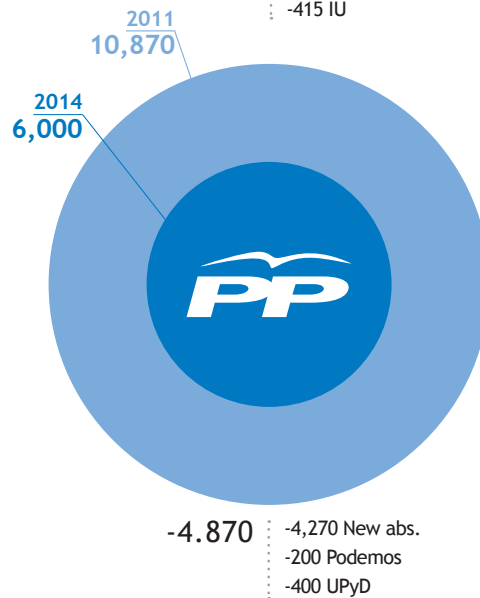
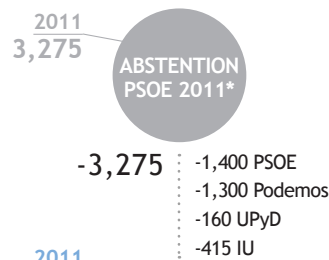
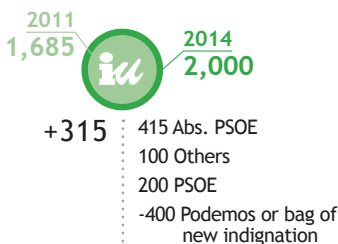
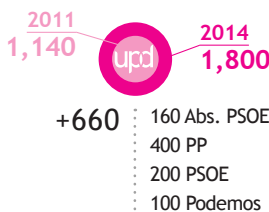
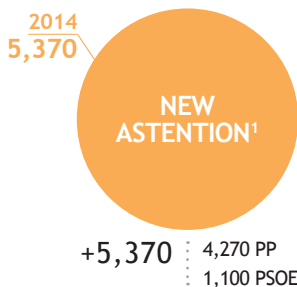
political wear. But Podemos made its appearance during the European Elections. Its rapid growth can

only be explained thanks to the available constituency PSOE left from the 2011 elections and the fact that they could connect with the two “key generations” of the current context.

VOTES TRANSFER

EQUALING

SUBSTRACTING



The position of the current electorate

Therefore, we can conclude that at the moment there are two different poles of attraction: Podemos on the left-wing and the “bag of new indignation” on the right-wing spectrum, with dissatisfied voters of PP and moderate PSOE voters.

The magnitude of the current political crisis can be understood by looking at the loyalty voting data from July CIS Barometer. The loyalty towards all the parties, with the exception of Podemos, stands at 50%. Half of the voters of the 2011 Elections would not vote the same party again. This affects the main parties: PP (41.1%), PSOE (50.8%), IU (50.0%), UPyD (51.8%) and CiU (52.8%). Such low loyalty voting levels occurring in several parties at once is an unprecedented event.

If we look at the vote intention and political sympathy percentage stratified by ages carried out by CIS in July 2014, we can conclude that Podemos is the party with the largest portion of voting intention of people under 55, while PP and PSOE gain their main support from people over the aforementioned age. This data reveals the huge losses of the two main parties among generations of working age.

1 New abstention or bag of new indignation: PP voters from 2011 or PSOE voters who abstained in the European Elections May 2014.

2 2011 PSOE abstention : PSOE voters from 2008 General Elections who abstained in 2011 General Elections

Data in thousands of votes

Positive figures: come from...

Negative figures: go to...

In terms of voting intentions and political sympathy broken down by the size of municipalities, Podemos overtakes PP and PSOE in cities with over 50,000 people (and gaining an even larger advantage in cities with a population of 100,000 - 1 million citizens), while PP keeps winning in small municipalities.

A very significant consequence of this drop in voting fidelity towards traditional parties are the huge shifts from PSOE and IU to Podemos: 1,000,000 and 400,000 votes, to which 1.4 million from the 2011 PSOE abstention must be added. PSOE is holding on thanks to a part of the three million abstentions in 2011 (especially among the older people), while IU electorate is being absorbed

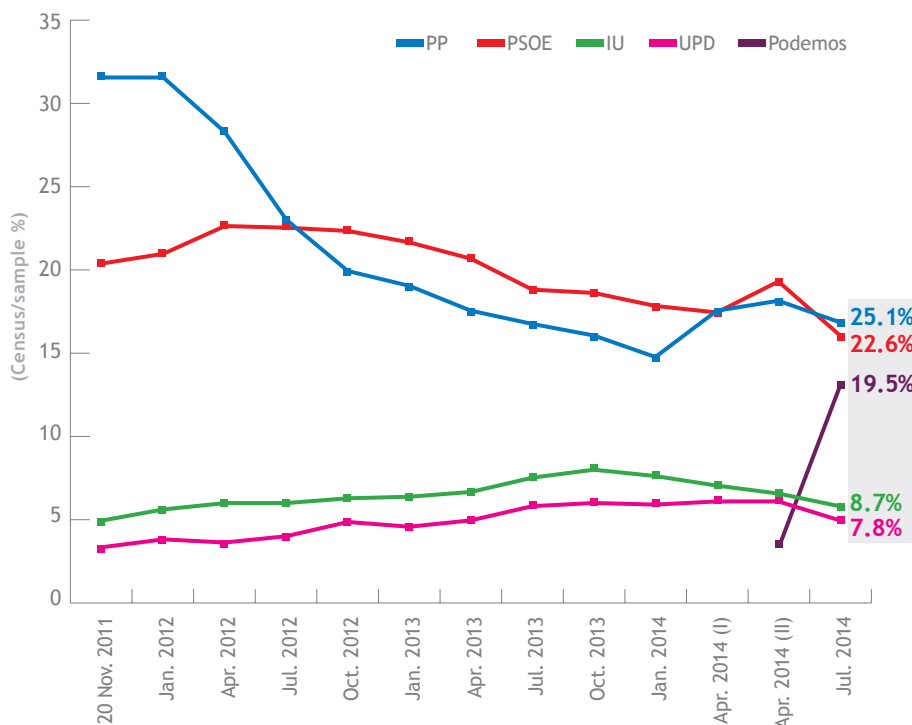
by the irresistible attraction of Podemos, even though their results seem to be slightly improving compared to 2011.

Since European Elections results might be distorted by the fact that they are considered to be “secondary elections”, we have used a vote intention survey for the General Elections in mid-2014, resulting in the graph below (from the voting intention data and political sympathy published by CIS, with small changes depending on the used voting estimation model).

3. 2015 LOCAL AND REGIONAL ELECTIONS OUTLOOK

In general, all available data points to a fragmentation in the political representation present in the institution. The era of absolute majorities seems to be coming to an end, which shall pave the way for a time in which pacts will be essential, a scenario in which the center-right wing will probably be at a disadvantage to reach agreements despite achieving a relative majority in many institutions. PSOE will be able to remain as the second force, although in many areas the sum of all the parties to their left might be sufficient to overpass them, which may lead to friction and difficulties facing post-election agreements. The left parties are highly fragmented, as a result of the emergence of Podemos, and this will mainly affect the future of IU and of some local forces. In the

VOTE ESTIMATION



Source: ESTUDIO DE SOCIOLOGÍA CONSULTORES based on the CIS survey of Vote intention and political sympathy.

ARAGON			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	39.7	30	21 - 25
PSOE	29.0	22	17 - 19
IU	6.2	4	4 - 6
UPyD	2.3	0	2
PAR	9.2	7	6 - 7
CHA	8.2	4	2 - 6
Podemos		0	9 - 14
Others	5.5	0	
Total	100	67	67

aforementioned context, these coalitions might be able to beat PSOE in certain large cities and their metropolitan areas. UPyD will be slowed as well due to the momentum of Podemos and the predominant lack of electoral participation. However, this party might become decisive in the formation of majorities in some institutions.

Regional Elections Outlook

Below, a forecast of results in the 2015 Regional Elections and main Spanish cities can be seen.

It is based on estimations on field data from recent surveys carried out by CIS and nuanced through local and regional surveys published in the media during the last months.

In the light of these figures, the following conclusions can be drawn:

- PP's absolute majority:
 - » Murcia. The Popular Party's absolute majority is not consolidated and could eventually become a minority, in which case

ASTURIAS (Elections May 2012)			
	Votes (%)	Seats	
	2012	2012	2015 (prev)
PP	21,5	10	12 - 14
PSOE	32,0	17	12 - 14
IU	13,8	5	4
UPyD	3,75	1	2
FAC	24,8	12	6 - 9
Podemos			5 - 7
Others	7,8		
Total	100	45	45

BALEARIC ISLANDS			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	46.4	35	24 - 28
PSOE	24.8	19	13 - 17
MÉS	8.6	4	5 - 8
UPyD	2.1		2
PSM - EN	0.9	1	2
Podemos			6 - 11
Others	17.3		
Total	100	59	59

CANARY ISLANDS			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	31.8	21	17 - 19
PSOE	21.0	15	12 - 14
NCA	9.1	3	4 - 5
UPyD	1.0		2
CC	24.9	21	17 - 22
Podemos			2 - 4
Others	3.1		
Total	100	60	60

CANTABRIA			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	46.1	20	13 - 15
PSOE	16.3	7	4
IU	3.3		1 - 2
UPyD	1.7		0 - 1
PRC	29.2	12	9 - 10
Podemos			4 - 5
Others	3.4		
Total	100	39	35

CASTILE-LA MANCHA			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	48.1	25	13 - 15
PSOE	43.4	24	14 - 16
IU	3.8	0	
UPyD	1.8	0	
Podemos		0	2 - 4
Others	3.0	0	
Total	100	49	33

CASTILE-LEON			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	51.6	53	38 - 40
PSOE	29.6	29	23 - 25
IU	4.9	1	2 - 3
UPyD	3.3	0	4
UPL	1.9	1	2
Podemos		0	10 - 16
Others	8.8	0	
Total	100	84	84

UPyD would be needed to form a government.

- PP's relative majority with eventual stable coalitions:

- » Aragon (PP+PAR+UPyD).
- » Castile-Leon (PP+UPyD).
- » La Rioja (PP + UPyD + Riojan Party).

- Potential alternative coalitions. Current unpredictable situations:

- » Balearic Islands (PP+UPyD) or (PSOE + PODEMOS + PSM + IU).

- » Madrid (PP + UPyD) or (PSOE + PODEMOS + IU). Podemos can replace PSOE as the second political force.

- Possible coalitions PSOE + PODEMOS + IU

- » Asturias.
- » Castile-La Mancha (PP would lose its absolute majority).

- » Extremadura (Another coalition PP+IU does not appear feasible. It might even happen that IU remains slightly below 5%

EXTREMADURA			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	46.2	32	23 - 26
PSOE	43.5	30	26 - 29
IU	5.6	3	3 - 5
UPyD	1.1		2
Podemos			4 - 7
Others	3.7		
Total	100	65	65

MADRID			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	51.7	72	51 - 55
PSOE	26.2	36	24 - 27
IU	9.6	13	10 - 14
UPyD	6.3	8	11 - 14
Podemos			25 - 30
Others	6,1		
Total	100	129	129

MURCIA			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	58.8	33	23 - 26
PSOE	23.9	11	9 - 11
IU	7.8	1	1 - 2
UPyD	4.5		2
Podemos			3 - 7
Others	5.0		
Total	100	45	45

NAVARRA			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	7.3	4	3 - 4
PSOE	15.8	9	7 - 8
IU	5.7	3	2 - 4
UPyD	0.7		
UPN	34.5	19	15 - 17
NaBai	15.4	8	7 - 9
Bildu	13.3	7	7 - 10
Podemos			0 - 1
Others	7.3		
Total	100	50	50

LA RIOJA			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	51.9	20	14 - 16
PSOE	30.3	11	9 - 10
IU	3.7		1 - 2
UPyD	3.6		2
P. Rioja-no	5.4	2	2
Podemos			2 - 3
Others	5.1		
Total	100	33	33

VALENCIAN COMMUNITY			
	Votes (%)	Seats	
	2011	2011	2015 (prev)
PP	48.5	55	38 - 40
PSOE	27.5	33	26 - 28
IU	5.8	5	6 - 7
UPyD	2.4	0	5 - 6
Compromís	7.0	6	6 - 10
Podemos		0	15 - 20
Others	8.7	0	
Total	100	99	99

“Podemos final decision to participate directly or under an umbrella platform (like Ganemos) will impact directly on results”

and thus it would not have access to the Chamber, according to the latest local survey published).

- » Valencia (PSOE + PODEMOS + IU + Compromís).
- Other situations:
 - » Canary Islands. CC’s relative majority enables them to choose a partner, as is currently the case.
 - » Cantabria. It will depend on the position adopted by PRC, which is currently unpredictable since they cannot establish a renewed political pact with PSOE by themselves (Podemos would be needed) and they still have their differences with PP.
 - » Navarra. UPN would maintain its majority, with no suitable alternative coalition.

Prospects for municipal elections

Below, we make a forecast of the results in the municipalities of over 500,000 inhabitants, along with the metropolitan areas of Madrid and Barcelona and some relevant capitals in Galicia. Podemos final decision to participate directly or under an umbrella platform (like Ganemos) will impact directly on results. If Podemos decision is not to participate, the outcome would be uncertain because of the difficulty to determine the number of their voters who would go to traditional parties and the number that would abstain.

In the light of these figures, the following conclusions can be drawn:

- PP’s absolute majority:
 - » Valencia, although they might need UPyD.
- Potential alternative coalitions. Current unpredictable situations:

MADRID												
	Madrid		Alcalá Henares		Alcorcón		Getafe		Leganés		Móstoles	
	Town Councillors		Town Councillors		Town Councillors		Town Councillors		Town Councillors		Town Councillors	
	2011	2015 (prev)	2011	2015 (prev)	2011	2015 (prev)	2011	2015 (prev)	2011	2015 (prev)	2011	2015 (prev)
PP	31	21 - 24	12	8 - 10	15	9 - 11	12	7 - 10	12	7 - 9	17	10 - 13
PSOE	15	11 - 13	9	7 - 9	9	6 - 8	9	6 - 9	8	5 - 7	7	5 - 7
IU	6	5 - 7	3	2 - 4	2	2 - 4	4	4 - 6	3	3 - 4	3	2 - 3
UPyD	5	5 - 7	2	2 - 3	1	2 - 2	2	2 - 3				1 - 2
Podemos		11 - 13		7 - 9		5 - 8		7 - 10		6 - 8		6 - 8
Total	57	57	27	27	27	27	27	27	27	27	27	27

- » Madrid (PP + UPyD) or (PSOE + PODEMOS + IU)
- » Málaga (PP + UPyD) or (PSOE + PODEMOS + IU)
- Possible coalition PSOE + PODEMOS + IU
 - » Large cities within the metropolitan area: Alcalá, Alcorcón, Getafe, Leganés, Móstoles. Cities in which PP obtained an absolute majority in 2011.
- » Alicante.
- » Seville.
- » Zaragoza, including the Aragonese Union (Chunta Aragonesista).
- » A Coruña and Vigo. (PSOE + Podemos + BNG + IU)
- Other situations:
 - » Barcelona. Possible relative majority by CiU

CATALUÑA								
	Barcelona		Badalona		Hospitalet		Santa Coloma	
	Town Councillors		Town Councillors		Town Councillors		Town Councillors	
	2011	2015 (prev)	2011	2015 (prev)	2011	2015 (prev)	2011	2015 (prev)
PP	8	6 - 7	11	9 - 10	6	4 - 6	5	4 - 5
PSC	11	8 - 10	9	7 - 8	13	11 - 12	12	10 - 11
IC-V	5	4 - 5	3	2 - 4	2	2 - 3	3	3 - 4
CiU	15	10 - 12	4	2 - 4	4	3 - 4	2	1 - 2
ERC	2	4 - 5		1 - 2		1 - 2		1 - 2
Guanyem		3 - 5		2 - 3		2 - 3		2 - 3
CUP		1 - 2		1 - 2		1 - 2		1 - 2
PxC					2		3	
Others							2	
Total	41	41	27	27	27	27	27	27

VALENCIA				
	Valencia		Alicante	
	Town Councillors		Town Councillors	
	2011	2015 (prev)	2011	2015 (prev)
PP	20	13 - 16	18	11 - 12
PSOE	8	6 - 8	6	6 - 7
IU - IC	2	1 - 2	2	2 - 3
UPyD		1	1	1
Compromís	3	3 - 4		1 - 2
Podemos		5 - 7		4 - 5
Total	33	33	27	27

ANDALUSIA				
	Sevilla		Málaga	
	Town Councillors		Town Councillors	
	2011	2015 (prev)	2011	2015 (prev)
PP	20	14 - 15	19	13 - 15
PSOE	11	9 - 10	9	8 - 9
IU - IC	2	3	3	3 - 4
UPyD		0 - 1		1
Podemos		6 - 8		6 - 7
Total	33	33	31	31

GALICIA				
	La Coruña		Vigo	
	Town Councillors		Town Councillors	
	2011	2015 (prev)	2011	2015 (prev)
PP	14	10 - 11	13	8 - 9
PSOE	8	6 - 7	11	7 - 8
IU - IC	1	2 - 3		1 - 2
UPyD		0 - 1		0 - 1
BNG	4	2 - 3	3	3 - 4
Podemos		4 - 5		4 - 5
Total	27	27	27	27

ARAGON		
	Zaragoza	
	Town Councillors	
	2011	2015 (prev)
PP	15	10 - 12
PSOE	10	8 - 10
IU - IC	3	2 - 3
UPyD		1
CHA	3	3
PAR		1
Podemos		6 - 7
Total	31	33

“Everything points to a notable electoral fragmentation that will require government agreements”

in a highly fragmented municipality.

- » Barcelona Metropolitan area, PSC-PSOE's relative majority in fragmented municipalities with no alternative coalitions. PP can maintain its relative majority in Badalona, also without an alternative majority.

According to the available surveys, the autonomic and municipal elections will result in a quite considerable defeat for PP, of which PSOE cannot take advantage. Likewise, with or without Podemos' candidatures, everything points to a notable electoral fragmentation that will require government agreements, mainly between left-wing forces, in order to safeguard the governability of institutions.

4. QUESTIONS FOR THE COMING MONTHS

We shall now take a closer look of the main questions raised about the impact of some key factors on the possible evolution of the situation until the elections are held.

Will the economic recovery help PP's electoral recovery?

Since the beginning of its legislature, PP focused its strategy in the economic recovery's positive effect on its new electoral expectations, on the basis of the insight that PSOE's electoral results were

wrecked by the exacerbation of the crisis. After a strict adjustment program, Rajoy's government hopes to harvest the fruits of the rebound from recession in terms of growth and employment which tilts the balance of public opinion in his favor. Nevertheless, even though a return to economic growth has been registered, the citizens' perception is still focused on the price society paid to achieve it. This results in a mainly critical view of the work carried out by PP at the present stage. In addition, the economic stagnation in the Eurozone might slow down the pace of the Spanish growth or even stop it if the feared third recession finally takes place.

Will the renewal of PSOE's leadership stop its decline?

PSOE must face quite a difficult situation: it must differentiate itself from both PP and Podemos as well as create a new appealing profile, even though its recent past and organizational inertia difficult the ongoing renovation process. The problems they must overcome go beyond specific difficulties concerning a change in leadership. Pedro Sánchez's strategy appears to consist on increasing his level of knowledge before solving the underlying problems afflicting PSOE.

Will Catalan "sovereignism" cause an electoral upturn of PP in the rest of Spain?

The heated sovereignty debate in Catalonia will have repercussions at national level, though the result

“Contrary to what happens in the Left, where the emergence of Podemos is mobilizing almost the whole electorate, the center-right vote is much less active”

will depend on how it is managed by each party. PP could foster Spanish nationalism which would help them regain some of the lost votes. Also, some segments of the society could again be afraid of the perspective of an alliance of the left-wing parties with nationalists as an eventual solution to form a government. PSOE will have to deal with PSC's uncertainty in Catalonia and with its ambiguous federalist offer. Figuring out whether this refers to a single federalism, to 2 or to 17 might have consequences either in Catalonia or in the rest of Spain. The possibility of calling early elections in Catalonia, which could be held next winter, provides evidence of ERC's great growth at the expense of both CIU and PSC, and this fact will radicalize the scenario.

What will happen with the abstention of the center-right voters who are former PP and (moderate) PSOE voters?

Contrary to what happened in the Left spectrum, no political force has emerged which is able to capitalize the large void left in the Right spectrum. Thus, PP might be able to partially recover it if they managed to define credible policies which attract these social sectors (new middle-classes, working classes and self-employed workers), policies regarding security of employment and an effective enhancement of their economic situation. On the other hand, the emergence of Podemos may give the image of a strongly unbalanced left-wing government, which might scare

the sectors currently prone to abstention and could also make them vote for PP as a lesser evil. The main issue for PP is that these two factors might not be enough to attract again these more than three million former conservative voters who no longer recall voting for that party. Contrary to what happens in the Left, where the emergence of Podemos is mobilizing almost the whole electorate, the center-right vote is much less active.

Will Podemos maintain its strength up until the elections?

The rapid emergence of a completely new political party such as Podemos casts serious doubts on the stability of its social basis. Yet, its coherence is clear: it encompasses two generational groups with similar necessities, united behind the left-wing ideology as well as their hostility towards traditional politics (political caste) and elites (banks and entrepreneurship). In this regard, it is a compact whole. However, every electoral option requires an organizational framework as an essential pillar and, in this respect, Podemos does not yet have a definitive one. Many of its leaders come from IU and other extreme left-wing parties: a politically hyperactive group that will cause inner tensions for a long time. The aim of the group managed by Podemos is to change it into a centralized party, with a Congress every three years, a Central Committee and an Executive Committee linked to the Secretary-General, with

Internet playing an important role in the whole process. It remains to be seen whether these efforts to create a hierarchy will not mitigate the novelty and freshness inherent to the emergence of this party as a social movement. It must also be determined what happens when Podemos will have to move from the stage of criticism of the system (in which they have proved to be highly effective) to the stage of elaboration of specific program proposals with a view to presenting them as an electoral offer. It is possible that, in order to avoid defining themselves before the general elections (which they consider as priority), the ruling group will continue to prevent Podemos from standing as candidates in the municipal and regional elections. Nonetheless, their electoral “state of grace” will lead to pressures in order to capitalize the situation and this party will somehow end up using different names. The manner in which they will carry this out will be, without a doubt, very relevant with regards to the results of the general elections.

Final conclusion: the division of voters may lead to a PP’s electoral supremacy, although this might not be enough to maintain its current electoral hegemony.

According to the overall figures, the available estimates of the vote intention place PP in the range of 25-30%, although their aim is to reach 35% of the municipal and regional votes with a view to mitigating the negative impact on the general elections. PSOE is placed between 20 and 25%, with the added problem that Podemos has emerged to its left, ranging from 10 to 20%. For the time being, IU fluctuates between 7.5% and 10%, with a tendency to decrease, just as UPyD. Among nationalists, the emergence of Podemos will put pressure on BNG and Compromís and even on ERC in Catalonia. CiU has to face its own storm in Catalonia and PNV lives in an unusual state of peace amidst the storm.

In conclusion, it is conceivable that PP will be the most voted party in almost all areas, since the Left is divided in, at least, three rival political forces. Yet, in many cities and regions all the votes for left-wing parties will exceed the number of PP’s votes, even with an eventual support of UPyD to the conservative party. Among the Left, the sum of the votes for Podemos and IU can beat PSOE in many territories. All this points to the creation of many pacts of a very different nature with the purpose of ensuring the governance of municipalities and autonomous communities.

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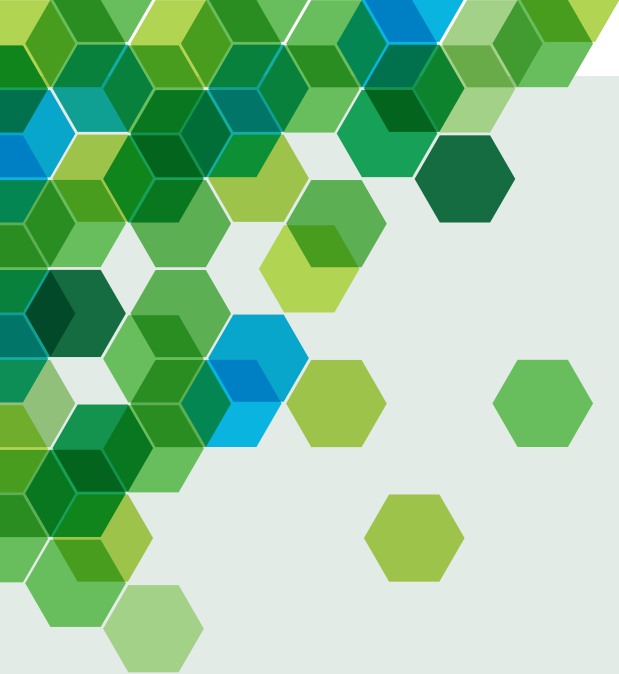
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