

# BANKING SECTOR ACTIVITY SLOWING DUE TO POLITICAL UNCERTAINTY - ALLEN & OVERY

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**While banking sector activity increased in 2015, the “usual year-end rush” was followed by a slower first quarter of this year, says Ignacio Ruiz-Cámara, partner at Allen & Overy in Madrid. He adds that the slowdown has been partly due to political uncertainty in Spain, as well as broader doubts about the strength of the global economy.**

Ruiz-Cámara says that despite Spain's banking sector having become more stable since the crisis, some investors might now turn away from Spain and look at other countries amid the uncertainty surrounding Spain's failure to form a government. However, he adds that some clients see this as a “controlled uncertainty” in the sense that they are continuing operations in the confidence that the situation will improve.

That said, Ruiz-Cámara argues that it would be in Spain's best interests to form a government as soon as possible, as the current absence of government will potentially deter some investors from investing in Spain. “Spain needs to form a government, one way or another, as any government, even a weak coalition, would be better than the current situation of neither having a good one nor a bad one,” Ruiz-Cámara says. However, while the lack of a government is a new situation for Spain, Ruiz-

Cámara points out that there have been similar situations in other European countries – such as Italy and Portugal – that have not caused economic instability. “I don't think that extreme measures will be taken in Spain, and that provides continuity and clarity, although the uncertainty will persist for some time to come.”

In addition to political turmoil in Spain, doubts about the future of the European Union could also impact on investment. Ruiz-Cámara says concern surrounding a possible 'Brexit' is also contributing to market uncertainty.