

# Visa Europe: EU Consumer Spending Barometer

Compiled by Markit on behalf of Visa Europe

## EU household spending broadly unmoved in Q4 2011

### Key findings

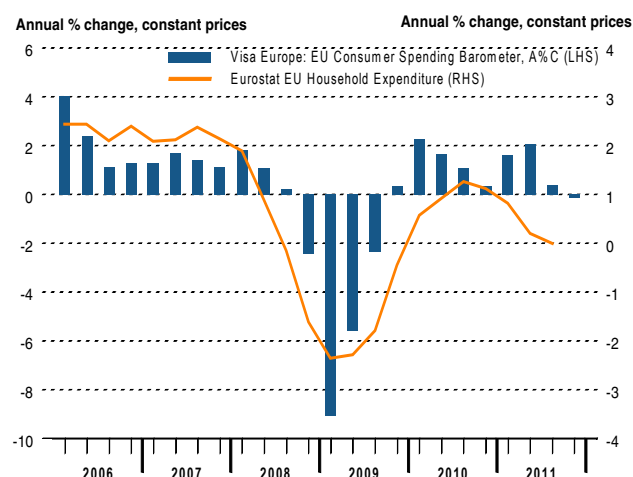
- The Visa Europe: EU Consumer Spending Barometer indicated broadly no-change in European Union (EU) household spending in the final quarter of 2011 when compared to a year earlier. Nonetheless, being fractionally down (-0.1%) in Q4 2011, consumption failed to rise for the first time in over two years and follows relatively modest year-on-year growth of 0.4% in the third quarter of 2011.
- Visa Europe's EU Consumer Spending Barometer is based on actual spend rather than sentiment or opinion, and this data is then adjusted to allow for Visa card issuance, consumer payment preferences and inflation.
- Detailed country data from the Barometer showed variance in terms of spending performance during the final quarter of 2011. A broadly similar proportion of countries recorded a rise in year-on-year consumption as signalled a decline.
- Modest growth was recorded in Germany (1.8%) and Spain (1.6%), but these increases in spend were largely offset by declines in Italy (-2.8%) and the UK (-0.4%). France saw little change in spending compared to a year ago (-0.1%).
- Eurozone countries Greece, Ireland and Portugal all recorded steep reductions in spending compared to a year earlier.
- In line with recent Barometer releases, spending growth tended to be strongest in Eastern European countries with Estonia (+9.8%), Lithuania (+9.7%), Latvia (+6.7%) and Slovenia (+6.1%) all recording marked year-on-year growth.
- The weaker trend in overall EU spending seen during the second half of 2011 is linked primarily to the ongoing sovereign debt crisis that has impacted negatively on consumer sentiment, particularly towards the end of the year.

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

*"Although the Barometer shows the first decline for two years, given the economic environment it was probably better than expected. Spend in Q1 2012, together with the impact of the continued refinancing of the Eurozone countries, will be crucial in assessing the severity of the downturn."*

*"However, based on Q4 2011's figures, there is cause for a little optimism as we have yet to see the severe declines in spending patterns that characterised the recession of 2008/9."*

**Chart 1: Visa Europe: EU Consumer Spending Barometer & Household Expenditure**



Sources: Visa Europe, Eurostat

# Barometer signals little change in EU household spending in final quarter of 2011.

Household spending in the European Union (EU) was broadly unchanged in the final quarter of 2011, according to the Visa Europe: EU Consumer Spending Barometer. Latest data indicated varied performance in terms of spending trends, with broadly equal numbers of countries recording growth of consumption as contraction. Moreover, there was evidence of continued divergence within the Eurozone, with countries such as Greece, Ireland and Portugal all recording year-on-year spending declines, in contrast to modest growth seen in Germany.

Q4 2011 barometer data, which are adjusted for card issuance, preferences and consumer price inflation to enable a better indication of spending habits than raw, unadjusted figures, showed that household spending in the EU was fractionally lower compared to a year ago at -0.1%. Although only slight, the fall seen in Q4 brought to an end an eight-quarter run of growth and was the first time since Q3 2009 that a rise in spending failed to occur.

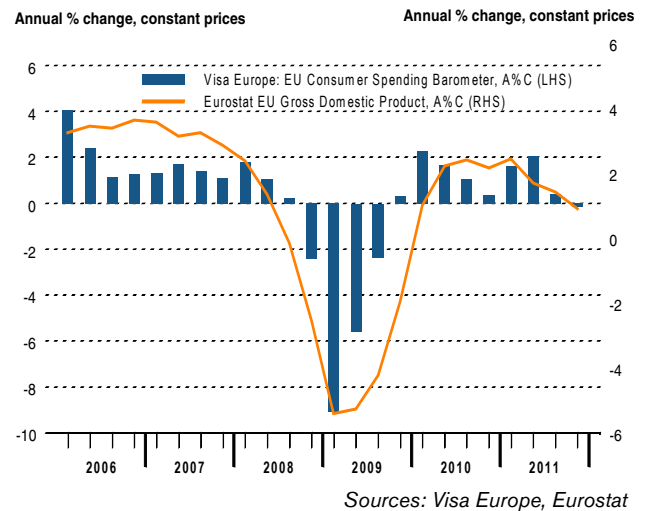
Out of the 27 EU countries, 13 countries recorded year-on-year falls in spend compared with 14 signalling growth. Furthermore, 14 saw a relative deterioration in spending performance compared to the third quarter of 2011 (be it slower growth, accelerated decline or a move from expansion to contraction).

This mixed performance was reflected in the data for the biggest EU economies. Germany and Spain saw modest consumption growth rates of 1.8% and 1.6% respectively, but these were largely offset by falls in spending in Italy (-2.8%) and the UK (-0.4%). In line with the headline EU number, France (-0.1%) saw little change in spending during Q4 when compared to the same period a year earlier.

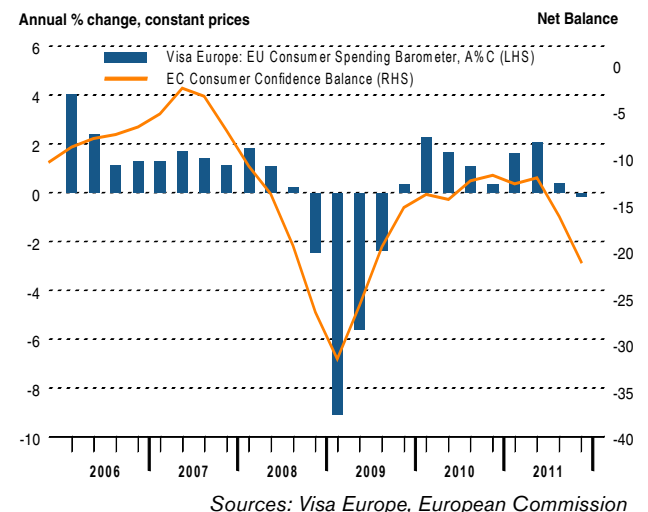
Meanwhile, the ongoing economic difficulties in austerity hit Eurozone countries was highlighted by marked declines in spending in Greece, Ireland and Portugal at the end of 2011.

In line with the findings from previous Barometer releases for 2011, the strongest increases in spending

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



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



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tended to be found in Eastern Europe. Estonia (+9.8%), Lithuania (+9.7%), Latvia (+6.7%) and Slovenia (+6.1%) were amongst the best performing countries in terms of year-on-year household spending growth in the final quarter of 2011.

### Official Data

The generally weaker trend in household spending highlighted by the EU Consumer Spending Barometer in the second half of 2011 has tended to chime with the findings from official data sources.

Although official household spending data for the fourth quarter of 2011 are yet to be released, the preliminary estimate of GDP from Eurostat showed the EU economy expanding at its slowest rate in eight quarters of growth in Q4. GDP was just 0.9% higher year-on-year, down from Q3 2011's 1.4% (see chart 2).

The weaker rise in economic output signalled by official data and the broad stagnation of household spending indicated by the Barometer in the final quarter of 2011 likely reflects the impact that the European sovereign debt crisis is having on confidence. With this in mind, chart 3 shows that EU household sentiment slumped to its lowest level since Q2 2009 in the final three months of last year.

### Notes and Further Information

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

The headline 'Visa Europe: EU Consumer Spending Barometer' is based on data for all Visa debit, credit and prepaid cards. Figures are 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 harmonised index of consumer prices.



In Europe, there are 445 million Visa debit, credit and commercial cards. In the 12 months ending September 2011 those cards were used to make purchases and cash withdrawals to the value of €1.7 trillion. 14% of consumer spending at point of sale in Europe is with a Visa card, and almost 80% of that is on Visa debit cards.

Visa Europe is owned and operated by more than 3,700 European member financial institutions and was incorporated in July 2004. Visa Europe is independent of global Visa Inc., with an exclusive, irrevocable and perpetual licence in Europe, while both companies operate to ensure global interoperability. As a dedicated European payment system Visa Europe 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.

For more information, visit [www.visaeurope.com](http://www.visaeurope.com)

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