

## ECONOMIC DRIVERS – SEPTEMBER 2017

### Exchange Rates



The step change that was seen in the value of sterling during the summer of 2016 is now starting to work itself out of the system when simply looking at year-on-year comparisons. Although marginal in nature the uptick in UK inflation has pushed sterling to its strongest level against the US dollar so far in 2017.

Jersey receives few visitors from the USA, but many from France and Germany, and all of these can still buy £1 for €1.11 meaning that Jersey remains more affordable in relative terms than has been the case for most of the past decade.

### Consumer Confidence



After its positive spike following the French presidential election consumer confidence in France has once again slipped back into negative territory. Germans remain on balance upbeat about the future, but here too the situation is a little less positive than was the case a few months ago.

There remains little sign of Brits becoming more positive, this despite the low level of unemployment.

### Unemployment



While French unemployment has nudged back towards double-digits, in both Germany and the UK the rate continues to fall. Indeed, the latest 4.3% figure for the UK has fallen from 4.9% to 4.3% in the past twelve months and is now at its lowest since 1975. The inactivity rate (that's the proportion of people aged from 16-64 who were economically inactive) stood at 21.2%, the lowest since comparable records began in 1971.

### UK Inflation

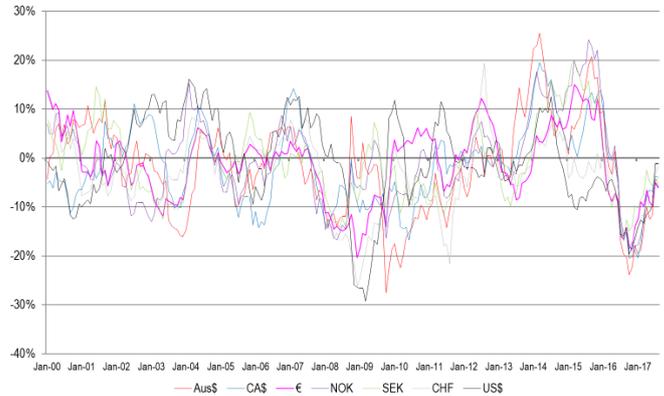


The rate of consumer price inflation has climbed to 2.9%, with increasing petrol and clothing prices behind the increasing rate according to the Office for National Statistics. Of course, the underlying cause of these increases is the fact that the sharp fall in the value of sterling seen in 2016 is now feeding through to the price paid by consumers for imported commodities.

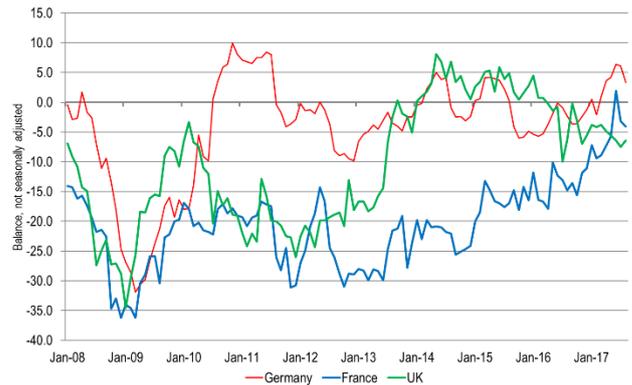
With Hurricane Harvey having disrupted oil production in the Gulf of Mexico and continued geopolitical tensions on the Korean Peninsula it is unlikely that oil will dip much below its current \$54 per barrel in the short-term.

The rising rate of inflation is still not expected to lead to an immediate increase in UK base rates, with most analysts now reckoning on a ¼ point rise in late spring 2018.

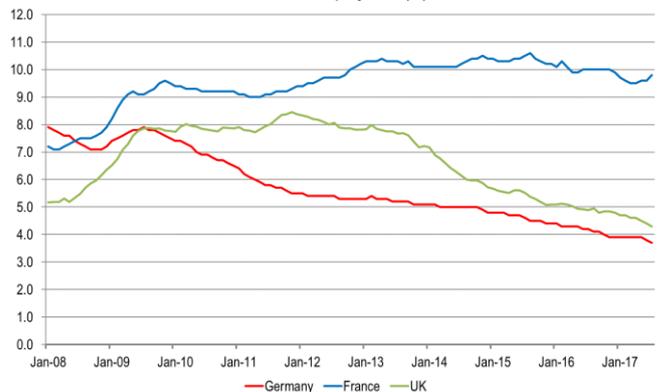
Annual change in cost of Sterling



Consumer Confidence



Rate of unemployment (%)



UK Consumer Price Inflation

