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Summary

Sánchez visits Africa in bid to curb migrants' influx and boost economic links.

Squabbling Catalan independence parties fail to agree a new government.

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Grappling with a fourth coronavirus wave.

Jobless inches down, IMF raises growth.

Foreign Policy

Sánchez visits Africa in bid to curb migrants' influx and boost economic links

Prime Minister Pedro Sánchez visited Angola and Senegal as part of a strategy to reverse the influx of migrants and increase economic ties with a continent replete with business opportunities.

The visit followed a more than eightfold rise in migrants from Africa to the Canary Islands last year, from 2,687 to 23,023, fuelled by the COVID-19 pandemic and the loss of income from tourism. The total number of illegal migrants reaching Spain in 2020 was 29% higher at 41,861. Several hundred people died while making the perilous crossing, according to the International Organisation for Migration.

The Canary Islands are a favoured destination as they are an entry point to the EU, but they are more than 1,000 kms from mainland Spain, which is where the migrants want to go. At the moment, thousands of them are stuck in emergency camps amid growing tensions with the local population and a fight between Moroccans and Senegalese earlier this month that left three people seriously injured and eight arrests.

The focus of Sánchez's visit to Senegal was migrants. Arancha González Laya, Spain's Foreign Minister, agreed with Senegal last November the repatriation of migrants but this has yet to happen.

Spain has 57 Civil Guards and police, two patrol boats and a helicopter in Dakar to help its Senegalese counterparts crack down on human trafficking across the West African coast.

Oil-rich Angola (50% of its GDP) meanwhile holds out business opportunities for Spanish companies, some of whose executives accompanied Sánchez. The country is seeking to diversify its economy.

Spain's Africa Focus 2023 strategy has education measures including one called Erasmus+ to encourage Africans to come to Spain to train for jobs needed in the country, and support for law enforcement agencies combating people smugglers. The Cervantes Institute will open in Dakar after the summer its first centre for teaching Spanish in sub-Saharan African.

Sánchez has already visited Algeria, Mali and Mauritania and there is a pending bilateral summit with Morocco.

Domestic Scene

Squabbling Catalan independence parties fail to agree a new government

Catalonia is headed for the polls again if there is no agreement by 26 May on a new government, following the failure last month of the three pro-independence parties, which won an absolute majority in February's election, to elect the region's new Premier.

Such are the divisions that Pere Aragonès, leader of Catalan Republican Left (ERC), who became Catalonia's acting Premier in 2020 when Quim Torra of Together for Catalonia (JxCat) stepped down after he was barred from public office for 18 months for refusing to remove banners during an election campaign from a public building calling for the release of nine jailed separatists, failed to be elected Premier by parliament. He lost the first investiture vote (by qualified majority) on 26 March and the second on 30 March (simple majority), because JxCat's deputies abstained.

ERC won one more seat than JxCat and together with the Popular Unity Candidacy (CUP) have 74 of the 135 seats (see Figure 1). ERC reached an agreement with CUP, which voted in favour of Aragonès, but not with JxCat.

Figure 1. Catalan parliamentary elections, 2021 and 2017 results (number of seats and % of votes)

| | 2021 | % of votes | 2017 | % of votes |
|--------------------------------|------|------------|------|------------|
| Catalan Socialist Party (PSC) | 33 | 23.0 | 17 | 13.9 |
| Catalan Republican Left (ERC) | 33 | 21.3 | 32 | 21.4 |
| Together for Catalonia (JxCat) | 32 | 20.1 | 34 | 21.6 |
| VOX | 11 | 7.7 | – | – |
| Popular Unity Candidacy (CUP) | 9 | 6.7 | 4 | 4.5 |
| <i>Catalunya en Comú-Podem</i> | 8 | 6.9 | 8 | 7.5 |
| <i>Ciudadanos (Cs)</i> | 6 | 5.6 | 36 | 25.3 |
| Popular Party (PP) | 3 | 3.8 | 4 | 4.2 |
| Voter turnout | | 53.6 | | 79.1 |

Source: Catalan Government.

ERC takes a more gradual approach to independence than the confrontational JxCat, whose former leader, Carles Puigdemont, the Catalan Premier at the time of the illegal referendum, fled to Belgium. The means might be different, as Aragonès is apparently in favour of negotiating a referendum, but the goal is the same.

Puigdemont, who was stripped of his immunity as an MEP by the European Parliament last month and faces possible extradition to Spain on charges of sedition and misappropriation of public funds, wants a clearly defined role for his *Consell per la República* (Council for the Republic) which he set up in his self-imposed exile in Waterloo.

The pro-independence parties won, for the first time, more than 50% of the voter turnout, but only 53.6% of people eligible to vote went to the polls, due to the pandemic, political disaffection and fatigue after a decade of the secession conflict, compared with 79.1% in 2017. That hardly gives these parties a clear mandate to continue to push for secession.

As a result of the blocking of a new government, the outgoing government is barely visible in Catalan public life, epitomised by not a single representative attending the presentation of the plan by car producer SEAT last month to create a state-of-the-art factory for electric cars, in the presence of King Felipe VI and Prime Minister Pedro Sánchez.

Madrid heads to polls next month in bitter snap election

Madriños go to the polls on 4 May in a snap election that could reshape the political landscape. The incumbent Popular Party (PP) is forecast to double its number of seats in the region's 132-seat parliament, according to GAD3, but it may have to govern with the active or passive support of the hard-right VOX (see Figure 2).

Figure 2. Madrid regional elections, number of seats forecast in 2021 and results in 2019

| | Number of seats 2021 | Number of seats 2019 |
|----------------|----------------------|----------------------|
| Popular Party | 62-63 | 30 |
| Socialists | 33-34 | 37 |
| Ciudadanos | 0 | 26 |
| Más Madrid | 17-19 | 20 |
| VOX | 12 | 12 |
| Unidas Podemos | 10 | 7 |

Source: GAD3.

The election was triggered last month by a bungled attempt by Ciudadanos (Cs) to unseat the PP government in Murcia in which it was the junior partner. Isabel Díaz Ayuso, Madrid's Premier, dissolved her coalition in order to prevent a similar move by Cs, her junior partner, and called an election (not due until 2023). The PP has ruled Madrid since 1995 (see Figure 3).

Figure 3. Madrid regional elections, 1983-2019, percentage of votes by main parties

| | Socialists | Popular Party (1) | Unidas Podemos | VOX | Ciudadanos | Main other |
|----------|------------|-------------------|----------------|-----|------------|------------|
| 1983 | 50 | 34 | | | | 9 (2) |
| 1987 | 39 | 32 | | | | 25 (3) |
| 1991 | 34 | 47 | | | | 13 (4) |
| 1995 | 30 | 51 | | | | 16 (5) |
| 1999 | 36 | 49 | | | | 8 (5) |
| May 2003 | 40 | 47 | | | | 8 (5) |
| Oct 2003 | 39 | 48 | | | | 9 (5) |
| 2007 | 34 | 53 | | | | 9 (5) |
| 2011 | 26 | 52 | | | | 16 (6) |
| 2015 | 25 | 33 | 19 | | 12 | 10 (7) |
| 2019 | 27 | 22 | 6 | 9 | 19 | 15 (8) |

(1) Popular Alliance in 1983 and 1987. (2) Spanish Communist Party. (3). Democratic and Social Centre (CDS) 17% and United Left 8%. (4) United Left 10% and CDS 3%. (5) United Left. (6) United Left 10% and UPyD 6%. (7) United Left and Greens 4% and UPyD 2%. (8) Más Madrid.

The decision of Pablo Iglesias, the head of the hard-left Unidas Podemos (UP), to step down as Deputy Prime Minister in the Socialist-led central government and throw himself into the fray, because he sees a risk of ‘an extreme right-wing government’, led Díaz Ayuso to simplistically term the election as a choice between ‘freedom and communism’.

Because of the way seats are distributed, a further collapse of Cs –whose seats in the national parliament dropped from 57 in the April 2019 election to 10 in the November election that same year– would benefit the PP if Cs wins less than 5% of votes, the threshold for entering the regional parliament, and no seats.

Ángel Gabilondo, the Socialists’ candidate, is giving UP a wide berth, although his party rules at the national level with it, as he pursues centrist voters, to the detriment of Cs, while the PP is caught in a bind with VOX, not wishing to be too aggressive or too tolerant of its policies. Díaz Ayuso is very popular in the hospitality sector as, unlike other regions, she has kept restaurants, bars and hotels open, despite Madrid having a coronavirus incidence rate that is much higher than the national average (see Figure 5).

Iglesias’s presence will split the left-wing vote as Íñigo Errejón, the co-founder of UP who broke with him, refused to join forces and will continue to run on his own with Más Madrid.

Grappling with a fourth coronavirus wave

The 14-day cumulative number of cases per 100,000 people, a key contagion metric, dropped to just over 150 at the end of March from a peak of 900 in January and then began to rise again to 199 on 12 April, triggering a fourth coronavirus wave.

Despite the bad news, Prime Minister Pedro Sánchez felt confident enough to announce that the six-month state of emergency declared on 25 October 2020 will not be extended beyond 9 May. The 17 regional governments will still be able to enforce some restrictions, but might face legal problems in doing so as they could be challenged in courts. Some experts questioned the wisdom of Sánchez's announcement.

Spain has the world's ninth-highest number of cases (3.37 million) and a death toll from COVID-19 of more than 76,000 (see Figure 4).

Figure 4. Reported cases and deaths by the 10 main countries

| | Total cases | Total deaths | Cases/1mn pop. | Deaths/1mn pop. |
|-------------|-------------|--------------|----------------|-----------------|
| 1. US | 31,990,143 | 576,298 | 96,206 | 1,733 |
| 2. India | 13,689,453 | 171,089 | 9,845 | 123 |
| 3. Brazil | 13,521,409 | 355,031 | 63,262 | 1,661 |
| 4. France | 5,067,216 | 99,135 | 77,497 | 1,516 |
| 5. Russia | 4,649,710 | 103,263 | 31,851 | 707 |
| 6. UK | 4,373,343 | 127,100 | 64,159 | 1,865 |
| 7. Turkey | 3,903,573 | 34,182 | 45,900 | 402 |
| 8. Italy | 3,779,594 | 114,612 | 65,284 | 1,898 |
| 9. Spain | 3,370,256 | 76,525 | 72,062 | 1,636 |
| 10. Germany | 3,021,064 | 79,110 | 35,968 | 942 |

Source: <https://www.worldometers.info/coronavirus/#countries> at 12/IV/2021

Madrid, which will hold a snap election on 4 May, has an infection rate of 336 (see Figure 5). Isabel Díaz Ayuso, the region's Popular Party Premier, has kept bars, restaurants and hotels open, despite the high infection rate, which is almost double the national average. Madrid accounts for 14% of Spain's population, 19% of total notified coronavirus cases and 27% of hospitalised cases.

Figure 5. Coronavirus (COVID-19) 14-day cumulative number of cases per 100,000 people by regions

| | 15 February 2021 | 15 March | 12 April |
|--------------------|------------------|------------|------------|
| Andalucía | 498 | 122 | 225 |
| Aragón | 434 | 140 | 218 |
| Asturias | 416 | 178 | 163 |
| Balearic Islands | 187 | 43 | 57 |
| Basque Country | 406 | 174 | 320 |
| Canary Islands | 133 | 120 | 134 |
| Cantabria | 223 | 95 | 161 |
| Castilla y León | 508 | 108 | 196 |
| Castilla-La Mancha | 399 | 72 | 157 |
| Catalonia | 325 | 166 | 227 |
| Extremadura | 241 | 55 | 135 |
| Galicia | 374 | 77 | 75 |
| Madrid | 559 | 223 | 336 |
| Murcia | 287 | 66 | 67 |
| Navarre | 280 | 127 | 425 |
| La Rioja | 405 | 77 | 211 |
| Valencia | 506 | 45 | 36 |
| Spain (1) | 417 | 129 | 199 |

(1) Including the North African enclaves of Ceuta and Melilla.

Source: Health Ministry.

The vaccine rollout has been slow, compared to countries such as the US and UK (see Figure 6).

Figure 6. Share of the population that received at least one COVID-19 vaccine dose (1)

| | % of the population |
|----------------|---------------------|
| United Kingdom | 47.3 |
| United States | 35.6 |
| France | 15.8 |
| Germany | 15.7 |
| Spain | 15.3 |
| Italy | 15.0 |

(1) This may not equal the share that are fully vaccinated if the vaccine requires two doses.

Source: <https://ourworldindata.org/covid-vaccinations?country=ESP~FRA~DEU~ITA~GBR~USA>.

A big rise in deliveries of the vaccine as of this month will enable 70% of the adult population (33 million people) to be inoculated by the end of August, according to Sánchez. Spain expects 87 million doses by September, 38 million of them between April and June. The government's vaccination targets (full dosis) are as follows:

- 3-9 May: 5 million people (10% of the population)
- 31 May-6 June: 10 million (21%)
- 14-20 June: 15 million (31%)
- 19-25 June: 25 million (53%)
- End of August: 33 million (70%)

Spain has joined other countries in limiting use of the AstraZeneca vaccine, in its case to those between 60 and 69, following extremely rare cases of blood clots in younger people who received the vaccine. Previously, the vaccine was administered to those under 65.

The vaccination rollout needs to gather pace in order for Spain to have some kind of 'normal' tourism season in the summer, be it with foreigners or Spaniards on staycation. The sector generates 12% of GDP and a proportionately larger share of jobs. The year 2020 saw a drop of 65 million in the number of foreign tourists.

The government's decree that facemasks have to be worn in all outdoor spaces, including beaches, even when social distancing can be maintained, provoked an angry response from the tourist industry. 'We're going through hell with thousands of jobs and businesses threatened and now they want to turn the beaches into open-air field hospitals', railed José Luis Zoreda, Vice-president of Execltur, the body that represents the industry.

The government changed tack and said masks only had to be worn if social distancing could not be maintained.

While tourism has suffered mightily, schools have held up well. Upper secondary and primary students lost 45 days of schooling on average last year, well below the OECD average, according to a report published this month (see Figure 7). Most of these days were lost in the first wave of the pandemic (March-June). Since then tighter protocols and the ability to keep classroom windows open, unlike in much colder countries such as Sweden, enabled schools to keep going. Some schools on the coast held classes on the beach.

Figure 7. Number of teaching days (excluding school holidays, public holidays and weekends) where schools were fully closed in 2020

| | Upper secondary | Primary |
|--------------|-----------------|-----------|
| Italy | 90 | 60 |
| Sweden | 69 | 0 |
| OECD average | 64 | 54 |
| Portugal | 47 | 50 |
| Spain | 45 | 45 |
| England | 44 | 34 |
| France | 39 | 29 |
| Germany | 23 | 24 |

Source: OECD.

Euthanasia legalised

Spain became the fifth country in the world to legalise euthanasia and assisted suicide for people with serious and incurable diseases who want to end their life. Congress approved the law by 202 in favour, two abstentions and 141 against.

Prior to the law, which will come into force in June, helping someone to die carried a prison sentence of up to 10 years.

The 141 'no' votes came from the Popular Party and the hard right VOX, which said it would challenge the law before the Constitutional Court.

An opinion poll in 2019 showed close to 90% of Spaniards were in favour of decriminalising euthanasia.

Franco regime Official Secrets Law to be finally reformed

The government intends to reform the 1968 Official Secrets Law, the bane of historians, among others, which has suppressed the release of documents from the 1936-39 Civil War, General Franco's dictatorship that followed it until 1975, the 1981 coup attempt

against the democratically-elected government and the 'dirty war' against the Basque terrorist group ETA, to name just a few of the key events.

Unlike countries such as the UK, which has a 30-year rule, documents in Spain can remain out of the public domain indefinitely unless a Ministry or an official body intervenes to have them declassified. It is easier for historians to find documents about the above events abroad, declassified by the CIA or MI6, for example.

Both the Socialists and the conservative Popular Party blocked moves in the past to reform the law.

A government commission is studying the issue and looking at legislation in other countries in order to bring Spain finally into line with democratic norms. It promises to have a new law in place before the end of its term in office in November 2023.

The continued secrecy in which Spain's recent past is shrouded is a blemish on the country's democracy, which is now more than sufficiently consolidated to cope with the past, however unpleasant revelations might be.

Spain rises in happiness ranking

Despite being hit hard by COVID-19, Spain rose in the latest World Happiness Ranking, from 27th to 24th out of 149 countries on a slightly higher score (see Figure 8).

Figure 8. Happiness ranking (average life evaluations) based on the 2020 surveys compared to those in 2017-2019

| Rank | Score out of 10, 2020 | Rank by 2017-19 score | Score, 2017-19 |
|------------------|--------------------------|-----------------------|----------------|
| 1. Finland | 7.889 | 1 | 7.809 |
| 7. Germany | 7.312 | 15 | 7.076 |
| 14. US | 7.028 | 16 | 6.940 |
| 18. UK | 6.798 | 13 | 7.165 |
| 20. France | 6.714 | 21 | 6.664 |
| 24. Spain | 6.502 | 27 | 6.401 |
| 25. Italy | 6.488 | 28 | 6.387 |

Source: World Happiness Report 2021.

The Gallup World Poll is the main source of data and is based on asking respondents to evaluate their life as a whole, using the image of a ladder (10 for the best possible life and 0 for the worst). In order to take into account the impact of the pandemic, life evaluations and positive and negative emotions in 2020 were compared to their averages in 2017-19.

The report is prepared by the Sustainable Development Solutions Network and the Centre for Sustainable Development at Columbia University.

More than 2.6 million Spaniards live abroad

The number of Spaniards registered as living abroad rose 1.4% last year to 2.65 million, 60% of them in the Americas, 37% in Europe and the rest elsewhere. The largest number live in Argentina (see Figure 9).

Figure 9. Top 10 countries where Spaniards live

| | 1 January 2021 | 1 January 2020 |
|-------------|----------------|----------------|
| Argentina | 475,938 | 473,519 |
| France | 279,988 | 273,290 |
| US | 173,136 | 167,426 |
| Germany | 172,107 | 167,151 |
| UK | 169,641 | 152,291 |
| Cuba | 149,062 | 147,617 |
| Mexico | 144,845 | 144,553 |
| Venezuela | 139,608 | 142,302 |
| Brazil | 133,680 | 133,188 |
| Switzerland | 127,011 | 124,414 |

Source: INE.

The Economy

Jobless inches down, government lowers growth

The number of registered unemployed dropped slightly in March to 3.95 million from just over 4 million in February, excluding 743,628 workers still furloughed (909,661 in February and 3.6 million at one point in April 2020), as activity picked up ahead of Easter Week. More than 438,000 self-employed workers also did not join the dole queue as they received government aid. The number of jobless was 401,328 higher than in March 2020.

The IMF revised upwards its GDP growth forecast for this year from 5.9% to 6.4%, higher than the OECD's estimate of 5.7%, and held it at 4.7% for next year (see Figure 10). Its projection was in line with the government's downward revision of growth from an overly optimistic 9.8% including the impact of the EU's pandemic recovery funds to 6.5%. Spain's growth would still be above the euro zone average, albeit from a much lower starting point (the economy shrank by almost 11% in 2020).

Figure 10. IMF's GDP growth forecasts, 2021 and 2022

| | 2021 | 2022 |
|-------------------|------------|------------|
| France | 5.8 | 4.2 |
| Germany | 3.6 | 3.4 |
| Italy | 4.2 | 3.6 |
| Spain | 6.4 | 4.7 |
| Euro zone average | 4.4 | 3.8 |

Source: IMF.

The 2020 fiscal deficit came in at 10.09% of GDP and 10.97% including the EU's reclassification of the SAREB 'bad bank' as a public entity, slightly lower than the peak of 11.3% in 2009 during the Great Recession and way up from 2.9% in 2019 (see Figure 11).

Figure 11. Spain's fiscal deficit, 2008-20 (% of GDP)

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 4.6 | 11.3 | 9.5 | 9.7 | 10.7 | 7.0 | 5.9 | 5.2 | 4.3 | 3.0 | 2.5 | 2.9 | 10.9 |

Source: Eurostat and Spanish Finance Ministry for 2020.

The central government's deficit was 8.4% of GDP, social security's 2.7% and regional governments' 0.2%. Town halls generated a surplus (0.3%).

Some 85% of the public spending of €53 billion went on easing the impact of the pandemic. Tax revenue was down 8%.

Public debt soared from 95.5% in 2019 to 120%, reflecting the massive borrowing to finance policies to alleviate the impact of the pandemic and the GDP shrinkage (see Figure 12). The impact of including SAREB added three percentage points to public debt in GDP terms.

Figure 12. Spain's public debt, 2008-2020 (% of GDP)

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------|------|------|------|------|------|-------|------|------|------|------|------|------|
| 39.7 | 5.3 | 60.5 | 69.9 | 86.3 | 95.8 | 100.7 | 99.3 | 99.2 | 98.6 | 97.6 | 95.5 | 120 |

Source: Eurostat and Spanish Finance Ministry for 2020.

Parliament approves climate-change law

Congress passed Spain's first Climate Change and Energy Transition Law, which aims to achieve climate neutrality by 2050.

The law has been in the pipeline for almost a decade. All parties approved it except the hard-right VOX, which voted against it, and the Popular Party, which abstained.

Corporate Scene

The ACS infrastructure group made an offer for Atlantia's 88% stake in Italy's motorway unit Autostrade, valuing the business at between €9 billion and €10 billion.

Autostrade manages around half of Italy's motorway network. Since the collapse of a motorway bridge in Genoa in 2018 that caused the death of 43 people, Atlantia has been under pressure to sell its stake.

ACS has been Atlantia's partner in Spanish toll-road operator Abertis since the two groups' joint acquisition of the company in 2017.

Ferrovial wins US\$1.5 billion Texas highway project

Ferrovial is to design and build an expansion of the Interstate 35 Northeast highway in San Antonio, Texas.

The project will take around six years and includes the design, construction and maintenance of 9.5 miles of non-tolled improvements and the construction of 18 miles of additional elevated lanes.