

# Visa's UK Consumer Spending Index - December 2019

Compiled by IHS Markit on behalf of Visa

15 January 2020

## Overall consumer spending falls despite strong eCommerce performance

### Headline Findings:



**Household spending** drops **-1.2%** on the year, after **-2.0%** decline in November



Solid rise in **eCommerce spend** **(+3.8%)** is offset by further decline across **Face-to-Face** categories **(-3.4%)**



**Hotels, Restaurants & Bars** remains top performing sector **(spend up +3.8%)**

Visa's UK Consumer Spending Index, compiled by IHS Markit, pointed to a softer fall in household expenditure at the end of 2019. Overall, consumer spending declined -1.2% on an annual basis in December, following a -2.0% reduction in November.

Compared to the previous month, expenditure fell -1.9% at the end of the year, after a +1.5% increase in November. The three-month-on-three-month measure meanwhile continued to signal a mild improvement in underlying expenditure trends, and posted a +0.5% increase.

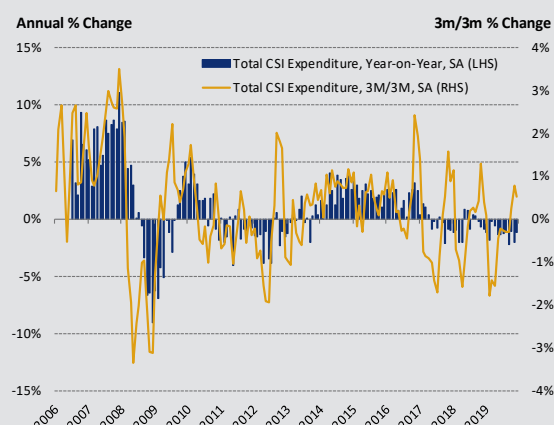
ECommerce categories saw a marked pick up in spend in December, with expenditure rising at the quickest rate since August 2017 (+3.8% on the year). This was likely helped by the timing of Cyber Monday, which occurred in December in 2019 as opposed to November. However, spending continued to decline across Face-to-Face categories (-3.4%).

(Continues overleaf)

### Spending annual % change

	Oct'19	Nov'19	Dec'19
Overall spending	-1.1	-2.0	-1.2
Face-to-face	-2.4	-1.9	-3.4
eComm.	+1.1	-2.6	+3.8

Total CSI Expenditure, Year on Year



#### Adolfo Laurenti, European Principal Economist, Visa, commented:

"Last year's late Cyber Monday delivered the one bright spot for UK consumer spending in December, as ecommerce rebounded by 3.8 percent over the prior year, following a rather disappointing reading in November. Yet the rise in online shopping was insufficient to lift overall spending, which slipped by 1.2 percent for the year, dragged down by persistent headwinds in face-to-face retail.

"Food & Beverages, Household Goods, and Health & Education were the sectors which struggled the most, with all three losing more than 3% against December 2018. The index validates concerns about a poor performance of the British economy in the fourth quarter, in line with ONS data and industry reports. Nevertheless, and at the risk of sounding an optimistic note, the pace of deterioration has abated and signs of stabilisation are emerging; on a quarterly basis sales rose by 0.5 percent. We will take the silver lining as cautiously promising as we head into 2020."

#### Annabel Fiddes, Principal Economist at IHS Markit, said:

"Household expenditure trends remained subdued at the end of 2019, with the Visa CSI showing a further drop in spend in December. However, the -1.2% year-on-year reduction was softer than the -2.0% decline seen in November, helped in part by a surge in eCommerce spend. The latter was likely boosted by the later timing of Cyber Monday in 2019, which supported a +3.8% annual increase in online sales; the quickest rate of growth in this category since the summer of 2017. However, the high street continued to dampen the headline figure, with Face-to-Face expenditure down -3.4% compared to a year ago.

"The subdued spending picture coincides with relatively lacklustre economic growth, as highlighted by recent ONS and IHS Markit PMI data, as uncertainty weighed heavily on businesses and households. December's decisive election result adds to hopes that confidence will recover, however, which in turn could support a recovery in business activity and consumer spending."

# Visa's UK Consumer Spending Index

## (Continued from page 1)

On an annual basis, household spending fell in six out of eight broad spending categories in December. Health & Education (-3.8%), Household Goods (-3.6%) and Food & Drink (-3.5%) sectors saw the steepest rates of reduction. Notably, it was the quickest drop in expenditure across Food & Drink retailers since April 2018.

Encouragingly, much softer falls in expenditure were seen in Misc. Goods & Services (-0.6%) and Clothing & Footwear (-0.2%) compared to November.

A solid rise in spending volumes was seen across Hotels, Restaurants & Bars (+3.8%), and Recreation & Culture recorded a renewed upturn in expenditure (+1.5%).



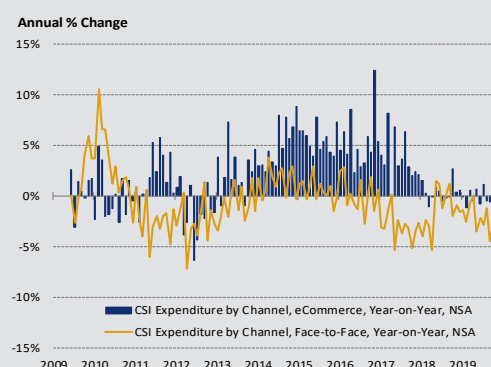
## eCommerce and Face-to-Face Spend

December data indicated that a rebound in spending via eCommerce channels contrasted with a further decline in Face-to-Face expenditure.

On an annual basis, eCommerce spending rose +3.8% in December. This compared to a -2.6% reduction in November, and marked the strongest rate of growth since August 2017. Expenditure via eCommerce has now risen in two of the past three months.

Face-to-face spending meanwhile fell further in December, thereby stretching the current sequence of reduction to eight months. The pace of decline quickened from -1.9% in November to -3.4%, which was the steepest fall since September.

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

The majority of broad spending categories recorded lower spending compared to a year ago in December. Solid falls were recorded across the Health & Education, Household Goods and Food & Drink categories. Notably, the latter saw the steepest rate of decline since April 2018. A modest drop in spend was meanwhile seen in Transport & Communication categories. Rates of contraction eased notably in the Misc. Goods & Services (which includes health and beauty) and Clothing & Footwear sectors, which both saw only slight falls in expenditure during December.

Hotels, Restaurants & Bars was the best performing category, where spend rose solidly overall. Recreation & Culture saw a renewed upturn in expenditure that, though modest, was the quickest seen since August 2017.

## Annual Growth Rates By Sector

Data not adjusted for seasonality and trading days

Broad Sector	Oct'19	Nov'19	Dec'19
Food, Beverages & Tobacco	-0.7%	-0.6%	-3.5%
Clothing & Footwear	-1.1%	-6.1%	-0.2%
Household Goods	-2.2%	-4.2%	-3.6%
Health & Education	-1.3%	-1.9%	-3.8%
Transport & Communication	-2.1%	-3.0%	-1.5%
Recreation & Culture	+0.4%	-3.8%	+1.5%
Hotels, Restaurants & Bars	0.0%	+3.9%	+3.8%
Misc. Goods & Services	-2.4%	-3.6%	-0.6%

# 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.

The latest monthly GDP figures published by the ONS showed that output fell -0.3% in November, while the year-on-year growth rate pointed to the weakest performance of the economy since the spring of 2012. At the same time, official retail sales data highlighted four consecutive months of contraction up to November.

More timely survey data from IHS Markit/CIPS have also disappointed at the end of 2019, with output and employment falling slightly in December.

The UK economy has had a challenging end to 2019, as uncertainty linked to Brexit and a general election in December dampened business activity and spending decisions. However, a decisive general election outcome may help to restore both business and consumer confidence in the opening months of 2020.



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.



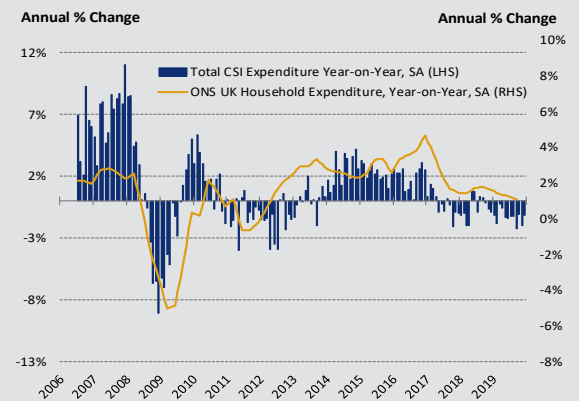
## Further information:

**Ian Burge, Visa**

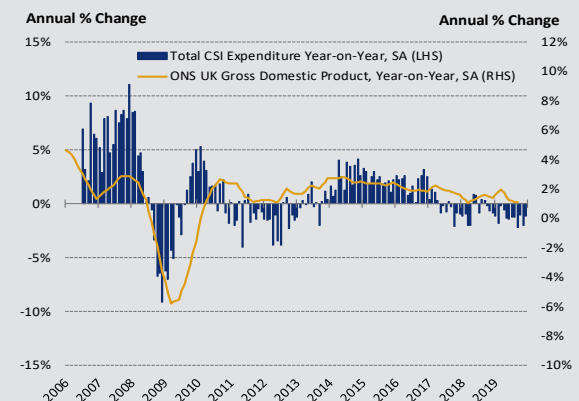
Tel: +44 (0) 203 144 2196

Email: [burgei@visa.com](mailto:burgei@visa.com)

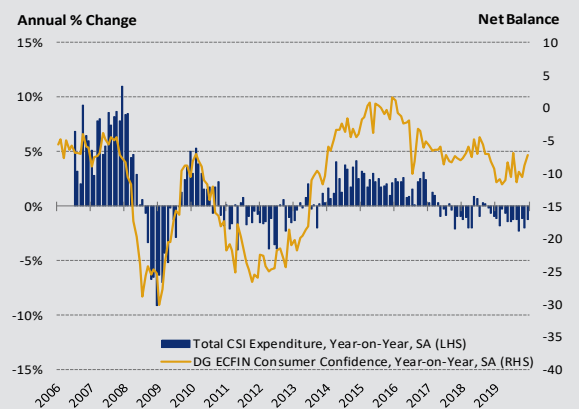
## UK CSI & Household Expenditure - Annual % Change



## 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:**

 <b>Food, Beverages &amp; Tobacco</b> Group 1,2	 <b>Communication &amp; Transport</b> Group 7,8
 <b>Clothing &amp; Footwear</b> Group 3	 <b>Recreation &amp; Culture</b> Group 9
 <b>Housing &amp; Household Goods</b> Group 4,5	 <b>Hotels &amp; Restaurants</b> Group 11
 <b>Health &amp; Education</b> Group 6,10	 <b>Miscellaneous Goods &amp; Services</b> 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](http://www.visaeurope.com)), the Visa Vision blog ([vision.visaeurope.com](http://vision.visaeurope.com)), and @VisaInEurope



IHS Markit (NYSE: 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 © 2020 IHS Markit Ltd. All rights reserved.