# Maragall's "new era" for Catalan economy

*Catalan economy rose 2.3 per cent in the first quarter*

The president of the Catalan government, Pasqual Maragall, announced yesterday that Catalonia will witness the birth of a "new era" in capital growth, once his eight year gramme has been fulfilled. The president took advantage of the commencement of the annual meeting of the *Cercle d'Economia* (Economy Circle) in Sitges, to send his message to an audience of Catalan entrepreneurs that his programme is "ambitious", but "responsible".

"I'm talking about a programme of eight years, minumum. But feasible in that period," Maragall said. He bases his term on five focus areas: reform of the statute; a new financing system; investment in infrastructure; a new model for economic growth; and a European constitution.

The president of Catalonia defended the 2004 bupassed in parliement, but pointed out that "it must be taken into account that the previous government left us a deficit of nearly 1,200 million."

In his speech at the meeting in Sitges, the economy and finance minister, Antoni Castells, paid special attention to the economic growth made in Catalonia in the first quarter, a 2.3 per cent increase. According to the minister, the favourable activity registered between January and March will allow for an increase of 2.6 per cent. Castells points out that the economic recovery being made in Europe Catalonia's number one trading zone is unlike the the behaviour of other economies such as the US, Japan and the rest of Asia. He believes that a progressive recovery is occurring that will favour the Catalan economy. Rebounding economies worldwide allow Catalonia to nurture two important elements: export and productive investment.

Exporting will increase this year by 7.2 per cent, almost twice as much as last year (3.6 per cent). The gross fixed capital formation will grow by 3.7 per cent, seven decimals above figures from 2003. Castells also pointed out that 2004 will keep up the pace at which work opportunties are being created.

# The Spanish economy will grow by 2.7%

The Spanish economy is going through a phase of expansion and has grown this year by 2.7% but at the same time this is set to trigger a rise in inflation which is predicted to reach 3% according to the Institute of Economic Studies (IEE).

Its latest report says that the economy is at risk from the price increase in oil but said that the current price of of Brent oil which yesterday sold at 35.2 dollars a barrel would fall to finish at 30 dollars a barrel. The report also highlighted that the price of crude oil could go up by four or five dollars a barrel due to the risk from terrorist attacks in Middle East oil producing countries.

The report says that jobs will grow by 1.8% with the creation of 290,000 new jobs. The Institute recommends to the new government that maintains a stable budget and keeps its promise not to raise the financial pressure. The Institute is concerned about the liberalisation of opening hours for shops and bars and the difficulty faced in some communites in opening new commercial centres.

The report is also critical of the decision by European Union to carry out the Kioto Agreement, because it hasn't been agreed by the United States and Russia and this will an affect on the european economy.

The Institute wants to see a reform of the pensions system to put it in line with other countries in the European Union with measures that calculate the total working life. In the labour market the Instiute requests the flexibility of the market in order that jobs continue to be created and that the government introduce other policies to help the labour force such as an increase in the minimum wage.

**FINANCE**

**Real estate takeover bid**

The Catalan real estate firm Immobiliària Colonial, which this month purchased 55.5% of the French company Societé Foncière Lyonnaise (SFL) and has announced a take over bid to secure the rest of the company's capital declared the transaction open today in Paris in order to create a European leader in the commercial real estate sector. The transaction has valued SFL at over 1600 million euros, including the acquisition of assets valued at 262 million euros. The main shareholder of Immobiliària Colonial is La Caixa de Pensions, which has developed its interests significantly in the real estate sector to the point at it has become one of the La Caixa's main areas of business.

**TAKEOVER**

**M&S reject Green bid**

Marks and Spencer last night insisted that it was not for sale, and rejected a revised 8.4 billion pound takeover bid from Philip Green, which it claims "significantly undervalued" the group. The company revealed it had received a fresh 370p share cash proposal in relation to a possible offer from Mr. Green yesterday afternoon. The M&S chairman said the proposal did not "fully reflect the value of the business or its profits." Mr Green's camp had spent the past week sounding out M&S biggest shareholders, including its three key US investors, about what level he would have to pitch his offer for them to take him seriously. However, several institutional investors, including Isis Asset Management, they said would not be prepared to consider any bid worth less than 400p a share. Analysts have valued M&S, the biggest trophy retailer, as up to 450p per share. M&S share, which were trading at about 270p three weeks ago, had soared 13.5p to 370.5p earlier in the day on speculation that the Bhs owner was preparing a fresh bid Under the terms of the proposal Mr Green's personal equity would have soared by 500 million pounds to 1.1 billion pounds, while his financial backers HBOS, Goldman Sachs and Barclays would have lifted the amount of equity they are committing to the bid to 1.9 billion pounds collectively.

**ECONOMICS**

**Economic Data Puts Inflation in Focus**

Producer prices rose at their fastest pace in a year in May, putting inflation concerns in focus, while a June regional factory index rose and jobless claims fell in fresh signs of a strong U.S. economy. "The data keep investors on guard as they try to determine whether (Federal Reserve Chairman Alan) Greenspan's take on inflation is going to prove accurate -- that it's not going to become 'a serious concern,'" said Josh Stiles, senior bond strategist at IDEAglobal. "You see evidence that demand conditions are still quite strong." Prices received by farms, factories and refiners shot up a hefty and more-than-expected 0.8 percent last month, the largest jump since March 2003, the Labor Department said. While food and energy prices both rose sharply, the department's core producer price index, which strips out those volatile costs, gained a larger-than-expected 0.3 percent, adding to inflation jitters on Wall Street. Also, a regional manufacturing survey showed strength, though it bore some pockets of softness. The Philadelphia Federal Reserve's June business activity index climbed to 28.9 from 23.8 in May, beating forecasts of a rise to 25.0.