

SPAIN: Will 2023 be the year of political change?

- The ruling PSOE-Podemos coalition has an incentive to hold together until next year's legislative elections, even if friction between the two parties likely becomes more intense as polling day approaches.
- Whether the center-right PP can maintain its momentum in the polls will be contingent on the ability of party leader Alberto Nunez Feijoo to keep intra-party divisions at bay.
- Centrist parties are still expected to dominate Spanish politics for the foreseeable future.

Last week, the Congress of Deputies voted in favor of the 2023 budget in the first reading of the accounts, which means they will be subsequently approved and enter into force on 1 January. The lower chamber also ratified the proposed [windfall taxes](#) on energy companies and financial institutions. As in past occasions, Prime Minister Pedro Sanchez has been able to rely on a heterogeneous coalition of smaller regionalist parties to get his economic policies passed in parliament.

The approval of the budget means the ruling coalition of the Socialist Workers' Party (PSOE) and Unidas Podemos is well placed to last the full legislative term, with general elections expected to be held in November or December of next year. To be sure, both parties will continue to clash over certain issues, such as a potential agreement between the government and banks to protect the most vulnerable households from the recent hike in mortgage interest rates. These rifts will also become even more intense as Podemos fights to differentiate itself from the socialists ahead of next year's electoral contests. However, Podemos has no incentive to break up the coalition, as opinion polls show the right would likely be able to kick both left-wing parties out of power if elections were to be held today.

Meanwhile, the fact that regional and local elections will also be taking place in May of next year means the window of opportunity for adopting significant policy initiatives is gradually closing. Sanchez might still push for additional economic support measures for certain sectors. The government will also continue to approve policy changes required to receive funds from the EU's Recovery and Resilience Facility. Still, having frontloaded the most difficult reforms required by Spain's National Reform Plan, the ruling coalition will likely be able to stay away from issues that might hurt it politically.

Watch the friendly fire

At this stage, Sanchez faces an uphill battle to be re-elected. The opposition center-right People's Party (PP) is currently leading opinion polls with 33% of voting intentions, followed by the socialists with 26%, far-right Vox with 15%, and Podemos with 10%. Therefore, things are currently not looking good for the socialists. Whether Sanchez can make a comeback in the next 12 months will likely be contingent on two factors: a) the future of the far left and b) the PP's internal dynamics:

- **Leftist maneuvers:** following the downfall of Podemos leader Pablo Iglesias, Minister of Labour and Social Economy Yolanda Diaz is probably the most competitive candidate in the far-left space for the next election. In fact, polls have shown she even has some appeal with some PSOE voters. However, Diaz's rising prominence is creating significant discomfort within Podemos, whose leaders want to ensure they retain enough influence within any potential left-wing coalition. If the far-left runs divided in the election, Sanchez will have an opportunity to portray himself as the best tactical option for left-wing voters to avoid a victory of right-wing parties.

- **Conservative arguments:** whether the PP can maintain its momentum in the polls will depend on the ability of the party to keep its internal divisions at bay. As previously explained, the election of moderate PP politician Alberto Nunez Feijoo as party leader goes a long way in explaining the party's strong momentum in the polls. But Madrid regional party president Isabel Diaz Ayuso continues to have a very prominent national media profile by making hardline statements. The main challenge for the PP is to prevent her from creating controversies that might make the conservative party look divided vis-à-vis the electorate.

The main signpost to watch next year will be the regional and local elections that will be taking place on 28 May. As highlighted in previous pieces, these polls tend to be a bellwether on how parties perform at the national level. For instance, a decisive victory of the PP in several key regions such as Valencia, Castile la Mancha, or Extremadura would probably mean the center-right party would be well placed to defeat PSOE in the general election.

Regardless, the base case remains that the next government will likely be led by PSOE or PP, which means that centrist parties (and economic policy) will continue to dominate Spanish politics for the foreseeable future. The two alternative (and unlikely) scenarios in which radical parties would be more influential would be one in which all far-left movements would be able to coalesce around a single popular leader, and another in which support for the PP would collapse, leading far-right Vox to become the hegemonic force on the right.

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