Early morning joggers pass graffiti in Plaça del Fossar de les Moreres, Barcelona © Eva Parey/FT

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How Barcelona lost its way

Politics has fostered a deep sense of malaise in a city that is one of the most visited in Europe. Street crime is rising and many businesses have left

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Pau Guardans' grandfather gazes down from the wall, his portrait separating the shelves of a wood-panelled library inside Barcelona's Grand Hotel Central. The luxury establishment was opened in 2005 by Único Hotels, a group founded by Guardans, which added a rooftop infinity pool to a building whose stone entrance still bears the ruts of horse-drawn carts. Francesc Cambó, a Catalan politician and Guardans' forebear, built it as his home in 1922.

So selling the hotel was a wrench. When Único cut it loose in 2021, it was not only offloading a €93mn asset but severing a family bond. Guardans decided, however, it was time to move on. In Barcelona, one of Europe's most visited destinations, politics had fostered a deep sense of malaise.

The city's present mayor, Ada Colau, a leftwing former activist running for re-election this year, had by then been in office for six years. Her vision was of a greener and more inclusive city, which meant reining in the "chaos" of mass tourism and property speculation. But to business people she had cemented a reputation as an enemy of enterprise and growth.

Memories were also fresh of the contested referendum on Catalan independence in 2017 which produced viral images of Spanish riot police beating people trying to vote and the worst constitutional crisis in decades. Two years later came weeks of clashes between protesters and regional police after nine separatist leaders were handed prison sentences, with violence exploding on affluent boulevards such as Via Laietana, home of the Grand Hotel Central.

It was an unpalatable mix for Guardans, whose group sold the hotel to a real estate arm of asset manager Schroders. "Businesses vote by leaving," he says. "They demonstrate not by standing in the street and shouting. They do it by saying no to the next investment, and to the one after that."

Corporate departures from Barcelona

Number of head offices moving to or leaving from Catalonia and the Madrid region, by year

FINANCIAL TIMES Source: Colegio de Registradores de

Único was not the first example of Catalan capital leaving or the last. Since the referendum, which was ultimately declared illegal by Spain's top court, more than 8,200 companies have shifted their head offices from Catalonia to other parts of Spain. Half of them set up in Barcelona's great rival Madrid. In the tumultuous days immediately after the vote those rushing to depart included CaixaBank and Sabadell, two of Spain's four biggest lenders; Naturgy, one of the country's three biggest utilities; Cellnex, Europe's biggest owner of mobile phone towers; and Grupo Planeta, one of Europe's biggest book publishers.

The change has not necessarily meant moving employees or facilities out of Barcelona, the region's economic hub. But it has shifted board meetings and power centres elsewhere. "More than a loss of economic capacity, it has been a loss of reputation," says Jordi Casas, chief of staff at Foment del Treball, the region's oldest business group. "It's affected the prestige of Catalonia as a friendly place to make investments. This is where it has harmed us."

The library in Barcelona's luxury Grand Hotel Central, which was opened in 2005 by Único Hotels. The group offloaded the hotel to the real estate arm of fund manager Schroders in 2021 © Eva Parey/FT

Those decisions helped turn a nascent sense of disquiet in Barcelona into a shroud of despondency. Even as the Covid-19 hangover that so many cities suffered fades, it is beset by a sense it has lost its way, lost its energy. Many residents who want to love the city lament that something is going wrong, whether they detect it in street robberies, litter-strewn avenues and clogged traffic, or a lack of new infrastructure and cultural attractions. In a survey published by the city government in December, two-thirds of residents said Barcelona's condition had worsened in the past year. They identified its biggest problem as insecurity.

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Pepi Martinez, a retiree in the working-class La Marina district, says the city has lost its charm and can feel unsafe. "You used to go down to Avenida del Paralelo", she recalls, referring to a main street, "and there was always activity, the theatres, the cinemas. Now people of my age don't go out so much."

Catalonia's FDI peaked before the 2017 independence referendum

Gross foreign direct investment inflows (€bn)

FINANCIAL TIMES Source: Datainvex, Ministry of Industry, Commerce and Tourism • 2022 = Jan to Sep annualised

Trying to pinpoint the cause of the city's ills, business people identify several things they say the separatist movement has in common with Colau, who is not pro-independence: a populist misdiagnosis of the causes of economic discontent; a lack of co-operation across political divides; and an introversion that results in leaders turning their backs on the world.

That does not mean Barcelona has lost its inbuilt advantages: it has a Mediterranean climate, sandy beaches and skiable mountains nearby; it is blessed by the architecture of rugged medieval palaces and Antoni Gaudí's idiosyncratic *modernisme*; its heritage of mouthwatering Catalan cuisine and surrealist art lives on. But by its own standards it is flagging.

"It's an amazing city and it has incredible, unique qualities," says Michael Goldenberg, the American director-general of Value Retail Management, a shopping village operator, who has lived in Barcelona for 27 years. "But it's not reaching its potential. It's very clear that by standing still, it's going backwards."

Capital of the Mediterranean

The 1992 Olympics were Barcelona's coming out party, the culmination of years of urban regeneration that turned a city of machinery plants and chemical factories into a travel hotspot. The authorities rehabilitated beaches that residents had never visited because they were industrial backyards. New parks and plazas sprang up. There were iconic images of Olympic divers with the basilica of the Sagrada Família in the background. People talked about Barcelona becoming the capital of the Mediterranean.

Wayne Griffiths recalls the pre-Olympic buzz when he moved there as a 25-year-old Briton in 1991. "The city was so open and so positive and so optimistic and so proud of itself," he says. Three decades later, he says the mood is gloomier. Now chief executive of Seat, the Volkswagen-owned carmaker, Griffiths runs two factories making components and gearboxes in the city and a car plant in nearby Martorell. In 2016 he bet on making the city part of the company's brand. One of its slogans is "Inspiring the world from Barcelona". At times the choice has been painful.

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"We had some real bad times with Barcelona as a brand," he says, wincing at the memory of protesters smashing the windows of the Casa Seat showroom on Passeig de Gràcia during more recent unrest in 2021. "When the city is burning, when the city is out of control . . . That was obviously a terrible background."

Barcelona's decade of unspectacular economic growth

Quarterly GDP (% change, year on year)

FINANCIAL TIMES Source: Ajuntament de Barcelona

He blames a political class that has been consumed by the polarised debate over independence, an issue pushed from the margins to the mainstream around 2010 by Spain's economic crisis and a court's evisceration of reforms to give Catalonia new powers. "They kind of closed in and were busy with themselves and dogma," Griffiths says of politicians, stressing that his criticism is aimed at both sides. "Sometimes you need to move on. Not get left behind."

Salvador Illa, head of the anti-independence Catalan Socialist party, describes the period as Catalonia's "lost decade". Although many Catalans see themselves as a nation apart within the Spanish state, he says secession is no more a solution to the region's economic ills than leaving the EU was to the UK's. High among his priorities are big infrastructure projects that matter to business, such as better road and rail links to knit together the wider Barcelona metropolitan area of 5mn people.

Businesses also want Barcelona's airport to be expanded. It handles more than 50mn passengers every year and Aena, the airports authority, has proposed a €1.7bn runway extension so it can receive more long-haul flights, making it a transit point for travellers from Asia. But the plan has stalled because the Catalan government has blocked it since 2021, citing environmental concerns.

Last week, however, something changed. The minority government led by President Pere Aragonès of the separatist Catalan Republic Left struck a deal with Illa's Socialists to approve a 2023 budget — and it included an ambiguous pledge to study "increasing the capacity" of the airport. It was the first deal between pro-independence and anti-independence parties in more than a decade. "Things are starting to move in the right direction," says Seat's Griffiths.

Barcelona's boosters did not need a budget deal to dismiss downbeat views of the city. Barcelona Global, an association trying to attract expatriates, points to a list of new investments since the peak of the Covid pandemic: Apple and Microsoft AI centres, Amazon and Google offices, Siemens and Bayer innovation centres, PepsiCo and SAP digital hubs. Cisco intends to set up a chip design centre and Intel plans to open a joint lab with the Barcelona Supercomputing Center.

Total foreign investment figures, however, put things in a different light. Although Catalonia has attracted €6bn-€9bn of outside capital in each of the past few years, those figures are down sharply from more than €16bn in 2016, according to industry ministry data. The Madrid region, by contrast, notched up an investment record of €98bn in 2018. "We have missed many opportunities," says Casas at Foment del Treball.

Homeless people in tents along the arcades of Passeig Picasso. Many residents lament that something is going wrong with the city, from rough sleeping to street robberies and litter-strewn avenues © Eva Parey/FT

The business group wants to woo back the big Catalan companies that shifted their head offices elsewhere. But corporate executives say the idea of returning is not on the table. "For us, the current situation is neutral, so why agitate things all over again?" says one. "No one in government is asking us to come back," says another. "If a company left for a political reason, it needs a political reason to return."

In the panicked days of 2017, customers pulled money out of Catalan banks and businesses fled out of fear that a unilateral declaration of independence would leave them in no man's land — out of the EU, cut off from the European Central Bank, not sure what currency or laws were valid. When the declaration came, Madrid quashed it by imposing direct rule. Today Pedro Sánchez, Spain's prime minister, says the fight for independence is over and that peaceful coexistence is returning, partly because he pardoned the nine jailed separatist leaders in 2021 and approved reforms to the penal code to reduce the penalties for a wider group last December.

But 41 per cent of Catalans still support independence, according to the latest survey by the Centre d'Estudis d'Opinió, an official polling agency. Aragonès, the Catalan president, says his goal is to turn that into a majority, then persuade the central government to agree to a referendum. Asked whether that would generate more instability, he replies: "Stability does not mean no reform . . . If society moves forward and the institutions lag behind, that may mean stability today but instability tomorrow . . . The best way to guarantee future stability is to solve present problems. And there is a problem between Catalonia and Spain."

A city not easily for sale

For Colau, the Barcelona on the wrong track was the one she inherited when she became mayor. One of her key achievements, she says, has been the taming of "capitalism run amok" under her predecessor, Xavier Trias. "We are no longer in a city that is only betting on real estate speculation, full of cars and pollution, with tourism out of control," she says. "We've restored order and are betting on economic diversification."

Colau sees tech as a way to reduce dependence on tourism. She cites a report from CBRE, a property consultancy, that said Barcelona accounted for 70 per cent of tech hiring in Spain in 2021 and praised its digitally oriented "22@" district. She notes that the city's 9 per cent unemployment rate is lower than Madrid's.

The 1992 Olympics were Barcelona's coming out party featuring memorable images of divers with Gaudí's Sagrada Familia as backdrop © Dimitri messinis/AFP/Getty Images

The city has experienced several periods of protests and unrest since the 2017 Catalan independence referendum, which was declared illegal by Spain's top court. © Pau Barrena/AFP/Getty Images

She has curbed Airbnb-style apartments and prioritised the construction of public housing, citing the use of recycled shipping containers to create a building of 42 "top quality" homes. But real estate investors loath her requirement that 30 per cent of any new private residential projects be public housing too, saying it's a blunt tool that deters private capital.

Her emblematic environmental initiative is the creation of "superblocks" — pedestrianised islands of greenery and seating at the heart of once-busy intersections, where through traffic is deterred if not banned. Residents love the resulting tranquility, but there is fierce debate over whether the congestion has simply been shifted to neighbouring streets.

Jordi Punti, a Catalan writer, says there is a large gap between Colau's idealistic theories and practical implementation, as he points to rough sleepers setting up shelter for the night near his home in the Barri Gòtic district. "She's doing well with the big picture stuff, but the day-to-day is not so good. There are a lot of people unhappy about very specific details."

In the latest polls, Colau is in second or third place in the mayoral race with around one-fifth of the vote. Trias, who was mayor until 2015 and is one of three main challengers standing against Colau in May, says her team's antipathy to business is the root problem: "They're social activists above all who do not understand that the real fight against poverty is to create economic activity."