

Expats pensioners feel the pinch as pound falls

By Ian Sparks in Valbonne

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 Changing costs
Costs in UK pounds, April 2007 compared with now:
FRANCE
Cafe au lait in a market square: 2.50 euros: Then £1.70 / Now £2.00 (rise of 15%)
ITALY
Glass of grappa in bar : 2.00 euros: Then £1.30, now £1.58 (rise of 17.8%)
AUSTRALIA
Pint of lager in beach bar: \$4.33 AUD: Then £1.79, now £2.00 (rise of 10.5%)
SOUTH AFRICA
1kg of biltong (dried meat) in a supermarket: 126 SA rand: Then £8.82 , now £8.00 (fall of 9.3%)
NEW YORK
Tall Starbucks latte: \$2.50: Then £1.28 , now £1.27 (fall of 0.8%)

The expats who gather at weekends in the small cobbled market square of Valbonne, just up the road from Cannes, are usually a contented lot, reminiscing about the bad old days as they enjoy the mellow evening sunshine over a glass of the local grape.

But this weekend there is an air of gloom hanging over the cafés and bars that has nothing to do with the unseasonal cold and rain.

For the army of Britons who have retired to this tranquil Provençal town, prices have in effect soared by 17.6 per cent over the past 12 months, as the pound's value has slid steadily against the euro. Last week, the exchange rate dipped to €1.25 to the pound for the first time.

Retail prices are close to what they were this time last year: a three-course lunch with a carafe of decent vin de pays is €21, just over half a euro more than it was a year ago; a café au lait on the terrace of the local bar still costs €2.50, a glass of Pastis €3 and a British daily paper about €4.

But, because of the weak pound, the same popular fixed-menu meal now eats £16 out of their British pensions and savings, compared with less than £14 last spring.

In April last year, £100 was worth €147, but today the same sum converts to just €125 - creating a painful cash squeeze for many of the estimated million British expatriates living in the eurozone. A Mediterranean lifestyle that took about €100 a day to maintain would cost almost £4,500 more per year.

Britons, of whom a record 250,000 emigrated last year, are reining in on the rosé and long lunches as the fallout from the global credit crunch hits their once-charmed overseas existences.

It may not be Zimbabwean hyper-inflation, but the sudden price rises have left those who rely on sterling feeling either that Britain should have joined the euro years ago, or that they had should have moved to a country such as South Africa or America, where the currencies have done even worse than the pound.

Sitting in Valbonne's Café des Arcades, David Dobson, 59, who retired to the Côte d'Azur with his wife, Karen, six years ago, said he and his circle of expat friends felt "helpless".

"There is nothing we can do about it," he said. "Everything we buy, from food and drink to petrol, clothes or even paying the cleaner, costs a lot more.

"We don't expect the Government's monetary policy to put the problems of expatriates like us above those of people living in the UK, but at the same time it hurts. We are trying hard to make savings where we can. I have given up sailing lessons and my wife has agreed not to go to the hairdresser so often."

Shopkeepers and tradesmen in Valbonne are also worried that the weakness of the pound could hit their takings, especially in summer. Gerard Letrappe, a café owner, said: "Valbonne is very popular with the British, and if they have less money to spend, we suffer too. We are hoping we will get more wealthy Dutch and Germans, who earn in euros, coming this year instead."

Not only have the sterling costs of food shopping, meals out and petrol shot up, but so have more major expenses like utility and telephone bills, local taxes and mortgage repayments, right across the eurozone.

Gwilym Rhys-Jones, the secretary of the Costa del Sol Action Group, a consumer protection organisation representing expats in southern Spain, said it was the worst situation he had ever known.

"The pound has sunk so low against the euro that we are really getting a hammering," he said. "Those people who live off earnings gained in the UK are facing a significant drop in the amount they have to spend here. It is just about the worst it has ever been."

The situation has been made worse by inflation in Spain, which has led to a significant rise in the euro price of everyday goods. "The weekly shop is costing as much as third more than it did a year ago, and if you consider what you are losing on the pound that really hurts," he said.

"Retired people living off a British state pension here are particularly feeling the pinch."

Mary MacKechnie, 73, who retired to Marbella with her husband 20 years ago and is president of the British Association of Marbella, said: "We are having to tighten our belts. Thank goodness most of the people we know are retired and bought their homes outright. Those with mortgages to pay are really struggling."

Ken and Joan Dewar, both 79, retired to the south of France 16 years ago on a standard British pension, now worth around £190 a week, topped up with a much smaller sum from a private scheme.

The growing value of the euro means that the buying power of their main pension has dipped from €279 to €237 a week. They own their own home in the Provençal village of Les Adrets, near Cannes, but have recently found their lifestyle is no longer as comfortable as it used to be. "We are having to make cutbacks in as many areas as we can," said Mrs Dewar.

"This means we drink cheaper wine and eat out less. We are also much stricter with ourselves when we go food shopping, and can make back some of the money by choosing cheaper items. We're watching our phone and electricity bills a lot more carefully too, but there's not so much we can do about those. A euro always used to be worth about 70p, but now it's 80p, which is a big difference when you're living on a fixed sum."

Her husband added: "Things have been getting tighter and tighter over the past year. We're just praying the pound regains some value."

Graham Dobson, 58, and wife Kate, 52, retired to Florence in Tuscany two years ago on savings and a private pension which gives them an income of £2,600 pounds a month. They are about €600 (£480) a month poorer than they were last April.

Mr Dobson said: "We have had to make economies to compensate for the loss. The first thing we did was sell our BMW, when the euro hit 75p in January. We bought a little Fiat instead. Now the euro is at 80p, I'm very pleased we did that. We buy wine direct from a local vineyard and we eat out a little less, which is also good for the waistline."

It's not just expats who are suffering from the buoyant euro. Among those hit are also foreign exchange students in rented accommodation, struggling to eke out their British bank loans and grants to survive their year abroad.

Sterling expats are hoping that pressure will grow for lower European interest rates, which would cause the single currency to weaken.

In the meantime, there is still one advantage to a strong euro. Britons who have bought homes abroad have seen their properties in effect grow in value by almost a fifth. If they could only give up the sunshine and sell up, they could return to Britain better off than when they left.