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Summary

Spain to join International Syria Support Group.
Socialist Sánchez fails in PM bid, Popular Party and Podemos still refusing support.
Close to half of Spaniards say corruption is the country's second largest problem.
European Commission urges Spain to reduce budget deficit.
Ferrovial wins £300 million contract to maintain 370kms of highways in UK.

Foreign Policy

Spain to join International Syria Support Group

Russia invited Spain to join the International Syria Support Group (ISSG), which it leads along with the US.

Serguéi Lavrov, Russia's Foreign Minister, sent a letter to his counterpart, José Manuel García-Margallo, noting the efforts Madrid has put into the Syrian peace process.

Russia and the US reached an agreement last month on a ceasefire in Syria, which does not apply to Daesh or the al-Nusra Front, outlawed in a number of countries worldwide including Russia and the US.

The ISSG was created in 2012 and includes the Arab League countries, the EU and some of its member states, as well as China, Iran, Turkey and the United Nations.

Domestic Scene

Socialist Sánchez fails in PM bid, Popular Party and Podemos still refusing support

Spain was still nowhere nearer having a new government, following the failure of the Socialist leader Pedro Sánchez to win support earlier this month from the conservative Popular Party (PP) and the anti-austerity Podemos for his coalition government with the centrist Ciudadanos (C's).

Sánchez garnered 130 of the 350 seats in Parliament (his party's 90 and C's 40, captured at the election on 20 December) at the first investiture and 131 at the second one, far from a governing majority (176 seats). The other vote came from a regional party in the Canary Islands.

King Felipe decided to give the four parties time to mull over the situation before formally calling on someone else to try to form a government or asking Sánchez to try again. The King had asked Sánchez because Mariano Rajoy, the incumbent Prime Minister, turned down the invitation because of lack of support from any other party. The PP has 123 seats.

If no political leader obtains the required support by 2 May the King will dissolve parliament and call a new ballot, probably to be held on 26 June, which could produce another stalemate. A GAD3 poll in the conservative daily *ABC* showed that four out of five respondents believed there would be new elections.

According to a poll by Metroscopia in the centre-left daily *El País*, the PP would win a slightly lower slice of the vote, the Socialists the same, Podemos would drop and C's would rise (see Figure 1). Despite three months without a proper government and endless squabbling between the four parties, Spaniards remain very much in favour of ending the two party system (PP and Socialists) in existence since 1982.

Figure 1. Voter intention (% of valid votes)

	2011 election	2015 election	Jan 2016	Feb. 2016	March
Popular Party	44.6	28.7	29.0	24.0	26.0
Socialists	28.8	22.0	21.1	23.3	23.1
Podemos	–	20.7	22.5	19.9	16.8
Ciudadanos	–	13.9	16.6	18.5	19.5

Source: Metroscopia.

The Socialist/C's coalition is the most popular option, but this is only possible if either the PP or Podemos (69 seats including its regional allies) abstain and thus give it a majority of the votes cast (see Figure 2). Rajoy is adamant that the PP, as the party with the most seats, will not back a government in which it is not involved. The aggressive debates in parliament prior to the two investiture votes underscored the gulf between, on the one hand, the PP and the other three parties and, on the other, between Podemos and the Socialists.

Figure 2. Possible coalitions for Pedro Sánchez to form a government

Combination	Good	Bad	Balance
Socialists, Ciudadanos + support or abstention of other parties	53	40	+13
Popular Party, Socialists, Ciudadanos, headed by Albert Rivera	39	54	-15
Socialists, Podemos, Popular Unity + support or abstention of other parties, headed by Pedro Sánchez, deputy PM Pablo Iglesias	39	56	-17
Socialists, Popular Party, Ciudadanos, headed by Pedro Sánchez, deputy PM Albert Rivera and someone from PP	39	56	-17
Popular Party, Socialists, Ciudadanos, headed by Mariano Rajoy	36	60	-24

Source: Metroscopia.

The main points of the agreement¹ between the Socialists and C's include:

- Re-negotiate the budget deficit target (3% of GDP) with the European Commission, so that it is met in 2017 and not this year as agreed with the PP.
- Labour market reforms, with the introduction of two new contracts for permanent and temporary workers.
- Tax reform when the budget situation allows it. The Socialists initially pressed for immediate higher personal income tax rates, but there would be an extraordinary tax for the rich to help lower the budget deficit. Corporate tax would be adjusted and deductions and fiscal benefits reduced so that the gap between effective and nominal rates was narrowed.
- Education reforms including the universalization of nursery schools.
- Legislation against conflict of interest, with a five-year ban on senior government officials taking up certain jobs in the private sector (revolving door policy).
- Tighter laws on financing political parties, the source of a lot of corruption.
- Revoke the PP's reform of the scope of universal jurisdiction.
- A commitment not to hold a referendum on independence for Catalonia or for any other region.

¹ The full text is available in Spanish at www.ciudadanos-cs.org/var/public/sections/page-home/acuerdo-gobierno-reformista-y-de-progreso-2016.pdf?__v=204_0

- Elimination of provincial councils (*diputaciones provinciales*) and re-assign some of their functions in order to streamline the multiple layers of public administration. Some of these entities are currently embroiled in corruption cases.
- De-politicise the justice system. The 20 members of the General Council of the Judiciary (CGPJ), the governing authority, are appointed by parliament and the Senate by a three-fifths supermajority vote, and with a tenure of five years. As a result, they are largely beholden to the parties that appointed them and to whom they feel they owe their allegiance. Similarly, the Constitutional Court consists of 12 members, four of whom are appointed by parliament on the basis of a supermajority of three-fifths of its members, and four by the Senate, requiring the same supermajority vote (following a selection process in which each of the 17 regional parliaments nominated two candidates)
- Reform the public health system in order to ensure its sustainability.

Rajoy continues to press for a grand German-style coalition that he would head, but no party wants to get into bed with a party that has been rocked for a long time by a string of corruption cases. This option is the one least supported by Spaniards.

In the first public crack in the PP's support for Rajoy, Alberto Garre, the former PP Prime Minister of the Murcia region, called on Rajoy to step down and make way for someone who might be able to facilitate a grand coalition. He said there was a 'silent clamour' in the PP for Rajoy to go. Ministers jumped to Rajoy's defence and said he enjoyed the party's solid support.

Divisions also appeared in Podemos. Nine members of the party's citizens' council in Madrid resigned. The divisions were at first denied by Iglesias in a message to his supporters where he spoke of 'the unity and beauty of our political project'. Soon afterwards he summarily fired Sergio Pascual, the party's Secretary of Organisation and close to Iñigo Errejón, the party's number two, for 'deficient management whose consequences have seriously damaged the party'.

Carolina Bescansa, one of Podemos's founders and an MP, admitted there were 'tactical differences' between Iglesias and Errejón. The divisions are over the strategy to adopt with the Socialists and whether to let them form a government with C's and over the party's structure. There is also criticism of Iglesias' verbal aggression toward the Socialists.

In Catalonia En Comú Podem (with 12 of Podemos's 69 seats in parliament) could break away if Iglesias relents on his promise to hold a referendum on Catalonia's independence under a deal with the Socialists to enter the government or support them. The Socialists, PP and C's are all opposed to a referendum: it is one of the main stumbling blocks for an agreement between the Socialists and Podemos.

The Socialists are hoping that Podemos's internal problems and the fear that it might win fewer seats if there is a fresh election, as opinion polls suggest, will make it support Sánchez.

This could produce an agreement for a minority government that would be in office for some two years, during which it would reform the constitution, depoliticise the judiciary and some institutions and then hold a new election.

While there was no agreement on the formation of the next government, all parties except the PP agreed, in an unprecedented move, to take the government to the constitutional court for refusing to continue to submit itself to the control of parliament. The PP said that as the incumbent government it was no longer legally obliged to do so.

Close to half of Spaniards say corruption is the country's second largest problem

Corruption is Spain's second main problem after unemployment, according to 47.5% of respondents of an opinion poll conducted by the state-funded CIS last month, up from 39.2% in January.

The sharp rise in the concern over corruption is hardly surprising as the media is full of cases slowly working their way through the justice system.

The latest developments include:

- José Ramón Gómez Besteiro, the Secretary General of the Socialist Party in Galicia, was forced to give up presenting himself as the candidate in the region's upcoming parliamentary election, following a judicial probe into alleged misuse of funds when he headed the Lugo Provincial Council.
- Rita Barberá, the Popular Party (PP) Mayor of Valencia for 24 years and currently a Senator, is under judicial investigation for money laundering. A judge held back from starting proceedings to have her immunity as a Senator removed after Barberá agreed to make a voluntary declaration. Close to 50 people working for or involved in the Valencia municipal government, including nine out of 10 PP councillors, are the target of a judicial probe for awarding contracts in return for commissions, among other things. The PP headquarters in Madrid, in an unprecedented move, opened what it termed an 'information file' on the case before deciding whether to take any disciplinary action against party members. The leftist Valencian government that ousted the PP in last May's regional election said an audit of the PP administration's activities in 2014 showed irregularities throughout the region's public sector.
- Ignacio González, the former PP Prime Minister of the Madrid region, and his wife came under judicial investigation this month over the acquisition of a vast luxury flat in an exclusive urbanisation in Estepona on the Costa del Sol. The anticorruption prosecutor's office suspects the flat was obtained in return for business favours. González says he rented the flat; the prosecution believes he is the real owner hiding behind a straw man based in Beverly Hills, Los Angeles.

Basque separatist leader Otegi freed after six years in jail

Basque independence leader Arnaldo Otegi was released after six years in prison for trying to re-establish the political party Herri Batasuna, which was banned for its links to the terrorist group ETA.

Otegi (57) came out of prison vowing to continue the cause for independence espoused by the radical Basque left. An opinion poll published by the Basque government earlier this month showed that support for independence had dropped from 30% of respondents in 2014, the year that an illegal non-binding referendum was held on independence for Catalonia, to 19%.

He has a long history of involvement in Basque independence, and has served several gaol terms. In 1979, he took part in an ETA commando that kidnapped Javier Rupérez for a month. Rupérez later became Spain's Ambassador in Washington (2000-04).

Otegi was influential in persuading ETA to declare a permanent ceasefire in 2011 after four decades of violence. ETA, however, has yet to lay down its arms. He is barred from holding public office until 2021.

Pablo Iglesias, the leader of Podemos, enraged the Popular Party, the Socialists and Ciudadanos by saying Otegi had been imprisoned for his ideas.

Spaniards resident abroad up 56% between 2009 and 2016

The number of Spaniards registered as living abroad rose from 1.47 million to 2.30 million between 1 January 2009, when the figure began to be published, and 1 January 2016, according to the National Statistics Office (INE).

After two decades of high immigration, with the foreign-born population quadrupling from 1.5 million to 6.5 million between 2000 and 2008, Spain became a country of net emigration again as a result of the economic crisis.² Most of those emigrating are immigrants –who are either returning to their country of origin (depending on how long they were in Spain some of them would be naturalised Spaniards) or moving on to a third country– but also increasingly native-born Spaniards.

The increase in the number of Spaniards living abroad was 5.6% in 2015. The main country where Spaniards are living is Argentina (see Figure 3).

² See *Spain: New Emigration Policies Needed for an Emerging Diaspora* by Joaquín Arango for an excellent review of the current situation (<http://www.migrationpolicy.org/research/spain-new-emigration-policies-needed-emerging-diaspora>).

Figure 3. Top 10 countries where Spaniards lived at 1 January 2016

Country	Number
Argentina	439,236
France	232,693
Venezuela	188,025
Germany	139,555
Cuba	128,541
Brazil	125,150
US	125,130
Mexico	123,189
Switzerland	111,942
UK	102,498

Source: INE.

Of the 2.3 million abroad, 766,996 were born in Spain (633,750 in 2007) and 1.53 million in other countries (837,941 in 2009).

The figures come from Spanish consulates abroad and so the real figure is probably higher as not everyone registers. Spanish nationals are only removed from the registry in the town hall that corresponds to them (known as the *padrón*) when they register in a Spanish consulate abroad.

Early school-leaving rate still way above the EU average

Spain's early school-leaving rate continued to decline in 2015 but at 20.3% it was still the highest in the EU and almost double the EU average (see Figure 4).

Figure 4. Early school-leaving rates, 2006 and 2015 (1)

	2006	2015
Portugal	38.5	14.4
Spain	30.3	20.3
Italy	20.4	14.6
EU-28	15.3	10.9
Germany	13.7	9.6
France	12.4	9.2
UK	11.3	11.0
Sweden	8.6	6.6

(1) The percentage of those aged between 18 and 24 who have only lower secondary education or less and are no longer in education or training.

Source: Eurostat.

During the 1997-2008 economic boom, many teenagers came to the conclusion that education did not pay. They dropped out of school at 16 (the age at which compulsory education ends) and flocked in droves to work in the construction and related sectors. Many were on temporary contracts and were among the first to lose their jobs when the real estate bubble burst.

The rate peaked at 31.2% in 2009 and has steadily declined since then as the unemployment rate is still more than 20%.

Spanish women have their first child at 30.6 years, the second-highest in the EU

Women in Spain delay having their first child until they are more than 30 years old, slightly below those in Italy, according to the latest Eurostat figures.

Spain's fertility rate was 1.32 in 2014, well below the EU average of 1.58, but higher (1.24) than in 2001 (see Figure 5).

Figure 5. Fertility rates and mean age of women at birth of first child

	Fertility rate 2001	Fertility rate 2014	Mean age, 2014
France	1.90	2.01	28.3
Germany	1.35	1.47	29.4
Italy	1.25	1.37	30.7
Poland	1.31	1.32	26.9
Spain	1.24	1.32	30.6
UK	1.63	1.81	28.6
EU	1.46	1.58	28.8

Source: Eurostat.

The rate is below the 'replacement rate' of 2.1 needed to maintain a stable population. But for the influx of immigrants as of the mid 1990s until the onset of Spain's recession in 2009, Spain's population would have declined. According to the latest projections by the United Nations Population Division, the population will still decline by 2030, due to the steep decline in immigration, greater emigration and the low fertility rate.

Roman Catholic Church receives €250 million from taxpayers

Spain's Roman Catholic Church received €250.3 million from taxpayers in 2014, 1.1% more than in 2013 and not far from the record amount of €252.7 million in 2008.

A total of 7.3 million people (+23,174) ticked the box in their annual tax declaration in favour of the Church (around 9 million including joint declarations).

As a result of reforms approved by the Socialist government of José Luis Rodríguez Zapatero, the state stopped paying in 2007 an annual allowance to the Church. To compensate for this loss, the government increased the amount of voluntary donations to the Church that taxpayers were allowed to make on their yearly tax declaration from 0.52% to 0.7%.

According to the 1979 agreement between Spain and the Vatican, which began to correct the very privileged position the Church enjoyed during the 1939-75 regime of General Franco (the Church called his uprising against the democratically-elected government of the Republic that sparked a civil war a 'crusade'), the Church was slated to be self-financing as of the 1990s.

The Economy

European Commission urges Spain to reduce budget deficit

Spain needs to take steps to cut its budget deficit as it looks like again exceeding the target agreed with the European Commission, EU authorities warned.

Spain is one of six countries told to cut its spending or increase revenues so that it complies with its fiscal obligations. Last year's deficit is projected at 4.8% of GDP and this year's at 3.6%, above the respective targets of 4.2% and 2.8%.

Mariano Rajoy, the incumbent Popular Party (PP) Prime Minister, is limited in what he can do to change the 2016 budget that was approved by the last parliament (in which the PP had an absolute majority of seats) before the inconclusive 20 December election.

Public spending has been significantly slashed since the budget deficit peaked at 10.4% of GDP in 2012. This year the European Commission forecasts Spain's spending at 42.1% of GDP, six points lower than in 2012 (see Figure 6). Further cuts will have to be made or more revenue raised.

Figure 6. Public spending of the largest EU countries, 2012 and 2016 (% of GDP)

	2012	2016 forecast
France	56.8	56.7
Italy	50.8	49.9
EU-28	49.9	46.9
Germany	44.4	44.3
UK	46.8	42.3
Spain	48.0	42.1

Source: European Commission.

Meanwhile Pedro Sánchez, the Socialist leader, and Albert Rivera, the head of Ciudadanos have agreed to ask Brussels for another year in order to reduce the deficit to below the EU benchmark of 3% of GDP if they win enough support to take office. The PP, during its 2012-15 government, managed to postpone the 3% target twice and gain extra time from Brussels.

The Spanish economy performed better than expected last year. The assumptions upon which the 2015 budget was drawn up proved to be conservative (see Figure 7). Growth, for example, was higher than forecast, but the budget deficit still overshoot the target.

Figure 7. 2015 budget assumptions and reality

	2015 budget	2015 actual figure
GDP growth	2.0	3.2
Employment labour force survey (change in thousands)	+348	+525
Unemployed labour force survey (change in thousands)	-474	-678
Unemployment rate (% of labour force)	22.2	20.9
Interest rate on 10-year government bonds (%)	2.6	1.7

Source: CaixaBank Research, based on official data.

The 17 regional governments are mainly responsible for the budget overshoot as they have failed as a whole to rein in spending sufficiently. Their overall deficit was 1.3% of GDP in the first 11 months of 2015, almost double the target of 0.7%, and their debts have continued to rise from 22.7% of GDP to 24.2% (see Figure 8). The most indebted region is Valencia (41.3%), ground zero of Spain's real-estate bubble, epicentre of a string of corruption cases and fiefdom of the Popular Party. The social security deficit is also higher.

Figure 8. Debts of Spain's regional governments (% of each region's GDP) (1)

	% of GDP		% of GDP
Andalusia	21.7 (20.9)	Catalonia	35.3 (35.3)
Aragón	20.3 (18.3)	Extremadura	20.4 (18.3)
Asturias	18.0 (16.7)	Galicia	18.6 (18.5)
Balearic Islands	30.4 (29.5)	La Rioja	17.9 (16.8)
Basque Country	14.4 (14.1)	Madrid	13.6 (12.6)
Canary Islands	15.7 (14.8)	Murcia	27.3 (25.5)
Cantabria	21.8 (20.5)	Navarre	18.2 (18.1)
Castilla y León	19.4 (17.9)	Valencia	41.3 (38.4)
Castilla-La Mancha	35.5 (35.3)	Total	24.2 (22.7)

(1) 2014 figure in brackets.

Source: Bank of Spain.

The central government transferred €16.6 billion to various regional governments last year, without which they would have had a liquidity crisis and been unable to meet their payments. Valencia and Catalonia took between them 60% of the total amount.

The budget deficit is one of several policy challenges facing the next government, as highlighted in the European Commission's latest country report on Spain. The main points are:

- The sizeable current account adjustment (from a deficit of 9.3% in 2008 to a surplus of 1.5% in 2015) has not yet translated into a significant reduction in Spain's net external liabilities, which still stand at over 90% of GDP. This implies a high repayment burden, irrespective of the business cycle.
- The high government debt (around 100% of GDP in 2015) remains a burden and a source of vulnerability.
- Despite the strong job creation in 2015, the jobless rate remains very high (21%), in particular for youth. Long-term unemployment is also very high and risks becoming entrenched. Labour market duality between permanent and temporary contracts remains high.
- R&D intensity and innovation performance is still high. Moreover, science funding is not based on performance, which reduces the incentives to improve the quality and relevance of scientific outputs.
- In spite of improvements, the early school-leaving rate remains high and restrains the reduction of the country's education gaps. The average low skills' level of the labour force hampers the economy's transition towards higher-value activities.
- The fragmented internal market regulations and obstacles to access to regulated professions contribute to low productivity. The small average size of firms also helps to explain the economy's persistently low productivity. Spain's highly decentralised administration creates coordination challenges in policy areas such as active labour market policies, research and innovation, retail trade, business licensing, etc.

The results of the European Commission's macroeconomic imbalance procedure (MIP), the surveillance mechanism that aims to identify risks early on, shows Spain's far from satisfactory situation in some areas (see Figure 9).

Figure 9. MIP scoreboard

	Thresholds	2012	2013	2014
Net international investment position (% of GDP)	-35.0	-90.0	-96.3	-95.6
Private sector debt as % of GDP, consolidated	133	187.8	176.3	165.8
General government debt (% of GDP)	60	85.4	93.7	99.3
Unemployment rate (three-year average)	10	22.0	24.1	25.1

Source: European Commission.

The unemployment rate is expected to fall below 20% this year for the first time since 2011, according to the Kiel Institute for the World Economy (see Figure 10).

Figure 10. Unemployment rates in the main EU countries, 2016 forecast (%)

	2016 (%)
Spain	19.6
Italy	11.2
France	10.2
EU-28	8.7
UK	5.0
Germany	4.2

Source: Kiel Institute for the World Economy.

Foreign direct investment in Spain up 11% in 2015

Gross foreign direct investment (FDI) in Spain increased 11% last year to €21.7 billion, the fifth highest amount in the last 15 years. The figure excludes special purpose entities (SPEs) whose investment is regarded as not 'productive'.³

Close to 40% of the FDI came from Luxembourg, which has a particularly attractive tax regime (see Figure 11). Net investment (gross less divestments) was 7.9% higher at €16.2 billion.

³ See the OECD's definition of SPEs at <https://stats.oecd.org/glossary/detail.asp?ID=2515>.

Figure 11. Foreign direct investment in Spain by main countries of ultimate origin in 2015 (% of total)

	Amount	% of total	% change 2014/15
Luxembourg	3,584	16.5	+39.7
Spain (1)	3,273	15.1	+331.1
Holland	2,777	12.8	+139.9
France	2,140	9.9	+28.1
US	1,581	7.3	-58.1
UK	1,311	6.0	-22.2
Mexico	977	4.5	-19.6
Germany	759	3.5	+86.3
China	586	2.7	-4.1
Portugal	447	2.1	+228.1

(1) Investment by Spanish companies via their subsidiaries abroad or jurisdictions such as Luxembourg and the Netherlands.

Source: Ministry of Economy and Competitiveness.

The three sectors that received the largest share of gross FDI were construction (€4.7 billion), manufacturing (€3.4 billion) and real estate (€2.9 billion).

Spain overtakes Brazil as world's eighth-largest vehicle producer...

Spain produced 2.7 million vehicles last year, 13.7% more than in 2014 and the world's eighth largest number (see Figure 12). Output was at its highest point since 2007 (2.9 million), before Spain went into recession.

Figure 12. Top 10 vehicle producers, 2015

Ranking	Production (million)	% change 2015/2014
1. China	24.5	+3.3
2. US	12.1	+3.8
3. Japan	9.3	-5.1
4. Germany	6.0	+2.1
5. South Korea	4.6	+0.7
6. India	4.1	+7.3
7. Mexico	3.6	+5.9
8. Spain	2.7	+13.7
9. Brazil	2.4	-22.8
10. Canada	2.3	-4.6

Source: OICA.

Growth was the highest among the top 10 producers, making Spain again the second-largest vehicle producer in Europe after Germany. In commercial and industrial vehicles, Spain was the European leader (see Figure 13).

Figure 13. Top five European producers of commercial and industrial vehicles, 2015

Ranking	Production	% change 2015/14
1. Spain	514,221	+1.9
2. France	416,200	+29.3
3. Italy	350,319	+18.3
4. Germany	325,226	+7.2
5. UK	91,086	+34.1

Source: OICA.

Exports of vehicles and components amounted to close to €45 billion in 2015, 8.6% more than in 2014. Vehicle exports were worth more than €34 billion (+18.4%). Spain manufactures 43 models, 20 of them exclusive. As well as the main European markets, Spain is also increasingly exporting vehicles to South Korea, China and Turkey.

... Moves up six places in Index of Economic Freedom ...

Spain is ranked 43rd out of 178 countries in the 2016 Index of Economic Freedom drawn up by the US Heritage Foundation, up from 49th in 2015 (see Figure 14).

Figure 14. 2016 Index of Economic Freedom

1. Hong Kong	11. US	24. Finland	43. Spain
2. Singapore	16. Netherlands	26. Sweden	58. Hungary
3. New Zealand	17. Germany	27. South Korea	75. France
10. UK	22. Japan	39. Poland	86. Italy

Source: Heritage Foundation.

The index is based on four variables: rule of law, limited government, regulatory efficiency and open markets (see Figure 15).

Figure 15. Spain's position in the economic freedom variables

	Ranking out of 178 countries
Rule of law: Property rights	37th
Freedom from corruption	28th
Limited government: Government spending	153rd
Fiscal freedom	170th
Regulatory efficiency: Business freedom	44th
Labour freedom	126th
Monetary freedom	15th
Open markets: Trade freedom	10th
Investment freedom	10th
Financial freedom	19th

Source: Heritage Foundation.

The Heritage Foundation noted that despite some progress in tax and labour market reforms, 'large fiscal deficits and high levels of public debt necessitate a greater commitment to sound public financial management and a return to a sustainable level of government spending. Corruption continues to undercut respect for the rule of law'.

...Set to overtake Italy this year in per capita income

Spain's per capita income this year (\$36,650) will surpass that of Italy (\$36,430) in purchasing power parity terms for the first time since 1989, according to the International Monetary Fund. This reflects the economic recovery and the drop in Spain's population because of emigration.

Corporate scene

Ferrovial wins £300 million contract to maintain 370km of highways in UK

Amey, a subsidiary of Ferrovial Services, is to maintain 370km of roads in the UK's East Midlands region.

The contract, for 15 years and reviewed every three years, enhances Amey's relationship with Highways England. In the area of road maintenance and management, Amey's clients include Transport Scotland, the Welsh government and the Northern Ireland road authority.

Inditex founder, world's second-richest person

Amancio Ortega, the founder of the Inditex fashion group whose flagship store is Zara, is the world's second-richest person, up from fourth last year, according to the latest Forbes ranking of 1,810 billionaires (see Figure 16). Twenty one Spaniards are ranked.

Figure 16. Top 10 Spaniards in the 2016 Forbes ranking of billionaires (US\$ bn)

Rank	Person and company	Net worth (US\$ bn and change 2015/14)
2.	Amancio Ortega (Inditex, clothing)	64.5 (+2.5)
178	Sandra Ortega Mera (Inditex, clothing)	6.3 (+0.1)
240	Juan Roig (Mercadona supermarket)	5.4 (same)
477	Isak Andic (Mango, clothing)	4.8 (-1.4)
549	Juan Manuel Villar Mir (OHL, construction)	5.7 (-2.6)
569	Rafael del Pino (Ferrovial, construction)	2.2 (+0.8)
663	Hortensia Herrero (Mercadona, supermarkets)	2.8 (-0.1)
722	Manuel Lao Hernández (Cirsá, gambling)	2.2 (+0.2)
810	Alicia Koplowitz (OmegaCapital, construction, investments)	2.3 (-0.1)
906	Juan Abelló (investments)	2.2 (-0.2)

Source: Forbes.

OHL wins €200 million dry lake contract in California

The construction group OHL won a €200 million contract for dry lake dust controls at Lake Owens in Keeler, California. The contract is the third environmental project won by OHL since entering California in 2013 and the largest.