

May 9 2016

# Visa Europe's UK Consumer Spending Index

Compiled by Markit on behalf of Visa Europe

## Online spending grows at fastest rate for 16 months as the experience economy powers ahead

### Headline findings:

- Total consumer spending increases by +2.5% year-on-year in April
- E-commerce growth rate of +8.4% year-on-year but face-to-face expenditure is broadly flat (+0.2% year-on-year)
- Clothing and footwear sees biggest fall in year-on-year spending since September 2014

April signalled a further solid rise in overall UK household expenditure, with Visa Europe's UK Consumer Spending Index registering a +2.5% year-on-year increase. This was up from +2.3% in March, and suggests that strong growth momentum has carried through into the second quarter.

Encouragingly, seven of the eight broad spending categories noted higher spending volumes. Some of the strongest rates of expansion were seen across Recreation & Culture (+7.9% year-on-year), Hotels, Restaurants & Bars (+6.6%) and Household Goods (+3.0%). Expenditure growth meanwhile slowed to a five-month low across Food & Drink categories

(+1.7% on the year), and rose only slightly across Transport & Communication (+0.6%). The only sector to report reduced expenditure was Clothing & Footwear (-2.8% year-on-year), where poor weather was likely to have affected the sales of spring/summer ranges. Furthermore, the rate of reduction quickened from that seen in March (-1.7%).

Cold weather was also likely to have been behind relatively flat high street spending in April (+0.2% on the year). Subsequently, expenditure growth improved through e-commerce channels, with April's +8.4% annual increase the fastest seen since December 2014.

### Kevin Jenkins, UK & Ireland Managing Director at Visa Europe commented:

"Growth in consumables remains evident, but consumer spending is increasingly focused on the experience economy. Eating out, booking holidays and discovering new experiences are all driving spending growth at a time when the lower cost of living is creating higher disposable incomes. In a month of mostly growth, the only sector to disappoint was clothing and footwear, again highlighting this shift.

"A very strong month for online sellers suggests much of the experience economy is being driven by pre-booking of activities online. While online prospered, face-to-face spending was relatively flat, highlighting the current discussion about the future shape of the high street as well.

"Eyes will now be on May, with a sunny start to the month providing promise for the high street but also a further fillip for restaurants and hotels looking to capitalise on our desire for experiences."

### Annabel Fiddes, Economist at Markit said:

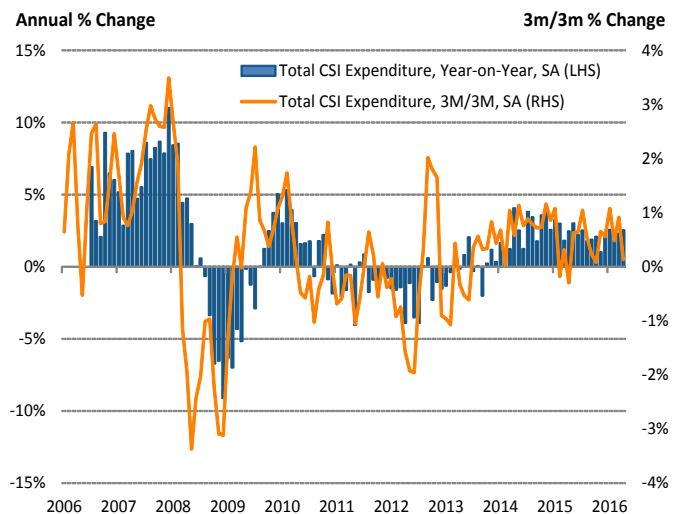
"April data indicated that strong spending growth momentum carried over into the second quarter of 2016, with Visa Europe's UK Consumer Spending Index registering a +2.5% year-on-year rise in expenditure.

"The wintry weather in April did mean that the high street lost out overall, with spending broadly flat from the previous year. However, this led to a steep increase in online spending, where growth hit a 16-month high on an annual basis.

"The prolonged spell of poorer weather also reduced sales at Clothing & Footwear retailers for the second month in a row, as people put off purchasing their spring/summer ranges. Nonetheless, consumers registered higher expenditure across all other areas of spend, including on day trips, meals out and home furnishings.

"As we head into the summer, however, weaker global economic conditions and an increasingly uncertain UK economic outlook could dampen expenditure growth in the near future."

### Visa Europe's UK Consumer Spending Index



Visa Europe's UK Consumer Spending Index	Mar-16	Apr-16
Overall Spending Annual % Change (SA)	+2.3%	<b>+2.5%</b>
Overall Spending Monthly % Change (SA)	-0.4%	<b>+1.0%</b>
Face-to-Face Spending Annual % Change (NSA)	-1.0%	<b>+0.2%</b>
E-commerce Spending Annual % Change (NSA)	+4.1%	<b>+8.4%</b>

# Visa Europe's UK Consumer Spending Index

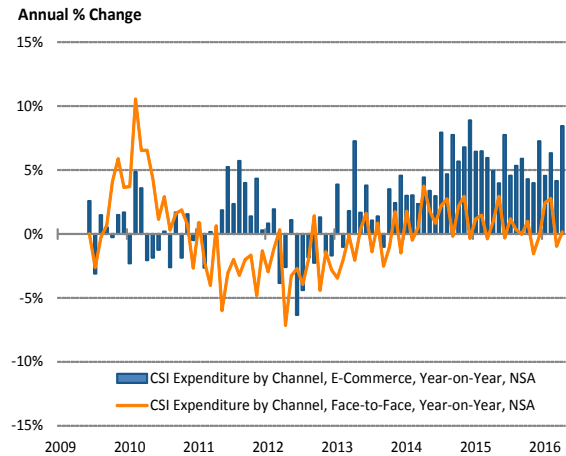
## E-commerce and Face-to-Face Spend

UK household expenditure was predominantly supported by higher spending through e-commerce channels in April, as face-to-face categories saw only marginal expenditure growth at the start of the second quarter.

E-commerce channels saw a marked increase in consumer spending during April (+8.4% year-on-year). This was up from +4.1% in March and the strongest rate of growth since December 2014.

After a marginal decline in March (-1.0% year-on-year,) expenditure increased through face-to-face categories in April. That said, the rate of expansion was only fractional, rising by +0.2% on an annual basis, and much slower than the increases seen in the first two months of the year.

## UK CSI: E-commerce vs Face-to-Face\*



## Spending by Sector

Visa Europe's UK Consumer Spending Index monitors eight broad sectors. Summary data for annual growth rates in March & April 2016, which are not adjusted for seasonality and trading days, are provided in the table opposite.

Higher expenditure was recorded in all but one of the eight broad spending categories in April. The strongest year-on-year rise was noted in Health & Education, while Recreation & Culture and Hotels, Restaurants & Bars categories also saw steep increases in spending. Solid expenditure growth was also noted in Misc. Goods & Services (which includes jewellery and hairdressing), Households Goods and Food & Drink categories.

The only sector to see lower spending volumes was Clothing & Footwear, where expenditure fell for the second straight month.

## Annual Growth Rates By Sector\*

Broad Sector	Mar '16	Apr '16
Food, Beverages & Tobacco	+2.6%	<b>+1.7%</b>
Clothing & Footwear	-1.7%	<b>-2.8%</b>
Household Goods	+2.0%	<b>+3.0%</b>
Health & Education	-0.2%	<b>+8.3%</b>
Transport & Communication	-3.9%	<b>+0.6%</b>
Recreation & Culture	+5.5%	<b>+7.9%</b>
Hotels, Restaurants & Bars	+5.3%	<b>+6.6%</b>
Misc. Goods & Services	-0.8%	<b>+4.5%</b>

\*data not adjusted for seasonality and trading days

## What UK businesses are saying

Visa is tracking the sentiment of several small businesses across the UK on a monthly basis, asking about their views on the economy, business conditions and forecasts for the month ahead.

### Josh Beer, The Illustrious Pub Company, Cambridgeshire:

"Easter falling in March coupled with an especially cold and rainy start to the month meant we had a quieter April than expected. With that said, towards the end of the month we started to see an uplift in lunchtime sales, perhaps due to the warmer weather which came with the start of spring. With the new living wage coming into effect, and the start of summer, we expect increased sales in the coming months."

### Gayle Haddock, Carry Me Home children's clothes, London:

"April was actually quite a good month for us. The cold weather helped us to sell some winter pieces and drew more customers towards the discounted mid-season sale items. Our online sales in particular have surged, as more regulars take to our website to quickly get hold of the items they're after. Social media partnerships with 'instmums' and online competitions have also helped to increase our online presence and have allowed us to reach customers further afield."

### Quan Nguyen, Chi Cafe, London:

"Despite the bad weather, we had a rather good month in April. The surprisingly cold and wet start to the month seemed to have prompted people to spend more on comforting meals at lunch time, with our hot spicy noodle soup range doing particularly well. At the same time, we are working on a new summer salad range to entice customers when the weather brightens up. With people increasingly looking for healthy lunch options, we hope our sales will grow steadily over the summer."

# Visa Europe's UK Consumer Spending Index

## Official Data Comparisons

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

Most recently, the Visa Europe UK Consumer Spending Index successfully tracked a further expansion of GDP in the opening quarter of 2016.

UK consumer spending rose +2.5% on an annual basis in April, up slightly from a +2.3% increase in March, and maintaining the trend of strong and steady growth that has been seen in 2016 so far. Spending also rose on the monthly measure (+1.0%), after a slight reduction in the previous month (-0.4%).

Sustained increases in UK consumer spending have been supported by an improved economic environment in recent years, with employment at a near-record high, interest rates remaining at an all-time low, and muted inflationary pressures helping to support real wage growth. However, there are some clouds on the horizon, as the recovery of the global economy has weakened in recent months leading to increasing uncertainty for both businesses and consumers. Furthermore, UK consumer confidence remains at a relatively low level compared to those seen in the past couple of years, and could translate to weaker spending growth in the months ahead.

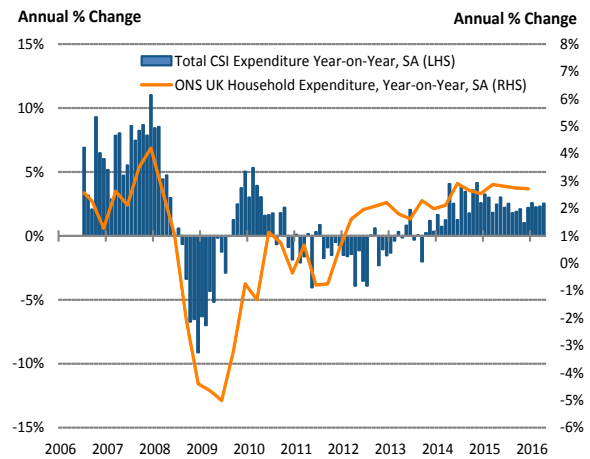
*The Visa Europe UK Consumer Spending Index uses card transaction data to provide a robust indicator of total consumer expenditure across all payment methods and is used by a range of stakeholders to gain insights into consumer spending, including HM Treasury. It is based on spending on all Visa debit, 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 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 Europe's business performance and the Index reflects overall consumer spending, not just that on cards.*

For further information, please contact:

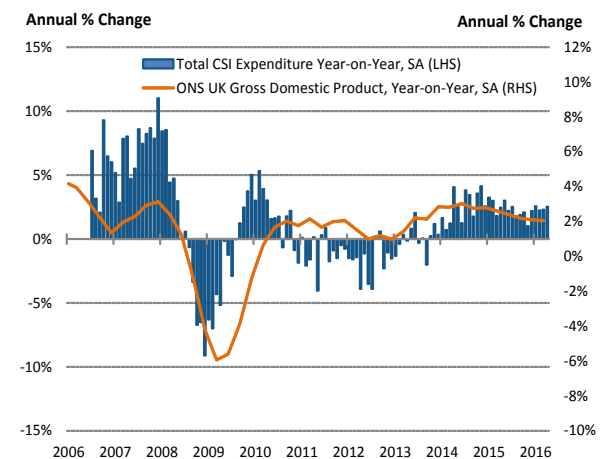
Mark Hooper, Visa Europe  
 Tel: 020 7297 1356  
 Email: [hooperm@visa.com](mailto:hooperm@visa.com)

David Chambers, H+K Strategies  
 Tel: 020 7413 3047  
 Email: [david.chambers@hkstrategies.com](mailto:david.chambers@hkstrategies.com)

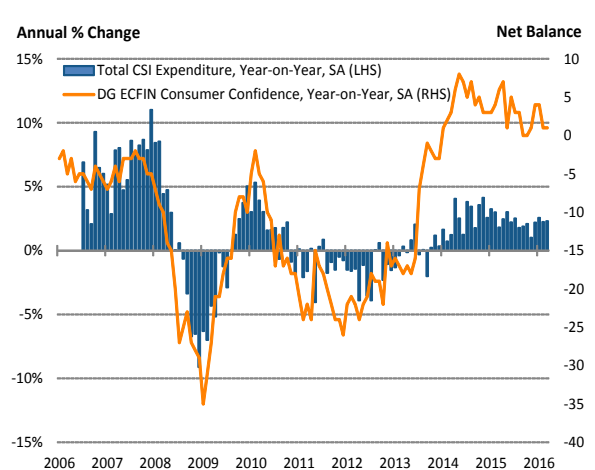
### UK CSI & Household Expenditure



### UK CSI & GDP



### UK CSI & Consumer Confidence



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



## Notes and Further Information

Utilising Visa Europe's unique position at the heart of the payments ecosystem – with £1 in every £3 spent in the UK on a Visa card – Visa Europe'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 be 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 an assessment of the trends in cash withdrawals and point-of-sale (POS) transactions on Visa cards. 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.

The 'Visa Europe UK Consumer Spending Index' spending by product categories consist of the following standard Classification of Individual Consumption According to Purpose (COICOP) groups:

Product Category	COICOP Group
Food, Beverage & Tobacco	1, 2
Clothing & Footwear	3
Housing & Household Goods	4,5
Health & Education	6,10
Transport & Communication	7,8
Recreation & Culture	9
Hotels & Restaurants	11
Miscellaneous Goods & Services	12



Visa Europe is a payments technology business owned and operated by member banks and other payment service providers from 38 countries.

Visa Europe is at the heart of the payments ecosystem providing the services and infrastructure to enable millions of European consumers, businesses and governments to make electronic payments. Its members are responsible for issuing cards, signing up retailers and deciding cardholder and retailer fees. Visa Europe is also the largest transaction processor in Europe, responsible for processing more than 18 billion transactions annually.

There are more than 500m Visa cards in Europe, while €1 in every €6 spent in Europe is on a Visa card. Total expenditure on Visa cards exceeds €2 trillion annually, with €1.5 trillion spent at point-of-sale.

Visa Europe is an independent business with an exclusive, irrevocable and perpetual licence to use the Visa brand in Europe. Visa Europe works in partnership with Visa Inc. to enable global Visa payments in more than 200 countries and territories.

For more information, visit [www.visaeurope.com](http://www.visaeurope.com) and [@VisaEuropeNews](https://twitter.com/VisaEuropeNews)



Markit Economics is a specialist compiler of business surveys and economic indices, including the *Purchasing Managers' Index™ (PMI™)* series, which is now available for over 30 countries and key regions including the Eurozone. The PMI™ surveys have become the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

e-mail: [economics@markit.com](mailto:economics@markit.com)