

# 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.



## AGONY AND ECSTASY

For the UK economy I think the phrase was spot on from the chief economist of the Bank of England, Andy Haldane, when he described it as being in a position of both agony and ecstasy. For the ecstasy we now have an economy that is currently growing faster than any other developed economy on the globe. A rate of 3.1% for this year is expected and that for the UK is quite a pace, although obviously nowhere near the dynamic rates of the developing nations. In fact for the UK's it could be described as running quite hot - especially when you consider not just the QE money pumped into it but the £22.2bn plus set aside for consumers' claims from the PPI scandals. Whilst growth next year will likely ease to 2.4% according to the EY Item Club, this is hardly agony, although ecstasy would not be a sensible description either. Reasonable is more truthful, although sustainable would be better.

However, another area of possible ecstasy has been unemployment or, more to the point, employment. In the past twelve months we have seen a record rise in employment of 929,000, and more people employed than ever before at over 30.6 million - which is 1.8 million more than in 2010. In fact the percentage employment rate per head has now risen to 73.1% which is equal to the record high set in 2005. To add to this the number of women in work has also reached a record high of 14.2 million, with the female employment rate now at 68.1%.

The agony comes on the other side. It's the revenue, or rather the lack of it, that the government was expecting that has caused the pain. The Chancellor had been looking for a substantial increase in income tax revenues, with hopefully an extra £11bn, but so far it appears to be considerably less at around a measly £1bn. Is this tax evasion and avoidance on a grand scale? Well no - it is mostly due to a changing economy and changing rules. The problem has been that the infamous bankers' bonus windfalls have dematerialised, and with the starting levels of income tax (allowances) being raised, there are now fewer contributors to these taxes. Then add to this the fact that many of the jobs are at the lower end of the pay scale and pay increases are also below inflation for most, and it becomes clearer as to why Osborne's income plan has a widening black hole. This is budgetary agony.

Nonetheless there are some areas of encouragement and we should remember that the top 1% of earners account for roughly 28% of all income taxes, a level that has grown significantly over the years. On the plus side Stamp Duty and VAT are up but the former, although much higher than before, is a regressive tax and in effect prevents further expenditure and tax income (VAT) as people move and renovate their properties. This should be reformed.

The key issue is pay, or low pay, as this will impact on confidence and people's ability to spend and thus be unable to generate more tax. The outlook will in fact be improving here, but not until next year and I wonder if that might not be too late for the Chancellor as he has an election to help win before the real value of better pay and more tax probably comes through. It will be a boon though for whoever does finally emerge from what is likely to be a messy and confused election result.

### **Glow in the dark dinner?**

Do you want something else to worry about? How about radioactive reindeer? The Norwegians, who obviously have nothing else better to do, have decided to start measuring the radioactivity levels in their reindeer population and, come to that, any other grazing animal.

Apparently the Norwegian Radiation Protection Authority has set the current level as "extreme". The level should be 1,500 Becquerel (Bq) per kilo and is now 8,200. In their sheep it has risen to 4,500 Bq, but the health and safety rules for safe consumption are set at just 600 Bq! Beware Norwegian lamb; it will either come ready cooked or just be glowing in the fridge.

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**And finally...** I see that Reuters have reported that a suspected robber with a guilty conscience walked out of a Washington state bank with stolen cash recently then waited outside the building for police to arrest him.

The 64-year-old man walked into a Banner Bank branch in Bellingham, Canada and handed a teller a note demanding cash. The teller complied, and the man, identified as Richard Gorton, took the money and left. But instead of fleeing the scene, he lingered near the bank building where he was discovered by officers.

"He admitted to officers that he had committed this crime and indicated that he became remorseful right after he walked out of the bank," police said, adding that Gorton told officers he had decided to wait for police instead of making a run with the cash.

The remorseful robber faces charges of first degree robbery and was being held in the Whatcom County Jail awaiting arraignment, police said. Well good for him but perhaps a little forward planning on his part might have been helped his career prospects here.

Have a good week and a very Happy Diwali to those celebrating the Festival of Light.

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