National institutions face hostile scrutiny and there is a threat of secession, writes Tobias Buck

When Spaniards speak about ‘la crisis’ these days, it is no longer clear that they are referring to the brutal economic downturn triggered by the bursting of Spain’s housing bubble six years ago. Today, however, the word is also being used to describe the deepening political and institutional crisis that has engulfed the country. Symptoms of this second Spanish crisis have, of course, been visible for some time, and are closely linked to the bitter economic hardship suffered by millions of Spanish families in recent years. Now, however, they appear with greater frequency, and in ever more sensitive parts of the body politic.

Rebuilding trust in the state and its institutions will take a Herculean effort, and this time neither the European Commission nor the European Central Bank nor the International Monetary Fund will be there to help. “The economic crisis has made people realise our political system is less perfect than they thought. Trust in our institutions has collapsed,” says Antonio Barroso, a political analyst at Teneo Intelligence, a consultancy.

Politicians, parties and parliament, the government and the judiciary, the monarchy and the constitution, business and the unions – they are all facing hostile scrutiny as never before. The depth of the institutional crisis became starkly apparent on June 2, when King Juan Carlos stunned the country by announcing his abdication in favour of his son, Felipe VI. His decision was based on a number of factors, including poor health and a series of scandals and public missteps by royal family members. But there is no doubt that Juan Carlos was growing increasingly concerned about Spain’s shifting political landscape.

The dominance of the country’s two established parties, the Popular party on the right and the Socialists on the left, is under serious threat. At last month’s European elections, their share of the vote fell below 50 per cent for the first time. A small but significant number of voters deserted them for insurgent, anti-establishment parties such as Podemos, which took 8 per cent of the vote.

No one knows if the trend towards fragmentation will continue. The royal house was, by all accounts, becoming more anxious that Spain’s broad political consensus in favour of the monarchy might shatter in the years ahead. By securing the transition to Felipe VI, the monarchy looks safe for several decades. The same cannot be said for other pillars of the state. The biggest challenge, without doubt, lies in Catalonia, where disaffection with Spain has reached such proportions that a large share – perhaps as many as half – of the population is seeking a historic break with the rest of the country.

Artur Mas, the Catalan president, has called for an independence referendum, albeit non-binding, for November 9. Mariano Rajoy, the Spanish prime minister, insists that such a plebiscite is illegal. He has the support of the Spanish parliament and constitutional court behind him. Most analysts agree that a Catalan climbdown is not on the cards: if Madrid blocks the referendum, Mr Mas is expected to call an early election, in the hope that Catalans will give overwhelming support to

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Distressed asset seekers spot quality amid the debris

Crisis of trust as growth returns

In recent years, Mexico has become one of the most attractive markets for private equity, with its strong economic growth and political stability. Private equity firms have invested billions of dollars in the country, focusing on sectors such as telecommunications, energy, and consumer goods. However, in the past decade, Mexico has faced a crisis of trust due to a series of high-profile corruption scandals and political interference in the justice system. As a result, many local companies have lost confidence in the government and the rule of law, leading to a decrease in foreign investment. In recent months, the government has taken steps to address these issues, including the approval of a new anti-corruption law and the appointment of judges with a strong commitment to the rule of law. While progress has been slow, there are signs of hope that Mexico is starting to rebuild trust with investors. If these efforts succeed, it could lead to a significant increase in foreign direct investment, boosting the economy and creating jobs for millions of people.
Subsidy cut on renewables does not hit too hard, says light ahead, writes Martin Roberts

Before the economic crisis, Spain had a powerful renewable energy industry. But it has been forced to self-regulate as subsidies have been cut and demand has fallen. The subsidies to renovators include tax credits, community financing or small grants, which have all been cut in recent years. The government has been left with no other choice but to make cuts, to ensure the industry can be sustainable. The government’s plan is to increase the amount of power generated by renewables, but it has to do so at a lower cost. The government has also been forced to look at new ways to finance the industry, such as through private equity. After years of struggling, the government last year introduced a plan to develop a new market for renewable energy, with the aim of attracting foreign investment. The government’s plan is to increase the amount of power generated by renewables, but it has to do so at a lower cost. The government has also been forced to look at new ways to finance the industry, such as through private equity.
Investing in Spain

Employment Prime minister professes confidence, writes Tobias Buck

Spain's Prime Minister Mariano Rajoy knows that his chances of winning the 2016 elections are likely to turn on one thing: the speed of Spain's economic recovery. But a new report from the Spanish labour market. The prime minister's actions, some say, are increasingly contentious.

Mr Rajoy has promised that unemployment will be lower at the end of next year, at the end of Rajoy's current term, than at the end of his previous one. In the wake of the financial crisis, unemployment has reached a record high of 27%.

The prime minister says that the country is on the cusp of significant economic growth, with strong job creation, given how low Spanish unemployment is, compared to the eurozone average. He has also promised to reduce the number of unemployed people by 1% each year.

Mr Rajoy's election fortunes are closely linked to the job market. The prime minister wants to show that he has delivered on his promise to reduce unemployment and improve the quality of work.

However, analysts say that the government's active labour market measures, such as the placement agencies, are not doing enough. They argue that more needs to be done, especially in the face of the country's economic challenges.

Mr Rajoy has promised to table a new package of labour market reforms before the end of the year. The government is expected to introduce a single portal for job vacancies, a reform that is likely to please business leaders.

The prime minister's actions are closely watched by investors. If he can deliver on his promises, the country's economic prospects will improve. But if he fails, the market will be disappointed.