

Visa Europe: EU Consumer Spending Barometer

Compiled by Markit on behalf of Visa Europe

Consumer spending broadly flat across the EU in Q4 2012 but shows marked uplift from Q3

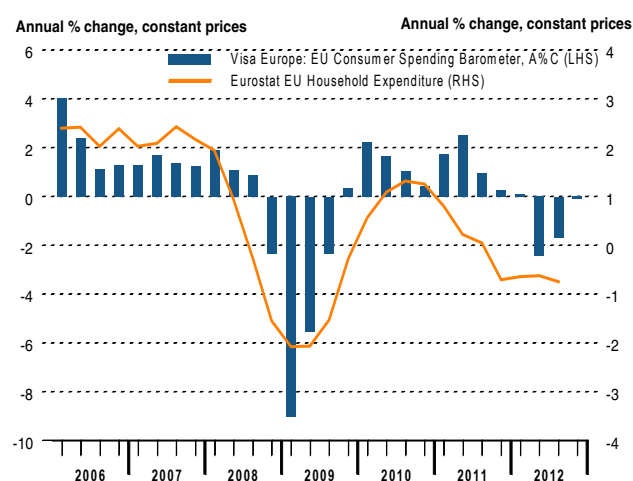
Key findings

- Latest data for the Visa Europe: EU Consumer Spending Barometer signalled a reduced level of EU household expenditure for the third successive quarter in Q4 2012. However, spending was down fractionally.
- EU household consumption in the EU fell by -0.1% year-on-year in Q4 2012, having eased from the -1.7% decline in Q3.
- 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 countries, 14 reported year-on-year expenditure growth in Q4 2012, compared with 15 during Q3.
- Three of the five largest EU economies recorded expenditure growth in Q4, as latest data indicated year-on-year increases in France, Germany and the UK. Conversely, Germany was the only country to record growth in the previous quarter.
- In Italy and Spain, household expenditure fell sharply in Q4 with Italy recording a year-on-year reduction in spending of -7.6%, followed by a decline of -6.5% in Spain.
- Portugal and Greece, two countries heavily affected by the eurozone debt crisis, continued to register falls in spending.
- Countries in Eastern Europe tended to record the strongest growth rates of household expenditure, with Bulgaria, the Czech Republic and Latvia amongst strongest performers.

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

"2012 proved to be a subdued year for household spending across the EU with year-on-year contractions recorded in three of the four quarters. However, the year ended with spending heading in a positive direction and almost on a par with spending levels from 2011. A return to consumer spending growth for many of the largest economies in the EU is a welcome sign and as drivers of growth, it is a trend we hope to see continuing into 2013."

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



Sources: Visa Europe, Eurostat

Household expenditure falls for the third successive quarter in Q4, but only marginally

Household spending in the EU declined for the third consecutive quarter in Q4 2012. That said, the reduction in spending was fractional, and the weakest in the current trend. Expenditure growth in the three largest economies, France, Germany and the UK, led to the weaker decline overall. However, the next two biggest economies, Italy and Spain, recorded further reductions in household consumption.

EU barometer data for Q4 2012 signalled a third 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 -0.1% year-on-year reduction in household consumption. This follows a -1.7% fall in expenditure in Q3, and signalled the weakest decline in spending for the past three quarters.

Out of the 27 member states, 14 countries recorded growth in household expenditure in the last quarter of 2012, compared to 15 in the third quarter. Although fewer countries saw a rise in household spending, there were stronger performances in the three largest economies in the EU.

Germany, France and the UK all recorded consumption growth in Q4. Household spending increased in France (+1.3%) and the UK (+2.1%) following contractions in Q3, while Germany (+2.6%) continued to record consumption growth. The stronger performances of these economies in Q4 helped stabilise household expenditure in the EU as a whole.

In contrast, Italy and Spain, the fourth and fifth largest EU economies, saw further declines in household consumption during Q4 and at accelerated rates (-7.6% and -6.5%, respectively).

The strongest performances in Q4 were recorded in Eastern European countries, with Latvia and Bulgaria reporting marked spending growth. Sweden and the Czech Republic also recorded strong rates of growth.

Meanwhile, Portugal and Greece continued to record

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

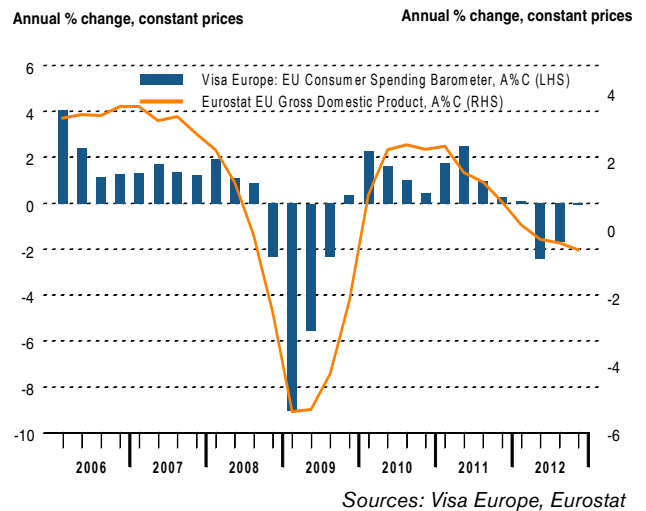
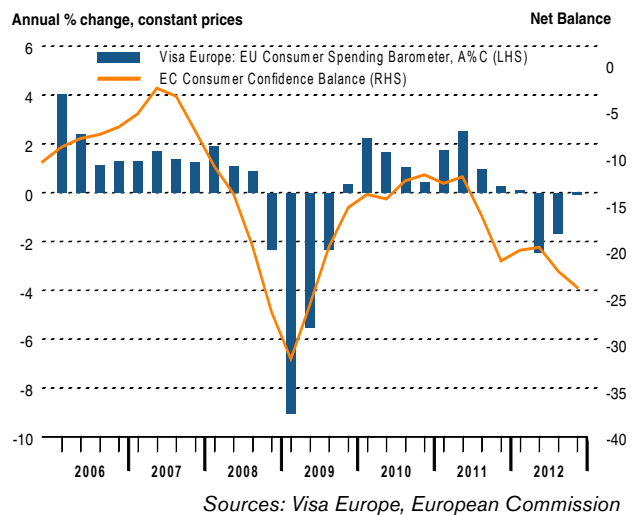


Chart 3: Visa Europe: EU Consumer Spending Barometer & Consumer Confidence



Visa Europe: EU Consumer Spending Barometer

further declines in spending, albeit at slower rates than those seen in Q3 2012.

Official Data

The overall reduction in household consumption reported in the EU Consumer Spending Barometer is consistent with EU GDP data from Eurostat. Preliminary figures for Q4 indicate a -0.6% decline in GDP, the third successive fall, and reflective of the declines in household spending, as measured by the Barometer, that have been reported for three successive quarters.

Detailed data is yet to be published for Q4 2012, but the Barometer suggests that overall expenditure may stabilise in early 2013. That said, the outlook remains uncertain. The sovereign debt crisis continues to weigh on the performance of the EU area, especially major economies such as Spain and Italy. Indeed, the European Commission's Consumer Confidence survey reported the weakest level of consumer sentiment for over three years in Q4 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.



Visa Europe works at the forefront of technology to create the services and infrastructure which enable consumers, businesses and governments to make electronic payments. It is not a credit card company, almost 80% of its business is on debit cards, and its members are responsible for issuing cards, signing up retailers and deciding cardholder and retailer fees.

Visa Europe operates a high volume, low cost business model that provides services to its members. Its surplus is reinvested into the business and used to improve capital and reserves. In the last six years, Visa Europe has invested over €1 billion in new technology and infrastructure.

Since 2004, Visa Europe has been independent of Visa Inc. and incorporated in the UK, with an exclusive, irrevocable and perpetual licence in Europe. Both companies work in partnership to enable global Visa payments. 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.

For more information, visit www.visaeurope.com



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