



30th November 2016

## Response to National Customer Board action to provide a statement on exchange rates to suppliers

The NHS is facing a critical financial situation. The budget shortfall is reaching £3bn, with 75% of all providers and 95% of acute trusts now in deficit.

We are aware of purchasing organisations being approached by suppliers with a desire to increase prices following a decline in the strength of the pound over recent months.

Whilst we acknowledge that the strength of the pound has fallen, the average pound to euro exchange rate for 2016 is at a level that is either broadly the same as or above the average rate for each of the last ten years, with the exception of 2007 and 2015.

We do understand that the change in the USD exchange rate is currently more marked than that of the Euro. However, exchange rate is only one of many factors that go into pricing calculations, including changes in raw materials costs, currency fluctuations and oil prices, amongst others. For example, the price of oil has fallen over recent years, which we would expect would reduce costs for suppliers of rubber products and those with a heavy reliance on transportation. It has often been the case in the past that suppliers have benefited from more favourable changes in exchange rates.

It is the Department's view that it is the responsibility of suppliers to manage these sorts of risks in their supply chain and to honour the prices to which they committed when bidding to join frameworks. We encourage purchasing organisations to remind suppliers of this responsibility if approached for similar price increases.

Trend of Oil Price and GBP exchange rate (Euro/ US dollar)

