

Visa's UK Consumer Spending Index - June 2019

Compiled by IHS Markit on behalf of Visa



17 July 2019

June sees further modest reduction in spend

Headline Findings:



Consumer spending falls by **-1.4%** in June, unchanged from May



Renewed drop in **eCommerce** spend (**-0.8%**), Face-to-Face records further decline (**-2.1%**)



Household Goods records fastest reduction in expenditure for over a year (**-5.0%**)

Visa's UK Consumer Spending Index, compiled by IHS Markit, rounded off a disappointing second quarter, with expenditure down -1.4% in June compared to a year ago. The rate of reduction was unchanged from May, to mark the joint-second steepest drop in spend since April 2018. The latest data rounds off the weakest first half of a year for consumer spending since 2012, with expenditure down -1.1% over the first six months compared to the same period in 2018.

The reduction in total expenditure was broad-based across both Face-to-Face and eCommerce channels in June.

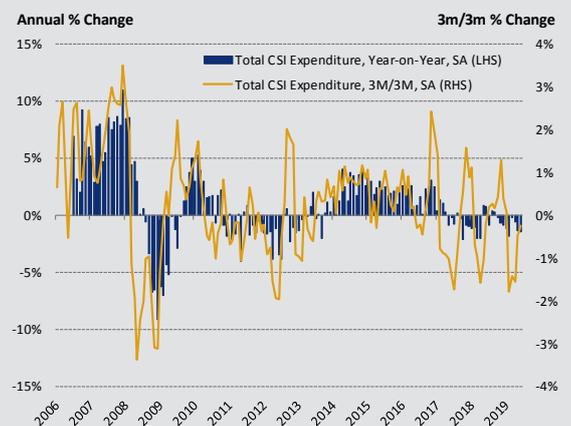
On an annual basis, spending fell -2.1% in Face-to-Face categories. Meanwhile a -0.8% reduction in eCommerce spend offset a marginal increase in this channel during May.

(Continues overleaf)

Spending annual % change

	Apr'19	May'19	Jun'19
Overall spending	-0.6	-1.4	-1.4
Face-to-face	0.0	-3.6	-2.1
eComm.	-0.5	+0.7	-0.8

Total CSI Expenditure, Year on Year



Adolfo Laurenti, European Principal Economist, Visa, commented:

"The latest Visa UK CSI shows consumption at a standstill in June, with overall spending unchanged over May. Compared with one year ago, spending slipped -1.4% with Face-to-Face transactions suffering the brunt of the adjustment but eCommerce showing softness as well. Within the spending categories, only Hotels, Restaurants & Bars posted solid gains (+3.9% year-on-year).

"The remaining categories reflected persistent caution within the UK consumer, with Transport & Communication and Household Goods under particular pressure. A rainy and rather disappointing start of the summer may have played a role to hold back some of the more seasonal categories. Now the eyes turn to July: the combination of more seasonable weather and some further acceleration in wages and salaries should contribute to a much anticipated turnaround in sales, notwithstanding persisting uncertainty about the global business cycle."

Annabel Fiddes, Principal Economist at IHS Markit, said:

"The latest Visa CSI data indicated that household spending remains fragile in the UK, with expenditure continuing to fall modestly in June. The latest set of data rounds off the weakest start to a year since 2012. This adds to evidence that heightened uncertainty towards the outlook is dampening confidence and activity across the UK, as highlighted by the recent IHS Markit PMI surveys.

"The prospect of a slowing economy and reduced confidence does not bode well for expenditure trends going forward. With no clear plan for the UK's exit from the EU and signs of a weakening global economy, it is likely that economic conditions will remain challenging in the months ahead."

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On a sector basis, the worst performance was seen for Household Goods, where spend dropped -5.0% on the year. This was closely followed by Transport & Communication (-4.9%), which has recorded lower spending for the past year. A marked fall in expenditure was also seen in Clothing & Footwear categories (-4.1%), which extended its current downward trend to nine months.

A solid rise in expenditure was meanwhile seen across Hotels, Restaurants & Bars (+3.9%), with growth having picked up slightly since May. Food & Drink was the only other sector to register higher spending volumes, up +0.6% compared to a year ago, following a decline in May.



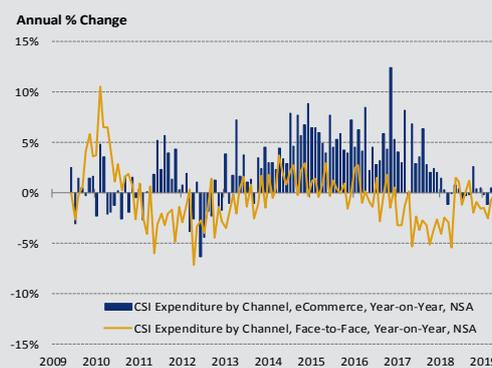
eCommerce and Face-to-Face Spend

Expenditure data for June indicated a broad-based reduction in spend across both Face-to-Face and eCommerce categories.

Face-to-Face spend fell for the second month in a row on an annual basis. The rate of reduction softened from the previous month, however, with expenditure falling by -2.1% in June after a drop of -3.6% in May. Nonetheless, spend in this category has fallen in eight of the past nine months.

After rising marginally in May (+0.7% year-on-year), spend via eCommerce channels declined during June. Though only slight (-0.8%) it was the fourth time in 2019 to date that expenditure in this category had fallen.

UK CSI: eCommerce vs Face-to-Face*
Annual % Change



Spending by Sector

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

Six of the eight monitored broad expenditure categories registered lower spending compared to a year ago. The quickest reductions were seen in Household Goods (-5.0%) and Transport & Communication (-4.9%). Notably, spend has fallen in the latter continuously for the past 12 months. Clothing & Footwear meanwhile extended its current run of reduction to nine months, with expenditure falling by -4.1% during June. Lower spend was also recorded for Health & Education (-3.0%) and Recreation & Culture (-0.8%) categories.

Higher expenditure was seen for Hotels, Restaurants & Bars, which has seen increases in each month since April 2011. Food & Drink retailers meanwhile saw a marginal increase in spend (+0.6%) after a modest reduction in May.

Annual Growth Rates By Sector

Data not adjusted for seasonality and trading days

Broad Sector	Apr'19	May'19	Jun'19
Food, Beverages & Tobacco	+4.8%	-2.8%	+0.6%
Clothing & Footwear	-4.6%	-5.3%	-4.1%
Household Goods	+2.3%	-2.4%	-5.0%
Health & Education	-5.7%	+3.1%	-3.0%
Transport & Communication	-4.3%	-5.4%	-4.9%
Recreation & Culture	-2.2%	-0.3%	-0.8%
Hotels, Restaurants & Bars	+3.7%	+3.2%	+3.9%
Misc. Goods & Services	-2.7%	-2.0%	-2.8%

Visa's UK Consumer Spending Index



Official Data Comparisons

Annual percentage changes in Visa's UK Consumer Spending Index have a good relationship with a number of official data series, such as 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.

June CSI data show that expenditure trends remain relatively subdued in the UK, with overall spend falling for the ninth month running. Looking at the second quarter as whole, expenditure fell by -0.2% compared to the opening quarter of 2019.

Lower spending coincides with an increasingly gloomy outlook across the UK, as highlighted by other more timely economic indicators. The European Commission's measure of UK consumer confidence weakened in June, and was close to its lowest level for five-and-a-half years. At the same time, lingering political and economic uncertainty has also weighed on business confidence and activity. The IHS Markit/CIPS UK PMI surveys, which monitor firms across manufacturing, services and construction sectors, show that the economy may have slipped into contraction territory in the second quarter, while confidence towards the year ahead remains historically low.



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.



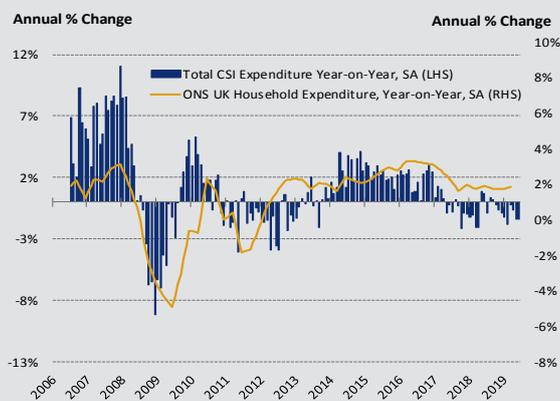
Further information:

Ian Burge, Visa

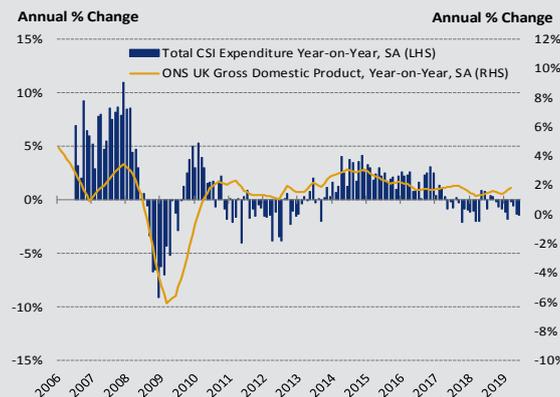
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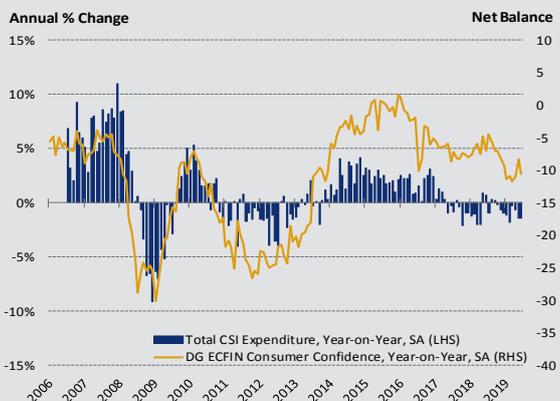
UK CSI & Household Expenditure - Annual % Change



UK CSI & GDP - Annual % Change



UK CSI & Consumer Confidence



Sources for Charts: Visa, ONS, European Commission
NSA: Non-Seasonally Adjusted, SA: Seasonally Adjusted

Notes and Further Information



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	 Communication & Transport Group 7,8
 Clothing & Footwear Group 3	 Recreation & Culture Group 9
 Housing & Household Goods Group 4,5	 Hotels & Restaurants Group 11
 Health & Education Group 6,10	 Miscellaneous Goods & Services Group 12

VISA

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



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