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### 2016 Currency Review: Weakened pound sees mixed fortunes for Britain's expats

- The pound lost at least a fifth of its value against nine currencies in 2016
- Sterling made significant gains against just two currencies in 2016: the Egyptian pound and the Mozambique metical
- British expats with incomes in Sterling feel the pinch, but the weakened pound is good news for those earning in a foreign currency

Greater economic uncertainty has contributed to the pound declining in value against the majority of major currencies in the past year<sup>1</sup>, according to latest research from Lloyds Private Banking. Over the past 12 months, the pound has fallen in value – to varying degrees - against 56 of the 60 currencies analysed.

This followed a good year for the pound in 2015 when sterling gained in value against more than three-quarters of the currencies surveyed. Overall, the pound has fallen by 11% against a trade-weighted basket of currencies over the past two years.

#### Where the pound lost most value in 2016

The pound lost at least a fifth of its value against nine major currencies. The biggest declines were against the Brazilian real (-28.4%), Russian rouble (-28.0%) and the Icelandic krona (-27.9%).

The Brazilian real was notably one of the currencies the pound rose most against in 2015. Overall, the pound is largely unchanged against the Brazilian real compared to two years' ago. (See Table 1)

#### Peter Reid, Expatriate Banking Director at Lloyds Private Banking, commented:

"The pound's decline is bad news for British holidaymakers, with most destinations becoming more expensive in 2016. Many British expats will also be feeling the pinch; those with incomes in Sterling such as pensioners are getting fewer pounds when converting their money.

"However, on the other end of the bargain, British expats living and working abroad and earning in foreign currencies are now getting more pounds for their money and they are seeing their spending power surge when they head back to the UK."

#### Sterling gains

The pound made significant gains against two currencies during 2016: the Egyptian pound (+105.8%) and the Mozambique metical (+23.0%). (See Table 2)

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The rise against the Egyptian currency largely resulted from the Egyptian government's decision to float its currency in November. This was part of a number of reforms aimed at strengthening confidence in the Egyptian economy.

Sterling is largely unchanged compared with a year ago against the Turkish lira (+0.3%), the Danish krone (0.0%) and the Mexican peso (-0.2%).

### **Pound against the G20<sup>2</sup> currencies**

The pound lost value against all but one of the currencies of the G20 group of economies in 2016. The sole exception was the Turkish lira (+0.3%).

The pound fell by 17.0% against the US dollar over the year, from \$1.49 to \$1.24; taking the pound to its lowest year end level against the dollar since 1984.

Sterling declined by less against the euro (-13.3%) as the euro-zone economy continued to struggle to gather pace with the European Central Bank (ECB) easing monetary policy further in 2016.

The pound decreased in value by 11.0% against the Chinese renminbi as mounting concerns about the sustainability of the build-up in debt in China and doubts about the economy's ability to maintain recent growth rates limited the pound's losses against the Chinese currency. (See Table 3)

### **Performance of sterling in the six months before<sup>3</sup> and after<sup>4</sup> the EU referendum**

The relative performance of sterling in the six months before<sup>3</sup> and six months after the vote to leave<sup>4</sup> the EU has a similar pattern. Sterling declined in value against 54 of the 60 currencies analysed in the six month period up to day of the referendum and fell the six months following the referendum against 51 currencies.

Sterling has actually gained in value against five currencies since the vote to leave having lost ground in the previous six months: Turkish lira – up by 12.6% having fallen by -8.2%; followed by the Japanese yen (up 9.1% having fallen -23.1%), the Malaysian ringgit and Swedish krona (both up 2.8% having fallen -12.8% and -9.9% respectively) and the Uzbek som (up 2.7% after falling by -3.3%).

Against several other currencies, sterling has fallen only slightly since 24 June; they include the Philippine peso and the Ukraine hryvnia (-0.2% against both), the Croatian kuna, Singapore dollar and the Argentine peso (all -0.4%) and the euro (-0.6%).

On the other hand, the pound's decline has accelerated against the South African rand (-14.9%), Iceland krona (-14.8%) and Zambian kwacha (-13.9) during the same period.

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## Editors' Notes:

<sup>1</sup>Based on a survey of 60 currencies covering the period 18<sup>th</sup> December 2015 to 20<sup>th</sup> December 2016; rates are averages for the trading day. <sup>2</sup>The Group of 20 (G20) is a group of finance ministers and central bank governors from 20 major economies. There are 19 countries plus the European Union (EU); in all there are 15 currencies in the Group, with Germany, France and Italy part of the Euro-zone, whilst the Saudi riyal is linked to the US dollar.

<sup>3</sup>18<sup>th</sup> December 2015 to 23<sup>rd</sup> June 2016;

<sup>4</sup>24<sup>th</sup> June 2016 to 20<sup>th</sup> December 2016

Data in this release is from Thomson Datastream (as supplied by WM/Reuters) with closing rates as quoted on 20<sup>th</sup> December 2016.

**Table 1: Currencies with the largest rises against the UK Pound, Dec 2015–Dec 2016**

Country	Currency	£1 buys, 19th December 2014	£1 buys, 18th December 2015	£1 buys, 20th December 2016	1 Year % change	2 Year % change
Brazil	real	4.14	5.80	4.16	-28.4%	0.3%
Russia	rouble	92.36	105.26	75.81	-28.0%	-17.9%
Iceland	króna	198.03	195.23	140.83	-27.9%	-28.9%
Colombia	peso	3,588.24	4,966.48	3,686.44	-25.8%	2.7%
Zambia	kwacha	9.85	16.32	12.14	-25.6%	23.3%
South Africa	rand	18.10	22.43	17.37	-22.6%	-4.1%
Solomon Islands	dollar	11.89	12.11	9.63	-20.4%	-19.0%
Canada	dollar	1.81	2.07	1.65	-20.1%	-8.8%
Indonesia	rupiah	19,529.37	20,722.22	16,586.99	-20.0%	-15.1%
Western Samoa	Tala	3.81	3.86	3.11	-19.5%	-18.4%
<b>UK Sterling Effective Rate</b>		<b>87.94</b>	<b>91.28</b>	<b>78.26</b>	<b>-14.3%</b>	<b>-11.0%</b>

**Table 2: Currencies with the largest falls/smallest rises against the UK Pound, Dec 2015–Dec 2016**

Country	Currency	£1 buys, 19th December 2014	£1 buys, 18th December 2015	£1 buys, 20th December 2016	1 Year % change	2 Year % change
Egypt	pound	11.18	11.66	24.00	105.8%	114.6%
Mozambique	metical	53.22	72.67	89.39	23.0%	68.0%
Turkey	lira	3.62	4.34	4.35	0.3%	20.3%
Denmark	krone	11.26	11.26	11.26	0.0%	0.0%

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Mexico	peso	22.82	25.30	25.25	-0.2%	10.6%
Argentina	peso	13.37	19.94	19.57	-1.8%	46.4%
Yemen	rial	336.17	320.40	309.01	-3.6%	-8.1%
Uzbekistan	som	3,774.47	4,140.05	3,974.65	-4.0%	5.3%
Ukraine	hryvnia	24.74	35.14	32.64	-7.1%	32.0%
Sweden	krona	12.08	12.76	11.58	-9.2%	-4.1%
<b>UK Sterling Effective Rate</b>		<b>87.94</b>	<b>91.28</b>	<b>78.26</b>	<b>-14.3%</b>	<b>-11.0%</b>

Table 3: G20 currencies' performance against the UK pound, December 2015 – December 2016

Country	Currency	£1 buys, 19th December 2014	£1 buys, 18th December 2015	£1 buys, 20th December 2016	1 Year % change	2 Year % change
Turkey	Lira	3.62	4.34	4.35	0.3%	20.3%
Mexico	Peso	22.82	25.30	25.25	-0.2%	10.6%
Argentina	Peso	13.37	19.94	19.57	-1.8%	46.4%
China	renminbi	9.73	9.65	8.59	-11.0%	-11.7%
EU	Euro	1.28	1.37	1.19	-13.3%	-6.6%
India	Rupee	98.95	98.91	84.04	-15.0%	-15.1%
South Korea	Won	1,723.09	1,761.87	1,474.15	-16.3%	-14.4%
USA	Dollar	1.56	1.49	1.24	-17.0%	-20.9%
Saudi Arabia	Riyal	5.87	5.59	4.63	-17.0%	-21.1%
Australia	Dollar	1.92	2.07	1.71	-17.8%	-11.1%
Japan	Yen	186.74	180.96	145.86	-19.4%	-21.9%
Indonesia	Rupiah	19,529.37	20,722.22	16,586.99	-20.0%	-15.1%
Canada	Dollar	1.81	2.07	1.65	-20.1%	-8.8%
South Africa	Rand	18.10	22.43	17.37	-22.6%	-4.1%
Russia	Rouble	92.36	105.26	75.81	-28.0%	-17.9%
Brazil	Real	4.14	5.80	4.16	-28.4%	0.3%
<b>UK Sterling Effective Rate</b>		<b>87.94</b>	<b>91.28</b>	<b>78.26</b>	<b>-14.3%</b>	<b>-11.0%</b>

Source: Thomson Datastream. Note: G20 also includes Germany, France and Italy, as well as the EU. All use the euro.

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