



Soros Says Pound Devaluation Is Option for Next U.K. Government

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By Jennifer Ryan

April 10 (Bloomberg) -- Billionaire investor **George Soros** said the next U.K. government after the May 6 election should decide whether to allow a further devaluation of the pound to rebalance the economy and assist the recovery.

Britain "has more room to use exchange rate adjustments as a way of adjusting the economy" than do nations that use the euro, he said in an interview yesterday in Cambridge, England. "It's a question for the next government to decide. It has a number of options, of which a currency depreciation is one."

The pound has dropped about 25 percent on a **trade-weighted basis** since the start of 2007, making exporters' goods less expensive overseas. Bank of England policy makers are counting on sterling's weakness to aid the recovery and rebalance the economy away from domestic spending at a time when the nation faces a record **budget deficit**.

"It's a question now of, if you now cut the budget deficit and borrow less, you could probably keep the currency, raise the interest rate, you could keep the currency from going down," he said. "Britain, by having kept out of the euro, has that option of allowing the exchange rate to adjust."

Soros made \$1 billion in 1992 betting against the pound. In January 2009, a month when the pound reached as low as \$1.3506, he said that a bet on its decline "was one of the positions we carried," though the "risk-reward was no longer clear" after it dropped below the \$1.40 level. Sterling was at \$1.5367 at the close in London yesterday.

'Difficult Situation'

Soros said that history shows Britain still has room to borrow more to bolster its public finances. Its debt levels have been higher, and Japan's 10-year borrowing costs are about 1.5 percent even after its debt load swelled, he said.

"Probably Britain is not at the limit of its borrowing capacity," he said. Still, "Britain is in a very difficult situation."

At about 12 percent of **gross domestic product**, the U.K. deficit rivals that of Greece. Net debt climbed to 60.3 percent of GDP in February.

"It has had a really serious jump in its indebtedness because its had to take over the debt of the banks that are in trouble and also the financial industry's a very large part of the economy," Soros said.

Soros Fund Management LLC manages about \$25 billion. The firm increased its investment in SPDR Gold Trust, the world's largest exchange-traded fund for the metal, by 152 percent in the fourth quarter. Soros told Reuters in an interview in January that he didn't trade himself.

Soros was attending a conference organized by the Institute for New Economic Thinking in Cambridge.

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