Justin A. Urquhart Stewart

Justin is one of the most recognisable and trusted market commentators on television, radio, and in the press. Originally trained as a lawyer, he has observed the retail market industry for 20 years whilst at Barclays Stockbrokers and developed a unique understanding of the market's roles and benefits for the private investor.

The Phoney War

We could call this the 'phoney war'. Although there has already been much anguish and pain from the high streets of Britain, and indeed a significant number of failures have already occurred, it is interesting to note the quite positive figures from some of the leading retailers. Certainly given the prevailing media sentiment, the anecdotal evidence does seem to be really quite contradictory.

In competitive terms, those that are still standing are of course facing less opposition as the weaker retailers have already been whittled away. Those with 'weaker retail propositions' (consultant 'bingo' speak for rubbish businesses), often with highly geared and borrowed balance sheets, have found the pressure just too much and imploded.

It has been interesting to see that there are still the numbers of shoppers out there, and they are seemingly keen to carry on buying. For the start of a decade of austerity it seems to be quite unfashionably perky. The numbers of people do probably hide the actual amount of shopping and certainly the ratio of bags per person in somewhere like Westfield in Shepherds Bush seems to be somewhat less than usual, however our national weekend pastime of shopping - or even window shopping - does not seem to have gone away as yet.

However, we may be deluding ourselves into thinking that economically we are past the worst. After all, the recession is over – Alistair said so. Nevertheless, after the election we all know some unpleasant decisions are going to have to be made – as the 'Three Chancellors' all said on the Channel 4 show last week. We all know about the potential threats of higher taxes and expenditure cuts, but there are two issues especially that the retailers should worry about.

1: Employment, or more particularly government employment. We all know that the government is the largest employer and certainly some of the ludicrous jobs created over the years are finally going to be rumbled. Less employment means less income and thus less spending (and of course already less borrowing).

2: Mortgage payments. Many mortgage borrowers have had a lifetime windfall of quite spectacular proportions as interest rates have crashed. The best I have seen so far has been a ½% below base rate tracker mortgage! However, there are many fixed term mortgages and these will be maturing; when they come to renegotiate new terms they will find that although the base rate hasn't risen, the mortgage rate certainly has. Banks, under government direction, have been increasing their margins. For those who have squandered their windfall and not taken the opportunity to pay down the capital sum or save the difference, then they will be hit by the harsh reality of some sharply higher costs.

So retailers beware, there may well be another notch on the belt to tighten yet.

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As for the 'Three Chancellors', although the concept was interesting the execution was somewhat dull. We never really had a debate or even a proper political dialogue but I suppose that was never going to happen. Uncle Vince was of course the winner, being far more relaxed, with the other two not really inspiring much confidence.

Inevitably most subjects were mentioned in passing rather than fully explored, but there seemed very little understanding of some of the economic fundamentals such as the hobbled banking system and the lack of investment. Still less mention of the depth and breadth of complication that we have had as illustrated by the doubling in the number of pages in Tolley's Tax Guide since 1997. If ever there should be a mantra for the politicians this time around it should be 'Less & Simpler' – spending, government, politicians, red tape and taxes. Although taxes will no doubt go up we could certainly make them simpler and clearer. How about simpler saving rather than the plethora of rules around Child Trust Funds, ISAs and Pensions?

The key issue that was missing was that although they all agreed we are in the poo, and we have awful decisions to make, there was no direction or inspiration for the future. There was some nod towards smaller businesses, but no clear direction and lead to inspire us that in five and ten year's time it will be better. In the darkest of economic hours I expect to find the leaders who can inspire and imbue us with confidence to counter and comfort us through the cuts and costs we are all going to have to bear.

If ever there was a time that we need a statesman or woman it's now! Any volunteers?

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Meanwhile our close neighbours in Ireland are taking decisive action to deal with their banks and budget deficits.

Since the crisis began two years ago there have been tough pay cuts, painful tax rises and significant public spending cuts – real financial surgery carried out on a damaged nation. The reaction from the population has been a muted acceptance of the inevitable with only a smattering of demonstrations and go slows – and barely a formal strike to be seen. The Irish government took early and aggressive action to deal with their bank's disastrous problems during the credit crunch, but the banking system still has a black hole roughly equivalent to 20%

of the country's GDP. However action here has been taken as well with bad debts being purchased at a discount by the government into its own NAMA (National Asset Management Agency) bank for bad debts (surely NAMA is almost an anagram for 'manure bank'), and thus releasing the banks from the sinking weight of bad loans and enabling them to start channelling money back into the economy again.

Mr Brown and the '3 Chancellors' take notice. Here is a story of political leadership in terrible times taking a frightened population with them and taking decisive action which is already showing signs of putting this economy back onto the road to recovery.

A show of respect then please, for the nation of Ireland, its leaders and its population. The transfer of bad assets to their bad bank NAMA has started and although it will take a long time, those assets will probably come good over the period of a decade. Meanwhile of course, this action will serve to ensure that the remaining banks can be properly capitalised and start properly functioning again. This is a very good start but does not in itself resolve all the issues for the Irish banks.

We have yet to take such action with either RBS or Lloyds – two years down the road and we are still dithering.

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And finally ....in another case of 'How dim can your bank robber really be?' - two accused bank robbers might have just been trying to save time when they called ahead and demanded that the bank have the cash ready when they got there. This of course, in business terms, is in fact a very time efficient method of conducting a robbery and far better than making an outrageous fusses in the banking hall.

However, such initiative of placing an order for cash didn't get them far. Seemingly

Albert Bailey, 27, and a 16-year-old, both from Bridgeport, called the People's United Bank about 10 minutes before they came to rob it, the Connecticut Post reports.

Sgt. James Perez, a Fairfield police spokesman, told the Post. "They literally called the bank and said to have the bag of money ready on the floor because they're coming to rob the place." Then, true to their word, they showed up – just as police were coming to greet them.

"I would classify these individuals as, 'Not-too-bright.' They should have spent time in school instead of trying to rob a bank," Perez said.

However, I do like the concept and it certainly was original in its thinking - albeit somewhat flawed; of course what they should have done was asked for delivery rather than takeaway.

Have a good week and I hope you had a good break whether celebrating Easter, Passover or even a fresh Spring daffodil.

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