

Visa Europe: EU Consumer Spending Barometer

Compiled by Markit on behalf of Visa Europe

Household spending falls in the EU for second successive quarter

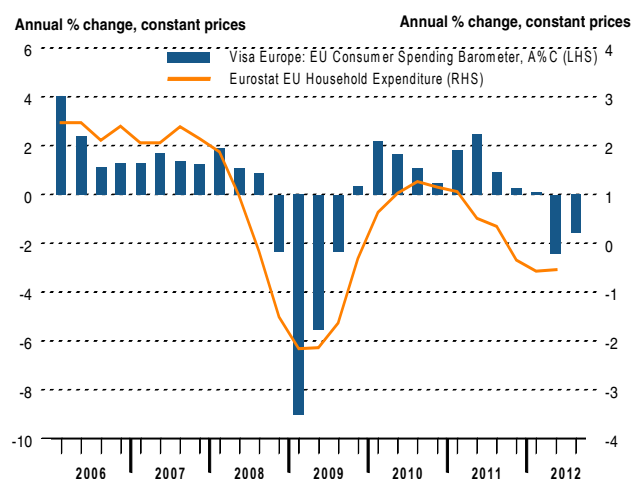
Key findings

- Latest data for the Visa Europe: EU Consumer Spending Barometer signalled a second successive quarterly fall in EU household consumption during Q3 2012.
- Household spending in the EU fell by -1.6% compared to a year ago. This follows a -2.4% year-on-year reduction in Q2, indicating that the rate of decline had eased. However, the latest figure was only the second reduction in spending recorded for the past three years.
- 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.
- Out of the 27 EU member states, 16 reported year-on-year spending growth in Q3 2012, compared with only 12 countries that registered an increase in Q2. This was reflected by the slower rate of deterioration in spending across the region as a whole.
- Of the five biggest EU economies, only Germany recorded a rise in household consumption (+0.8%), while France, Italy, Spain and the UK all indicated falls.
- Spain (-5.3%), Italy (-4.6%) and the UK (-3.3%) all recorded marked rates of reductions in spending in Q3. France had the weakest decline in consumption in Q3, with spending down by -0.6% compared to a year ago.
- Greece and Portugal, countries that have been closely associated with the Eurozone debt crisis, recorded further reductions in household consumption in Q3, with the most substantial drop noted in Portugal.
- Countries in Eastern Europe continued to record the strongest rates of consumption growth, with Lithuania leading the way with a double digit rate of expansion.

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

"Our EU Consumer Barometer shows that the rate of contraction eased in the third quarter, but the fact remains that spending across the EU continued to fall on an annual basis. The Barometer is clearly showing that households across the EU are responding to the effects of subdued economic growth or in some cases recession, by reducing spending. We wouldn't be surprised if this continues into the fourth quarter before recovering slowly in 2013."

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



Sources: Visa Europe, Eurostat

Q3 2012 signals second quarterly fall in EU household consumption

Household spending in the EU fell in Q3 2012 and for the second successive quarter. Spending levels declined once more as a number of economies across the region remained in recession, and confidence remains fragile. The UK, France, Spain and Italy all recorded drops in household consumption. However, the largest economy in the EU, Germany, reported a slight increase in spending following a drop in the second quarter. The weakest performances were recorded in Greece and Portugal, where debt concerns remain prominent. Meanwhile, a number of Eastern European countries signalled further spending growth.

EU barometer data for Q3 2012 signalled a second successive quarterly fall in EU household spending. The data, which are adjusted for card issuance, preferences and consumer price inflation to enable a better indication of spending habits than raw, unadjusted figures, recorded a -1.6% year-on-year reduction in consumption. In the previous quarter spending had fallen by -2.4%, indicating that the rate of decline eased in Q3. That said, it was the second-weakest performance in spending for three years.

Out of the 27 member states, 16 countries saw a higher level of spending in the third quarter, compared to 12 in the second quarter. This suggests that the deterioration in expenditure at the EU level slowed as more countries registered consumption growth.

Out of the big five EU countries, Spain recorded the sharpest drop in consumption on a year-on-year basis (-5.3%), closely followed by Italy, with a fall of -4.6%. Meanwhile spending in the UK contracted by -3.3%. France saw the weakest decline, with a -0.6% year-on-year drop in spending.

The EU's largest economy, Germany, bucked the trend and saw a modest increase in spending of +0.8%. This was consistent with its recent GDP figures which indicate Germany's economy remains relatively resilient in the face of the ongoing economic difficulties that have characterised the global economy in recent years.

Elsewhere, Eastern European countries continued to

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

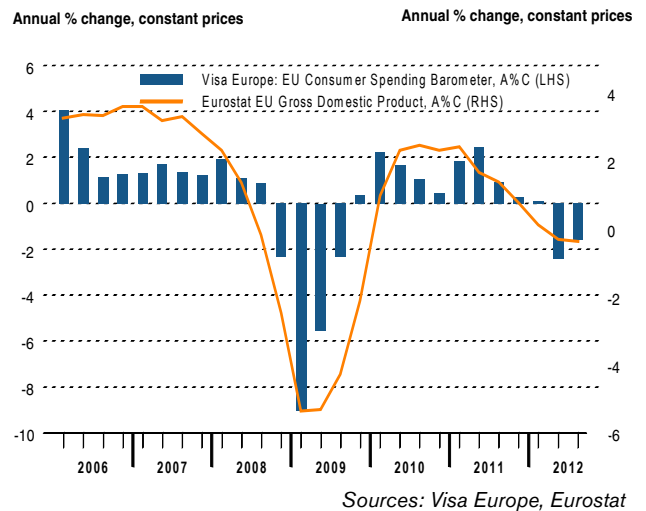
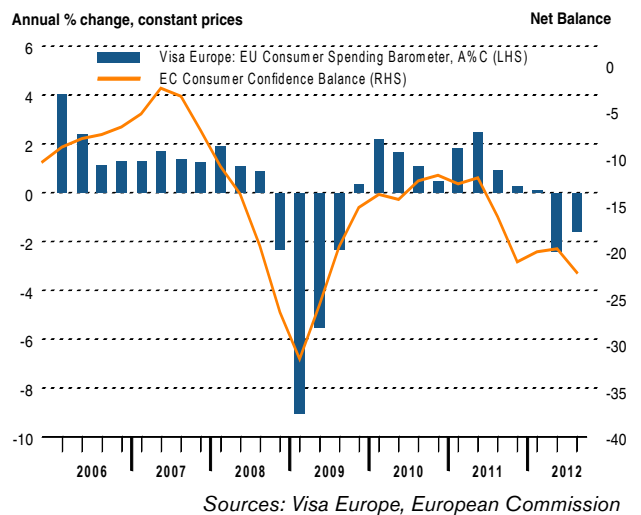


Chart 3: Visa Europe: EU Consumer Spending Barometer & Consumer Confidence



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record spending growth in Q3 2012. Lithuania reported a double digit growth rate, while Bulgaria, Estonia, Latvia and Slovenia also noted marked rates of expansion.

The most significant drops in spending were recorded in Portugal and Greece, countries that have been at the epicentre of the Eurozone debt crisis.

Official Data

The overall reduction in household consumption reported in the EU Consumer Spending Barometer is consistent with trends in EU GDP data from Eurostat. Preliminary figures for Q3 2012 showed GDP falling by -0.4% on the year, the secondly successive quarterly fall for over two years.

Detailed data for the third quarter of 2012 has not yet been published, but household spending looks set to fall further in Q3 given the trends in GDP and the Barometer. Official data recorded a -0.5% year-on-year drop in spending in Q2 2012, and a -0.6% reduction in Q1. The fall in consumption and weak economic growth figures come as a number of countries in the region continue to face tough economic conditions amid ongoing concerns over the sovereign debt crisis. This is reflected in confidence data from the Europe Commission, which showed a decline in consumer sentiment to the lowest for over three years in Q3 2012.

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 members 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



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