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Four ways the UK can take advantage of a weaker pound

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The Great British Peso. The Brexit Lira. In the financial markets, the more humorously inclined traders already have lots of new nicknames for sterling.

The currency's fall has certainly been dramatic.

It is now the second worst-performing mainstream currency in the world this year, second only to another peso, the Argentinean one.

That may be a reaction to what looks likes a hard Brexit, or a long-overdue correction for a country with a vast trade deficit.

What we know for certain is that it will make our imports more expensive, and our exports more competitive. But past devaluations have often been squandered on higher public spending and higher wages.

To capitalise on this one, we need to find ways of targeting industries that can exploit a cheaper pound, to encourage a wave of inward investment, to make sure our workers have the skills to replace the people who will no longer want to work here, and to enable our vibrant service sector to sell more to the rest of the world.

A cheaper currency can help an economy a lot – but only if it is handled in the right way.

We have a lot of experience of devaluations.

At the opening of the 20th century, a pound bought you $4.87. When the Labour prime minister Harold Wilson was forced into a humiliating devaluation in 1967, it went down to $2.40.

It lost even more value through the currency crises of the 1970s. Now, in the aftermath of the vote to leave the EU, it is on the slide again.

Last week, it was driven down to the 31-year low of $1.24, and the rout shows no sign of stopping. Lots of economists are forecasting it could hit $1.10 by the end of the year, and if the markets panic it could easily drop all the way to parity. That would be an all-time low.

There will be lots of anxiety about that. But in fact, devaluation can be a good thing.

Central banks have been trying to engineer their currencies down for five years. The International Monetary Fund recommends it as part of its package for economies in trouble.

The trouble is, past devaluations of sterling have not always led to greater competitiveness.

In the 1960s, they were a cover for higher government spending.

In the 1970s, they were an excuse for an inflationary wage-price spiral that left nobody better off. This time, we should make sure a cheaper pound strengthens our economy.

Here are four good places to start.

First, let’s focus on core export industries where price makes a difference

We sell a lot of pharmaceuticals, but they are not price sensitive. Ten per cent here or there does not make a lot of difference to which medicine you prescribe.

But our largest single export by value is now cars – we sell $46bn (£37bn) of those abroad every year.

With a cheaper pound, the likes of Jaguar and Land Rover should make real progress against BMW and Lexus – indeed, the German manufacturers must be feeling a little queasy at the thought of tariffs in retaliation for our audacity in leaving the EU on top of the currency movement.

Likewise, our biggest net export by value is Scotch whisky. That is now going to be a lot cheaper against brandy or bourbon or any other high-end spirit. We should help distillers to expand and conquer new markets. If people get a taste for British cars and drinks again, that will last a long time.

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Next, let's encourage a fresh wave of inward investment

It looks like we are going to lose the advantages of being in the single market, which was a powerful incentive for global companies to base themselves here.

But, heck, we just became far, far cheaper, and, to make it even better, we have the lowest corporation tax of any major economy as well.

If overseas companies want to set up in this country, or buy our companies, then great. The more the better. In the last decade foreign investors have rebuilt half of London – let's get them to rebuild Manchester and Leeds as well. And if at least three FTSE companies haven't been sold in the next year, we should count that as a failure.

Thirdly, we need to learn how to rely less on imported labour

It is a huge mistake to discourage anyone who wants to work here, and can get a job, from coming.

But as a simple matter of mathematics, this is now a far less attractive country to work in.

For a Bulgarian scaffolder, the pounds he is sending back to his family are no longer worth nearly so much.

At the margin, some of those people are going to go elsewhere.

We need to start anticipating that and improving our own skills so we can replace them.

The unemployment rate for 16 to 24-year-olds not in education or training is still running at 12pc despite a booming jobs market – a lot more of them need to working, and especially the young men.

The employment rate for the over 65s has doubled over the past 30 years, but is still only 10.4pc.

If we can get more of those people working, at what are now globally very competitive wage rates, the economy will benefit hugely.

Finally, we need to work out how to sell more services

The UK is never going to be a major manufacturing nation again regardless of how cheap the pound gets. But services are our fastest growing export, and there are sectors where we lead the world such as consultancy, design and law.

Our overall export of services hit £119bn in 2014, the latest date for which figure have been published, and are growing at 2pc annually.

We should be focusing on making the UK the world's legal centre, and a hub for design and engineering services. One example.

London is already known as the divorce capital of the world.

That isn't always pretty work but, as any family lawyer will tell you, it is certainly lucrative. We should build on that, and make the UK a hub for any kind of dispute settlement – and that will be easier now that our experts are cheaper in global terms.

Whether you happen to be a Remainer or Brexiteer, there can be no question that leaving the EU has been a significant economic shock. It is going to require an adjustment.

The re-pricing of sterling will be part of that – indeed, the Greeks and the Italians would be a lot better off if they still had the ability to adjust their currency to changing economic circumstances.

But a devaluation is certainly not an automatic panacea – if it were, Argentina and Zimbabwe would be the leaders of the global economy.

It can help, and help a lot – but only if it is used in the right way, to buy a breathing space to restructure, and to build new export industries.