

# Visa Europe: EU Consumer Spending Report

Compiled by Markit on behalf of Visa Europe

## Visa card data indicates that European consumer spending continues to grow but at slower pace.

### Key findings

- Latest figures from Visa Europe indicated that household consumption in the European Union continued to rise in the third quarter of 2010, but at the slowest rate of the year so far.
- According to the Visa Europe: EU Consumer Spending Report, real spending was up 1.2% year-on-year during Q3. The index, which is adjusted for card issuance, payment preferences and inflation to provide a robust indication of consumer trends, suggests that household consumption remains relatively subdued.
- Spending levels differed across the EU and broadly conformed to expected trends given respective economic situations. Of the big Eurozone nations, growth was sustained at a stronger pace in France, but Spain recorded a slowdown. In Germany and Italy card expenditure levels were down on the year. Meanwhile, peripheral nations Greece and Ireland recorded particularly marked declines in card spend.
- Outside of the single currency area, the UK continued to register higher spending levels, but growth weakened. Eastern European nations the Czech Republic, Hungary and Poland were amongst the strongest performers with all three recording year-on-year spending growth.
- Overall, the latest Visa data indicate that household consumption will make only a marginal contribution to EU GDP in the third quarter and add to evidence of a fragile European economic recovery. With unemployment up and government austerity measures kicking in across the continent, growth is set to be sluggish at best heading into 2011.
- Unadjusted card data from Visa provides an insight into the spending habits of European consumers, which continue to change despite the difficult economic environment. Latest figures showed that unadjusted card spend totalled €242 billion in Q3, up some 19.6% from the same period a year earlier. Growth has been driven by an increased preference by consumers to use cards for purchases, particularly on the debit side, with ATV remaining well down on pre-recession levels and transaction numbers continuing to grow.

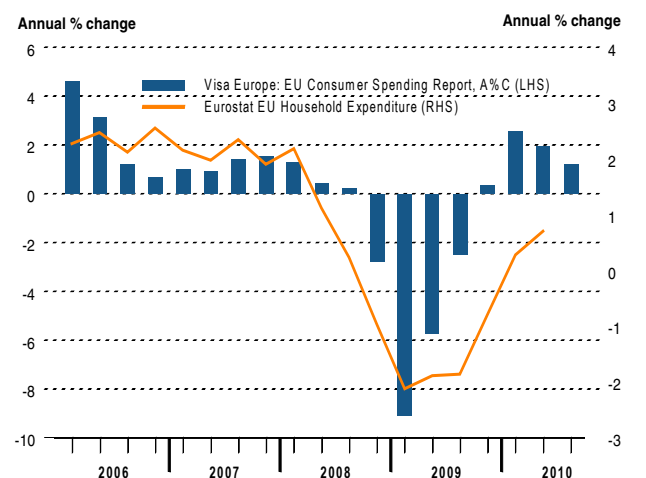
### Commenting on the latest results, Philip Symes, Chief Financial Officer at Visa Europe said:

*"In the first half of the year we saw robust growth in consumer spending as European economies bounced back from recession. Not unexpectedly this initial recovery in consumer spending has now slowed as austerity measures and unemployment weigh on consumer confidence.*

*"The most troubled economies of the Eurozone, in particular Greece and Ireland have recorded some of the biggest falls in spending. The picture is more positive in some of the large European economies including France, the UK and also in Eastern Europe where relatively robust growth has been recorded. We expect overall spending levels to exceed those seen in 2009 but the European consumer is proving to be cautious as the continent slowly moves towards recovery.*

*"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, 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."*

### Chart 1: Visa Europe: EU Consumer Spending Report & Household Expenditure



Sources: Visa Europe, Eurostat

# Household consumption grew at modest pace in the third quarter of 2010.

European household spending continued to grow at a modest pace in the third quarter of 2010, according to Visa card data for the 27 EU nations. Positive growth in France and the UK was offset by continued weakness in Germany and Italy, while smaller nations Ireland and Greece registered marked falls in expenditure, as increased unemployment, fiscal austerity measures and an uncertain economic outlook served to undermine consumption.

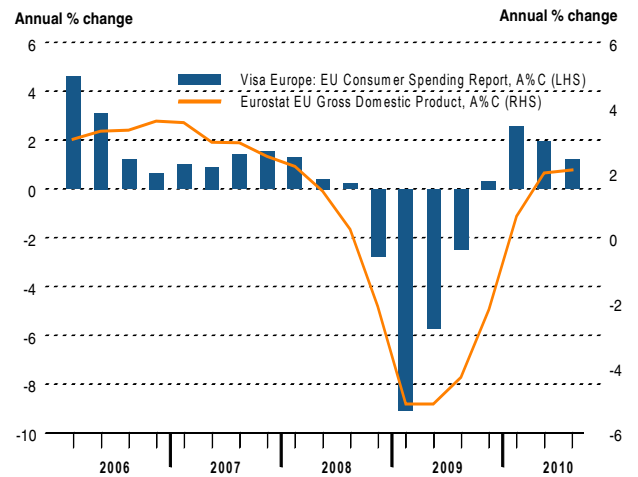
Following adjustments for card issuance, preferences and consumer price inflation – which help to provide a better indication of changing consumer spending than raw, unadjusted data – Visa data indicated that EU-27 household spending increased by 1.2% compared to the same period a year earlier. This compared to increases of 2.6% and 1.9% in the first two quarters of 2010.

Although the latest increase maintained the recovery in spending that has been evident over the past year, the rate of growth is below the average seen prior to the financial crisis. Moreover, latest data showed considerable differences in trends across the region in the third quarter.

Within the Eurozone, France provided principal growth support, with consumption here rising markedly and at a quicker pace. In contrast, card expenditure levels in Germany – the biggest EU economy – and Italy both continued to fall in Q3, while peripheral nations Greece and Ireland showed particularly negative trends, not surprising given the severe economic difficulties that these nations are presently facing.

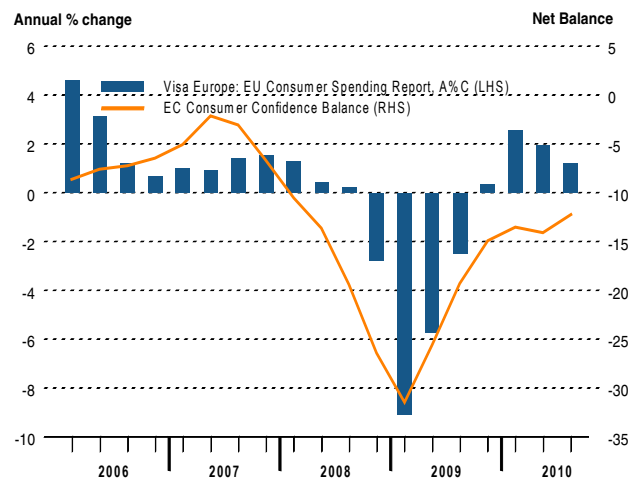
Outside of the single currency area, the UK continued to register positive growth, although the rate of expansion was down on those seen earlier in the year. The Scandinavian nations of Denmark and Sweden also registered subdued consumption. Conversely, Eastern Europe saw relatively positive spending trends with the Czech Republic, Hungary and Poland all recording year-on-year growth in Q3.

**Chart 2: Visa Europe: EU Consumer Spending Report & Gross Domestic Product (GDP)**



Sources: Visa Europe, Eurostat

**Chart 3: Visa Europe: EU Consumer Spending Report & Consumer Confidence**



Sources: Visa Europe, European Commission

## Official Data

Although the data from the Visa Europe: EU Consumer Spending Report has tended to move in a wider range than equivalent official data – probably reflective of a factors such as a tendency to use cards for higher valued purchases or different attitudes to card use across age groups – the series have exhibited a strong relationship over time. For this reason, the latest report reading suggests a weak contribution from household spending to economic growth in the third quarter, with the rate of expansion on the official measure set to be modest at best (see chart 1).

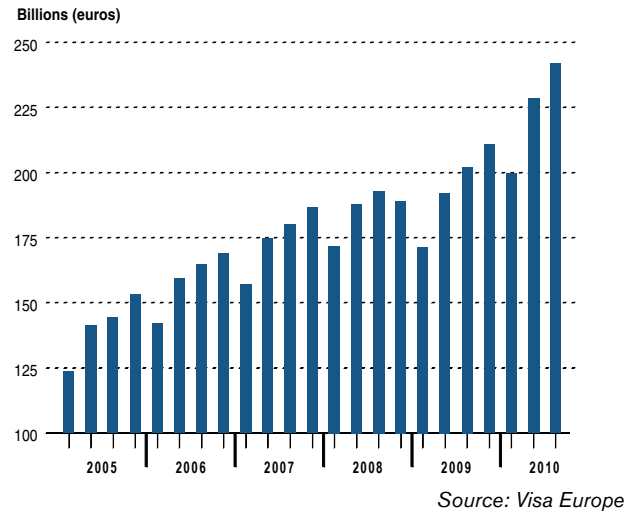
Given the importance of household spending to the EU economy, it is no surprise that the Visa data have an equally positive relationship with GDP (see chart 2). Indeed, the report has shown leading indicator qualities since the height of the recession, providing an advance indication of the subsequent upturn. On this basis, the EU-27 nations are set to register sluggish expansion towards year end and into the start of 2011.

Moreover, the level of card spending in the EU-27 is still lower than seen prior to the recession, highlighting the fragility of the recovery. This is backed up by sentiment data from the European Commission. While consumer confidence has recovered strongly since early 2009, it remains well down on pre-recession levels as households retain a degree of caution in the face of increased unemployment and government austerity packages (see chart 3).

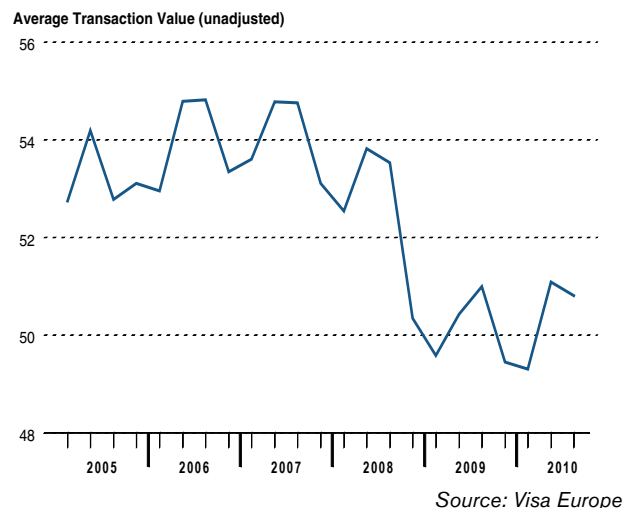
## Visa Card Spend

Unadjusted card spend data from Visa highlights the importance of adjusting for card issuance, payment preferences and inflation. Q3's data showed that spending on all Visa cards (debit, credit and prepaid) was €242 billion, compared to €202 billion in the equivalent quarter a year earlier (see chart 4). That equated to a 19.6% increase and highlighted the continued strength in unadjusted card spend since the broadly flat trend registered at the height of the recession.

**Chart 4: Visa Europe: Total EU Visa Card Spend**



**Chart 5: EU Average Transaction Value<sup>1</sup>**



<sup>1</sup>All Visa cards (debit, credit and prepaid)

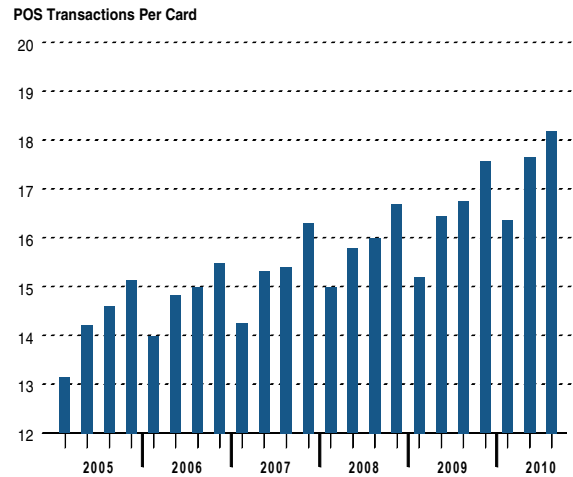
# Visa Europe: EU Consumer Spending Report

Continued strength in Visa card spending data in part reflects the increased usage of cards by European consumers. Chart 5 shows the Average Transaction Value (ATV) for all Visa cards, and highlights a general downward trend in this measure over time in line with increasing consumer and retailer preference for lower-valued transactions by card. ATV moved down in Q3 to €50.8, which is slightly lower than the equivalent period a year earlier (€51.0) and remains well down on values seen pre-recession (for example in Q3 2007, ATV was €54.8).

Debit cards have been the principal driver of higher card usage in Europe. As chart 7 shows, the average number of transactions made by European consumers has been increasing, and stood at a new peak of 18.2 on debit and prepaid cards in the third quarter of 2010 (up from 16.8 in the same period a year earlier).

This highlights the growing importance that debit and pre-paid cards are playing in shifting consumer behaviour. In Q3, nearly 227 million debit and pre-paid cards were in circulation in the EU, with over 80% of total spend and transactions on these card types.

**Chart 7: EU Average POS Transactions Per Card<sup>2</sup>**



Source: Visa Europe

<sup>2</sup>Visa debit and pre-paid cards only

## Notes and Further Information

Visa Europe is comprised of 36 countries across Europe, the EU-27 states, plus Andorra, Gibraltar, Greenland, Iceland, Israel, Liechtenstein, Norway, Switzerland, and Turkey. This report, however, is based on data from the EU-27 states only.

The headline 'Visa Europe: EU Consumer Spending Report' data are based on spending on all cards issued by Visa – debit, credit and prepaid – in the EU-27. Figures are in expressed in euros and a number of adjustments have been made to ensure that the data provide an accurate indication of consumer spending trends.

First, the data are deflated by changes in the number of Visa cards in order to account for the expansion of Visa's card operations, particularly on the debit side. Secondly, 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. Finally, to account for inflation, the data are deflated by changes in the consumer price index.



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 December 2009 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.

In October 2007, Visa Europe became independent of the new global Visa Inc., with an exclusive licence in Europe.

As a dedicated European payment system it is able to respond quickly to the specific market needs of European banks and their customers – cardholders and retailers, and to meet the European Commission's objective to create a true internal market for payments.

Visa enjoys unsurpassed acceptance around the world. In addition, Visa/PLUS is one of the world's largest global ATM networks, offering cash access in local currency in over 200 countries

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