

*because the only thing more vulnerable than a newborn, is a newborn born early.

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Catalonia tries to avoid Spain's blues

By Victor Mallet in Barcelona

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If they feel anxious about the financial crisis wreaking havoc in Europe's economy, Rosa Oriol and Salvador Tous, the couple in charge of a fast-growing family jewellery and accessories company near Barcelona, are hiding it well.

At 8pm on a weekday, they and many of their employees are busy at the elegant Tous headquarters, a converted 19th-century textile factory in Manresa, overseeing the company's ambitious international expansion plans.

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In the next four years Tous intends to open 100 shops a year, especially in China and the US, increasing the number of its outlets from 350 to 800 and raising turnover from €325m (£275m, \$418m) in 2007 to €1bn in 2012. Kylie Minogue has been signed up as the international face of Tous until 2010.

Mr Tous is adamant that the company will overcome the crisis.

"You just have to fight," he says cheerfully.

Executives at Mango, a much larger family-owned fashion company also based in the Catalonia region of north-eastern Spain, are equally robust about their international growth plans.

Catalonia, says José Oliu Creus, chairman of Sabadell, the bank, "is definitely much more crisis-proof because the prospects of companies dedicated to exports are better and there's less dependence on property".

Yet the fact that Catalonia is less exposed than the rest of Spain to the crash of the domestic housing market and more reliant on foreign trade does not make it immune to the global slowdown.

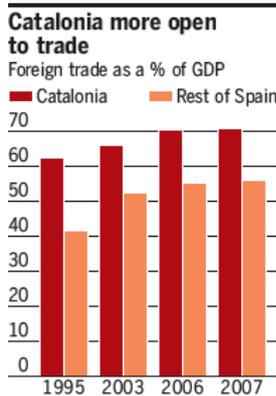
While the region, which accounts for nearly a fifth of Spanish output, is richer in per capita income than the eurozone average, it is no more "decoupled" from the world economy than are Germany and Japan.

"It seems clear, as confirmed by the predictions of the International Monetary Fund and the European Union, that we are entering a recession," Antoni Castells, finance minister in the Catalan government, said when presenting his budget this month. He predicted that the regional economy would shrink 0.1 per cent next year, after growth of 3.6 per cent in 2007 and 1.2 per cent this year.

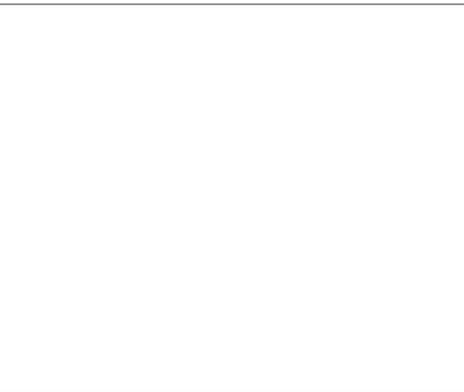
This forecast is borne out by events on the streets of Barcelona. On the day Mr Castells spoke, hundreds of employees of Nissan, the Japanese car company, protested against plans to lay off 1,680 workers at its local factory, hurling bottles and fireworks at Nissan's offices. Vehicle assembly and parts manufacturing are important to Catalonia's industrial economy and Spanish car sales fell 40 per cent in October compared with the same month last year.

Small wonder that José Montilla, head of the Catalan government, says he will go to Japan next month to talk to Nissan.

Business is not much better on the water than it is on the road. More than a fifth of new pleasure craft in Spain are registered in Catalonia but after a period of solid growth the Spanish marine industry has entered a deep recession. The number of exhibitors at this year's Barcelona boat show has declined.



Source: Catalan Institute of Statistics



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The industry says overall sales of boats and associated products are down nearly 16 per cent in the first eight months of this year.

It is scant comfort that the crisis is more serious still in less dynamic parts of Spain. Economists predict that the national economy could shrink by up to 2 per cent next year as Spain goes into recession for the first time in 15 years.

Juan Rosell Lastortras, who chairs the business association Fomento del Trabajo Nacional, has no hesitation answering a question about the biggest problem facing the real economy.

"Financing," he says flatly. "We have problems getting money from the banks."

Bankers in Catalonia admit that credit growth is flat, although they blame the reluctance of companies to invest, rather than the meanness of the banks.

Either way, if companies in Catalonia such as Tous and Mango do as well as they expect in the next few years, they are likely to be the exception rather than the rule among Spanish businesses.

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