

Visa's UK Consumer Spending Index - January 2020

Compiled by IHS Markit on behalf of Visa

20 February 2020

Household spending continues to fall at the start of 2020

Headline Findings:



Consumer expenditure down **-1.6%** year-on-year, after -1.1% drop in December



eCommerce spend slips back into decline **(-0.7%)** following strong upturn in December



Hotels, Restaurants & Bars is the only sector to record higher spending **(+4.5%)**

Visa's UK Consumer Spending Index, compiled by IHS Markit, showed that overall household expenditure continued to fall at the start of the year. Consumer spending declined -1.6% year-on-year in January, which was quicker than the -1.1% drop seen in December.

On a monthly basis, expenditure decreased -0.5%, which was softer than the -1.9% reduction seen in December. However, the three-month-on-three-month measure was flat (0.0%), to end a period of growth that began last October.

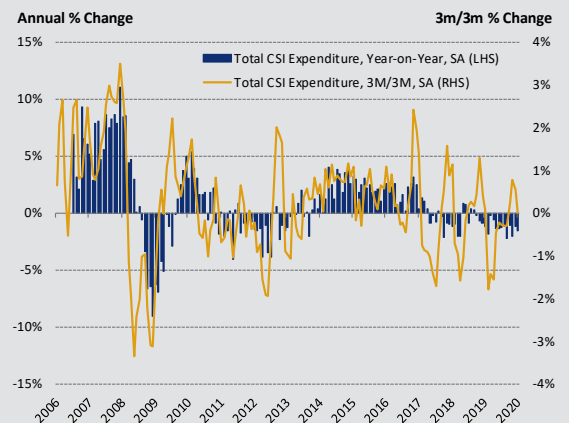
Channel data indicated that spending fell across both eCommerce and Face-to-Face categories in January. While eCommerce was boosted by a later than usual Cyber Monday during December, expenditure through this channel fell back into decline at the start of 2020. Face-to-Face spending meanwhile fell for the ninth month in a row.

(Continues overleaf)

Spending annual % change

	Nov'19	Dec'19	Jan'20
Overall spending	-2.0	-1.1	-1.6
Face-to-face	-1.9	-3.3	-2.5
eComm.	-2.6	+3.9	-0.7

Total CSI Expenditure, Year on Year



Adolfo Laurenti, European Principal Economist, Visa, commented:

"Consumer spending in 2020 got off to a slow start with a fall of -1.6% year-on-year, led by a -2.5% drop in face to face expenditure. eCommerce was also down marginally, by -0.7%, a notable contraction when compared to December 2019's +3.9% rise.

"January's weak performance wasn't contained to any one single spend category, with seven of the eight categories we track in negative territory for the month. Hotels, Restaurants & Bars was the only category to register an uplift, seeing a strong +4.5% rise.

"Although we might have hoped to see the UK's stabilising political environment give consumers a reason to loosen their purse strings, the reality is that global macroeconomic headwinds continue to grow. It would be a brave move to forecast a marked improvement in the situation during the coming months."

Annabel Fiddes, Principal Economist at IHS Markit, said:

"The latest Visa UK CSI data showed a further drop in overall household spending at the start of 2020, with the annual rate of decline quickening slightly from -1.1% to -1.6%.

"While the later than usual timing of Cyber Monday helped to boost eCommerce expenditure in December, spending through this channel fell back into contraction territory in January, while the High Street continued to struggle and saw spend decline for the ninth month running. Broken down by sector, Hotels, Restaurants and Bars provided some glimmer of hope, and registered a solid increase in spend. However, expenditure fell across all other monitored areas, led by Clothing & Footwear.

"As there is still a degree of uncertainty over the outlook, as well as signs of slowing global growth, expenditure trends and economic performance are likely to remain relatively subdued in the months ahead."

Visa's UK Consumer Spending Index

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All monitored spending categories bar one recorded lower expenditure at the start of the year.

The most marked drop in spend was seen in Clothing & Footwear (-5.0% year-on-year), where expenditure has now declined in each of the past 16 months. Household Goods also noted a solid reduction (-4.1%), with the rate of contraction quickening slightly since December.

Food & Drink retailers also had a disappointing start to 2020, with expenditure falling -2.8%, to stretch the current sequence of decline to five months.

Hotels, Restaurants and Bars was the only bright spot, which saw the quickest rise in spend for ten months (+4.5%).



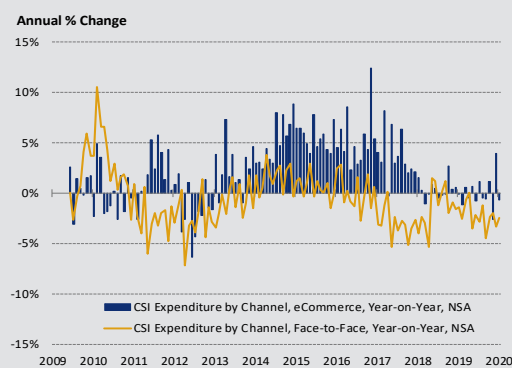
eCommerce and Face-to-Face Spend

The overall reduction in household expenditure was driven by lower spend through both eCommerce and Face-to-Face channels during January.

Face-to-Face spending noted a quicker rate of reduction between the two channels, with expenditure falling -2.5% compared to the previous year. However, this was softer than the -3.3% reduction seen at the end of 2019.

ECommerce categories recorded lower spending for the second time in the past three months in January (-0.7% on the year). This followed a marked rise in expenditure during December, when spending rose at the quickest pace since August 2017 due to the late timing of Cyber Monday.

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

Seven of the eight broad spending categories recorded reduced expenditure in January. Clothing & Footwear saw the steepest rate of decline overall, closely followed by Household Goods. Solid falls were also seen in Misc. Goods & Services and Food & Drink. The weakest reductions were signalled for Health & Education and Recreation & Culture.

The only sector to record higher spending at the start of 2020 was Hotels, Restaurants & Bars, where spending rose at a solid clip (4.5%). Furthermore, the rate of expansion was the quickest recorded for ten months.

Annual Growth Rates By Sector

Data not adjusted for seasonality and trading days

Broad Sector	Nov'19	Dec'19	Jan'20
Food, Beverages & Tobacco	-0.6%	-3.3%	-2.8%
Clothing & Footwear	-6.1%	-0.1%	-5.0%
Household Goods	-4.2%	-3.7%	-4.1%
Health & Education	-1.9%	-3.8%	-1.5%
Transport & Communication	-3.0%	-1.8%	-2.2%
Recreation & Culture	-3.8%	+1.8%	-1.9%
Hotels, Restaurants & Bars	+3.9%	+3.9%	+4.5%
Misc. Goods & Services	-3.6%	-0.5%	-3.2%

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 show that UK GDP failed to grow in the final three months of 2019, following an increase of 0.5% in the third quarter. This rounded off one of the worst performances seen since the global financial crisis.

Meanwhile, official retail sales data continued to disappoint, with the latest available figures showing a month-on-month fall of -0.6% in December, to mark the fifth successive month of no growth.

More recently, IHS Markit/CIPS UK PMI data showed an improvement in business activity at the start of the year due to improved market confidence following December's general election. While the European Commission's measure of UK consumer confidence has also picked up recently, the net balance remains negative overall, to suggest relatively muted expenditure trends may persist in coming months.



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.



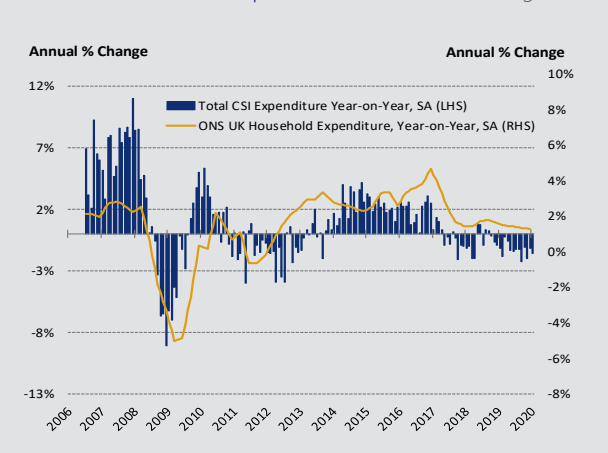
Further information:

Ian Burge, Visa

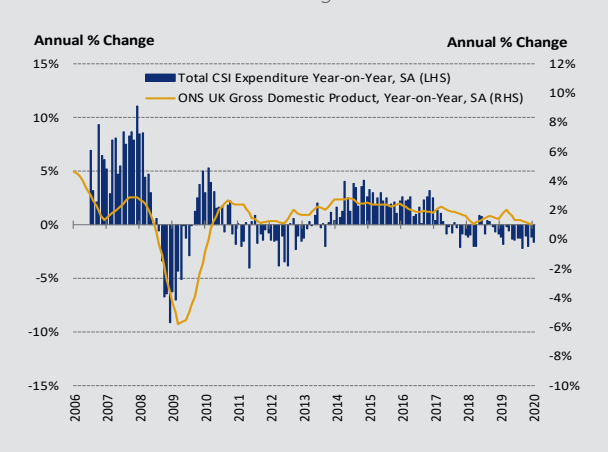
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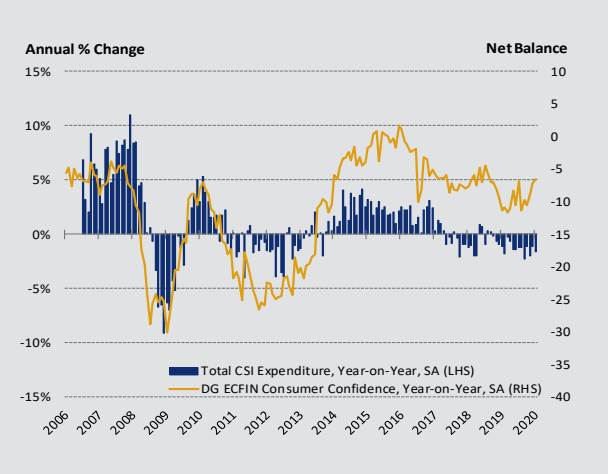
UK CSI & Household Expenditure - Annual % Change



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

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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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