

# Visa Europe: EU Consumer Spending Barometer

Compiled by Markit on behalf of Visa Europe

## Strongest rise in EU household spending for nearly five years in Q1 2011.

### Key findings

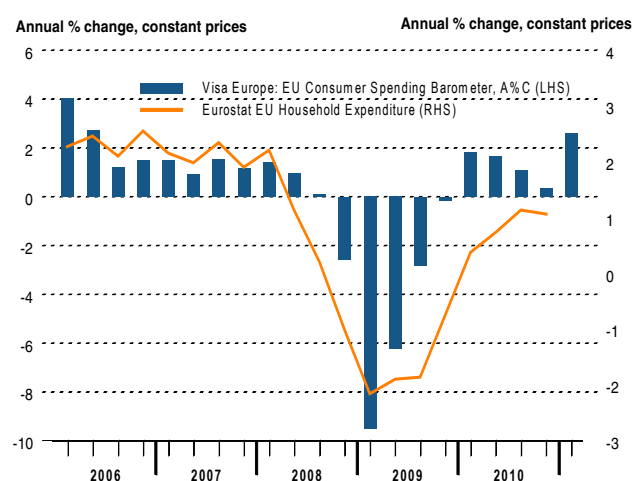
- Data from Visa Europe indicated that household spending in the European Union (EU) continued to increase in Q1 2011, extending the current period of expansion to five quarters. Moreover, the rate of growth accelerated to the strongest since Q2 2006.
- The Visa Europe: EU Consumer Spending Barometer, which accounts for trends in card issuance, payment preferences and inflation to provide a more robust assessment of spending habits than raw, unadjusted figures, indicated that consumer spending was 2.6% higher than a year earlier in Q1 2011. That was an improvement on the downwardly revised 0.3% increase for Q4 2010 and was the first acceleration of growth for a year.
- Q1's Barometer indicated that Germany was a key driver of overall EU spending growth as the Union's biggest economy benefited from healthy economic expansion and rising employment.
- Growth was also strong in Eastern Europe, with Estonia, Latvia and Lithuania leading the way. Conversely, in the more mature economies of France, Italy, Spain and the UK, rates of expansion were relatively modest.
- Highlighting the austerity measures unfurled in debt-laden Eurozone peripheral nations, Greece, Ireland and Portugal all recorded falls in spending on an annual basis in Q1 2011.
- Despite evidence of ongoing divergence, at the aggregate level the EU Consumer Spending Barometer suggests that household spending made a healthy positive contribution to the marked rise in GDP already signalled by official data for Q1 2011.
- On an unadjusted basis, spend on all Visa cards for the 27 EU member states totalled €232 billion in Q1 2011, a rise of 14.5% from a year earlier. Moreover, further evidence of the increasing usage of cards was provided by the latest data: the average number of POS transactions on Visa debit cards was 17.6, up from 16.3 in Q1 2010, up from 16.3 in Q1 2010, while the ATV moved to a new low in Q1 2011 of €49.6.

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

*"Growth of consumer spending across the EU has accelerated to a post-recession high, in spite of continuing economic challenges across the member states. The EU Consumer Spending Barometer indicates that whilst growth is not consistent across the EU's economies, there are increasing reasons to be confident about the role of the consumer and their contribution to overall growth in the EU."*

*"Whilst these figures are impressive, going forward that growth may return to a slower rate in the short term."*

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



Sources: Visa Europe, Eurostat

# EU household spending growth improved markedly in Q1 2011, led by resurgent Germany.

Household spending growth in the European Union (EU) improved markedly in the first quarter of 2011, accelerating to a post-recession high. The strengthening German economy was a key driver of growth, supported by continued healthy consumer spending in Eastern Europe. Modest growth was seen in other big nations, while several Eurozone peripheral countries posted net reductions in spend.

Household consumption in the EU continued to increase in the first quarter of 2011, with year-on-year growth accelerating to a pace of 2.6% from a downwardly revised 0.3% in the final quarter of 2010. Q1's rate of growth was the strongest registered since mid-2006 and arrested the slowdown in expansion that had been evident since the previous post-recession peak at the start of last year.

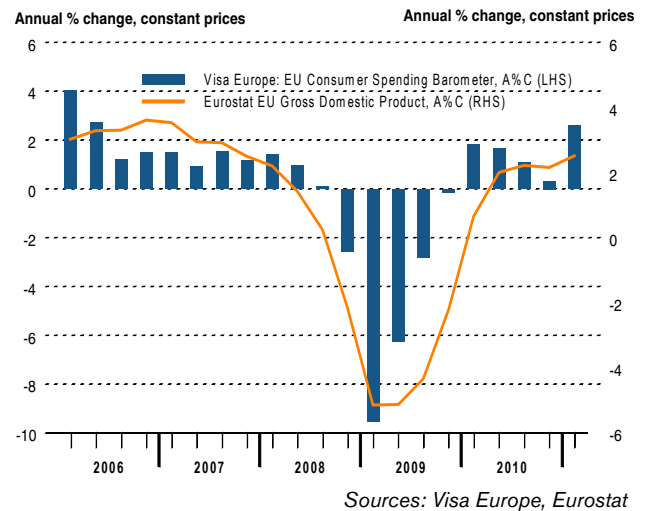
The data, which are adjusted for card issuance, preferences and consumer price inflation to enable a better indication of spending habits than raw, unadjusted figures, have now signalled growth for five successive quarters as the European economy continues to recover from the 2008-09 recession.

Germany, Europe's largest economy, was a key driver of higher household consumption in the EU, as the country's retailers benefited from healthy economic expansion and rising employment levels. In contrast, the Union's other big economies, France, Italy, Spain and the UK, all registered relatively modest rates of growth at the start of the year.

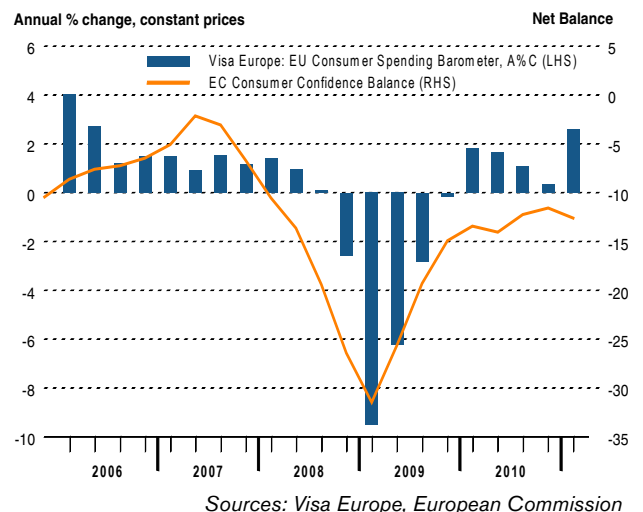
Elsewhere, Eastern Europe remained a key contributor to overall spending growth, with the Czech Republic, Estonia, Latvia, Lithuania, Hungary and Poland all amongst the region's top performers.

In contrast, further evidence of the difficulties facing the citizens of austerity hit Eurozone strugglers Greece, Ireland and Portugal was provided by Q1's Barometer. All three nations recorded net falls in household spending in Q1.

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



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



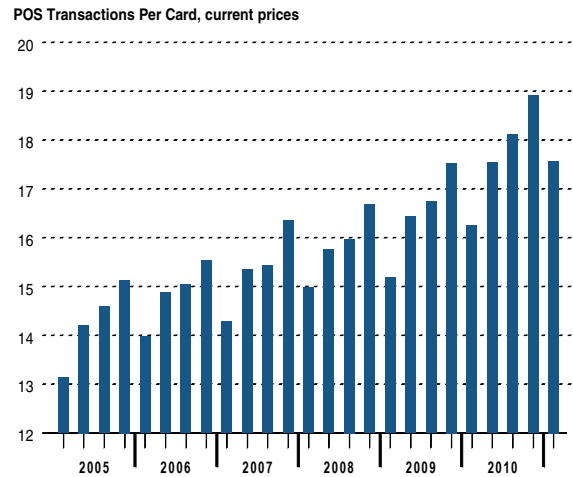


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Continued growth of unadjusted spending not only reflects the recent improvement in the European economy, but also the increased usage of cards by consumers. This is shown by the Average Transaction Value (ATV) for all Visa cards, which maintained its recent downward trend in Q1 2011. ATV fell for a third quarter in a row to reach a new series low of €49.6, down from €50.1 in Q4 and the level of €50.3 registered in the same period a year earlier.

Another metric to gauge the increasing use of cards is to assess the trend in the average number of POS transactions per debit card. In line with the usual seasonal pattern for the first quarter of the year, this fell on Q4 2010's series high, but crucially remained above the level seen a year earlier. On average, 17.6 transactions were made per debit card in Q1 2011, compared to 16.3 transactions in the same period in 2010.

**Chart 6: 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 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 is a membership association of more than 4,000 European banks that have collectively issued more than 427 million Visa debit, credit and commercial cards in Europe. In the 12 months ending December 2010 those cards were used to make purchases and cash withdrawals to the value of €1.6 trillion. 12.5% 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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Markit Economics is a specialist compiler of business surveys and economic indices, including the *Purchasing Managers' Index™ (PMI™)* series, which is now available for 32 countries and also for key regions including the Eurozone. The PMIs have become the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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