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# Visa's UK Consumer Spending Index: Christmas Spending Predictions 2017

Compiled by IHS Markit on behalf of Visa

## Cold chill to blast UK high street this Christmas as spending set to be down on 2016 levels

### Headline findings:

- Household expenditure set to fall -0.1% on the year during crucial Christmas shopping period
- Declining real wages and tepid economic growth to weigh on spend
- Fall in spend at end of 2017 rounds off challenging year
- E-commerce to take record share of Christmas spending in 2017
- Christmas 'getaways', 'big-ticket' items and clothing all set to record lower sales

Reflective of a challenging economic environment, characterised by falling real wages, tepid economic growth and ongoing uncertainty, UK consumer spending during the crucial 2017 festive period is expected to be lower in real terms when compared to the same period of 2016.

Utilising the closely watched Visa UK Consumer Spending Index (CSI) – which provides a uniquely comprehensive and timely indication of real changes in domestic consumption trends – we are forecasting a decline in household spending of -0.1% on the year during November and December.

This downbeat assessment in part reflects 'base effects' – 2016 recorded the strongest ever recorded volumes of festive period household spending – and with this in mind, expenditure in the final two months of the year should be viewed as solid, but nonetheless disappointing given the inability of household purchasing to build on levels seen a year ago.

The expected subdued performance in the final weeks of 2017 is in principal a product of the current economic environment currently characterising the UK.

Economic output has been undermined by Brexit uncertainty,

whilst the past depreciation of sterling continues to feed through to rising consumer prices, leading to a further squeeze on household disposable income.

These factors have led to a period of belt-tightening amongst consumers in recent months, as evidenced by the UK CSI which has shown year-on-year spending levels recently falling into negative territory.

For 2017 as a whole, the CSI has indicated broadly no change in consumption – which would be the weakest performance for household spending since 2013.

### Consumer Spending Index (Annual % Change)

September '17	-0.3%
October '17	-2.0%
<b>November/December '17 (f)</b>	<b>-0.1%</b>

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

In line with recent trends, we anticipate a contrast in spending activity by channel type during the Christmas period.

On the one hand, growth is again forecast to be recorded for online sales which we expect to rise by 3.6% compared to the same period a year earlier. The rate of growth is, however, notably slower than 2016's +8.9% and is the weakest seen since 2013.

Conversely, we expect the high street to again experience a challenging festive period. Face-to-face spending is forecast to be down -2.1% on the year during the December/November period, the third year that consumption on this measure has fallen and the biggest contraction recorded since 2012.

With online sales continuing to increase, the total share of spending related to online purchases continues the upward trend that has been apparent in recent years. We anticipate close to £2 in every £5 to be spent online during November/December.

### E-Commerce Share of Total Spend (Nov/Dec)



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### Spending by Sector

Spending by broad category also reveals some anticipated divergence in performance over the final two months of 2017.

We expect the Transport & Communication sector to record a notable reduction in consumption (-4.5%), which is linked to lower buying activity in the new car market plus reduced spend related to Christmas 'getaways' (this category includes air fares for instance).

In contrast, we anticipate greater volumes of activity within the domestic Hotels & Restaurants industry as UK households, encouraged by the weakness of sterling, are more likely to celebrate the Christmas and New Year activities closer to home. Growth in this category is expected to be +3.4%,

although that would be the lowest rate of increase since a decline of -0.7% in 2010.

Elsewhere, Clothing & Footwear sales are expected to be down slightly (-0.5%), whilst Household Goods are also anticipated to be lower (-1.0%).

In contrast, some marginal growth is anticipated in the Recreation & Culture category (+0.9%), although that is well down on 2016's +7.9% and the weakest rise since 2012 as consumers are expected to restrict their purchases of non-essential items.

Finally, the Food & Drink sector is set to record a flat Christmas and therefore snap a three-year period of expansion.

### Visa's UK Consumer Spending Index: Historical Year-on-Year Growth (November/December)

	2010	2011	2012	2013	2014	2015	2016	2017 (f)
<b>All Sectors</b>	-1.4%	-0.6%	-1.3%	0.8%	3.3%	1.6%	2.8%	-0.1%
<b>Face-to-Face</b>	-1.0%	-3.1%	-2.1%	0.1%	1.3%	-0.9%	-0.5%	-2.1%
<b>Online</b>	0.5%	2.3%	-1.6%	3.5%	7.8%	5.6%	8.9%	3.6%
<i>Online as % of Total Spend</i>	29.8%	30.9%	31.0%	31.8%	33.1%	34.5%	36.6%	37.9%
<b>Selected Sectors</b>								
<b>Food &amp; Drink</b>	0.2%	-6.5%	-1.8%	-2.7%	3.6%	1.8%	1.7%	0.0%
<b>Clothing &amp; Footwear</b>	3.2%	4.1%	0.3%	4.0%	3.9%	1.3%	0.2%	-0.5%
<b>Household Goods</b>	4.2%	1.5%	-5.4%	3.0%	4.0%	3.1%	1.4%	-1.0%
<b>Transport &amp; Communication</b>	4.1%	-2.5%	-2.6%	2.3%	1.0%	-3.9%	1.2%	-4.5%
<b>Recreation &amp; Culture</b>	-4.8%	1.8%	0.6%	4.7%	6.6%	5.0%	7.9%	0.9%
<b>Hotels &amp; Restaurants</b>	-0.7%	7.7%	6.9%	8.4%	9.0%	8.3%	4.7%	3.4%

\*annual percent changes refer to November and December periods as a whole

### Notes and Further Information

For further information, please contact:

Ian Burge, Visa  
Tel: 020 3144 2196  
Email: burgei@visa.com

Giang Nguyen, H+K Strategies  
Tel: 020 7413 3153  
Email: giang.nguyen@hkstrategies.com

#### About Visa's UK Consumer Spending Index

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 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.



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