

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.



SO WHAT IS DIFFERENT THIS TIME?

So the question was - is it a good recovery or a great recovery?

This issue was posed at last week's British Chamber of Commerce conference in Westminster. This I suppose really gives you an indication of the tone and atmosphere of the day and, come to that, most of the attendees. I had the impression that most were positive but equally realistic that this recovery could easily turn on a sixpence - a delicate spring daffodil, in a smog ridden atmosphere. Of course all the comments from the politicians were encouraging - that is to be expected - but I am not sure they carried too much weight given their own lack of practical business experience. However the air of growing confidence was there and that was important.

The issue though is really "is it different this time?" compared to other recessions and recoveries. The answer is usually no, they all vary in their ways, but it seems there are some key differences this time. To me the main area of change is in attitude and development of start ups throughout the country. Over 522,000 last year which is a huge change, where a few decades ago it was fewer than 200,000. As ever, the death rate is high at around 50%, but that is quite normal. But even if you think some are just new starts from those falling out of the state sector, the underlying growth is impressive. Just think - if each one of those employed an extra person, unemployment would be at a record low level.

The concern however, is that from this positive position, supported by higher consumer spending, this could easily fade away as the green shoots get snapped off in a late spring frost. The Government's answer has been constructive, with a plethora of initiatives which quite rightly are welcomed. However my concern is that many of them are tinkering with old ideas and not looking at more radical ideas or innovation to try and sustain the recovery. From larger scale banking and finance initiatives, through to tax reform. Tax reform is always sensitive as of course in a cash strapped indebted position, governments are terrified of giving anything away.

No, my issue about tax reform is to tax on the result of success when real value has been created: not to tax at the beginning of the process before companies have had a chance to get going.

So small companies shouldn't be laden with so much National Insurance, Council Tax or Stamp Duty, but rather move the emphasis to paying a fair due having been a success rather than taxing the chance of just potentially being a success.

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Keen on other people's infrastructure

At a time when our politicians seem to be making more noise than action on our infrastructure requirements, I always find it both comforting as well as frustrating to see so many British engineering and construction companies involved in overseas projects. A good example of this is Turkey where, despite political unrest domestically and over the south and eastern borders, large scale investment projects are going ahead. From new bridges and transport, through to the third Istanbul airport and nuclear power, we seem to be well represented. It seems all the more of a contrast that they can be doing a great job over there and that we can't agree on what we should be doing over here!

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The core EU issue for the UK?

We can argue until the cows come home about all the rights and wrongs of being a member of the EU, and I am not sure that the Clegg vs Farage debates have shed any further light onto anything. To me though there is one over-riding issue which put most other things into their place - why would you not want to have a seat at the decision-making table in the world's largest trading bloc?

Issues over immigration, jobs, waste, corruption and bureaucratic inefficiencies are all worthy of debate, but to shut yourself out from that key decision making group would seem to be bizarre. You can't change the rules from outside the club and if you don't like them then no one else is going to care.

Now of course we have to kill the argument that EU and especially the Eurozone is an economic disaster. In fact if we look at some of the more reliable data, such as the PMI (purchasing managers index) here we can see that the manufacturing sector is leading the way at over 58 (50 being the measure above which is expansion) and above the longer term average of 52. Much of this has been related to overseas sales, but it is domestically that we need to see greater growth in demand.

However, the hotels and restaurants sector is a significant laggard at 37 and well below the longer term average of 49. This reflects the lack of confidence and is impacted by the still high level of unemployment, especially amongst the youth.

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And finally...French politics is always a spectacle whether it is in the form of stange gift arrangements to the President trying to conjugate the new french verb "legauveur". Now comes news of France's Trade Minister having to eat humble pie recently after she was caught on film saying that food served at a state dinner for China's President Xi Jinping was 'disgusting'.

President Francois Hollande and Xi were all smiles at the dinner Wednesday at the Élysée presidential palace. But Foreign Trade Minister Nicole Bricq was unimpressed by the fare that included foie gras, roasted poultry with mushrooms, and a chocolate and caramel dessert.

Television cameras caught her telling Prime Minister Jean-Marc Ayrault that the food at the Élysée did not compare with that served at Matignon, the prime minister's office, where she had attended a lunch for Xi.

"Frankly, at Matignon, there's no comparison. It wasn't that way at all at the Élysée. No, it was disgusting," she could be heard whispering. Bricq called the Élysée's head chef, Guillaume Gomez, to apologise on Friday, her spokeswoman said. I presume she is not going to be on the return trip to China then?

"We'll continue to do our work, with the same passion and dedication," the head chef Gomez tweeted. I would avoid the soup next time if I were Bricq. The croutons may not be all that she was expecting.

Have a good week.

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