

# Visa Europe: EU Consumer Spending Barometer

Compiled by Markit on behalf of Visa Europe

## Steady growth in consumer spending across most EU markets in Q2.

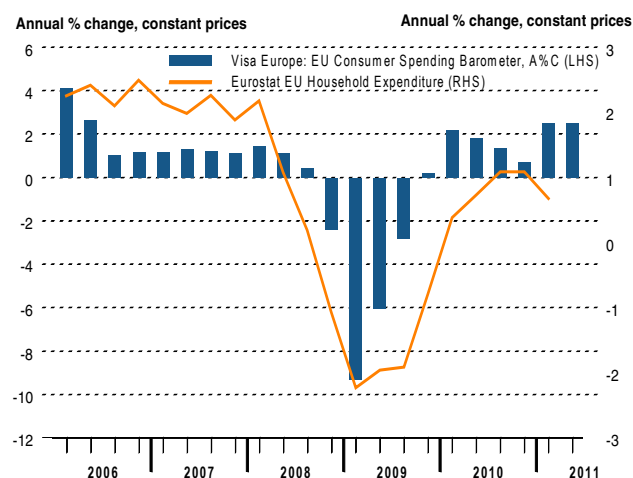
### Key findings

- Latest data from Visa Europe indicated that household spending in the European Union (EU) continued to increase at a solid pace during the second quarter of 2011.
- 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 a year-on-year rate of growth of 2.5%, unchanged on Q1's slightly revised near five-year high. Consumer spending levels have increased for seven straight quarters, with the highest growth in Q2 coming from consumers in Central & Eastern Europe as spending levels continue to recover ground lost during the severe recession of 2008/2009.
- Country level data from the Barometer showed that the highest levels of growth were from countries in Central & Eastern Europe. Latvia (12.6%) and Estonia (10.2%) both registered double-digit increases in spend, while there were robust rises seen in the Czech Republic (8.9%), Poland (7.0%), Slovakia (6.6%) and Lithuania (6.5%). In most cases, rates of growth were also faster than the previous quarter.
- More modest rates of increase were generally seen in Western Europe. Spain (4.3%) recorded the strongest gain, followed by Germany (3.4%), the UK (3.1%) and France (2.6%). Spending was little changed in Italy .
- Following a year-long period of severe contractions, austerity hit Greece registered broadly no-change in spending levels in Q2 2011. In other so-called peripheral Eurozone economies of Ireland and Portugal, rates of decline were maintained.
- Looking at unadjusted data, spend on all Visa cards for the 27 EU member states was €254 billion in the second quarter of 2011, a year-on-year rise of 13.4%. Ongoing evidence of the increasing usage of cards was also provided by the latest unadjusted figures: the average number of POS transactions on Visa debit cards was 19.3, well up on the 17.7 recorded in the same quarter a year earlier, while the ATV was unchanged at a series' low of €49.6.

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

*"In the quarter to June, we have seen steady growth across most markets. Given the events of recent weeks which have seen global stock markets tumble and Europe politicians in crisis talks regarding sovereign debt, the findings of Q2 seem at odds with the news agenda. It is difficult to estimate to what extent recent events will dent consumer confidence in future."*

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



Sources: Visa Europe, Eurostat

# Barometer indicates further solid rise in EU household spending during Q2.

According to the latest Visa Europe: EU Consumer Spending Barometer, consumption growth in the European Union (EU) was sustained in the second quarter of 2011. Continuing from the solid growth performance in Q1, the rate of expansion in Q2 was unchanged at a post-recession high. The highest growth rates were recorded in countries in Central & Eastern Europe, although there were some welcome improvements in growth seen in the more established economies of France and Spain.

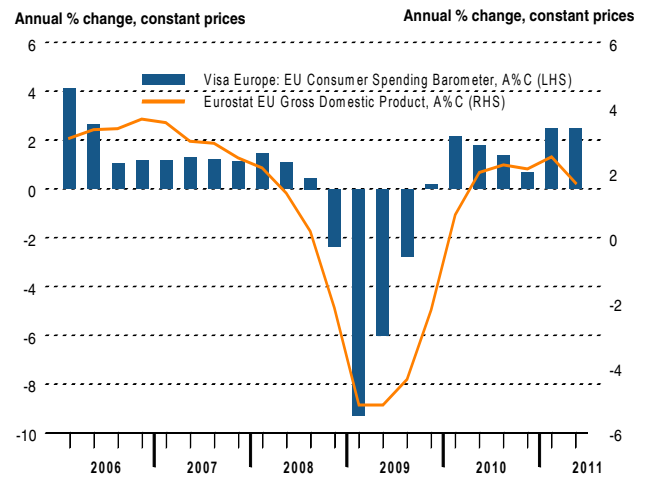
Growth of household consumption in the EU was maintained in Q2 2011, with the rate of increase unchanged from the previous quarter's five-year high. The latest data, which are adjusted for card issuance, preferences and consumer price inflation to enable a better indication of spending habits than raw, unadjusted figures, marked the seventh successive quarter where spending has increased.

Latest data showed that the best growth performers in the second quarter tended to be based in Eastern Europe. Latvia (12.6%) and Estonia (10.2%) had real expansion rates in double-digit territory, while the Czech Republic (8.9%), Poland (7.0%), Slovakia (6.6%) and Lithuania (6.5%) also registered robust increases in spending compared to the same period in 2010. With the exceptions of Latvia and Lithuania, rates of growth in all of the aforementioned cases were stronger than those seen in the first quarter of 2011.

Of the EU's biggest economies, Spain registered the strongest gain (4.3%) and outperformed both France (2.6%) and Germany (3.4%). Of these countries, only Germany saw a slower rate of expansion than in Q1. Italy registered barely any growth in the second quarter, while the UK (3.1%) recorded broadly no change in its rate of expansion.

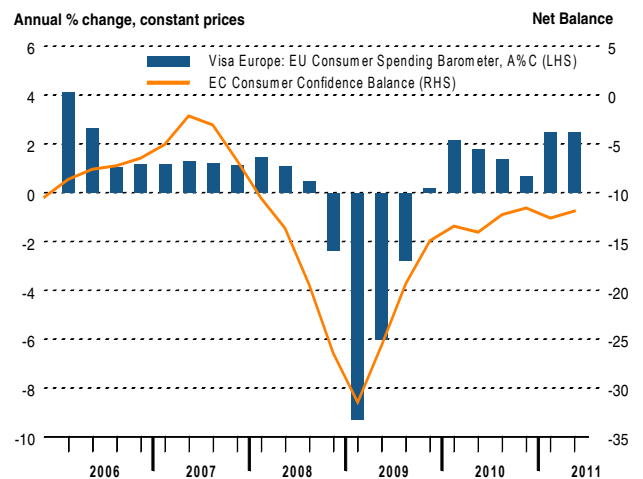
Greece registered little change in spending levels, although that followed a year-long period of severe contractions, while spending continued to fall in other peripheral Eurozone economies Ireland and, albeit to a

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



Sources: Visa Europe, Eurostat

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



Sources: Visa Europe, European Commission

# Visa Europe: EU Consumer Spending Barometer

lesser extent, Portugal.

## Official Data

The EU Consumer Spending Barometer has tended to have a strong historical relationship with a number of official data series, although the Barometer has recently implied stronger rates of increase in household spending than equivalent numbers from Eurostat (see chart 1).

Moreover, GDP data for Q2 pointed to a slower increase in EU economic output, with Eurostat's preliminary estimate of growth for the quarter pointing to an increase in EU GDP of 1.7% (down from 2.5% in Q1, see chart 2).

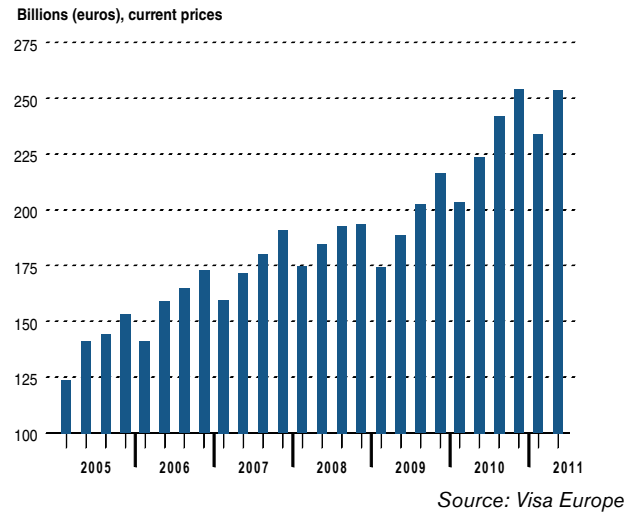
While it is worth stressing the possibility of future revisions to official data, the general outlook for the European economy is undeniably subdued as the region struggles with an escalating public sector debt crisis. Such difficulties have tended to hit consumer sentiment which, despite improving slightly in Q2, remains well below levels seen prior to the global financial crisis (see chart 3).

## Visa Card Spend

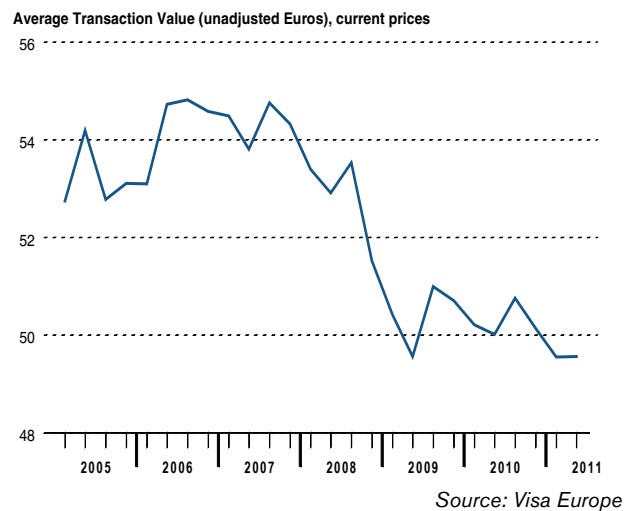
Unadjusted spending on all Visa cards (debit, credit and prepaid) in the European Union continued to rise at a double-digit pace in the second quarter of 2011. At €254 billion, spending levels were 13.4% higher than the same period a year earlier (€224 billion, see chart 4). Growth was, however, down on the previous quarter's 14.9% year-on-year pace.

The continuation of robust unadjusted growth of spending in part reflects the increasing usage of cards by European households, as highlighted by a further year-on-year decrease in the Average Transaction Value (ATV) for all Visa cards during Q2. At €49.6, ATV matched the previous quarter series' low and compared to €50.0 in the equivalent quarter of 2010.

### Chart 4: Visa Europe: Total EU Visa Card Spend



### Chart 5: EU Average Transaction Value<sup>1</sup>

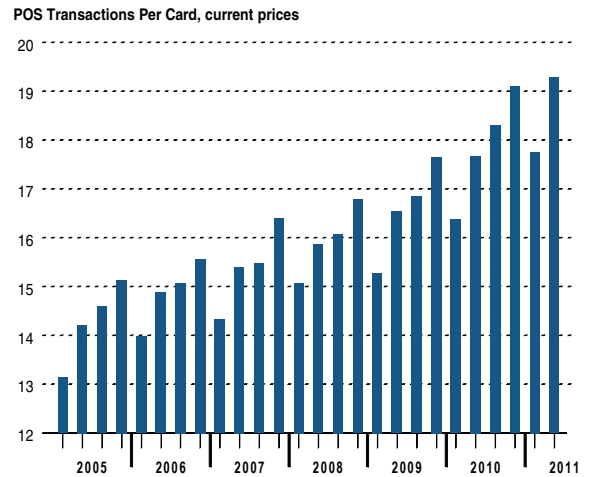


<sup>1</sup>All Visa cards (debit, credit and prepaid)

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Measuring the trend in the average number of POS transactions per debit card is also a useful metric for gauging card usage. In Q2, this metric showed that on average 19.3 POS transactions were made per debit and prepaid card. That was well up on the 17.7 seen a year earlier and a new high for the six-and-a-half year series' history.

**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 430 million Visa debit, credit and commercial cards in Europe. In the 12 months ending March 2011 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, and more than 70% of that is on Visa debit cards.



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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