Irish consumer spending rises for twelfth month running in February, up +4.4% year-on-year

Headline Findings:

- **Consumer spending:** +4.4% year-on-year, further solid expansion
- **Face-to-face spending:** +5.1% showing continued growth on the high street
- **Household Goods leads growth:** +11.4% expansion. Food & Drink sees fastest rise since April 2017 (+5.8%)

Visa’s Irish Consumer Spending Index, which measures expenditure across all payment types (cash, cheques and electronic payments), signalled a +4.4% year-on-year expansion in household expenditure in February. The rate of growth was solid, albeit slower than the +5.4% increase seen in January. Spending has now increased on an annual basis throughout the past year, with the latest rise (+4.4%) broadly in line with the average seen since the series began in September 2014.

Growth was also recorded across both Face-to-Face and eCommerce channels. Face-to-Face expenditure was up +5.1% year-on-year, marking six months of expansion in spending on the high street. The increase was stronger than the series average, despite easing from that seen in January. eCommerce spending rose at a faster pace in February. Expenditure was up +3.3% year-on-year, following a +2.2% increase at the start of the year in January. This has been the fourth successive month to see a rise in eCommerce spending.

(Continues overleaf)

Visa’s Irish Consumer Spending Index

<table>
<thead>
<tr>
<th>Annual % Change</th>
<th>Dec’17</th>
<th>Jan’18</th>
<th>Feb’18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall spending</strong></td>
<td>+4.9</td>
<td>+5.4</td>
<td>+4.4</td>
</tr>
<tr>
<td><strong>Face-to-face</strong></td>
<td>+5.3</td>
<td>+7.4</td>
<td>+5.1</td>
</tr>
<tr>
<td><strong>eComm.</strong></td>
<td>+3.9</td>
<td>+2.2</td>
<td>+3.3</td>
</tr>
</tbody>
</table>

**Visa’s Irish Consumer Spending Index

12 March 2018**

**Philip Konopik, Country, Manager, Ireland, Visa said:**

“February’s data underscores the confidence amongst the Irish public, with twelve consecutive months of growth in consumer spending. Valentine’s Day was an important factor in driving the positive performance of sectors such as Hotels, Restaurants & Bars and Food & Drink. The recent bad weather only affected businesses on the last day of February, so we have seen no real impact in this month’s index. However, we can expect the snow to have a negative effect on March’s performance.”

**Andrew Harker, Associate Director at IHS Markit said:**

“Irish household spending continued its solid start to 2018 in February. Rising wages, falling unemployment and improving consumer confidence are all providing encouragement to households at present, resulting in broad-based increases in spending. The high street performed well again, while growth of online expenditure picked up. Given the strong historical relationship between the CSI and official data, we can expect to see further positive signals in terms of consumer spending and retail sales in upcoming releases.”
Visa’s Irish Consumer Spending Index

(Continued from page 1)

On a sectoral basis, the strongest increase in expenditure was again seen in Household Goods. At +11.4% year-on-year, the rate of growth was substantial, with a double-digit expansion recorded for the fourth month running.

Sharp rises in spending were also registered in the Transport & Communication (+6.5%), Recreation & Culture (+6.5%), Hotels, Restaurants & Bars (+6.2%) and Food & Drink (+5.8%) categories. In particular, Food & Drink’s growth in February was the fastest seen since April 2017.

Modest expansions in expenditure were seen in the Clothing & Footwear (+2.6%) and Miscellaneous Goods & Services (+0.4%) sectors, with Health & Education the only category to see a drop in spending on an annual basis (-2.0%).

eCommerce and Face-to-Face Spend

Growth in spending via Face-to-Face channels (+5.1% year-on-year) again outpaced that of eCommerce (+3.3%) expenditure during February.

That said, eCommerce saw the rate of expansion accelerate from January, while spending on the high street rose at the slowest pace since last October.

Spending by Sector

Visa’s Irish 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.

The sharpest expansion was again recorded in the Household Goods sector, the fourth month running in which this has been the case.

Food & Drink was also a strong performer in February, seeing spending rise at the fastest pace in ten months. Sharp expansions were also registered in the Transport & Communication, Recreation & Culture and Hotels, Restaurants & Bars categories.

Annual Growth Rates by Sector

Data not adjusted for seasonality and trading days

<table>
<thead>
<tr>
<th>Broad Sector</th>
<th>Dec ‘17</th>
<th>Jan ‘18</th>
<th>Feb ‘18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, Beverages &amp; Tobacco</td>
<td>+5.6%</td>
<td>+3.3%</td>
<td>+5.8%</td>
</tr>
<tr>
<td>Clothing &amp; Footwear</td>
<td>+4.7%</td>
<td>+5.7%</td>
<td>+2.6%</td>
</tr>
<tr>
<td>Household Goods</td>
<td>+12.3%</td>
<td>+13.4%</td>
<td>+11.4%</td>
</tr>
<tr>
<td>Health &amp; Education</td>
<td>-0.5%</td>
<td>+4.2%</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Transport &amp; Communication</td>
<td>+5.9%</td>
<td>+6.9%</td>
<td>+6.5%</td>
</tr>
<tr>
<td>Recreation &amp; Culture</td>
<td>+8.6%</td>
<td>+8.2%</td>
<td>+6.5%</td>
</tr>
<tr>
<td>Hotels, Restaurants &amp; Bars</td>
<td>+9.8%</td>
<td>+7.2%</td>
<td>+6.2%</td>
</tr>
<tr>
<td>Misc. Goods &amp; Services</td>
<td>+1.1%</td>
<td>+4.2%</td>
<td>+0.4%</td>
</tr>
</tbody>
</table>
Visa’s Irish Consumer Spending Index

Visa’s CSI can be used to give advanced signals of trends in official data series such as retail sales and consumer spending.

Official CSO consumer spending data are only currently available until Q3 2017, when figures showed growth strengthening in line with the CSI. The Visa CSI data also signalled a pick-up in the rate of expansion during the final quarter of the year.

CSO retail sales data are also trending in line with the CSI numbers. Retail sales were up +7.2% year-on-year in December, with CSI data pointing to further solid increases in the opening two months of 2018.

Recently released CSO data on average earnings signalled a pick-up in wage inflation. Weekly earnings rose +2.5% year-on-year in Q4 2017, the strongest increase since the global financial crisis. This, coupled with relatively weak inflation of consumer prices, should mean that households have more disposable income and are more likely to raise spending.

Further positive news on the labour market was signalled by the latest unemployment data from the CSO. The unemployment rate was 6.0% in February, the lowest since May 2008.

Latest Investec PMI data, compiled by IHS Markit, signalled a further sharp monthly rise in business activity across the Irish private sector in February. This was despite the rate of growth easing slightly from that seen in January.

Visa's Irish 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. It is based on spending on all Visa debit, credit and prepaid cards which are used to make an average of over 110m transactions every quarter and account for €1 in €3 of all Irish 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.

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Sources for Charts: Visa, CSO, European Commission
NSA: Non-Seasonally Adjusted, SA: Seasonally Adjusted
Visa’s Irish Consumer Spending Index is based on data for all Visa debit, credit and prepaid cards held by Irish cardholders, with a number of adjustments made to ensure an accurate indication of consumer spending trends is provided.

First, the data – which covers spending by cardholders at all Irish domestic-based merchants plus purchasing at a number of non-domiciled online retailers – 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.

Visa’s Consumer Spending Index product categories consist of the following standard Classification of Individual Consumption According to Purpose (COICOP) groups:

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

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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, and a driving force behind the dream of a cashless future for everyone, everywhere.

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