

Visa's UK Consumer Spending Index - February 2020

Compiled by IHS Markit on behalf of Visa

18 March 2020

First rise in consumer spending for 17 months

Headline Findings:



Consumer expenditure up **+0.6%** year-on-year, first rise since September 2018



eCommerce sees solid increase in spending **(+4.3%)**



Hotels, Restaurants & Bars leads growth in February **(+6.0%)**

Visa's UK Consumer Spending Index, compiled by IHS Markit, pointed to a return to growth in expenditure by UK households in February. Spending was up +0.6% year-on-year, following a fall of -1.8% in January and ending a 16-month sequence of declining spend.

On a monthly basis, expenditure rose +1.9%, the strongest monthly expansion since November 2018. On the other hand, the three-month-on-three-month measure showed a further reduction in spending of -0.8%.

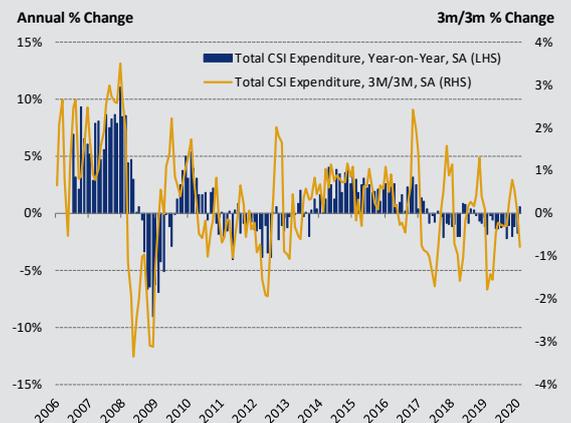
Channel data indicated a broad-based rise in spending across both eCommerce and Face-to-Face categories in February. The increase in eCommerce spending was +4.3%, the largest year-on-year improvement since August 2017. Meanwhile, Face-to-Face spending grew by +1.4%, marking the first rise in expenditure for 17 months.

(Continues overleaf)

Spending annual % change

	Dec'19	Jan'20	Feb'20
Overall spending	-1.1	-1.8	+0.6
Face-to-face	-3.3	-2.7	+1.4
eComm.	+3.9	-0.9	+4.3

Total CSI Expenditure, Year on Year



Adolfo Laurenti, European Principal Economist, Visa, commented:

"It is encouraging that the latest spending data showed some positive development in February, as the country prepares to face the challenges of the global coronavirus pandemic. Visa's Consumer Spending Index rose by 0.6% over February 2019, with most categories reporting solid progress. eCommerce registered the best performance in two-and-a-half years, and face-to-face spending rose for the first time since autumn 2018. Except for clothing and footwear, all categories posted gains over one year ago, with notable acceleration in Hotels, Restaurants & Bars, as well as in Food, Beverages & Tobacco, and Health & Education. As we noted previously, solid macroeconomic fundamentals were already supportive for an acceleration in spending once uncertainty lifted. Now coronavirus will test the resilience of the UK consumer."

Andrew Harker, Economics Director at IHS Markit, said:

"The return to growth of consumer spending seen in February was clearly a welcome development, but now is overshadowed by the clouds of uncertainty caused by the unfolding COVID-19 situation. Households are likely to take a step back from discretionary spending, and any restrictions on travel will also hit the experience economy. February may therefore come to be seen as the calm before the storm, with some difficult months ahead."

Visa's UK Consumer Spending Index

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Seven of the eight spending categories recorded higher expenditure over the course of February.

Growth in Hotels & Restaurants spending remained the strongest (+6.0% year-on-year), posting the quickest rise for 14 months. Expenditure also rose solidly in Food & Drink (+3.6%), Health & Education (+3.6%), Recreation & Culture (+3.0%) and Miscellaneous Goods & Services (+2.9%) categories.

Clothing & Footwear saw the only decrease in year-on-year spending, though the reduction was only -1.2%. This compared with a sharp fall of -5.3% in January.



eCommerce and Face-to-Face Spend

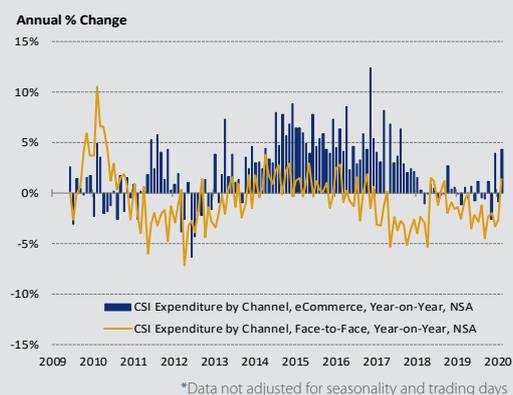
The turnaround in household expenditure was realised in both eCommerce and Face-to-Face channels during February.

Face-to-Face spending noted the first year-on-year increase since September 2018, with expenditure growing +1.4%. This compared with a solid fall in spending through this channel at the start of the year (-2.7%).

ECommerce categories recorded a much faster rise in spending than Face-to-Face, with an increase of +4.3% from the previous year. The upturn in online expenditure was the sharpest for two-and-a-half years, and followed a slight decrease of -0.9% during January.

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 December, January and February, which are not adjusted for seasonality and trading days, are provided in the table opposite.

Contrasting with January data, seven of the eight broad spending categories recorded increased expenditure in February. The strongest of these was Hotels, Restaurants & Bars for the fourth month in a row. Solid growth was also seen in Food & Drink, Health & Education, Recreation & Culture and Misc. Goods & Services.

Transport & Communication and Household Goods recorded modest annual increases in February, following solid falls in January. Clothing & Footwear saw the only drop in expenditure, but the rate of decrease was much softer compared to the start of the year.

Annual Growth Rates By Sector

Data not adjusted for seasonality and trading days

Broad Sector	Dec'19	Jan'20	Feb'20
Food, Beverages & Tobacco	-3.3%	-3.0%	+3.6%
Clothing & Footwear	-0.1%	-5.3%	-1.2%
Household Goods	-3.7%	-3.7%	+0.4%
Health & Education	-3.8%	-1.5%	+3.6%
Transport & Communication	-1.8%	-2.0%	+1.2%
Recreation & Culture	+1.8%	-2.0%	+3.0%
Hotels, Restaurants & Bars	+3.9%	+4.4%	+6.0%
Misc. Goods & Services	-0.5%	-3.2%	+2.9%

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).

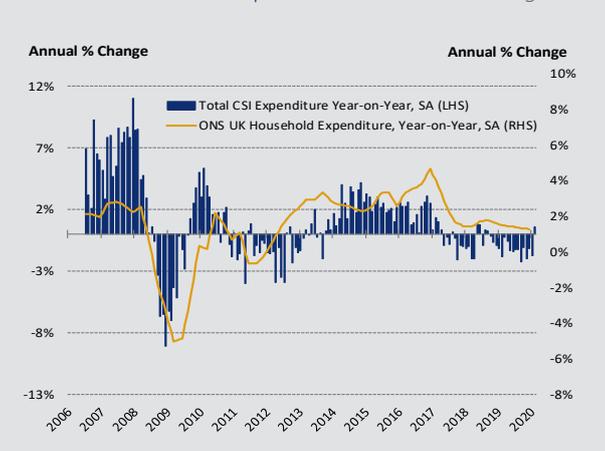
More recently, Visa's UK Consumer Spending Index (CSI) data have successfully pointed to softer economic growth and expenditure trends.

Latest official data published by the ONS showed that UK GDP failed to grow again in the three months to January, after recording zero growth in the final quarter of 2019 and a +0.5% increase in the third quarter.

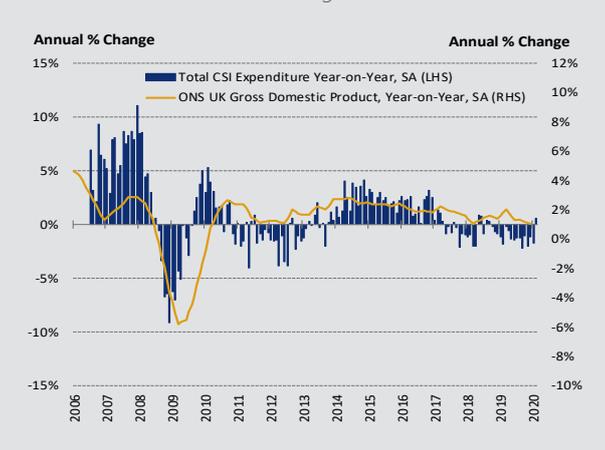
Meanwhile, official retail sales data showed an increase in spending at the start of 2020, with the latest available figures posting a year-on-year rise of +0.8% in January.

Latest IHS Markit/CIPS UK PMI data showed a further improvement in business activity during February amid continued market confidence following December's general election. However, the emergence of the coronavirus outbreak is likely to have a notable impact on consumer spending in upcoming months.

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



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:

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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

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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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