

As some of you may be discovering it isn't a great time for UK holiday makers to go on holiday in the USA or Europe. As the value of the pound against both the dollar and the euro has weakened it has meant that it is more expensive to buy goods abroad (remember as a tourist going abroad we are an import because the money goes out of the UK and into the foreign country). Could this weak pound be good for the UK economy as a whole?

The exports cheap part will bring cheer to the many British firms who produce goods to sell abroad as they will be artificially more competitive in international markets. The main problem however is that many of our trading partners are also in recession and therefore their aggregate demand has fallen. Of course the problem with a weak pound is the cost push inflation that it can create because imported raw materials and semi-finished goods are more expensive.