

Visa's UK Consumer Spending Index - November 2019

Compiled by IHS Markit on behalf of Visa

18 December 2019

Consumer spending falls modestly during November

Headline Findings:



Household spending falls **-2.0%** compared to a year ago



Face-to-Face (-2.0%) and **eCommerce (-2.6%)** register lower expenditure



Hotels, Restaurants & Bars buck the overall trend and sees higher spend **(+3.9%)**

Visa's UK Consumer Spending Index, compiled by IHS Markit, showed that expenditure fell by -2.0% on an annual basis in November, slightly quicker than the -1.1% decline seen in October. On this measure, household spending has now fallen in each of the past 14 months.

On a monthly basis, expenditure rose by +1.5%, likely helped by the Black Friday sales that took place at the end of the month, while the three-month-on-three-month measure posted a +0.8% increase.

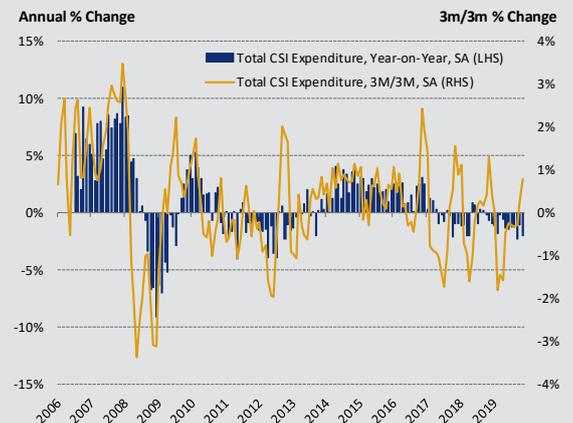
Compared to last year, spending fell through both the Face-to-Face (-2.0%) and eCommerce (-2.6%) channels, with the latter posting the steepest fall since mid-2012. However, the later timing of the Black Friday weekend, which extended in to December, likely weighed on overall performance in November.

(Continues overleaf)

Spending annual % change

	Sep'19	Oct'19	Nov'19
Overall spending	-2.3	-1.1	-2.0
Face-to-face	-4.5	-2.4	-2.0
eComm.	-0.6	+1.1	-2.6

Total CSI Expenditure, Year on Year



Adolfo Laurenti, European Principal Economist, Visa, commented:

"Visa's latest UK Consumer Spending Index shows some encouraging signs of improvement. On a seasonally adjusted basis, spending rose by +1.5% in the month, and by +0.8% on the quarterly measure. Meanwhile, overall consumption slipped -2.0% year-on-year on the back of weakness in both face-to-face and ecommerce channels. At the category level, seven of the eight broad spending categories registered year-on-year declines in spend – with the exception of Hotels & Restaurants that outperformed other categories (+3.9% year-on-year).

"While softer spending has been a trend through the summer and autumn, the two consecutive upticks in expenditure on the quarterly measure suggests that there is some momentum going into the final weeks of the year, and the favourable macroeconomic conditions that we noted in the past (rising wages and income, low unemployment rates) are beginning to translate into a more confident consumer. This is consistent with some more positive attitudes emerging from consumer confidence surveys, which show a reversal of the negative trends for selected demographic and regional segments."

Annabel Fiddes, Principal Economist at IHS Markit, said:

"The latest Visa CSI numbers painted a disappointing picture for November, with expenditure dropping further and across both Face-to-Face and eCommerce channels. The timing of Black Friday sales, which occurred later this year compared to 2018, has likely dampened any spending figures for this November as the event stretched into December. Nonetheless, the relatively weak health of the economy, as highlighted by recent GDP figures and PMI data, adds to the downbeat assessment of current conditions as the UK grapples with uncertainty around Brexit as well as a general election. Subdued economic growth and expenditure trends are therefore likely to persist unless there is greater clarity around the outlook and a rebound in confidence."

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(Continued from page 1)

Seven of the eight broad spending categories registered reduced expenditure in November, led by Clothing & Footwear (-6.1% on the year). Household Goods and Recreation & Culture saw identical drops of -3.8%, while solid falls were also seen in Misc. Goods & Services (-3.5%) and Transport and Communication (-3.0%).

Across the Food & Drink and Health & Education categories, expenditure fell only slightly (-0.3% and -0.5% respectively).

Hotels, Restaurants & Bars was the only broad sector to record higher spending in November, with expenditure rising at the quickest pace for three months (+3.9%).



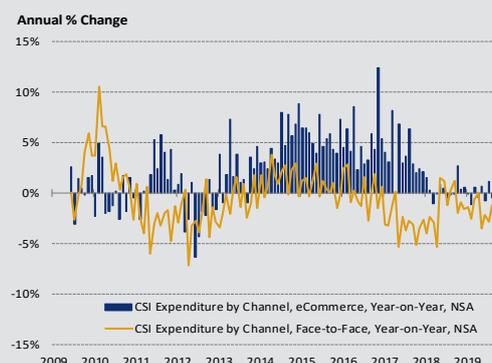
eCommerce and Face-to-Face Spend

Split by channel, data showed that lower spending was recorded across both Face-to-Face and eCommerce during November.

Face-to-Face expenditure fell by -2.0% compared to a year ago, which was less marked than the -2.4% decline seen in October. Overall, spending through this channel has now fallen for seven months in a row.

Following a renewed upturn in October (+1.1% on the year), expenditure via eCommerce channels fell back into decline during November. On an annual basis, spending decreased by -2.6%; the quickest reduction since July 2012.

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



*Data not adjusted for seasonality and trading days



Spending by Sector

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

All monitored spending categories bar one registered lower expenditure on an annual basis in November. The steepest reduction was seen in Clothing & Footwear, where spending fell for the fourteenth successive month. This was followed jointly by Household Goods and Recreation & Culture, with the latter seeing the quickest rate of contraction since July 2018. Solid declines in spend were also seen in Misc. Goods & Services (which includes jewellery and hairdressers) and Transport & Communication.

After stagnating in October, Hotels, Restaurants & Bars recorded a solid increase in spending midway through the final quarter, with the rate of growth the quickest since August.

Annual Growth Rates By Sector

Data not adjusted for seasonality and trading days

Broad Sector	Sep'19	Oct'19	Nov'19
Food, Beverages & Tobacco	-2.3%	-0.7%	-0.3%
Clothing & Footwear	-7.2%	-1.1%	-6.1%
Household Goods	-5.5%	-2.2%	-3.8%
Health & Education	-2.1%	-0.4%	-0.5%
Transport & Communication	-5.7%	-2.1%	-3.0%
Recreation & Culture	0.0%	+0.4%	-3.8%
Hotels, Restaurants & Bars	+2.4%	0.0%	+3.9%
Misc. Goods & Services	-6.9%	-2.4%	-3.5%

Visa's UK Consumer Spending Index



Official Data Comparisons

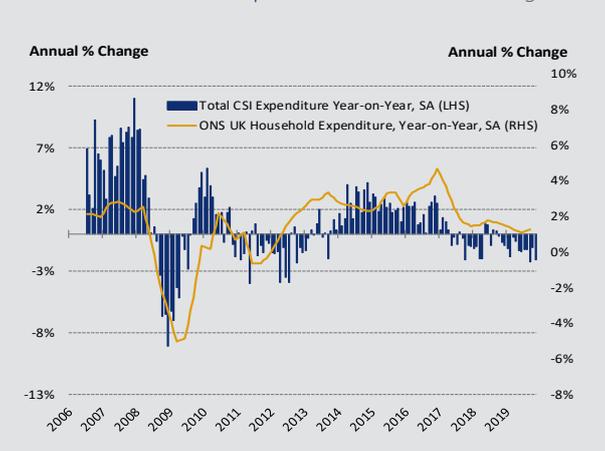
Annual percentage changes in Visa's UK Consumer Spending Index have a good relationship with a number of official data series, such as Gross Domestic Product (GDP) from the Office for National Statistics (ONS).

More recently, Visa's UK Consumer Spending Index (CSI) data have successfully pointed to softer economic growth and expenditure trends. Furthermore, the latest monthly GDP figures published by the ONS showed that the UK economy was stagnant in the three month to October, to signal the weakest economic performance since early 2009.

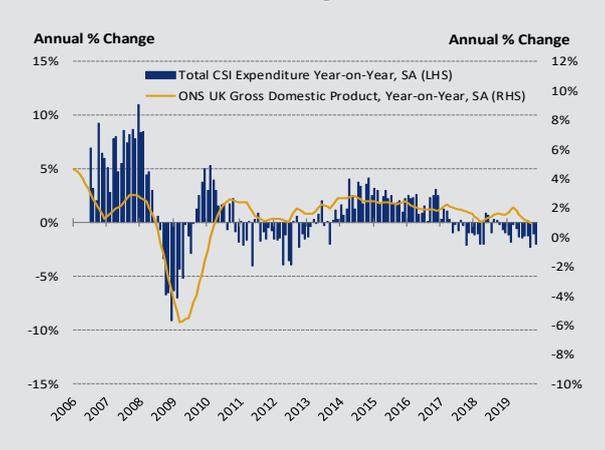
Weakness has partly been linked to reduced confidence across the UK due to lingering uncertainty around Brexit as well as the general election. Despite improving slightly in November, the European Commission's measure of consumer confidence remained stuck at one of the lowest levels seen since mid-2013.

At the same time, the IHS Markit/CIPS UK Purchasing Managers' Index (PMI) surveys, which cover services, manufacturing and construction, show that UK businesses continued to struggle. Total business activity contracted for the fifth time in the past six months, which also marked the economy's worst spell since 2009.

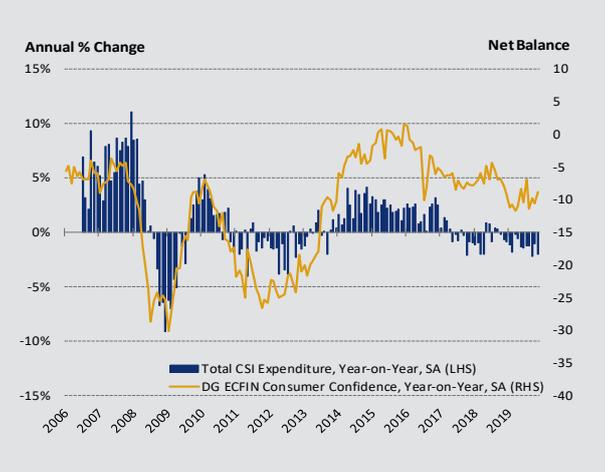
UK CSI & Household Expenditure - Annual % Change



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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