Welcome to the first edition Invest Assure News, a new regular newsletter from PKF Littlejohn's Invest Assure team, providing a round-up of the main developments in accounting and general market matters.

Q&A with Professor Trevor Williams

We asked Professor Trevor Williams - former Chief Economist at Lloyds Bank Capital Markets, visiting professor at the University of Derby and chair of the Institute of Economic Affairs shadow Monetary Policy Committee – questions on topics as diverse as Brexit, Trump and the new Industrial Revolution. Here's what he had to say.

Q. In your view, how healthy is the global economy at the moment?

The world economic and political landscape continues to be convulsed by the reverberations from the global financial crisis in 2007/8, which is not over in the sense that policy and financial markets have not returned to normal. It is also not over because the crisis has led to disillusionment with the global financial and economic system in the advanced economies affected by the crash.

Partly, this is because the rescue has skewed economic outcomes: those with capital have gained from low rates, greater liquidity and the gains in capital values, whilst those dependent on labour income perceive they have lost out as pay has grown slowly and benefits cuts have also adversely affected them.

Q. I thought you would have brought up the Brexit vote and the election of Donald Trump rather than the global financial crisis. Haven't we moved on from that?

Unfortunately, we have not fully recovered. Take excessive debt, which was the trigger for the crisis. It has been made palatable by extraordinarily loose monetary policy (including quantitative easing) and by a rise in government debt, which has assumed some of the debt of the banking sector. But global debt levels have not gone down since the crisis - they have increased instead. Moreover, the political and social fall out is being reflected in populism etc.

Q. What impact are these high debt levels having on individuals and companies? And what does this mean for the investment community?

With the notable exception of the US, those countries most affected by the crisis have not raised interest rates or cut debt. In short, they are still vulnerable and the policy action has increased inequality, reduced trust in government and left a sense, amongst some, that they have suffered as a result of free trade and globalisation. The UK and many other European countries have not spread the benefits of higher living standards evenly. This is leading to a desire to punish those in charge. There is little the investment community can do about this. More help has to be given to those who feel left behind. And that is a political decision.

Q. What can governments do to resolve this problem?

Governments should focus on helping communities affected by either the fast pace of technology, which can lead to loss of jobs in sectors in whole areas, or immigration. This means more targeted subsidies for affordable housing and better education in the form of vocational training. Instead, the gains to the higher skilled and owners of capital assets have been disproportionately greater compared to almost everyone else

Q. Is this leading to the growing popularity of anti-establishment movements, as we've seen in the UK and US over the past 12 months?

Voters are currently taking their opportunity to punish leaders who are seen as being responsible for the current state of affairs. The vote for Donald Trump and Brexit can be seen in this context, but they do have key differences.

In the US it is primarily a backlash against free trade; in the UK it is driven more by anti-EU sentiment, but we're still pro free trade. Both movements have an anti-immigration strand, though.

Q. Should the investment community be concerned by the impending Brexit and the election of Donald Trump?

President Trump's policies could have negative consequences for free trade, by increasing protectionism and reducing global order. They could lead to more isolationist stances being taken around the world.

In the UK, Brexit will hit short term growth. The longer term impact will be dependent on whether we can strike trade deals quickly and if we can raise productivity in the face of a loss of access to a rich market of 500 million people on our doorstep.

Q. Is there any good news for investment managers?

It's not all gloomy: global growth is still positive, and the fast pace of technology will persist thanks to a wired world of 7 billion people, with demographic trends and higher incomes shifting the tilt of global growth to Asia. We're witnessing a fourth Industrial Revolution in a range of industries from cars, to robotics, to bio tech, to agriculture, to banking, to the internet of things. Infrastructure needs to renew to keep pace with economic development. The opportunities for the investment community have never been greater. But we must beware protectionism and a rolling back of free trade, as this will reduce opportunities for gains in living standards and in global wealth.

Q. Where are the opportunities for investment managers?

Opportunity lies in embracing change and investing in a broad range of areas such as infrastructure, preventing start- ups in industries from being disrupted and allow sectors to benefit from an ageing population.

We hope you've found this issue useful. If anyone within your business would like to receive future issues, please send their details to Ruby Crowley (rcrowley@pkf-littlejohn.com).

Our specialist team is here to help. If you would like advice on any of the issues discussed in this newsletter, please contact one of our Invest Assure team.

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