



Would Grexit Cause the € to Collapse?

by Sue Cook

"I know a Grexit has been averted, at least for the moment – but is there a risk that the € could collapse if Greece leaves the €zone? And what would happen to my regular transfers from Sterling, e.g. my pension?" I.S.

This is a great question to which there is, unfortunately, no clear answer. The currency markets can be volatile at the best of times, and the situation in Greece just makes them more unpredictable. As you say, the collapse of the € is one possible outcome of a Grexit, but it may not be that simple (don't worry, though – we're here to help).

Scenario 1

Greece leaves the € and goes back to the Drachma. The process goes relatively smoothly and the €, which is no longer held back by Greece's problems, increases in value without doing too much damage to €zone economies that rely on exports (like Germany's).

Your Sterling-to-€ pension transfers will leave you with less money. Adding to your problems will be the difficulty of judging exactly how much less money you'll have – the value of the € is likely to change on an almost daily basis, as the markets adjust to a newly-buoyant €.

Scenario 2

Greece's departure from the €zone has disastrous consequences for the economies of most other countries using the €, and the value of the € itself drops.

A severely weakened € might see you get more out of your Sterling-to-€ transfers, but you'd need to keep a close eye on the value of the Pound anyway. It's very unlikely that the UK would escape taking a hit from such widespread economic chaos.

Scenario 3

Very little changes because the market had already "priced in" the effect of a Grexit. You'd end up with roughly the same amount you're getting now, but I think you'll agree that this scenario seems the least likely!

Fortunately, you can take steps to minimise the risk of any of these outcomes. With a Rate Watch you can tell us what exchange rate you're interested in, and what you think is an acceptable deal. One of our friendly experts will monitor the markets for you, and notify you when the rate you want becomes available.

It's just a great way to keep abreast of what's happening in the currency market, so you know when the best time is to start moving your money. We'd be happy to talk to you about your options.

We offer a secure money transfer service, run by a friendly team of experts who are only a phone call away whenever you need us.

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