

Visa European Spending Trends

Compiled by Markit on behalf of Visa Europe



Visa Europe is a membership association of more than 4,000 European banks that have collectively issued more than 399 million Visa debit, credit and commercial cards in Europe. In the 12 months ending March 2010 those cards were used to make purchases and cash withdrawals to the value of €1.4 trillion. 11.2% of consumer spending at point of sale in Europe is with a Visa card.

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Markit Economics

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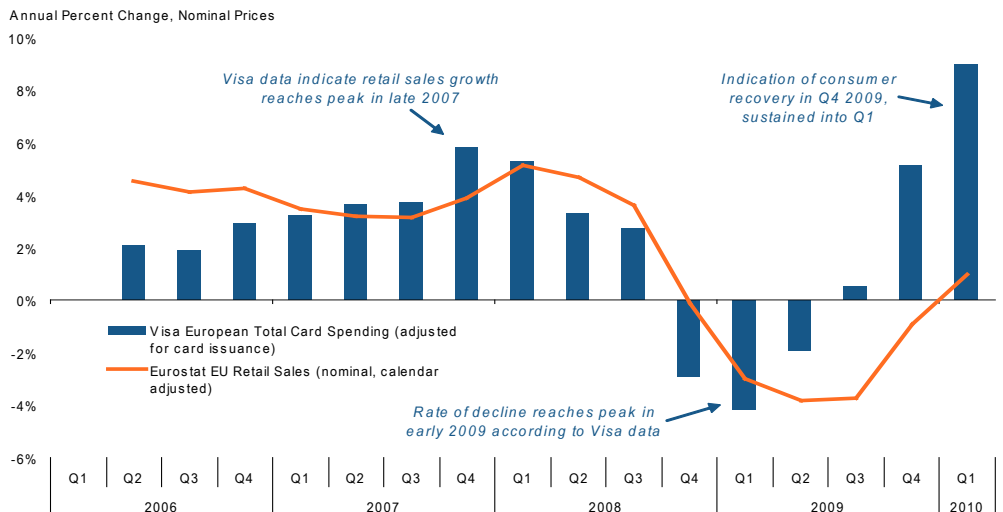
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Visa Europe data signal upturn in European spending in Q1 2010.

Chart 1: Visa Total Card Spend & Retail Sales



Key points:

- Total spend on Visa cards in Europe amounted to €230 billion in the first quarter of 2010, pushing the annual rate of increase up from 11.7% in the final quarter of 2009 to 16.4%. The data therefore suggest that spending is on a firm upward trend, with the recovery gaining momentum in early 2010.
- Even after allowing for an increase in the number of Visa cards issued, the latest data point to a 9.0% year-on-year increase in spend. Spending is therefore currently increasing at a quicker rate than prior to the recession when it peaked at 5.8% at the end of 2007.
- There has been a steady decline in the average transaction value (ATV) on cards in recent years due to growing consumer and retailer preference for the use of cards in low-value transactions. The impact of the recession has accelerated this trend however, as rises in unemployment, weak employee earnings growth and heavy price discounting all had an impact on ATV.
- Changes in card spending correlate closely with trends in official retail sales and consumer confidence data, adding to evidence that the European economy continued to recover in Q1 from the deepest recession since the Second World War. Moreover, monthly data derived from those transactions directly processed by Visa points to further rises in spending during April and a strong start to the second quarter.

Commenting on the data, Dr Steve Perry, Commercial Director at Visa Europe said:

“Consumer spending was hit hard by the recession but has bounced back surprisingly quickly. Growth is now faster than it was before the recession. This is very positive for the health of the European economy as a whole as consumer spending is such an important engine of growth.

“Optimism needs to be tempered, however, as the economic situation in Greece and concerns about the fiscal position of a number of the other European states means that the outlook is uncertain and it remains to be seen whether spending will continue to grow at current rates.

“The past decade has seen a tremendous growth in the use of cards across Europe and more than €1 in €9 spent in Europe is now with a Visa card. Debit cards in particular are becoming the preferred payment method for many consumers and replacing the use of cash and cheques. This means that card spending provides an increasingly strong indicator of total consumer spending and supplements official figures.”

Visa European Spending Trends

Latest Visa data indicate the continued recovery of spending in the European economy in the first months of 2010, with expenditure on cards rising at a marked and accelerated rate at the start of the year.

11.2% of consumer spending at point of sale in Europe is with a Visa card which means it provides a strong indicator of total spending. The speed with which Visa data can be processed and analysed means the data provide a unique and timely insight into the spending patterns of European consumers following a period of unprecedented economic upheaval.

Overall expenditure on all Visa cards – debit, credit and prepaid – amounted to €230 billion in the first quarter of 2010, well up on the same period last year when transaction values totalled €198 billion (see chart 2). That equates to a 16.4% year-over-year increase, and signalled the continued recovery in card spend since the rate of expansion hit a low of just 0.8% in Q1 2009. Visa card spending has accelerated rapidly since that trough, reaching double-digit rates at the end of 2009, which continued into the start of 2010.

The rate of increase in European card spend during Q1 was also stronger than that seen before the recession. However, this rise does not solely reflect an increase in consumer spending, but also a number of other factors such as positive base effects (Q1 2009 marked the peak of the worst European recession since the Second World War) and rises in Visa debit card issuance over the past year.

Deflating the data by changes in Visa card numbers therefore helps to provide a better indication of underlying nominal spending patterns. As chart 3 shows, on this basis, total Visa card spending increased in year-on-year terms throughout 2006 and 2007, reaching a peak in Q4 2007. Growth then turned down sharply in the first half of 2008, with an outright nominal decline recorded by the end of the year.

Since the height of the recession in Q1 2009 the Visa data have indicated recovery, with a return to growth in the second half of last year. Latest data point to the continuation of this recent positive trend, with the rate of expansion in transaction values building on Q4's nominal 5.1% rise to reach 9.0% – a level still comfortably above pre-recession rates of growth and providing evidence of continued improvement of the European economy in 2010.

Chart 2: Total Visa Card Spend

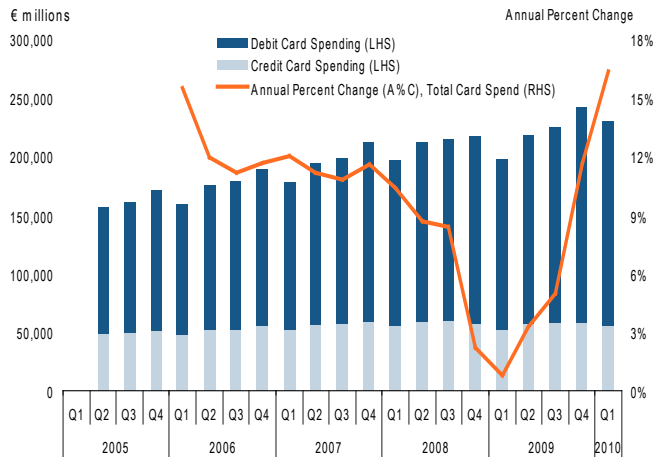
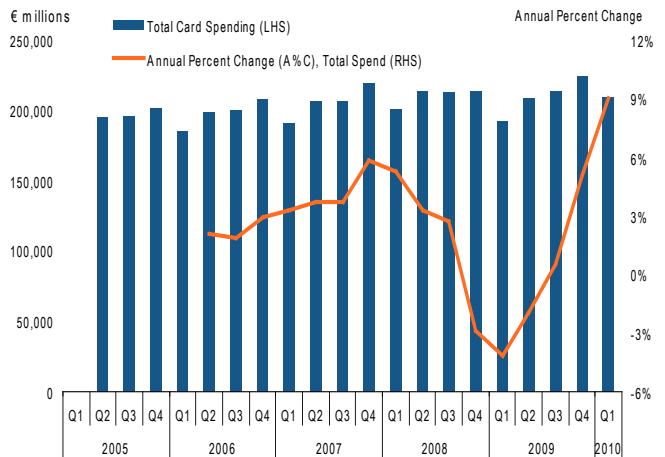


Chart 3: Total Visa Card Spend (card growth adjusted)¹



¹Total data deflated by changes in Visa card numbers to provide a better indication of underlying spending trends. Figures are not adjusted for the effects of inflation.

Average Transaction Value

There has been a steady decline in the average transaction value (ATV) on cards in recent years. This reflects growing consumer and retailer preference for the use of cards in low-value transactions. The recession accelerated this trend however, as rises in unemployment, weak employee earnings growth and heavy price discounting all had an impact on ATV.

Having moved within a tight range of around €51-€53 during the period 2005-2008 (see chart 4), there was a significant reduction in the ATV around mid-2008 as the recession took hold. Average spend fell for five successive quarters to reach a low of €48.8 by mid-2009. It increased slightly in Q4 2009 before moving broadly sideways in Q1 to post €49.0 and remain notably lower than pre-recession levels.

Whilst continued economic recovery may see ATV rise slightly again, it is clear the long-term trend is downwards as cards are increasingly used in place of cash for smaller priced transactions – particularly on the debit side. Technological developments such as the introduction of contactless payment methods will make it even easier for cards to be used for everyday purchases such as newspapers and coffee.

POS* Transactions

Chart 5 indicates that debit card point of sales (POS) transactions have been on an upward trajectory in recent years. Q1 data shows that the average number of transactions per card was 13.7, continuing the positive year-on-year trend that has been exhibited throughout the series history.

The data highlight the growing role that debit cards are playing in consumer spending behaviour. Visa-branded debit cards are presently used to spend more than €1.5 million every minute in Europe. During 2009, 247 million debit cards were used to generate more than 70% of Visa card spend and transactions.

Official Data

The underlying improvement in Visa spending in Q1 can be linked to a strengthening in consumer confidence. As chart 6 shows, the European Commission's survey of consumers showed sentiment about the current economic

* POS = Point of Sale

Chart 4: Average Transaction Value²

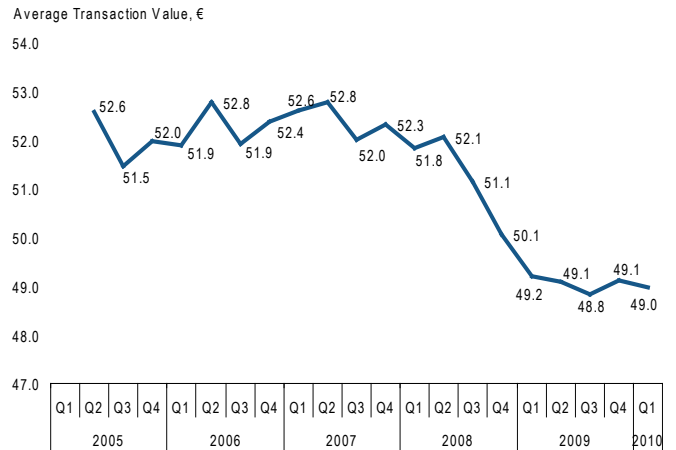
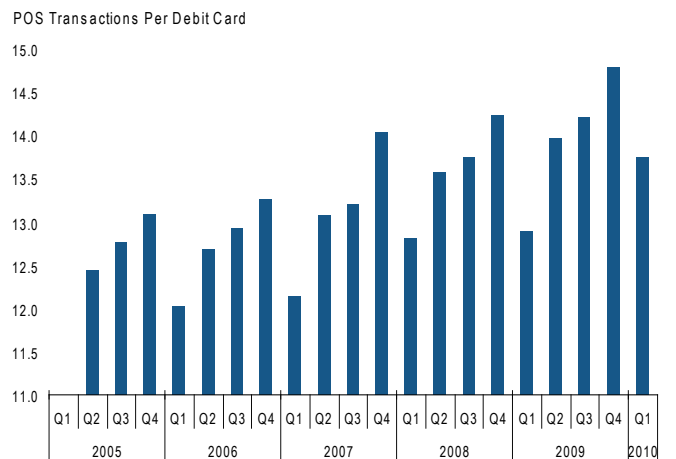


Chart 5: Average POS Transactions Per Card³



²All Visa cards (debit, credit and prepaid).

³Visa debit cards only.

situation rose to a two-year high in Q1, having bottomed-out at the same time as the Visa data. Improved consumer confidence is therefore being matched by a willingness amongst European consumers to actually raise spending.

It is not surprising therefore that comparison of Visa total card data against official figures on retail sales provide a useful and timely indicator of official statistics. As chart 1 shows, Visa data have shown a slight lead on the official retail sales numbers, most notably in 2008 and 2009, when the data provided an early warning of a sudden switch from strong spending growth to decline.

Since then, the Visa data provided an advance indication of the peaking of the recession in Q1 2009, and have helped to highlight the underlying improvement and subsequent return to growth of retail sales turnover in Q1 2010.

Initial Visa data for April and May suggest that positive trends in card spend have continued into Q2 2010. Of those transactions directly processed by Visa, which account for around one-third of the total, card spending in April and May was around 25% higher than a year ago, broadly in line with rates of growth seen in February and March. While strong rises in card issuance and base effects have played roles in the recent improvement, the robust Visa figures for April and May therefore bode well for a continued consumer recovery in Q2.

Chart 6: Visa Total Card Spend & Consumer Confidence

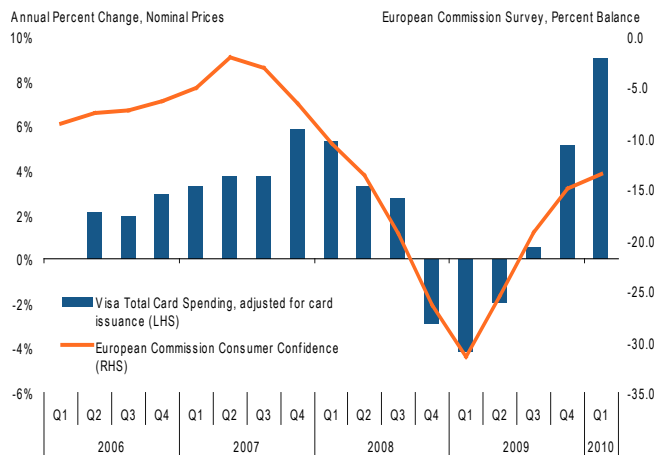
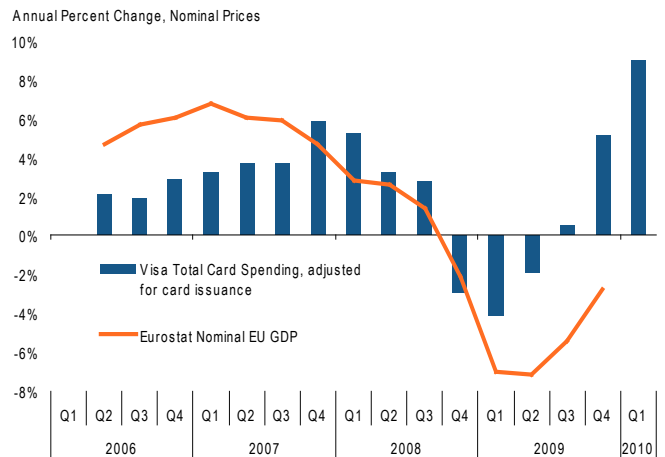


Chart 7: Visa Total Card Spend & GDP



Sources for all graphs: Visa Europe, Markit, European Commission, Eurostat.

Notes on the Data and Further Information

The Visa European Spending Trends data provide quarterly information on Visa debit, credit and prepaid usage in 36 countries across Europe. Figures from each country covering card issuance, POS and ATM transactions (value and volume) have been aggregated to provide a timely insight into European household spending patterns in early 2010.



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