April sees further slight fall in consumer spending

Headline Findings:

**Consumer spending** falls -0.5% on the year in April

**Face-to-Face** spend edges back into growth territory (+0.1%), but decline in **eCommerce** (-0.4%)

**Food & Drink** best performer (+4.7%), but **Clothing & Footwear** sees steeper decline (-4.7%)

Adolfo Laurenti, European Principal Economist, Visa, commented:

“Consumer spending remained tentative in April, but we noticed some encouraging green shoots: an improvement in face-to-face transactions, a weakening in macroeconomic headwinds, and some robust gains in several sectors and categories, such as Food & Drink (+4.7 percent increase in spend compared to April 2018), Hotels, Restaurants & Bars (+3.7 percent), and Household Goods (+2.7 percent). While the economy continues to face some challenges in the near term, it appears the consumer is selectively re-engaging, buoyed by gains in real wages and the positive developments in the job market.”

Annabel Fiddes, Principal Economist at IHS Markit, said:

“Consumer spending trends remained relatively subdued in April, according to latest Visa CSI data, amid an increasingly murky political and economic outlook for the UK. Overall, expenditure declined by -0.5 percent compared to a year ago, which marked the seventh month in a row that spend has fallen. However, the softer reductions in March and April compared to the start of 2019 provide some hope that spending could stabilise soon.

Nonetheless, an uncertain outlook has weighed heavily on consumer sentiment in recent months, which remained close to a six-year low in April. At the same time, the IHS Markit PMI surveys show that the economy is struggling to expand as firms face a combination of heightened uncertainty and signs of weaker growth across global markets.”

Visa's UK Consumer Spending Index, compiled by IHS Markit, pointed to a further marginal decline in overall household spending at the start of the second quarter. Expenditure fell -0.5% on an annual basis during April, which was slightly quicker than the -0.2% reduction seen in March. Consumer spending has now fallen in each of the past seven months.

Spending split by channel pointed to a fractional increase in Face-to-Face expenditure (+0.1% year-on-year), which marked the first increase since last September. In contrast, spending via eCommerce fell slightly during April, down -0.4% compared to a year ago.

(Continues overleaf)
Visa’s UK Consumer Spending Index

(Continued from page 1)

The timing of the Easter holidays compared to last year impacted sector performances during April, as the splits are not adjusted for seasonal factors.

Food & Drink retailers posted the best performance in April, and saw a solid +4.7% increase in spend compared to April 2018. Hotels, Restaurants & Bars (+3.7%) and Household Goods (+2.7%) also registered strong rises in expenditure.

Meanwhile, spend across Clothing & Footwear sectors declined by -4.7%, to mark the second-worst performance for a year-and-a-half. Expenditure on Transport & Communication also fell solidly (-3.6%), and for the tenth month in a row.

eCommerce and Face-to-Face Spend

Household spending fell slightly through eCommerce channels in April, declining -0.4% compared to the same month last year. This followed a +0.5% rise in March, and marked the third time in four months that expenditure via this channel has fallen.

Face-to-Face expenditure meanwhile rose marginally for the first time since last September. This contrasted with a -0.7% fall at the end of the first quarter.

Spending by Sector

Visa’s UK Consumer Spending Index monitors eight broad sectors. Summary data for annual growth rates in February, March and April, which are not adjusted for seasonality and trading days, are provided in the table opposite.

Of the five categories that noted lower expenditure compared to a year ago, the steepest reductions were seen in Health & Education (-5.6%) and Clothing & Footwear (-4.7%). Notably, the latter recorded the second-quickest rate of decline for a year-and-a-half (after February 2019). Reduced spending was also noted in Transport & Communication (-3.6%), Misc. Goods & Services (which includes health, beauty and jewellery) (-2.7%) and Recreation and Culture (-2.6%).

Food & Drink categories meanwhile saw a solid rise in spending (+4.7% on the year), which also marked the first increase for three months. Hotels, Bars & Restaurants (+3.7%) and Household Goods (+2.7%) also saw strong upturns in expenditure.

### Annual Growth Rates By Sector

<table>
<thead>
<tr>
<th>Broad Sector</th>
<th>Feb’19</th>
<th>Mar’19</th>
<th>Apr’19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, Beverages &amp; Tobacco</td>
<td>-0.6%</td>
<td>-3.4%</td>
<td>+4.7%</td>
</tr>
<tr>
<td>Clothing &amp; Footwear</td>
<td>-5.1%</td>
<td>-0.8%</td>
<td>-4.7%</td>
</tr>
<tr>
<td>Household Goods</td>
<td>+1.0%</td>
<td>+5.7%</td>
<td>+2.7%</td>
</tr>
<tr>
<td>Health &amp; Education</td>
<td>-2.0%</td>
<td>+3.3%</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Transport &amp; Communication</td>
<td>-6.1%</td>
<td>-2.2%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Recreation &amp; Culture</td>
<td>-3.5%</td>
<td>-1.5%</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Hotels, Restaurants &amp; Bars</td>
<td>+2.9%</td>
<td>+5.2%</td>
<td>+3.7%</td>
</tr>
<tr>
<td>Misc. Goods &amp; Services</td>
<td>-2.3%</td>
<td>-0.5%</td>
<td>-2.7%</td>
</tr>
</tbody>
</table>

*Data not adjusted for seasonality and trading days
Official Data Comparisons

Annual percentage changes in Visa’s UK Consumer Spending Index have a good relationship with a number of official data series, in particular Gross Domestic Product (GDP) from the Office for National Statistics (ONS).

More recently, Visa’s UK Consumer Spending Index (CSI) data have successfully pointed to relatively subdued GDP growth.

April’s CSI data indicates that relatively lacklustre expenditure trends persisted in the UK, with household spending falling for the seventh successive month. That said, the rate of reduction (-0.5% year-on-year) was similar to that seen in March (-0.2%), and remained weaker than those seen earlier in 2019.

The trends seen for the UK CSI chime with other leading economic indicators, such as the IHS Markit UK PMI surveys. Notably, the UK PMI survey’s Composite Output Index indicates that the economy has broadly stalled in the year to date, as companies continue to cite that ongoing uncertainty over Brexit has impacted spending decisions by both businesses and consumers. The PMI data for 2019 so far also suggest that economic growth has slowed at the global level, while sentiment has weakened markedly in recent months. The European Commission’s UK consumer confidence indicator was only a whisker above March’s 69-month low in April.

Visa’s UK Consumer Spending Index uses card transaction data to provide a robust indicator of total consumer expenditure across all payment methods and is used by a range of stakeholders to gain insights into consumer spending, including HM Treasury. It is based on spending on all Visa debit, credit and prepaid cards which are used to make an average of over 2.3 billion transactions every quarter and account for £1 in £3 of all UK spending. Working with IHS Markit, these card spending data figures are adjusted for a variety of factors such as card issuance, changing consumer preferences to pay by card rather than cash and inflation. These adjustments mean that these data are distinct from Visa’s business performance and the Index reflects overall consumer spending, not just that on cards.

Further information:

Ian Burge, Visa
Tel: +44 (0) 203 144 2196
Email: burgei@visa.com
Utilising Visa’s unique position at the heart of the payments ecosystem – with £1 in every £3 spent in the UK on a Visa card – Visa’s UK Consumer Spending Index is designed to provide a monthly assessment of underlying consumer spend patterns in the UK economy. The Index is based on data for all Visa debit, credit and prepaid cards held by UK cardholders, with a number of adjustments made to ensure an accurate indication of consumer spending trends is provided.

First, the data are cleaned to remove any spending on items that are not ordinarily classified as consumer expenditure (such as spending on savings products or taxes). Moreover, refunds and cashback are also accounted for at this stage. Second, the data are deflated by changes in the number of active Visa cards in order to account for the expansion of Visa’s card operations, particularly on the debit side. Thirdly, an adjustment is made to offset changing consumer preferences for card usage. This is based on data on payments at terminals and cash withdrawals sourced from a report published by the ECB. Fourthly, to account for inflation, the data are deflated by changes in the consumer price index to provide an indicator of real changes in household spending. Finally, the headline data are seasonally and trading day adjusted.

From September 2015, in addition to spending at domestic-based merchants in the UK, we also include spending at selected online companies operating outside of the UK that sell items such as clothing, holidays, books, etc. The addition is designed to ensure that we successfully capture changing trends in spending and confidence amongst UK consumers – primary aims of our research.

‘Visa’s UK Consumer Spending Index’ spending by product categories consist of the following standard Classification of Individual Consumption According to Purpose (COICOP) groups:

- **Food, Beverages & Tobacco**: Group 1,2
- **Clothing & Footwear**: Group 3
- **Housing & Household Goods**: Group 4,5
- **Health & Education**: Group 6,10
- **Communication & Transport**: Group 7,8
- **Recreation & Culture**: Group 9
- **Hotels & Restaurants**: Group 11
- **Miscellaneous Goods & Services**: Group 12

Visa Inc. (NYSE: V) is the world’s leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network - enabling individuals, businesses and economies to thrive.

Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second.

The company’s relentless focus on innovation is a catalyst for the rapid growth of connected commerce on any device.

As the world moves from analogue to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce.

For more information, visit (www.visaeurope.com), the Visa Vision blog (vision.visaeurope.com), and @VisaInEurope

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.