

JUSTIN'S COMMENTARY

SEVEN 
Investment Management

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.



COMING OVER HERE AND STEALING OUR WOMEN...CONSTRUCTIVE INWARD INVESTMENT OR SELLING OUT TO JOHNNY FOREIGNER

In a week where some of the papers would have you believe that there are 'reds under the bed' again, I find our media outbursts of xenophobia to be most unpalatable. Half the time we are delighted to have people investing in Britain, then we suddenly turn around against all this new investment with all the fervor of the Luddite rioters of 1811. We seem to suffer from headlines, some of which border on the racist, of Chinese control of our energy supplies, trains and most crucial of all, Weetabix, to political fears that we are handing over nuclear control to them. Yes, of course there are security and control issues, but we must look back at where we have been successful historically, and that has been where we have been involved in open economies and developed our skills to trade our way to success.

Now we find ourselves attracting new investment but still we have this fear of loss of control. No, what we all need to do is to re-embrace our lost skills of overseas exports, trading and investment, and throw off this tight little jacket of 'little Englanders' (including the rest of the UK) and go out and do what we have been known the world over for - international business, trade and finance.

So is it just the Chinese dominating investment into the UK? Well recent data from the UKTI (UK Trade & Industry) report gives us a fascinating insight into the facts about what has been really happening.

Well for a start the UK in 2014 attracted the highest number of foreign direct investment (FDI) projects, and the highest values of net inflows in the whole of Europe. There were a total of 1,988 FDI projects which was 12% more than the previous year which was already a record breaking year, with a total value now exceeding £1 trillion. To put this into better perspective, it seems that this has occurred at a time when global FDI flows actually fell by 11%.

We can also measure the number of direct jobs created which was also an impressive 85,000 over the year.

To put this into better context globally, these figures of net value put the UK at number 3, for FDI projects behind not unsurprisingly China at \$2.17 trillion, and the USA at \$5.4 trillion (the UK in \$ is \$1.7trillion), which I think is very impressive.

Another area which also reflects the level of confidence in the UK is the measure of the number of new corporate headquarters being established here. It would seem that here also, the UK has attracted the highest number of HQ investments throughout the whole of Europe. This is especially important as it is at HQ where the greatest focus is likely to be and probably it is the site of your greatest corporate commitment. Given all the arguments over competitive corporate tax rates, this would seem to have been a significant success for the previous coalition government's policy.

In terms of geography, it seems that although London was always going to attract disproportionately more (at 796 projects), there were significant other investments with Scotland taking 119 projects, Wales 101 and Northern Ireland 48, with the rest in the regions of England. Then taking a sector view, it looks like software and computer services (at 253) and financial services (at 222) are the largest; thereafter there is a broad spread of engineering, bio-technology and pharmaceuticals, as well as more creative fashion, food and media areas.

So although this last week saw dreadful pain for several thousand people with the job losses in the steel industry, perhaps we need to highlight that we have many very successful business areas and many which are attracting more investment and many more jobs than those being lost in that blighted sector.

I would also add that there are in fact many areas of the steel industry that are still very successful, profitable growing businesses. A trip to Sheffield will educate many that this is not the city of unemployed men taking their kit off, but rather a highly successful hub of metal engineering industry and development.

Propoganda

In the propoganda campaign being fought on the eastern front of the EU, I see that Estonia has just launched a Russian language television station to try and counter the Russian news channels that are watched by most of the Russian speaking minority which makes up about a quarter of the population. Currently all the Estonian channels have been in their native tongue (Estonian) and thus the Russian speakers have only a somewhat biased source for their news.

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And finally...When in doubt it's time to go to the ultimate power. Zambians took part in a national day of prayer on Sunday seeking divine help for the country's economic woes following a collapse in global copper prices.

Zambia, Africa's second biggest copper producer, has seen its kwacha currency tumble nearly 50 percent against the Dollar this year, driving up food prices. Responding to an appeal from President Edgar Lungu, churches across the southern African nation conducted prayer services.

All Sunday soccer matches were postponed and bars and restaurants were encouraged to close in a bid to encourage more Zambians to join the prayer gatherings.

"Prices of essential commodities have risen because of the depreciation of the kwacha. We need to seek God's hand," he said.

Zambia's economy is expected to grow by less than 5 percent this year, down from an earlier projection of around 6 percent, Finance Minister Alexander Chikwanda told Reuters.

Have a good week.

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