

A tale of Christmas Shopping

Where might you go with your sterling?



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As Autumn gives way to Winter, thoughts inevitably turn towards the festive season and those exciting weeks leading up to the Christmas holiday. For the majority of us it is a time to savour: spending time with friends and family, over-indulging on food and drink, reflecting on the time just past and looking forward to the dawn of a New Year. And who will not spend at least a few hours agonising over what to buy for our loved ones?

While many of us are quite content to do our shopping locally, in recent years it has also become increasingly enjoyable to go on pre Christmas shopping trips abroad. Taking advantage of favourable exchange rates to grab some bargains, whether in Europe, the States or beyond. But with all the turmoil going on in the global economy and Central Banks flooding the banking system with 'quantitative easing', where can we go to get the best value for our sterling?

When we talk about foreign exchange rates, we are simply looking at the value of one currency in terms of another. There are numerous factors which can impact on the relative strength of a country's currency against another, including the level of inflation and interest rates, the economic outlook and the policies being adopted by the Government and Central bank of the day.

For Christmas bargain hunters, the fear of contagion in the Eurozone has provided some much needed support for sterling. So anyone planning a weekend trip to Dublin, Paris or Milan, the exchange rate has improved but only very slightly. When one takes into account the tourist rates, the euro rate falls to below 1.10 to the pound, which brings the price of a festive pint of Guinness in Dublin close to £5 – cheers!

My wife tells me that New York is a great place for a pre Christmas trip, with the ice rink outside the Rockafella Centre, immersing oneself in Bloomingdales and Maceys or taking a bus trip to the huge outlet centre at Woodbury Common. Unfortunately, while the US economy remains fundamentally weak, the dollar is the World's reserve currency and is still viewed as a safe haven in times of trouble. So the Euro's weakness has benefitted the dollar, which has also strengthened against sterling. So visitors to the States can currently get around \$1.58 to the pound, somewhat below the 2011 high of \$1.67 in April. On the positive side, the food portions in America are very generous but visitors should beware of the 'tipping' culture in the States, which is typically 15%-20% on everything!

Shoppers who might be planning a short hop across to Switzerland to enjoy the delights of snowy Geneva or Zurich will no doubt be very pleased with sterling's recent recovery from a multi-year low against the Swiss Franc, all brought about by the Swiss Central Bank's decision to 'peg' its exchange rate at SFr 1.20 to the Euro. Having been as low at SFr 1.14 to the pound in August, visitors can now get SFr 1.40 although in a broader context this is still poor - last year one pound bought closer to SFr 1.70. Perhaps the authentic cuckoo clock for Mum will have to wait for another year.

Wherever you may travel in the run up to Christmas this year, it is worth keeping an eye on the exchange rate as it can clearly have a big impact on the overall cost of your trip. But try not to let that detract from the magic that this special time of the year has to offer.

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