

Visa's Irish Consumer Spending Index

Compiled by IHS Markit on behalf of Visa

Irish consumer spending rises +2.5% year-on-year in July – fastest growth since March

Headline findings:

- Rate of expansion in household spending gains further momentum, accelerating for the third month in a row
- Overall growth driven by faster rise in eCommerce spending, +8.9% year-on-year, but Face-to-Face expenditure declines for the tenth month in a row
- Sharp increases in spending across Hotels, Restaurants & Bars and Recreation & Culture

Growth of spending by households in Ireland continued to gather pace at the start of the third quarter of the year. Visa's Irish Consumer Spending Index, which measures expenditure across all payment types (cash, cheques and electronic payments), signalled a +2.5% year-on-year increase in expenditure in July, up from +1.8% in June. This was the third month running in which the rate of growth has accelerated, with the latest rise in spending the most marked since March this year.

Growth of eCommerce spending rose for the third successive month in July, with expenditure up sharply (+8.9%) from the same month a year ago. This trend underlines the growth in popularity of online shopping among Irish shoppers, with European Commission research released last month¹ showing that the strongest growth in the number of online shoppers in the EU last year was in Ireland, where there was a 7.8% increase. 59.2% of the Irish population made an online purchase in 2016 and Ireland also had the highest percentage of businesses (with at least 10 persons employed) selling online.

In contrast, Face-to-Face expenditure continued to fall,

the tenth month running in which a decline has been recorded. The pace of reduction, however, at -0.5% year-on-year in July, was the slowest so far this year.

On a sectoral basis, Hotels, Restaurants & Bars posted the fastest increase in spending, seeing growth of +9.1% year-on-year. The Recreation & Culture category also registered a sharp rise in expenditure (+6.7%), while Household Goods remained a strong performer (+7.2%).

The recent recovery in Clothing & Footwear spending also continued in July. Expenditure in the sector was up for the fourth month running and to the greatest extent since May 2016 (+3.2% year-on-year). The current period of growth follows a sequence of seven declines in eight months. A solid increase in spending was also recorded in Food & Drink (+3.2%).

Transport & Communication posted a marginal rise in spending (+0.3%) for the second month in a row. Meanwhile, the only sector to see a reduction in expenditure was Health & Education, where spending was down -2.8% on the same month a year ago.

¹ http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=117250

Philip Konopik, Country Manager, Ireland, Visa said:

"Our latest data shows that the growth in Irish consumer spending remains modest, but encouragingly the rate of expansion has now accelerated over three consecutive months, with eCommerce as the key driver. The further improved unemployment rate, with increasing job prospects, is likely to help support further rises in consumer spending in the future."

Andrew Harker, Senior Economist at IHS Markit said:

"The July Irish CSI provides further evidence of building growth momentum in household spending following a soft-patch earlier in 2017. There were some encouraging signs from categories that have been under pressure through much of the past year. Clothing & Footwear posted the fastest rise in expenditure since May 2016, while Face-to-Face spending moved closer to stabilisation, providing some hope that the high street can start to contribute to growth again in the near future."

Visa's Irish Consumer Spending Index	May-17	Jun-17	Jul-17
Overall Spending Annual % Change	+0.8%	+1.8%	+2.5%
Face-to-Face Spending Annual % Change	-2.3%	-1.0%	-0.5%
eCommerce Spending Annual % Change	+7.3%	+7.4%	+8.9%

Visa's Irish Consumer Spending Index

Summary

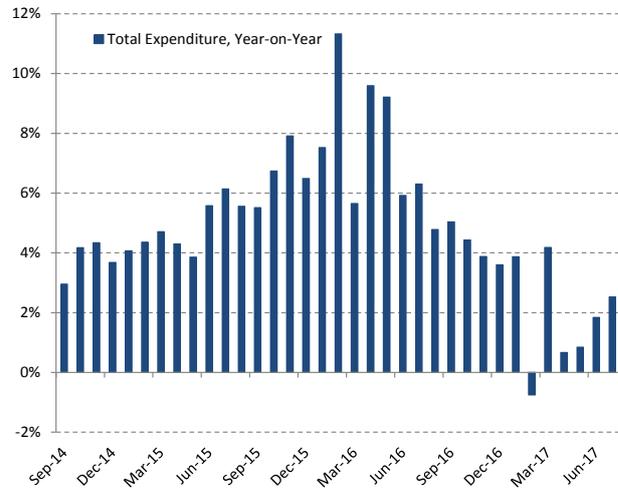
Irish consumer spending rose +2.5% year-on-year, the strongest annual increase seen since March. The rate of expansion has now accelerated in three consecutive months.

This is according to Visa's Irish Consumer Spending Index, which takes card spending data and adjusts it for a variety of factors to create a like-for-like comparison of consumer spending. This distinguishes the Index from Visa's corporate performance, and thereby provides a robust indicator of consumer spending habits.

Although the rate of expansion has picked up in recent months, it remains weaker than the average since the series began almost three years ago.

Visa's Irish Consumer Spending Index*

Annual % Change



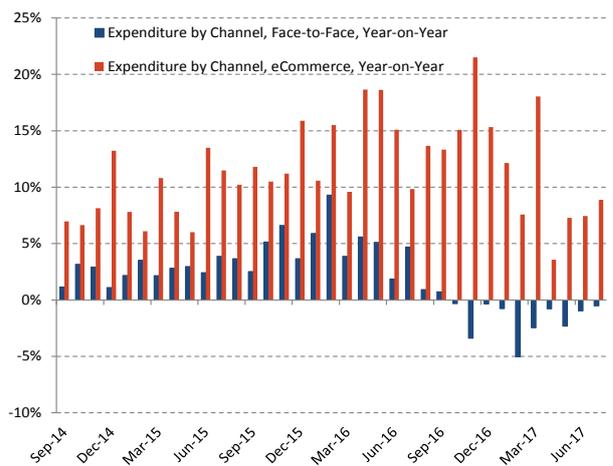
eCommerce and Face-to-Face Spend

Growth of eCommerce spending quickened to a four-month high in July as expenditure continued to rise sharply and drive the expansion in overall spending.

Meanwhile, Face-to-Face expenditure continued to fall in July, extending the current sequence of decline to ten months. That said, the rate of contraction was only marginal, and the weakest since December last year.

eCommerce vs Face-to-Face*

Annual % Change



Spending by Sector

Visa's Irish Consumer Spending Index monitors eight broad sectors. Summary data for annual growth rates in June and July 2017, which are not adjusted for seasonality and trading days, are provided in the table opposite.

The Hotels, Restaurants & Bars sector posted the fastest rise in spending in July, with marked increases also registered in the Household Goods and Recreation & Culture categories.

Solid increases were recorded in the Food, Beverages & Tobacco and Clothing & Footwear sectors, while spending in Transport & Communication was up marginally.

The only sector to see a fall in expenditure on an annual basis was Health & Education, the first time a decline has been posted in three months.

Annual Growth Rates By Sector*

Broad Sector	Jun '17	Jul '17
Food, Beverages & Tobacco	+3.2%	+3.2%
Clothing & Footwear	+2.1%	+3.2%
Household Goods	+7.4%	+7.2%
Health & Education	+2.0%	-2.8%
Transport & Communication	+0.3%	+0.3%
Recreation & Culture	+1.2%	+6.7%
Hotels, Restaurants & Bars	+6.9%	+9.1%
Misc. Goods & Services	+2.9%	0.0%

*data not adjusted for seasonality and trading days



Visa's Irish Consumer Spending Index

Official Data

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

Official data on consumer spending are now available for the first quarter of the year. Household expenditure was up +3.0% year-on-year in Q1, with the CSI pointing to modest growth in the second three months of 2017.

More timely monthly official data are available for retail sales. Latest figures pointed to a +4.1% year-on-year increase in sales during June, a slight pick-up in growth from the previous month. The CSI suggests that this improving trend continued at the start of the third quarter of the year.

Consumer confidence was little-changed in June, remaining modest compared with the picture prior to the UK's EU referendum. Households will have been encouraged by a drop-off in inflationary pressures in recent months. In fact, consumer prices decreased on an annual basis in June, the first reduction since November last year.

The unemployment rate ticked up to 6.4% in July, the first time a rise has been recorded since April 2016. That said, the rate of unemployment remains one of the lowest in the past nine years, with improving job prospects likely to help support further rises in consumer spending.

Business activity at companies in Ireland continued to rise sharply in July, as signalled by the latest PMI data. This continued the trend seen throughout 2017 so far.

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 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.

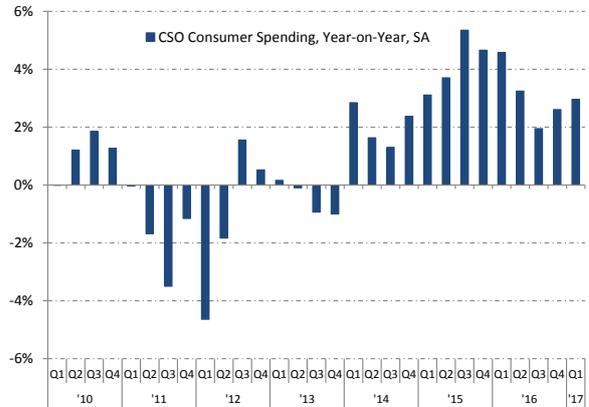
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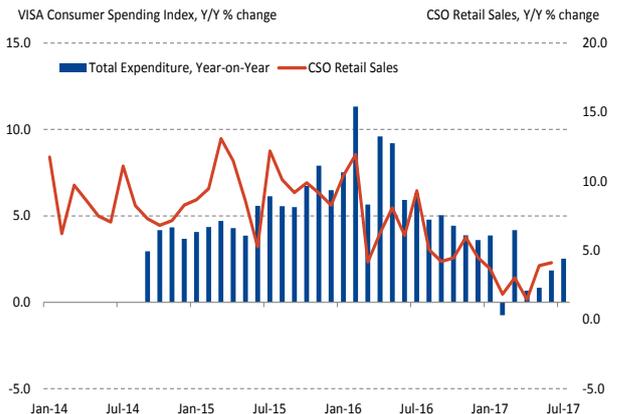
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Ireland Consumer Spending

Annual % Change

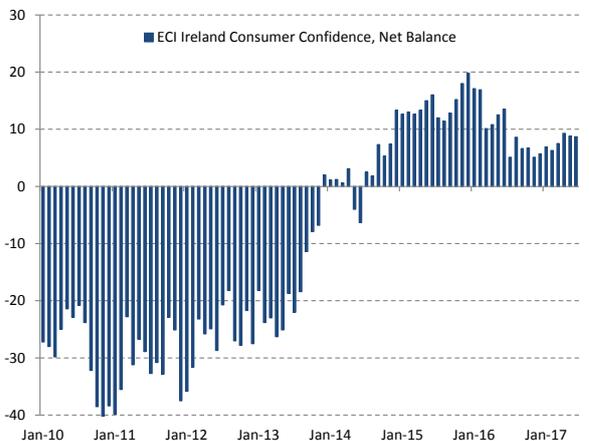


Visa CSI v Official Retail Sales data



Ireland Consumer Confidence

Net Balance



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



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Notes and Further Information

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 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.

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

Product Category	COICOP Group
Food, Beverages & 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



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