

FLASH ECONOMICS

ECONOMIC RESEARCH

18 march 2015 - No. 243

Spain: Podemos, or how to square a circle

Like Greece, Spain could enter a phase of political uncertainty not seen since the restoration of democracy at the end of the 1970s. It cannot be denied that recent developments in a number of areas show completely similar trends in Greece and Spain, in terms of deterioration in living conditions, lack of trust in national institutions (government, parliament, political parties) and scandals of corruption, misuse of corporate assets and personal enrichment.

Early in an intense election year, the rules of the political game are changing due to the emergence of new actors on the political scene. The end of the bipartisanship that has governed the country's political life for 40 years is probably imminent. A new three-party - or even four-party - era is emerging.

Nevertheless, despite these fundamental changes, we do not believe there will be a political swing of the magnitude that has just taken place in Greece. We believe that in the future, a balance of power between three or four large parties will lead to the creation of coalitions that could even be able to better meet the expectations of the voters, who have been very disappointed by the old parties, although without driving the country into a series of political crises that would make it ungovernable.

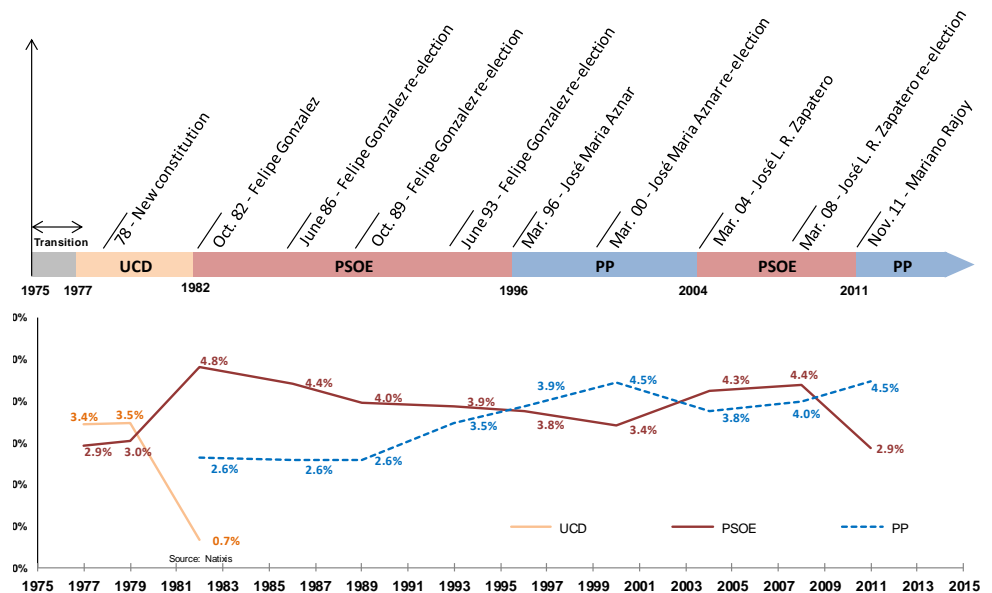
Author:
Jésus Castillo

A new challenge

The so-called "democratic transition" period started after Franco's death in 1975. General elections took place in June 1977 to elect the Constituent Assembly that would write the current constitution, ratified by referendum in 1978. They were won by the UDC (Union of the Democratic Centre), a coalition that included various centre-right movements and parties, liberals, Christian Democrats and former deputies with a background in Francoism. The first general elections in the modern era took place in 1979 and were once again won by Adolfo Suarez' UDC. He resigned on 29 January 1981 because of disagreements within the UDC. A failed military coup took place on 23 February 1981, the day of the vote to elect his successor, Leopoldo Calvo-Sotelo. In 1982, in the elections won by the PSOE (Spanish Socialist Workers' Party) with a crushing majority, the UDC obtained only 11 seats (versus 168 previously) before being definitively dissolved as a party in 1983.

Starting from the 1982 elections, Spain was in turn governed by the PSOE or the People's Alliance that became the People's Party (PP) in 1989 (Chart 1)

Chart 1



Brief overview of Spanish political parties

	Creation	Positioning	Current leader	Head of government
	PSOE - Spanish Socialist Workers' Party			
	1879	Left Social democratic	Pedro Sanchez	1982-1996 Felipe Gonzalez 2004-2011 Jose Luis Rodriguez Zapatero
	PP - Parti Populaire			
	1989	Centre right, conservative, liberal	Mariano Rajoy	1996-2004 Jose Maria Aznar 2011-2015 Mariano Rajoy
	C's - Ciudadanos - Partido de la Ciudadanía (Citizens - Party of the Citizenry)			
	2006	Republican centre	Albert Rivera	-
	Podemos			
	11 march 2014	Radical left	Pablo Iglesias	-

Sources: Natixis, political parties' logos

This two-party *modus operandi* is now being challenged. A few months from the general elections, scheduled for 20 December 2015 at the latest, the sharp fall in the polls of the two historical government parties is giving rise to increasing concern. At the same time, new actors are emerging, in particular at the left of the PSOE with the breakthrough of the Podemos party.

This development is reminiscent of the chain of events in Greece, from the collapse of the parties that in turn had governed the country (New Democracy and PASOK) to the election in January 2015 of a radical left majority represented by SYRIZA.

Same causes, same consequences?

The developments seen in Greece and Spain (and in Portugal to a certain extent) seem quite comparable, especially as the factors that may have influenced Greek voters' radical choice are also found in Spain.

1 - An objective deterioration in living conditions:

- Decrease in the median income (**Chart 2**);
- Sharp rise in the unemployment rate (**Chart 3**);
- Increase in the at-risk-of-poverty rate (**Chart 4**).

Even though the trajectories by country are comparable, the scale of the deterioration is heterogeneous. The rise in the unemployment rate has been of a similar magnitude in Spain and Greece, but it has not led to the same income loss, which probably shows that social safety nets function better in Spain than in Greece. Accordingly, the consequence in terms of poverty is less pronounced in Spain.

Chart 2
Median income (2010 = 100)

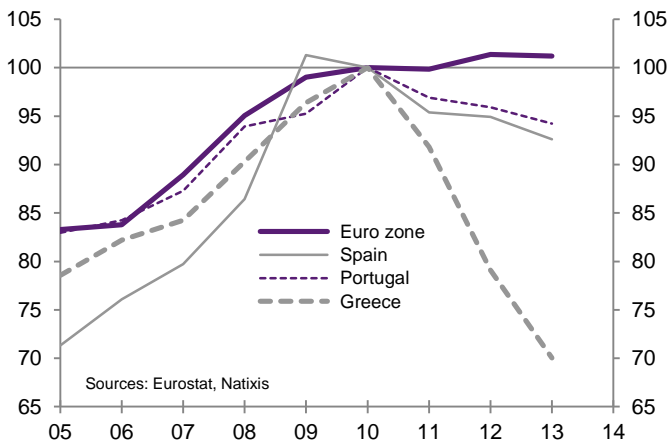


Chart 3
Unemployment rate

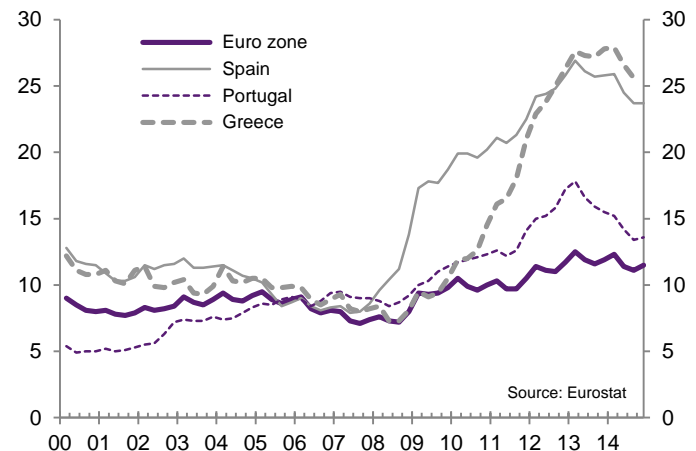
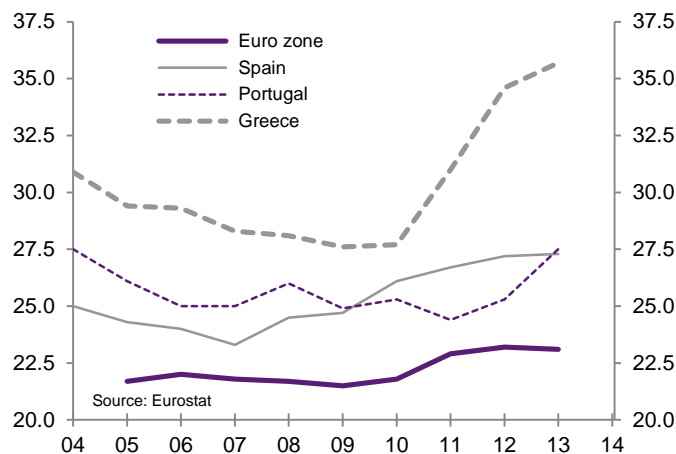


Chart 4
Share of population at risk of poverty



2 - Increase in tax burden in parallel with a deterioration in public services:

- Increase in the tax burden (**Chart 5**);
- Healthcare spending cuts (**Chart 6**);
- Reduction in spending on education (**Chart 7**)¹;

Chart 5
Cumulative change in tax burden since 2009
(as % of GDP)

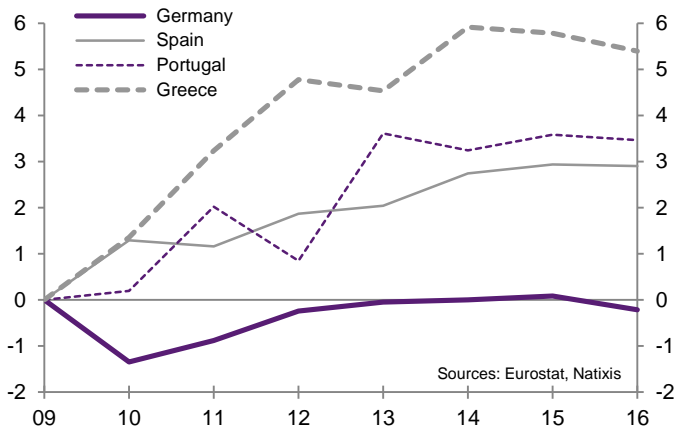


Chart 6
Government spending on healthcare
(as % of GDP)

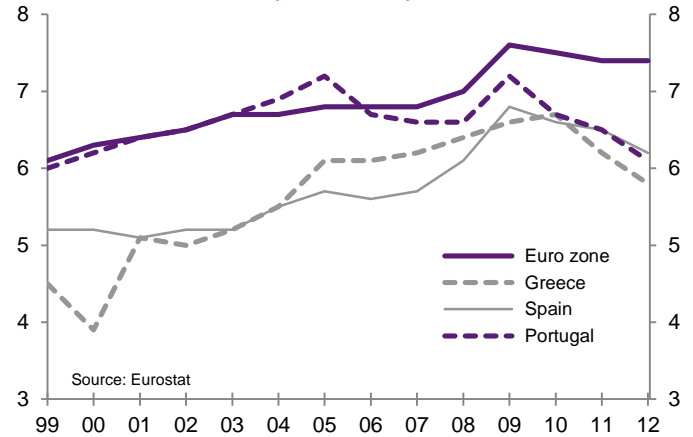
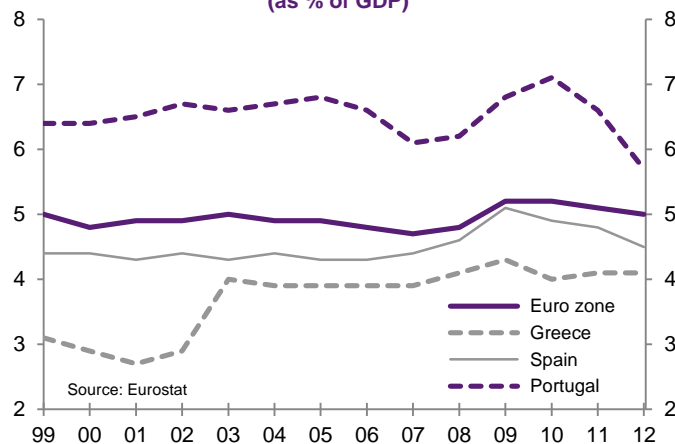


Chart 7
Government spending on education
(as % of GDP)



3 - Loss of trust in institutions and political parties combined with an increase in perceived corruption:

- Loss of trust in governments and national parliaments (**Charts 8 and 9**);
- Feeling that institutions (government/parliament) and political parties are corrupt (**Chart 10 and 11**), in Spain (with a number of scandals affecting PSOE as well as PP, the business community and the royal family) as in Portugal (provisional detention of former prime minister José Socrates, who was suspected of corruption).

¹ This indicator can nevertheless be skewed by the weight of private education according to country and makes it more difficult to compare

Chart 8
Index of trust in national parliament
(dispersion index)

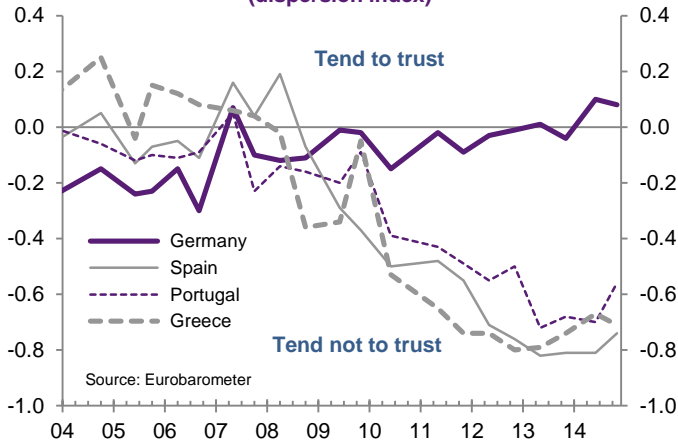


Chart 9
Index of trust in national government
(dispersion index)

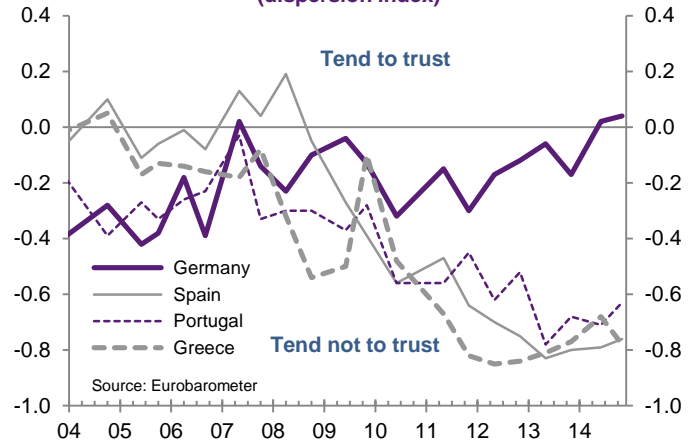


Chart 10
Index of perception of corruption involving
governments/parliaments*

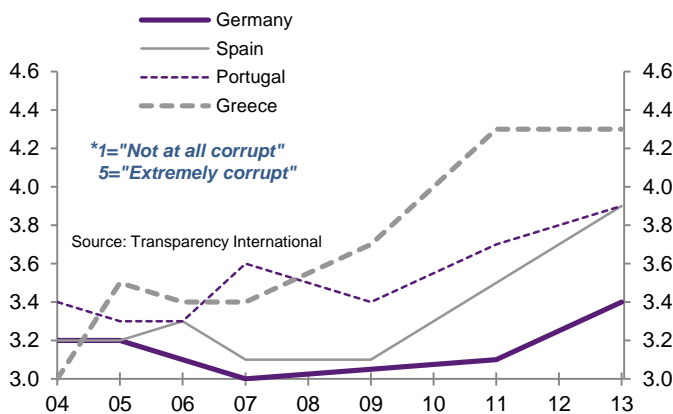
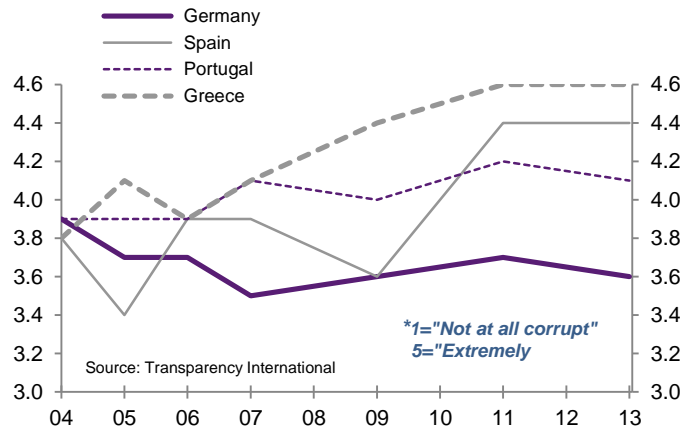


Chart 11
Index of perception of corruption involving political
parties*



A twofold consequence

Deteriorating economic and political factors and trust surveys led to two consequences:

- A loss of ground, from the beginning of the crisis, for the main parties that have governed in Greece and Spain since the middle of the 1970s (**Chart 12**);
- Growing power of alternative political movements. In Greece, the rejection of the old parties took the concrete form of SYRIZA's rise to power, but also of the surge of the xenophobic, extreme-right party Golden Dawn (**Chart 13**). Two parties are emerging in Spain. The recently created Podemos, on the left wing of the PSOE, and the Citizens party (C's)² at the centre (**Chart 14**).

² This party was created in 2006 in Catalonia by Albert Rivera to offer an alternative to the separatist and/or nationalist parties. It is situated at the centre of the political landscape in the social-democratic space. Its ambition is now to expand throughout the country and it will have candidates in all constituencies.

Chart 12
Cumulative scores of main government parties in general and European elections (% of votes)

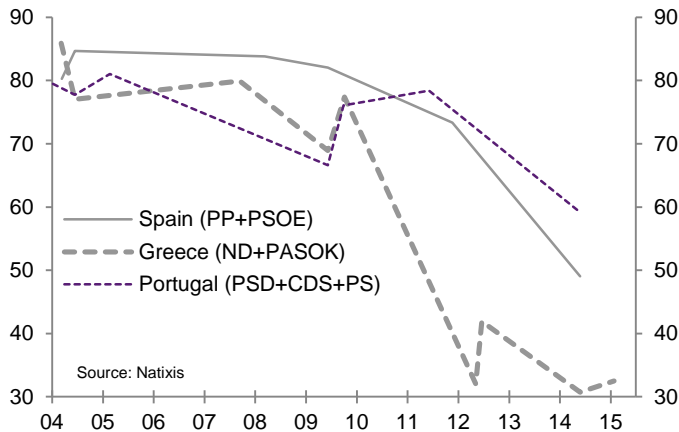


Chart 13
Greece: Results in general and European elections (% of votes)

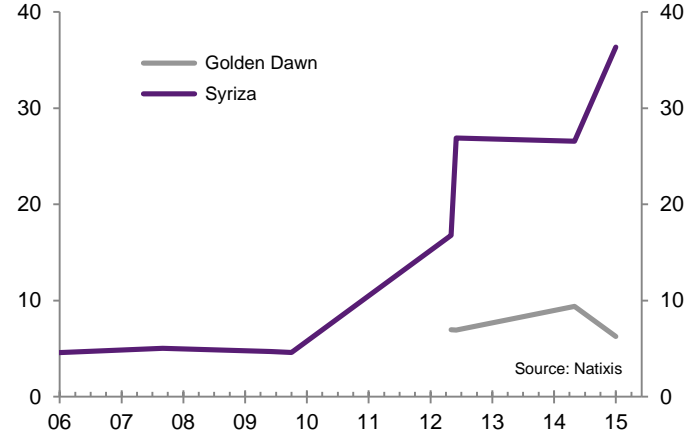
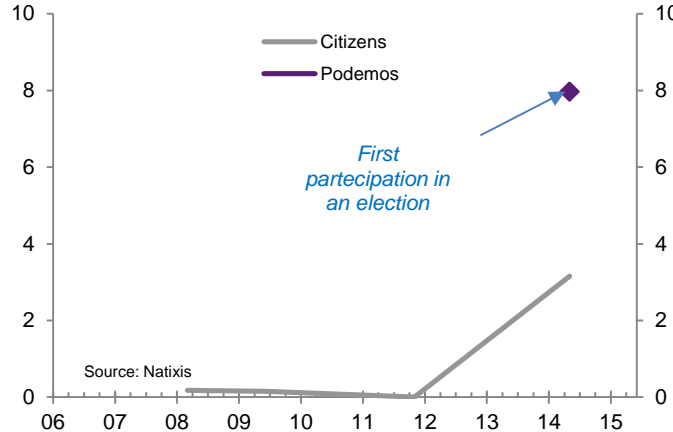


Chart 13
Spain: Results in general and European elections (% of votes)



Are there reasons to fear a "Greek-style" development in Spain?

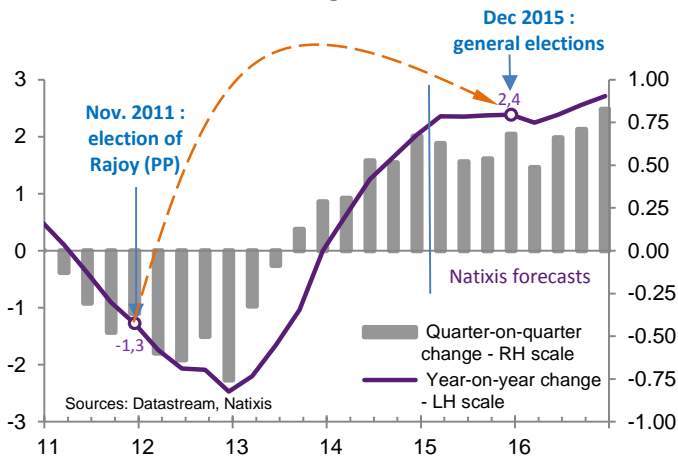
There is no doubt that the Spanish political landscape is undergoing a fundamental change and that whatever the result of the general elections at the end of the year, the two-party system that has governed Spanish politics for 40 years is now defunct. Nevertheless, we believe several factors point to a less radical development than in Greece:

1- The time until the elections will play in favour of the People's Party

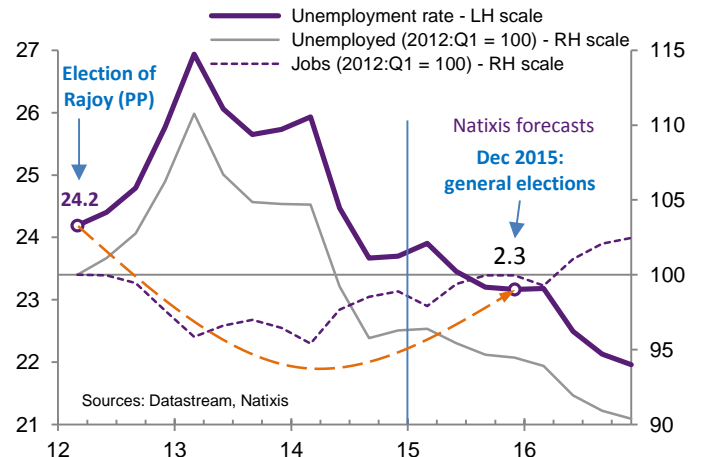
The flow of macroeconomic indicators will probably remain quite positive from now until December. We actually believe that in addition to exogenous shocks that are boosting growth³ (low oil price, depreciation of the euro, very accommodating policy mix), the Spanish recovery is also based on robust factors that should enable the country to consolidate throughout the year. The acceleration in growth (**Chart 14**), the ongoing labour market improvement (**Chart 15**) and the improvement in public finances (**Chart 16**), amongst others, will give the outgoing government weighty arguments to present a positive scorecard.

³ Developed Economies Quarterly "[Growth in 2015-2016: From one continent to another](#)" - March 2015

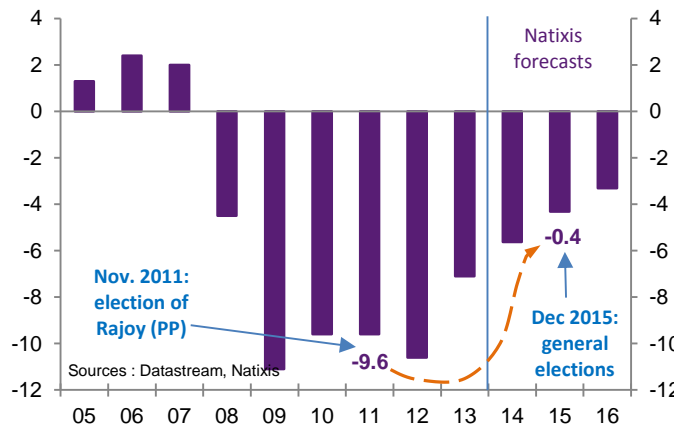
**Chart 14
GDP growth**



**Chart 15
Labour market**



**Chart 16
Budget balance (as % of GDP)**

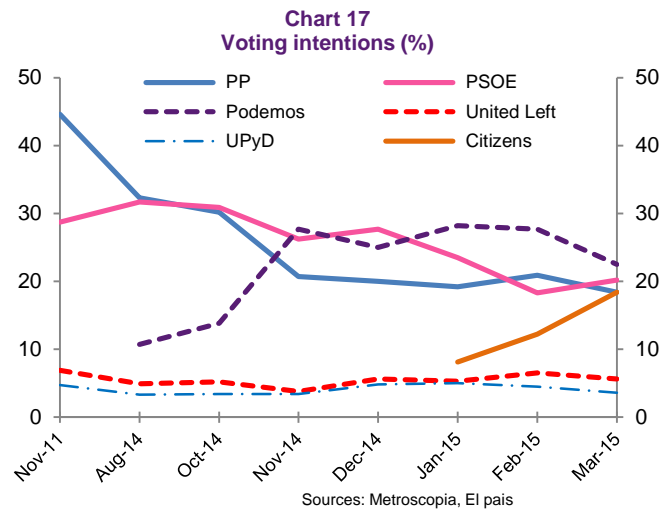


2 - The political positioning of the Spanish is at the centre

The rise of radical parties such as Podemos does not reflect the voters' feeling of political affiliation. For example, a recent opinion poll⁴ shows that 60% of the voters position themselves at the centre of the political landscape. Moreover, 77% declare that it would be good for the country if PP and PSOE no longer dominated the political stage. Their voting intention towards the far left could reflect a rejection of the two main parties rather than adherence to radical ideas. The recent breakthrough in terms of voting intentions for the Citizens party (Ciudadanos), which presents itself as a centrist party, seems to support this hypothesis. As soon as a credible but more moderate alternative appears, opinion polls show a decline in the support for Podemos (Chart 17).

Lastly, the number of undecided voters remains high (roughly 40%), which means there could be a significant margin of error.

⁴ [El Pais, Metroscopia opinion poll carried out on 3 and 4 March 2015](#)



3 - The voting system favours majorities

The deputies are elected by each constituency in a single-ballot list system using the "D'Hondt" method (for a more detailed explanation of the voting system see [Appendix 1](#)). To illustrate the effect of the voting system on how seats are assigned, we have carried out a simulation of the composition of the Congress of Deputies by using the results for each of the parties at the last European elections held in the spring of 2014.

The results of this simulation, shown in [Table 1](#), enable us to highlight two factors:

1. **The distribution of the seats is far from being proportional to the percentage of votes obtained.** [Table 1](#) shows that the People's Party, with 26.1% of the votes, would win 138 seats out of 350, i.e. close to 40%; while PSOE, with 23% of the votes, would obtain 107 seats (31% of the total). Conversely, the United Left (Izquierda Unida) would win only 22 seats out of 350 (6.3%) while this party obtained 10% of the votes.

Table 1
Simulation of the composition of the Congress of Deputies based on the results of the May 2014 European elections

	% European votes	Simulation no. Seats	% seats
P.P.	26.1%	138	39.4%
PSOE	23.0%	107	30.6%
IU	10.0%	22	6.3%
Podemos	8.0%	20	5.7%
UPyD	6.5%	10	2.9%
CEU*	5.4%	23	6.6%
EPDD**	4.0%	16	4.6%
C's	3.2%	4	1.1%
LPD***	2.1%	7	2.0%
Primavera Europea	1.9%	2	0.6%
VOX	1.6%	1	0.3%
Other	8.3%	0	0.0%
TOTAL	100%	350	100%

* Coalicion por Europa - separatist (includes CiU, CCa-PNC and PNV)

** Catalan separatist coalition

*** Los Pueblos Deciden - separatist (includes EH Bildu, BNG, Puyalon, Andecha Astur, ANC and UP)

Source: Natixis

2. **The regional context is of paramount importance.** In the autonomous communities where there are regionalist parties (Catalonia, Basque Country), these parties generally obtain the majority of the seats (**Tables 2 and 3**) at the expense of the major national parties. For example, in Catalonia (still simulating the allocation of seats based on the results of the last European elections), the regional parties would win 29 seats out of the region's 47. So with 45.5% of the votes, the two main nationalist parties (EPDD + CiU) would obtain 61% of the seats. Also, the parties that run as alternatives to PP and PSOE are eclipsed by the regional parties that have embodied this alternative for a long time at their regional level. Podemos' score in Catalonia is half of the aggregate result it has obtained at the national level.

Table 2
Simulation of the allocation of Catalonia's seats in the Congress of Deputies based on the results of the May 2014 European elections

	% European votes	Simulation no. Seats	% seats
EPDD*	23.7%	16	34.0%
CiU**	21.9%	13	27.7%
PSOE	14.3%	7	14.9%
IU	10.3%	4	8.5%
P.P.	9.8%	3	6.4%
C's	6.3%	2	4.3%
Podemos	4.7%	2	4.3%
UPyD	1.3%	0	0.0%
Other	7.9%	0	0.0%
TOTAL	100%	47	100%

* Catalan leftist separatist coalition

** Convergence and Union: Catalan centre-right separatist coalition

Source: Natixis

Table 3
Simulation of the allocation of Basque Country's seats in the Congress of Deputies based on the results of the May 2014 European elections

	% European votes	Simulation no. Seats	% seats
PVN	27.5%	7	38.9%
EH Bildu	23.4%	6	33.3%
PSOE	13.8%	3	16.7%
P.P.	10.2%	2	11.1%
Podemos	6.9%	0	0.0%
IU	5.6%	0	0.0%
UPyD	3.3%	0	0.0%
Primavera Europea	1.5%	0	0.0%
Other	7.9%	0	0.0%
TOTAL	100%	18	100%

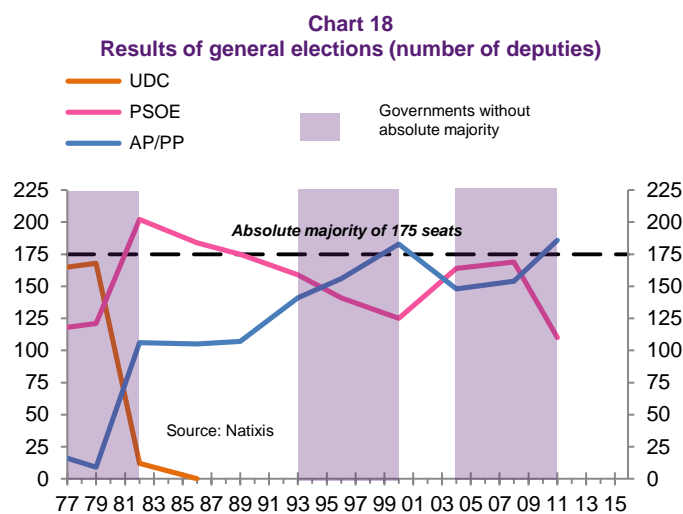
Source: Natixis

What should we expect?

Our core scenario favours a relative victory for one of the two historical parties, PP or PSOE. Based on this, we can imagine two hypotheses:

1. **A government drawn from the victorious party, which will try to govern with a majority varying issue by issue.**
2. **Virtual equality between three parties, which will force the party that forms the government to build a formal coalition** to guarantee a minimum level of viability and stability. Depending on which party gains a small lead, we can imagine coalitions between PP and Citizens or PSOE and Citizens. We believe coalitions like PP and Podemos or PP and PSOE are much less likely.

There have already been episodes of governments with relative majorities several times in the past (1977-1982, 1993-2000, 2004-2011, **Chart 18**). For example, after the 1993 election, PSOE governed with the support of the CiU (Catalan party) until the alliance broke up over the budget vote and Felipe Gonzalez dissolved the Congress. The PP won the subsequent elections, but also without an absolute majority. It then also governed with the support of the CiU.



Our alternative scenario is that of a victory for Podemos, nevertheless with many reservations. For this scenario to materialise, Podemos would have to come top of the polls, with no combination of alliances between the other parties with national representation (PP, PSOE, Citizens, CiU, UpyD, PNV) able to claim power or to bring the government down at any time by preventing it from governing.

The upcoming challenges

The last factor that corroborates the idea of a relatively stable government whatever the outcome of the general elections is the extent to which the reforms in Spain have moved forward. Under pressure from Brussels and the markets, a number of reforms have been implemented over the past six years:

- Inclusion of the "golden rule" in the constitution;
- Labour market reforms under Zapatero, subsequently continued by Rajoy (reduction in redundancy costs, decentralisation of collective agreements to the company level, easing of conditions for changing job contracts, etc.);
- Pension reform (increase in the retirement age, de-indexation of pensions to inflation, revision of calculation method);
- General government reform;
- Transcription of the services directive to Spanish legislation;
- Reforms of the goods and services market;
- Reform of the banking system;

The most unpopular economic measures have already been taken. The next government should therefore have more room for manoeuvre from this viewpoint and will benefit from a more buoyant environment in terms of growth. The main challenge for the next legislature will be to consolidate the gains made so far, and which are starting to bear fruit. It is therefore likely that the debates between potential allies will concern political issues far more than economic ones: fight against corruption, restoring trust in institutions, fight against the sense of impunity among the ruling "caste", etc.

Conclusion:

Like Greece, Spain could enter a phase of political uncertainty not seen since the restoration of democracy at the end of the 1970s. It cannot be denied that recent developments in a number of areas show completely similar trends in Greece and Spain, in terms of deterioration in living conditions, lack of trust in national institutions (government, parliament, political parties) and scandals of corruption, misuse of corporate assets and personal enrichment.

Early in an intense election year, the rules of the political game are changing irreversibly due to the emergence of new actors on the political scene. The end of the bipartisanship that has governed the country's political life for 40 years is probably imminent. A new three-party - or even four-party - era is emerging.

Nevertheless, despite these fundamental changes, we do not believe there will be a political swing of the magnitude that has just taken place in Greece. We believe that in the future, a balance of power between three or four large parties will lead to the creation of coalitions that could even be able to better meet the expectations of the voters, who have been very disappointed by the old parties, although without driving the country into a series of political crises that would make it ungovernable.

Appendix 1 The election procedure for Spanish deputies

Spain is divided into 52 constituencies (50 provinces plus the two autonomous cities Ceuta and Melilla). Each province has at least two deputies (except Ceuta and Melilla, which have only one), which means 102 are allocated automatically. The 248 remaining seats are divided between the 50 provinces in proportion to their population. The deputies are elected by direct universal suffrage in a single ballot. The candidates run on closed and blocked lists (no split of the vote between different lists or change in the order is possible).

The seats are allocated by constituency according to the D'Hondt method:

- The lists that have not obtained 3% of the votes are excluded from the distribution of the seats;
- The results are ranked in ascending order according to the number of votes obtained;
- The total number of votes for each list is divided by 1, 2, etc. up to the number of seats for the constituency;
- The seats are allocated to the lists that have obtained the best quotients by decreasing order;
- In the event of equality between quotients, the seat is allocated to the list that has obtained the largest number of votes.

Example:

Allocation of seats in a constituency with six deputies where seven parties are running:

After the calculation of the quotients (Table below), the seats are allocated in the following order:

- 1st seat: party A (quotient of 244)
- 2nd seat: party A (quotient of 122)
- 3rd seat: party B (quotient of 120)
- 4th seat: party C (quotient of 84)
- 5th seat: party A (quotient of 81)
- 6th seat: party A (quotient of 61)

Party A gains four seats out of six. Its weight will be 67% of the constituency's seats while it has obtained only 40% of the votes.

Applying a strictly proportional allocation (right side of the Table), party A would only have two seats and parties D and E would obtain one seat each. Imagining that C, D and E are able to form a coalition, they could then govern together if A and B do not form an alliance.

	D'Hondt method								Pure proportional			
	Votes obtained		Quotient (number of votes/seats)						Seats allocated		Proportional allocation	
	Number	%	1	2	3	4	5	6	Number	%	Number	%
Party A	244	40%	244	122	81	61	49	41	4	67%	2	33%
Party B	120	20%	120	60	40	30	24	20	1	17%	1	17%
Party C	84	14%	84	42	28	21	17	14	1	17%	1	17%
Party D	60	10%	60	30	20	15	12	10			1	17%
Party E	55	9%	55	28	18	14	11	9			1	17%
Party F	41	7%	41	21	14	10	8	7				
Party G	8	1%	<i>insufficient score <3% of the votes</i>									
Total	612	100%							6	100%	6	100%

Source: Natixis

AVERTISSEMENT

Ce document d'informations (pièces jointes comprises) est strictement confidentiel et s'adresse exclusivement à une clientèle de professionnels ou d'investisseurs qualifiés. Il ne peut être divulgué à un tiers sans l'accord préalable et écrit de Natixis. Si vous recevez ce document et/ou toute pièce jointe par erreur, merci de le(s) détruire et de le signaler immédiatement à l'expéditeur. La distribution, possession ou la remise de ce document dans ou à partir de certaines juridictions peut être limitée ou interdite par la loi. Il est demandé aux personnes recevant ce document de s'informer sur l'existence de telles limitations ou interdictions et de s'y conformer. Ni Natixis, ni ses affiliés, directeurs, administrateurs, employés, agents ou conseils, ni toute autre personne ne doit accepter d'être responsable à l'encontre de toute personne du fait de la distribution, possession ou remise de ce document dans ou à partir de toute juridiction.

Ce document a été préparé par nos économistes. Il ne constitue pas une analyse financière et n'a pas été élaboré conformément aux dispositions légales arrêtées pour promouvoir l'indépendance de la recherche en investissement. En conséquence, sa diffusion n'est soumise à aucune interdiction prohibant l'exécution de transactions avant sa publication.

Ce document et toutes les pièces jointes sont communiqués à chaque destinataire à titre d'information uniquement et ne constituent pas une recommandation personnalisée d'investissement. Ils sont destinés à être diffusés indifféremment à chaque destinataire et les produits ou services visés ne prennent en compte aucun objectif d'investissement, situation financière ou besoin spécifique à un destinataire en particulier. Ce document et toutes les pièces jointes ne constituent pas une offre, ni une sollicitation d'achat, de vente ou de souscription. Ce document ne peut en aucune circonstance être considéré comme une confirmation officielle d'une transaction adressée à une personne ou une entité et aucune garantie ne peut être donnée sur le fait que cette transaction sera conclue sur la base des termes et conditions qui figurent dans ce document ou sur la base d'autres conditions. Ce document et toutes les pièces jointes sont fondés sur des informations publiques et ne peuvent en aucune circonstance être utilisés ou considérés comme un engagement de Natixis, tout engagement devant notamment être soumis à une procédure d'approbation de Natixis conformément aux règles internes qui lui sont applicables.

Natixis n'a ni vérifié ni conduit une analyse indépendante des informations figurant dans ce document. Par conséquent, Natixis ne fait aucune déclaration ou garantie ni ne prend aucun engagement envers les lecteurs de ce document, de quelque manière que ce soit (expresse ou implicite) au titre de la pertinence, de l'exactitude ou de l'exhaustivité des informations qui y figurent ou de la pertinence des hypothèses auxquelles elle fait référence. En effet, les informations figurant dans ce document ne tiennent pas compte des règles comptables ou fiscales particulières qui s'appliqueraient aux contreparties, clients ou clients potentiels de Natixis. Natixis ne saurait donc être tenu responsable des éventuelles différences de valorisation entre ses propres données et celles de tiers, ces différences pouvant notamment résulter de considérations sur l'application de règles comptables, fiscales ou relatives à des modèles de valorisation. De plus, les avis, opinions et toute autre information figurant dans ce document sont indicatifs et peuvent être modifiés ou retirés par Natixis à tout moment sans préavis.

Les informations sur les prix ou marges sont indicatives et susceptibles d'évoluer à tout moment et sans préavis, notamment en fonction des conditions de marché. Les performances passées et les simulations de performances passées ne sont pas un indicateur fiable et ne préjugent donc pas des performances futures. Les informations contenues dans ce document peuvent inclure des résultats d'analyses issues d'un modèle quantitatif qui représentent des événements futurs potentiels, qui pourront ou non se réaliser, et elles ne constituent pas une analyse complète de tous les faits substantiels qui déterminent un produit. Natixis se réserve le droit de modifier ou de retirer ces informations à tout moment sans préavis. Plus généralement, Natixis, ses sociétés mères, ses filiales, ses actionnaires de référence ainsi que leurs directeurs, administrateurs, associés, agents, représentants, salariés ou conseils respectifs rejettent toute responsabilité à l'égard des lecteurs de ce document ou de leurs conseils concernant les caractéristiques de ces informations. Les opinions, avis ou prévisions figurant dans ce document reflètent, sauf indication contraire, celles de son ou ses auteur(s) et ne reflètent pas les opinions de toute autre personne ou de Natixis.

Les informations figurant dans ce document n'ont pas vocation à faire l'objet d'une mise à jour après la date apposée en première page. Par ailleurs, la remise de ce document n'entraîne en aucune manière une obligation implicite de quiconque de mise à jour des informations qui y figurent.

Natixis ne saurait être tenu pour responsable des pertes financières ou d'une quelconque décision prise sur le fondement des informations figurant dans la présentation et n'assume aucune prestation de conseil, notamment en matière de services d'investissement. En tout état de cause, il vous appartient de recueillir les avis internes et externes que vous estimez nécessaires ou souhaitables, y compris de la part de juristes, fiscalistes, comptables, conseillers financiers, ou tous autres spécialistes, pour vérifier notamment l'adéquation de la transaction qui vous est présentée avec vos objectifs et vos contraintes et pour procéder à une évaluation indépendante de la transaction afin d'en apprécier les mérites et les facteurs de risques.

Natixis est agréée par l'Autorité de Contrôle Prudentiel et de Résolution (ACPR) en France en qualité de Banque - prestataire de services d'investissements et soumise à sa supervision.

Natixis est réglementée par l'AMF (Autorité des Marchés Financiers) pour l'exercice des services d'investissements pour lesquels elle est agréée.

Natixis est agréée par l'ACPR et réglementée par les « Financial Conduct Authority » et « Prudential Regulation Authority » pour ses activités au Royaume-Uni. Les détails concernant la régulation qu'exercent la Financial Conduct Authority et la Prudential Regulation Authority peuvent être obtenus sur simple demande à la Succursale de Londres.

Natixis est agréée par l'ACPR et régulée par la BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) pour l'exercice en libre établissement de ses activités en Allemagne.

Natixis est agréée par l'ACPR et régulée par la Banque d'Espagne (Bank of Spain) et la CNMV (Comisión Nacional de Mercado de Valores) pour l'exercice en libre établissement de ses activités en Espagne.

Natixis est agréée par l'ACPR et régulée par la Banque d'Italie et la CONSOB (Commissione Nazionale per le Società e la Borsa) pour l'exercice en libre établissement de ses activités en Italie.

Natixis est agréée par l'ACPR et régulée par la « Dubai Financial Services Authority (DFSA) » pour l'exercice de ses activités au « Dubai International Financial Centre (DIFC) ». Ce document n'est diffusé qu'aux Clients Professionnels, définis comme tels selon les règles de la DFSA ; à défaut le destinataire doit retourner le document à Natixis. Le destinataire reconnaît que le document ainsi que son contenu n'ont été approuvés par aucun régulateur ou autorité gouvernementale des pays du Conseil de Coopération du Golfe ou du Liban.

Natixis, Négociateur pour compte de tiers et pour compte propre agréé à l'étranger, ne destine la diffusion aux Etats-Unis de cette publication qu'aux « major U.S. institutional investors », définis comme tels selon les règles de la SEC.

Natixis, Négociateur pour compte de tiers et pour compte propre agréé à l'étranger, ne destine la diffusion aux Etats-Unis de cette publication qu'aux « major U.S. institutional investors », définis comme tels selon les règles de la SEC.

Ce document ne peut être distribué à aucune autre personne aux Etats-Unis. Chaque « major U.S. institutional investors » qui reçoit ce document, s'engage par cet acte, à ne pas en distribuer l'original ni une copie à quiconque. Natixis Securities Americas LLC, Négociateur pour compte de tiers et pour compte propre agréée aux Etats-Unis et membre de la FINRA, est une filiale de Natixis. Natixis Securities Americas LLC n'est impliquée d'aucune manière dans l'élaboration de cette publication et en conséquence ne reconnaît aucune responsabilité quant à son contenu. Cette publication a été élaborée et vérifiée par les analystes de Natixis, qui ne sont pas associés de Natixis Securities Americas LLC et n'ont pas fait l'objet d'un enregistrement professionnel en tant qu'analyste auprès de la FINRA et ne sont donc pas soumis aux règles édictées par la FINRA.

DISCLAIMER

The information contained in this publication and any attachment thereto is exclusively intended for a client base consisting of professionals and qualified investors. This document and any attachment thereto are strictly confidential and cannot be divulged to a third party without the prior written consent of Natixis. If you are not the intended recipient of this document and/or the attachments, please delete them and immediately notify the sender. Distribution, possession or delivery of this document in, to or from certain jurisdictions may be restricted or prohibited by law. Recipients of this document are required to inform themselves of and comply with all such restrictions or prohibitions. Neither Natixis, nor any of its affiliates, directors, employees, agents or advisers or any other person accepts any liability to any person in relation to the distribution, possession or delivery of this document in, to or from any jurisdiction.

This document has been developed by our economists. It does not constitute a financial analysis and has not been developed in accordance with legal requirements designed to promote the independence of investment research. Accordingly, there are no prohibitions on dealing ahead of its dissemination.

This document and all attachments are communicated to each recipient for information purposes only and do not constitute a personalized investment recommendation. They are intended for general distribution and the products or services described herein do not take into account any specific investment objective, financial situation or particular need of any recipient. This document and any attachment thereto shall not be construed as an offer nor a solicitation for any purchase, sale or subscription. Under no circumstances should this document be considered as an official confirmation of a transaction to any person or entity and no undertaking is given that the transaction will be entered into under the terms and conditions set out herein or under any other terms and conditions. This document and any attachment thereto are based on public information and shall not be used nor considered as an undertaking from Natixis. All undertakings require the formal approval of Natixis according to its prevailing internal procedures.

Natixis has neither verified nor carried out independent analysis of the information contained in this document. Accordingly, no representation, warranty or undertaking, either express or implied, is made to the recipients of this document as to or in relation to the relevance, accuracy or completeness of this document or as to the reasonableness of any assumption contained in this document. Information does not take into account specific tax rules or accounting methods applicable to counterparties, clients or potential clients of Natixis. Therefore, Natixis shall not be liable for differences, if any, between its own valuations and those valuations provided by third parties; as such differences may arise as a result of the application and implementation of alternative accounting methods, tax rules or valuation models. The statements, assumptions and opinions contained in this document may be changed or may be withdrawn by Natixis at any time without notice.

Prices and margins are indicative only and are subject to change at any time without notice depending on, *inter alia*, market conditions. Past performances and simulations of past performances are not a reliable indicator and therefore do not anticipate any future results. The information contained in this document may include results of analyses from a quantitative model, which represent potential future events that may or may not be realised, and is not a complete analysis of every material fact representing any product. Information may be changed or may be withdrawn by Natixis at any time without notice. More generally, no responsibility is accepted by Natixis, nor any of its holding companies, subsidiaries, associated undertakings or controlling persons, nor any of their respective directors, officers, partners, employees, agents, representatives or advisers as to or in relation to the characteristics of this information. The statements, assumptions and forecasts contained in this document reflect the judgment of its author(s), unless otherwise specified, and do not reflect the judgment of any other person or of Natixis.

The information contained in this document should not be assumed to have been updated at any time subsequent to the date shown on the first page of this document and the delivery of this document does not constitute a representation by any person that such information will be updated at any time after the date of this document.

Natixis shall not be liable for any financial loss or any decision taken on the basis of the information disclosed in this presentation and Natixis does not provide any advice, including in case of investment services. In any event, you should request for any internal and/or external advice that you consider necessary or desirable to obtain, including from any financial, legal, tax or accounting adviser, or any other specialist, in order to verify in particular that the transaction described in this document complies with your objectives and constraints and to obtain an independent valuation of the transaction, its risk factors and rewards.

Natixis is authorized in France by the *Autorité de Contrôle Prudentiel et de Régulation* (ACPR) as a Bank -Investment Services Provider and subject to its supervision.

Natixis is regulated by the *Autorité des Marchés Financiers* in respect of its investment services activities.

Natixis is authorized by the ACPR in France and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority in the United Kingdom. Details on the extent of regulation by the FCA and the Prudential Regulation Authority are available from Natixis' branch in London upon request.

Natixis is authorized by the ACPR and regulated by the BaFin (*Bundesanstalt für Finanzdienstleistungsaufsicht*) for the conduct of its business under the right of establishment in Germany.

Natixis is authorized by the ACPR and regulated by Bank of Spain and the CNMV (*Comisión Nacional de Mercado de Valores*) for the conduct of its business under the right of establishment in Spain.

Natixis is authorized by the ACPR and regulated by Bank of Italy and the CONSOB (*Commissione Nazionale per le Società e la Borsa*) for the conduct of its business under the right of establishment in Italy.

Natixis is authorized by the ACPR and regulated by the Dubai Financial Services Authority (DFSA) for the conduct of its business in and from the Dubai International Financial Centre (DIFC). The document is being made available to the recipient with the understanding that it meets the DFSA definition of a Professional Client; the recipient is otherwise required to inform Natixis if this is not the case and return the document. The recipient also acknowledges and understands that neither the document nor its contents have been approved, licensed by or registered with any regulatory body or governmental agency in the GCC or Lebanon.

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is or will be, directly or indirectly related to the specific recommendations or views expressed in this research report.

I (WE), ANALYST(S), WHO WROTE THIS REPORT HEREBY CERTIFY THAT THE VIEWS EXPRESSED IN THIS REPORT ACCURATELY REFLECT OUR(MY) PERSONAL VIEWS ABOUT THE SUBJECT COMPANY OR COMPANIES AND ITS OR THEIR SECURITIES, AND THAT NO PART OF OUR COMPENSATION WAS, IS OR WILL BE, DIRECTLY OR INDIRECTLY, RELATED TO THE SPECIFIC RECOMMENDATIONS OR VIEWS EXPRESSED IN THIS REPORT.

The personal views of analysts may differ from one another. Natixis, its subsidiaries and affiliates may have issued or may issue reports that are inconsistent with, and/or reach different conclusions from, the information presented herein.

Natixis, a foreign bank and broker-dealer, makes this research report available solely for distribution in the United States to major U.S. institutional investors as defined in Rule 15a-6 under the U.S. securities

Exchange Act of 1934. This document shall not be distributed to any other persons in the United States. All major U.S. institutional investors receiving this document shall not distribute the original nor a copy thereof to any other person in the United States. Natixis Securities Americas LLC, a U.S. registered broker-dealer and member of FINRA, is a subsidiary of Natixis. Natixis Securities Americas LLC did not participate in the preparation of this research report and as such assumes no responsibility for its content. This research report has been prepared and reviewed by research analysts employed by Natixis, who are not associated persons of Natixis Securities Americas LLC and are not registered or qualified as research analysts with FINRA, and are not subject to the rules of the FINRA. In order to receive any additional information about or to effect a transaction in any security or financial instrument mentioned herein, please contact your usual registered representative at Natixis Securities Americas LLC, by email or by mail at 1251 Avenue of the Americas, New York, NY 10020