

**Why a weaker pound has failed to turbocharge the UK economy** [Read article here](#)

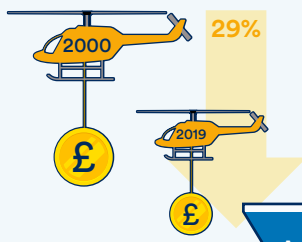
**£ The pound is under pressure - and may fall further if the UK leaves the EU with no deal**

The fall in sterling should have rejuvenated industry and boosted exports

- Exports would become cheaper to overseas buyers
- Faster exports would boost growth



Despite 29% sterling depreciation since 2000\*:



- UK's export market share of world trade has fallen
- Many large multinationals have kept their prices unchanged overseas, boosting sterling profits, but not leading to an increase in exports

And, without an increase in exports, the expected benefit from currency depreciation is lost

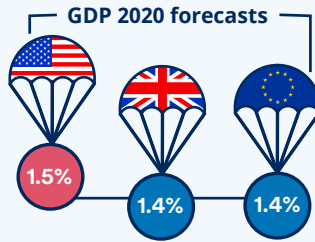
Source: Refinitiv Datastream, Schroders Economics Group. 29 July 2019.

**The fiscal fix** [Visit our Insights page here](#)

**Growth concerns and ultra low bond yields**

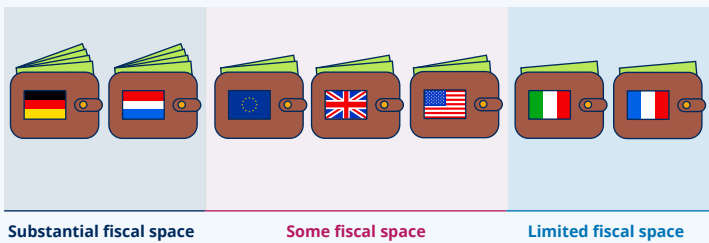
are driving the move toward fiscal policy: the use of government spending and tax policies to influence economic conditions

IMF (International Monetary Fund) analysis indicates fiscal space in advanced economies:



So, some politicians are spending to boost growth:

- The White House and Congress reached a deal on US debt ceiling allowing stronger federal spending
- New UK PM, Boris Johnson, marks a shift from austerity with significant plans for tax cuts and spending increases



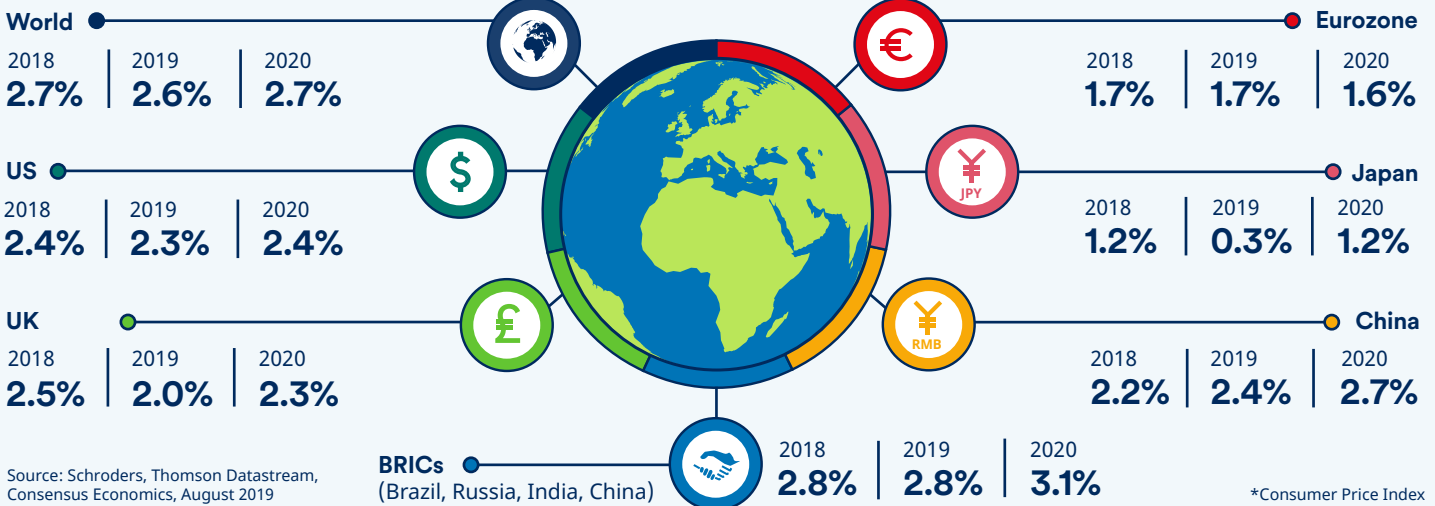
Substantial fiscal space      Some fiscal space      Limited fiscal space

**However, the eurozone has eschewed fiscal policy**

Germany and Netherlands intend to continue to run substantial budget surpluses - where income exceeds expenditure

Source: Refinitiv Datastream, IMF, Schroders Economics Group. 26 July 2019.

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Source: Schroders, Thomson Datastream, Consensus Economics, August 2019

\*Consumer Price Index

Source: Schroders as at August 2019.

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