

JUSTIN'S COMMENTARY

Justin Urquhart Stewart 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 30 years whilst in corporate banking and stockbroking, and has developed a unique understanding of the market's roles and benefits for the private investor.



Bravo Start-ups

It's almost despite our politicians. It's usually ignored by our media, and it's usually regarded by most as an area for the slightly daft. Actually this is probably the most important aspect of our economy. I talk of course about our burgeoning entrepreneurialism in the UK.

In 2012, 484,224 new businesses were registered in the UK, up from 440,600 in the previous year and almost a world away from an average of around 150,000 to 180,000 back in the 70's and 80's. Something has changed and it appears to be quite a fundamental alteration in the UK economy.

The smaller to medium sized enterprises (SMEs, defined as having less than 250 employees) are actually the life blood of the UK economy, with more employment and investment than the traditional leviathans that we normally hear about.

People, despite the fears from the banks and the nerves of the media, seem to be far more willing than ever before to risk everything, put the house on the line and have a go at running their own business. This is in spite of the failings of the banking system and our structural failing in the UK to financially support start ups effectively (back to my rants on peer to peer lending again). I find this not just remarkable but very encouraging.

As I have mentioned before, we now have a record number of active companies in the UK (3.1 million), and this is despite the financial environment and a tax regime only marginally conducive to supporting the entrepreneur. I grant that this has improved a little, but as we have a new breed of politicians who have never had a job, and civil servants who have never risked their assets, I suppose that this is hardly surprising.

Going back to the late 90's we used to have an excellent lunch time television show on BBC2 called Working Lunch, and one of their great highlights was the focus on small and developing businesses. This was done neither in the pseudo drama of Dragon's Den, nor with the facile game show that is The Apprentice, but rather with real stories of business striving and thriving in and amongst all the economic issues that the businesses had to face.

Another statistic I found was that start ups and small businesses make up 95% of all companies and employ more than 7 million people, out of a working population of just a tad under 30 million.

Now let's be realistic. Around half of these companies will sadly die within three years, but at a rising run rate like this, surely this has to be one of the most supportive pieces of economic and business news we have seen lately. So did this astonishing number reach the headlines? No - barely a mention - although page 4 of the Financial Times (at the bottom of the page) had a modest comment.

As Brits we are of course somewhat reluctant to shout about our successes, but on the other hand it's about time we gave ourselves a dose of confidence that something tangible is being achieved. Oh and please don't let me hear any politician claiming any thanks for this.

They haven't put up their house, they haven't stayed awake at night wondering if the business is going to be there in the morning, and I wonder if they have ever had that fear of putting your cash card in to the bank machine to find that you are down to your last sous.

Even now I hope that one day we will have a Chancellor that really understands the triggers that can help smaller businesses to get them going, not in give-aways, but sensible incentives for investment and returns, and encouraging capital and investment allowances. The UK has a poor reputation for business investment and anything that can help this has to be a benefit.

So well done entrepreneurs; despite the odds many of you have done it and no doubt will continue to do so.

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Abe-san and his quiver of arrows

Shinzo Abe was elected last December as Japan's prime minister with a master plan to fight the malaise that has hung over the economy for over two decades. With deflation, recession, even probably periods of depression, the domestic economy has languished with high government debt and poor growth.

Previous premiers have all tried and failed in attempts to try and get the economy moving. Some QE was tried before, some bank reforms, and even one attempt at giving all adults some free cash to spend - which they didn't.

Abe-san's idea, though, was to fire three arrows to try and shock the economy into life. The first two were a huge amount of fiscal stimulus and monetary stimulus which put everyone else's QE plans into a distant perspective. Then there was a third, but this is proving more difficult to fire.

This was to include the reform of their labour laws, as currently it is seemingly almost impossible to fire anyone in Japan. Then the agricultural subsidies especially around the archiac support for their rice production should be addressed. However, here he is coming up against the very intransigent and conservative domestic lobby of politicians who seem set against any real structural change.

Abe himself seems still keen to push through trade reforms and is even trying to join in the Trans Pacific Partnership trade talks, but external enthusiasm if not matched by domestic reform may result in all the good intent of the three arrow policy being dissipated and wasted. Japan cannot afford another slump back into recession, especially having burdened itself with such huge levels of QE.

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And finally...an imaginative way of addressing the cannabis issue - Scratch and Sniff cards.

A Dutch initiative to combat illegal cannabis cultivation through the use of marijuana-scented 'scratch-and-sniff' cards has gone nationwide to alert citizens to what their neighbours may be up to. The expansion comes after a pilot project launched three years ago to combat illegal weed plantations by helping people to recognise the smell, proved a success.

Backed by police, city councils and energy service providers who have their electricity stolen, thousands of cannabis-odoured cards will be distributed in four Dutch cities. Since the cards were introduced in The Hague and Rotterdam, the number of reported plantations has 'gone up enormously', with one call to police a day in each city.

The Netherlands is known for its expertise in hydroponic cultivation and the growing of illegal cannabis is no exception. There are an estimated 30,000 illegal cannabis nurseries in the Netherlands, with plantations often set up in attics, cellars, garages and even entire houses.

Police estimate the bulk cultivation and sale of cannabis was worth some 2.2 billion Euros in 2012, most of it in the hands of criminal organisations.

"With this cannabis-scented card you will recognise the smell of marijuana cultivation. Scratch, sniff and help," reads the text on the green scratch-card, which lists a police telephone number.

Apparently illicit cannabis cultivation is regarded as dangerous because of the fire-risk created by illegal electricity connections and faulty wiring. "At least 20 percent of all industrial fires are caused by illegal marijuana cultivation," added a spokeswoman for energy company Stedin, which forms part of the project. Illegal power connections also tapped some 200 million Euros (\$270 million) in stolen electricity from service providers every year.

Though it remains technically illegal, the Netherlands decriminalised the consumption and possession of under five grams (0.18 ounces) of cannabis in 1976 under a 'tolerance' policy.

Authorities turn a blind eye to citizens growing no more than five plants for personal use, though that too is illegal. Last year police rolled up 5,800 nurseries, according to the latest statistics.

In Hammersmith the scratch card part would be little use - just go outside and take a deep breath!

Have a good week.

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