

# Visa Europe: EU Consumer Spending Barometer

Compiled by Markit on behalf of Visa Europe

## Continuation of subdued EU household spending trends in Q1 2012

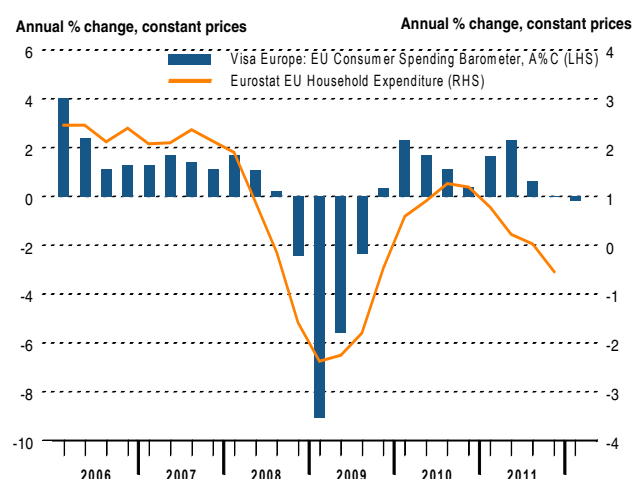
### Key findings

- European Union (EU) household spending was again little changed in the first quarter of 2012, with the Visa Europe: EU Consumer Spending Barometer indicating a fractional decline compared to levels a year ago.
- Consumption was estimated to have fallen by -0.2% year-on-year in Q1 2012, indicating a second consecutive quarter of no growth and the weakest performance since the region emerged from recession in late 2009.
- 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 to provide a better indication of consumer spending habits than raw, unadjusted numbers.
- Latest data painted a mixed spending picture by country, with 15 nations recording growth and 12 indicating a decline as the sovereign debt crisis continued to have an adverse impact on the region.
- Of the biggest EU economies, France recorded modest spending growth (2.0%) in contrast to a net decline in Germany (-1.0%), Italy (-1.2%) and the UK (-0.1%).
- Ongoing difficulties in austerity hit Eurozone member states were highlighted by a sharp spending fall in crisis-hit Greece (-12.7%) and continued declines in Ireland (-5.1%) and Portugal (-4.1%).
- Conversely, and maintaining the recent trend, growth rates were again sharpest in Eastern Europe. Lithuania and Slovenia saw growth rates in double digit territory. Estonia, Latvia, Poland and Slovakia also recorded marked increases in household spending.

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

*"Whilst the majority of the EU's 27 member states recorded growth in the first quarter of 2012, the overriding trend was one of subdued consumer spending. A second quarter without growth highlights the pressures consumers are currently under, but this picture masks significant divergences in the economic outlook of individual EU countries."*

**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 failed to rise for a second successive quarter at the start of 2012, continuing the downturn that was evident in the second half of 2011. That is according to the Visa Europe: EU Consumer Spending Barometer, which also continued to signal considerable divergence in country performance. While 15 nations recorded net rises in household spending on a year ago (led in the main by those based in Eastern Europe) 12 registered a decline with crisis hit Greece registering the sharpest fall in consumption.

EU barometer data for Q1 2012, which are adjusted for card issuance, preferences and consumer price inflation to enable a better indication of spending habits than raw, unadjusted figures, indicated that overall consumer spending was fractionally lower when compared to the same calendar quarter a year earlier, falling by -0.2% following an upwardly revised flat reading for Q4 2011.

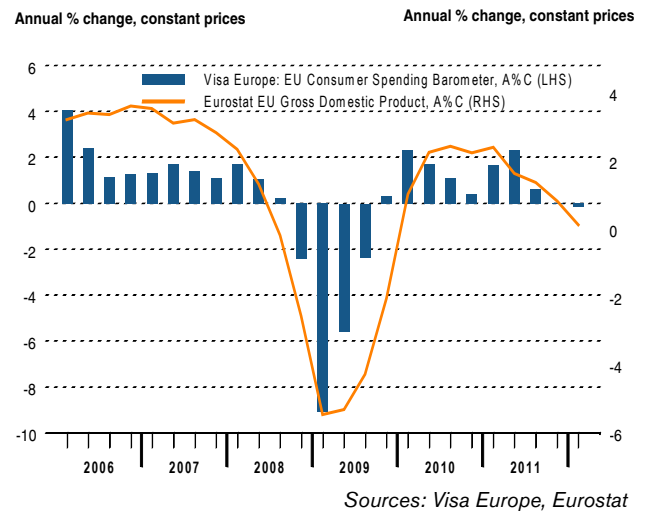
The slight fall in spending in Q1 2012 maintained the generally downward trend seen since the middle of 2011, with spending performance continuing to deteriorate from the growth peak of 2.3% seen in Q2 2011. Moreover, the decline in spend at the start of Q1 2012 was the first recorded since the emergence of the region from the 2008/2009 recession.

A mixed spending picture was provided by data for the biggest EU economies. France recorded modest year-on-year growth of 2.0%, but this was offset by declines in Germany (-1.0%), Italy (-1.2%) and a fractional fall in the UK (-0.1%).

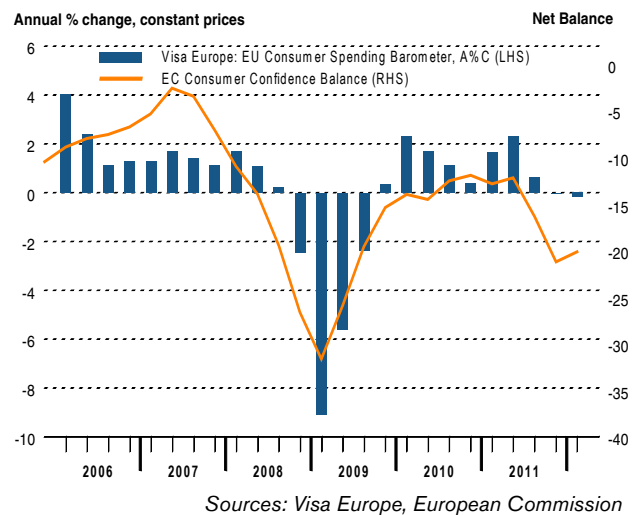
In line with recent trends, Eurozone peripheral nations remained amongst the weakest performing. Crisis-hit Greece registered the sharpest year-on-year fall in spending of all 27 EU countries (-12.7%), while there were continued declines seen in Ireland (-5.1%) and Portugal (-4.1%).

In sharp contrast to the ongoing difficulties in some nations, increases in household spending remained sharp in a number of countries based in Eastern Europe.

**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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Growth rates were in double digit territory for Lithuania and Slovenia, while Estonia, Latvia, Poland, and Slovakia all recorded robust increases in household spending. Moreover, with the exception of Latvia, for all the rest stronger growth rates than those seen in the previous quarter were recorded in Q1 2012.

### Official Data

Official data sources have tended to paint a similarly subdued picture of the EU economy to the one provided by the Barometer in recent quarters.

Recent preliminary data from Eurostat indicated that GDP broadly stagnated in the first quarter of 2012, with economic output in the EU up just 0.1% on year ago levels. According to the latest data, that was down from growth of 0.8% in Q4 2011 and the worst GDP out-turn for nine quarters.

Official figures on household spending for Q1 are not yet released, but given the trends in GDP and the Barometer, the data are likely to show a continuation of the weakness seen in the second half of 2011. This is perhaps not surprising given the backdrop of a fragile economic climate and the continuation of the European sovereign debt crisis.

### 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.

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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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