

# 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.



## COMPARING NATIONAL ECONOMIES – JUST HOW MUCH IS YOUR COUNTRY WORTH? AND HOW MUCH IS YOUR CUT?

One way of trying to get an idea of the wealth of a nation is to take its Gross Domestic Product (GDP), which is generally agreed as a sensible measure of economic value, and then divide it by the number in the country's population.

Now this is neither a perfect nor precise measure, but it does give you a different view on the varying values of nations and the potential spending power of their populations. There are of course some weird anomalies.

So let's start with the USA. Its GDP is currently \$17,419bn and with a population of 319mn that would mean that in theory, each American citizen has a value of \$54,600. That is the value of their slice of the American pie.

Now let's compare this with China, which is sometimes now being referred to as the world's largest economy and by some measures may be there already. However, when we apply the citizenship calculation we get a very different picture. With a huge population of 1.367bn and a GDP measure of \$10,360bn, that means that each Chinese citizen has a technical value of just \$7,600. So in terms of retail spending power the Chinese are a long way behind the consumer society of America. However, with the largest sector of the Chinese economy now no longer being manufacturing, but rather the service sector, it is likely to be retail spending that is going to be an increasingly important driver of their economy.

To put this figure into some greater perspective, if I take a country like Cuba with a population of 11 million and a GDP figure of \$77 million, then their value per citizen is \$7,000 per head and thus not far behind that of the Chinese behemoth.

**“but in today's economic race, Germany is, as expected, ahead with a GDP of \$8,853 billion and a population of 81 million”**

Meanwhile back in Europe, the rivalry between the larger EU nations is a matter of history; but in today's economic race, Germany is, as expected, ahead with a GDP of \$8,853 billion and a population of 81 million, so their value per citizen is \$47,600, with the UK actually closer than you would expect at \$46,000 (GDP\$2,942bn; population 64mn) and France lagging further behind at \$42,800 (GDP\$2,829bn; population 66mn). So in fact on a like-for-like basis, on this measure the UK and the German values are very similar, which is not what you would hear normally in the popular press.

Another country to consider is Japan, still the world's 3rd largest economy. Its GDP is just over \$4,600bn and it has a large population squeezed into a relatively small area. Their population of 127 million means that their value per citizen is just \$36,200, some \$10,000 behind the UK.

Perhaps it is worth comparing some of the other 'BRIC' nations to see how they look. Brazil, for example, has a GDP figure of \$2,346bn with a population of just \$202mn thus giving a figure of just \$11,600 per citizen; India with

## JUSTIN'S WEEKLY COMMENTARY

its slightly smaller GDP of \$2,067bn but a far larger population of 1,239mn comes out at an even smaller figure of \$1,600 each.

Next we can look at Russia who, with all its military power and geographical enormity, actually only has a GDP of \$1,861bn and a diminishing population of 143mn. Thus their number is just \$13,000 for each Russian.

Finally, I suppose I should look at the extremes of both poverty and wealth. Malawi has a weak economy and a GDP of just \$4bn divided by a disproportionately large population of 17mn, thus leaving each citizen with a value of just \$235. Now compare that with the other extreme of Qatar where the oil and gas based economy has a GDP of \$212bn with a population of just 2.27mn, thus giving them a per citizen value of \$93,000 each!

It is by no means a perfect measure but it does make you look at certain countries in a different light when it comes to their power, value and influence.

### **Laos - protecting its small shops**

The Laotian government has passed regulations to restrict the involvement of foreigners in smaller shop and retail enterprises. Under the new rules foreigners would be obliged to invest a minimum of 8bn Kip (£642,672) to operate in this sector. The idea has been to try and protect the smaller business owners from the larger entrepreneurs coming in from Vietnam.

If foreigners want to own an entire shopping mall or centre then a minimum of 160bn Kip (£12,853,400) is required.

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**And finally...** Now here is an idea that would make a prison escape like "The Shawshank Redemption" look more like a walk in the park. Indonesia has a better idea.

Indonesia's anti-drugs "czar" announced plans to guard a death-row prison island with crocodiles, and that Mr Budi Waseso said he was now thinking of using tigers and piranha fish too.

Media quoted the National Narcotics Agency (BNN) chief as saying that he had already obtained two crocodiles from a farm to study their power and aggression and may ultimately put as many as 1,000 in place to keep convicts from escaping.

"The number will depend on how big the area is, or whether perhaps to combine them with piranhas," he told reporters, "Because the (prison) personnel numbers are short we can use wild animals. We could use tigers too - for conservation at the same time."

Waseso and officials at his office were not immediately available to comment on the reports. In separate comments on the TV One channel, Waseso rejected critics who said his plans to use animals as jailors were trampling on the human rights of convicts.

"We have to look at the whole problem," he said. "These people are murderers - mass murderers. Shouldn't we also look at the human rights of their victims?"

So in an Indonesian prison you have a choice to either have lunch or be lunch. I like this freedom of choice for prisoners. It's almost liberating.

Have a good week.

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