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Mixed year for the pound

- Sterling falls against 11 of the 16 G20 currencies
- US dollar exchange rate remains stable while pound rises against the Chinese renminbi and Japanese yen
- Egypt offers best value for money for holiday seekers looking to make their money go further

The pound has had a mixed performance against the world's major currencies over the past year¹, according to latest research from Lloyds Bank Private Banking. During the last 12 months the pound declined in value against 40 of the 60 currencies analysed and increased against 20. This shows an improvement from the period January – December 2016, where the pound was out performed by 56 of the 60 currencies analysed.

Zambian kwacha and the Iceland krona best performing currencies against the pound

While the strong Euro has understandably been making the headlines, it's the Zambian kwacha and Icelandic krona that have been the top performing currencies against the pound over the past year, rising by 14%. This marks a huge turnaround as just two years ago, the kwacha was the worst performing currency against the pound. Improving economic conditions and improved agricultural output has led to increased investor confidence in the Zambian economy and a stronger kwacha. The Icelandic krona declined during the financial crisis in 2008. However this led to an increase in exports and tourism, which, along with a growing economy, has helped drive up the value. The Mozambique metical (11%), Russian rouble (10%), Serbian dinar, Poland's zloty and Hungarian forint (all 8%) have been the next best performers. (See Table 1)

Soaring inflation hits the Egyptian pound

The worst performing currency in the past year was the Egyptian pound, which has fallen in value against the pound by 100%. The Egyptian pound was devalued towards the end of 2016 in order to stabilise the economy. As a consequence, inflation, which was already high, has been averaging 30% this year.

The Uzbekistan som is the next worst performer, falling by over a third (36%) in the past year. The next largest falls were the Turkish lira and Argentine peso which have fallen in value by 17%. Security fears and a slowing economy, including high inflation, have helped drive the Turkish lira to lows in 2017 not seen in the last decade. The Argentine peso has, for a number of years, suffered from a contracting economy and high inflation.

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Those who like their long-haul exotic holidays will find their money goes further in Sri Lanka and Malaysia where the rupee and the ringgit have fallen by 5% and 4% respectively since July 2016. (See Table 2)

Pound underperforms 11 of the 16 currencies in the G20² group of economies

Amongst currencies in the G20, the pound has seen the largest fall against the Russian rouble (10%) over the past 12 months. The next largest falls have been against the euro (6%) and the South African rand (5.5%). The Russian rouble has strengthened on the back of rising oil prices in the latter half of 2016, a significantly lower inflation rate and improved relations with the US. Stronger economic growth in the EU zone has helped drive the euro to higher levels. A significant narrowing of South Africa's current account deficit caused by slowing imports and firmer exports following the recovery in commodity prices have been key factors in driving up the rand.

The pound has also fallen against the Australian dollar, Mexican peso, Indian rupee and Canadian dollar by 5% to 5.5% in the past year.

The pound has been virtually unchanged against the US dollar, but has grown against Japanese yen (7%), the Indonesian rupiah (1%) and the Chinese renminbi (0.4%). (See Table 3)

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

"Sterling has had a very mixed performance over the past year. Understandably the pound has appreciated against those economies that are facing problems, especially high and persistent inflation such as Egypt, Uzbekistan, Turkey and Argentina.

"UK travellers going on long-haul destinations, such as the Philippines, Sri Lanka and Malaysia will have benefited from the further strengthening of the pound. However those going to parts of south east Africa and Eastern Europe won't see their money go far.

"British expats living and working abroad are also seeing a mixed picture. Those earning a salary in the most popular destinations of Australia or Spain are seeing an increase in their spending power on their return to the UK."

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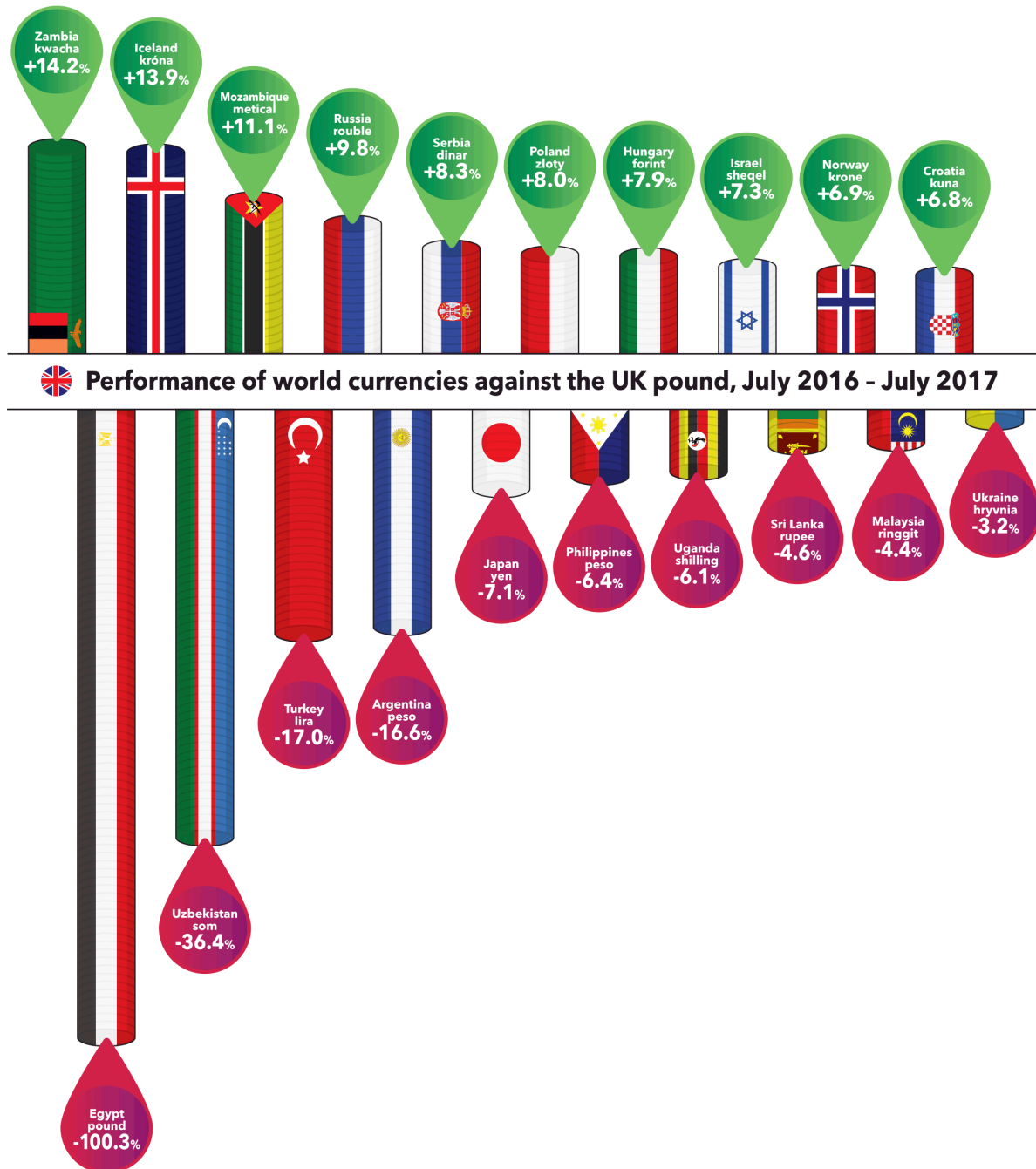
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PRESS RELEASE

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Table 1: Currencies with the largest rises against the UK Pound, July 2016–July 2017

Country	Currency	£1 buys, 29th July 2016	£1 buys, 31st July 2017	1 Year % change
Zambia	kwacha	13.68	11.73	14.2%
Iceland	króna	157.03	135.14	13.9%
Mozambique	metical	90.62	80.56	11.1%
Russia	rouble	87.90	79.31	9.8%
Serbia	dinar	146.47	134.31	8.3%
Poland	zloty	5.17	4.76	8.0%
Hungary	forint	369.28	340.28	7.9%
Israel	sheqel	5.06	4.69	7.3%
Norway	krone	11.18	10.42	6.9%
Croatia	kuna	8.89	8.29	6.8%
UK Sterling Effective Rate		79.65	77.03	-3.3%

Table 2: Currencies with the largest declines against the UK Pound, July 2016–July 2017

Country	Currency	£1 buys, 29th July 2016	£1 buys, 31st July 2017	1 Year % change
Egypt	pound	11.79	23.62	-100.3%
Uzbekistan	som	3,935.34	5,366.18	-36.4%
Turkey	lira	3.97	4.65	-17.0%
Argentina	peso	20.00	23.32	-16.6%
Japan	yen	136.07	145.67	-7.1%
Philippines	peso	62.55	66.52	-6.4%
Uganda	shilling	4,487.63	4,760.56	-6.1%
Sri Lanka	rupee	193.58	202.43	-4.6%
Malaysia	ringgit	5.40	5.64	-4.4%
Ukraine	hryvnia	32.94	34.00	-3.2%
UK Sterling Effective Rate		79.65	77.03	-3.3%

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Table 3: UK pound performance against G20 currencies, July 2016–July 2017

Country	Currency	£1 buys, 29th July 2016	£1 buys, 31st July 2017	1 Year % change
Russia	Rouble	87.90	79.31	-9.8%
EU	Euro	1.19	1.12	-5.8%
South Africa	Rand	18.41	17.39	-5.5%
Australia	Dollar	1.75	1.65	-5.5%
Mexico	Peso	24.88	23.53	-5.4%
India	Rupee	88.94	84.57	-4.9%
Canada	Dollar	1.73	1.65	-4.8%
Brazil	Real	4.29	4.12	-4.0%
South Korea	Won	1,487.22	1,475.30	-0.8%
Saudi Arabia	Riyal	4.98	4.94	-0.7%
USA	Dollar	1.32	1.32	-0.1%
China	renminbi	8.84	8.87	0.4%
Indonesia	Rupiah	17,390.88	17,565.70	1.0%
Japan	Yen	136.07	145.67	7.1%
Argentina	Peso	20.00	23.32	16.6%
Turkey	Lira	3.97	4.65	17.0%

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

Editors' Notes:

¹Based on a survey of 60 currencies covering the period July 2016 to 31 July 2017; rates are averages for the trading day.

²The 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.

Data in this release is from Thomson Datastream (as supplied by WM/Reuters) with closing rates as quoted on 31 July 2017.

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