

Pound falls amid political uncertainty and weak economic data

The pound has slid to its lowest level this week as downbeat economic data and the prospect of political uncertainty increased nervousness in the financial markets.

[Sterling](#) fell by 1.16% to 1.110 against the US dollar on Friday morning. The pound was also down 0.64% at 1.14 against the euro.

However, by the end of the day it had managed to claw back its losses and was back up by 0.56% against the dollar to 1.1298.

The cost of Government borrowing increased as yields on gilts, [UK Government](#) bonds, rose by around 2%, or 0.08 percentage points, to 4.04%.

The poor performance by the pound and stocks in London has been partly caused by weaker-than-expected economic data.

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Earlier on Friday, official figures showed that Government borrowing struck £20 billion last month, more than £2 billion more than economists had expected.

The increase in borrowing has been driven by higher debt interest due to rising inflation.

Meanwhile, the [Office for National Statistics](#) revealed that retail sales slipped by 1.4% last month, which was notably worse than the 0.5% decline a consensus of experts had predicted.

The pound had a strong Thursday as it moved higher following Liz Truss's announcement that she will resign as [Prime Minister](#) following a 44-day spell in charge which resulted in turmoil across the markets.

These gains fell away on Friday as traders await certainty, particularly ahead of the fiscal announcement and Office for Budget Responsibility (OBR) forecasts due on October 31.

Matthew Ryan, head of market strategy at Ebury, said: "Even following Truss's resignation the pound is not out of the woods just yet, with sterling giving up much of its gains yesterday afternoon.

"Uncertainty in British politics remains rife, which will do little to inspire confidence in UK assets.

"The next Prime Minister and Tory leader is expected to be chosen by next Friday.

"There have been reports that [Boris Johnson](#) is ready to throw his hat back in the ring, but we see another stint for the former PM as highly doubtful."