

What's next for Spain as elections loom?

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The ballot, which follows Sanchez's defeat in parliament over his 2019 fiscal plans, comes at a tricky time for the euro zone's fourth-largest economy.

Spain's Prime Minister Pedro Sanchez delivers a statement at the Moncloa Palace in Madrid, Spain, November 24, 2018. REUTERS/Sergio Perez

Madrid: Spain faces months of political uncertainty as Socialist Prime Minister Pedro Sanchez prepares to announce snap national elections on Friday.

The ballot, which follows Sanchez's defeat in parliament over his 2019 fiscal plans, comes at a tricky time for the euro zone's fourth-largest economy.

The political landscape is increasingly fragmented, the divisive Catalan separatist issue is back in the spotlight, and reforms are likely to go on the backburner.

Below explains what is at stake:

HOW DID SPAIN GET HERE?

Sanchez, who has led a minority government since June last year, could theoretically try to cling on until the mid-2020 end of his term, seeking an ad-hoc majority on each piece of legislation.

But after the budget vote, where the Socialists lost the support of Catalan nationalists who helped bring them to power, that looks difficult, and the government would have limited room for manoeuvre, Budget Minister Maria Jesus Montero told COPE radio on Thursday.

WILL THERE DEFINITELY BE A VOTE? WHEN?

Government sources say there will be an election "but no one except Sanchez knows when.

April 28 is the most quoted date, but April 14 is also cited and some are pushing for a May 26 "Super Sunday," with local, regional and EU elections the same day.

Weeks ago, October was the favoured date for many in government circles. It would be a surprise if Sanchez went for that, given the budget defeat.

WHO WILL WIN?

It could well take months before we know who the next prime minister is. And there is no guarantee the party with most votes will be in government.

Polls vary quite a lot but all show that no single party could form government on its own, and that a majority will likely require several parties. That would confirm the end of the two-party system that dated from Spain's return to democracy in the late 1970s and started unravelling in 2015.

Sanchez's Socialists are leading in polls, with estimates from the last few months averaging at 24 percent, according to a poll of polls by daily El Pais.

The conservative's People Party (PP) and centre-right Ciudadanos would not be far behind and could theoretically form a coalition with the far-right Vox, as they did in the Andalusia region in December, but even that is not guaranteed.

The Socialists and anti-austerity Podemos would not on their own have enough seats to govern, according to opinion polls, and one question would be whether Ciudadanos could end up preferring an alliance with the Socialists than with the far-right.

Another factor adding to the likelihood that things will take time is the May 26 local and regional elections: parties will likely not want to strike a deal in Madrid that could jeopardize the chance of local coalition agreements.

Adding to uncertainty is the fact most parties are either undergoing internal crisis or have new leaders, meaning much can still change in strategy and alliances.

WHAT ARE THE MAIN ISSUES FOR VOTERS?

Catalonia's independence drive has irritated many and will be a key factor, especially at a time when 12 of its former leaders are put on trial.

PP, Ciudadanos and Vox are competing for the voices of those upset with separatism, but the Socialists, after refusing to give in to Catalan demands to secure their backing for the budget, will also aim to use the issue to their advantage.

With the rise of Vox and PP also veering to the right, the Socialists will try and mobilise voters against the far-right and over issues ranging from women's rights to symbolic issues such as the removal of former dictator Francisco Franco's remains from a grand mausoleum.

With the economy forecast to grow about 2.2 percent this year, it will not be the dominant factor, but issues such as how to regulate the rental market could matter.

WHY SHOULD MARKETS AND EU CARE?

For one thing, Spain has not had a majority government for over three years " with a succession of minority or caretaker governments " and that has meant many structural reforms have been delayed.

Then, while the Socialists have managed to adopt a series of measures over past months that include an increase in pension and minimum wages, the rolling over of the 2018 budget means a number of planned spending cuts will not enter into force.

Budget Minister Montero said this means the deficit could rise to between 2.2 percent and 2.4 percent instead of the 1.3 percent targeted by the Socialists.

- Reuters