

# Visa Europe: EU Consumer Spending Barometer

Compiled by Markit on behalf of Visa Europe

## EU household consumption falls for a second successive quarter.

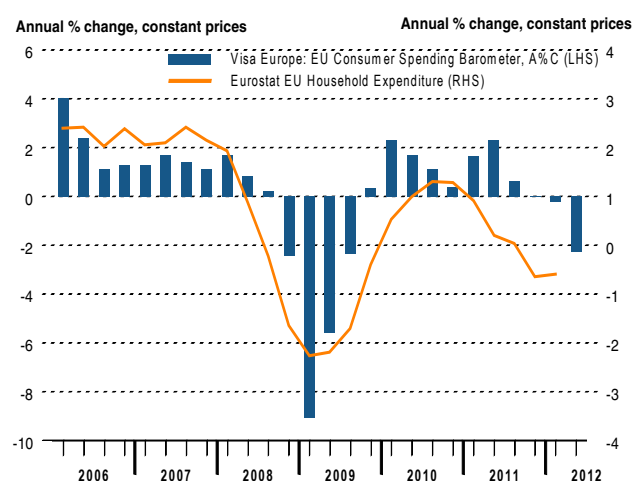
### Key findings

- A second successive year-on-year fall in EU household spending was signalled during Q2 2012, according to the latest findings from the Visa Europe: EU Consumer Spending Barometer.
- Household consumption was estimated to have fallen by -2.3% compared to a year ago, following a -0.2% reduction in the previous quarter. The contraction in Q2 2012 was the sharpest for just under 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.
- Latest data indicated that 14 countries recorded year-on-year growth, compared to 13 that signalled contraction. However, 15 nations registered a deterioration in performance (either through slower growth, an accelerated fall or a move from expansion to contraction).
- Of the biggest EU economies, spending was generally down, with the exception of Germany, where household consumption rose slightly (0.4%).
- In line with ongoing recessions, Italy (-7.0%), Spain (-3.8%) and the UK (-4.7%) all recorded marked and worsening trends in household spending. France recorded a year-on-year drop in consumption of -1.0% during Q2 2012.
- As has been the case in recent EU Consumer Spending Barometer reports, states most closely associated with the Eurozone crisis, Greece, Ireland and Portugal all recorded year-on-year reductions in spending in Q2 2012. The fall registered in Greece was particularly severe.
- Eastern Europe continued to be the source of the strongest growth rates, with Latvia, Lithuania and Slovenia all recording double digit rates of expansion.

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

*"Consumer spending in the EU's largest economy, Germany, grew in the second quarter while there was still strong growth recorded across a number of eastern European states. This was insufficient to offset subdued spending levels across a number of major economies such as Italy, Spain and the UK and the contraction in spending witnessed in the first quarter across the EU accelerated in Q2."*

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



Sources: Visa Europe, Eurostat

# EU household consumption falls for second successive quarter in Q2 2012.

Household spending in the EU continued to weaken in the second quarter of 2012 as recession and the ongoing sovereign debt crisis weighed on consumption across a number of large member states. France, Italy, Spain and the UK all recorded falls in spend, but there was slight growth in Germany. States most closely associated with the Eurozone crisis such as Greece, Ireland and Portugal all recorded declines in household spending, in contrast to several EU member states based in Eastern Europe where spending continued to hold up relatively well.

Q2 2012 EU barometer data indicated 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, signalled a -2.3% reduction in consumption. That followed a -0.2% fall during the previous quarter and represented the sharpest reduction in spending since Q3 2009. Moreover, out of the 27 EU member states, 15 saw a deterioration in household spending performance compared to Q1 (be it through sharper reductions in spending, slower growth or a move into contraction from expansion).

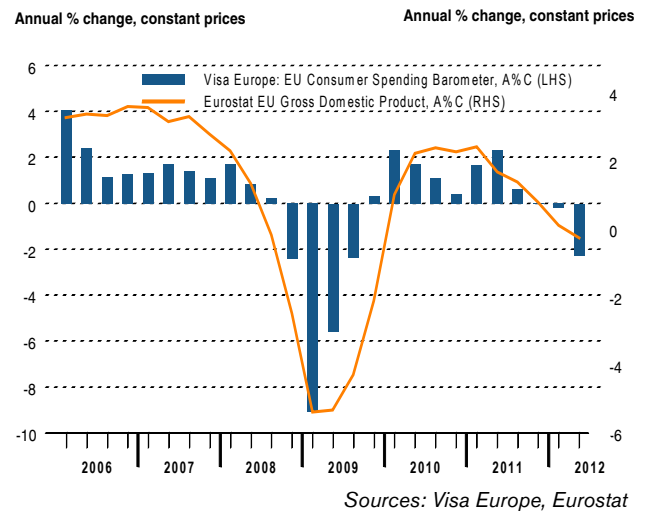
Data for the biggest five EU economies indicated that those countries that have tended to struggle in terms of GDP in the first half of 2012 also recorded the weakest spending performances in Q2 2012.

Italy recorded a particularly sharp drop in spending on a year-on-year basis (-7.0%), while there was a -4.7% reduction seen in the UK. Spain saw spending decline by -3.8% on the year, while France registered a -1.0% fall.

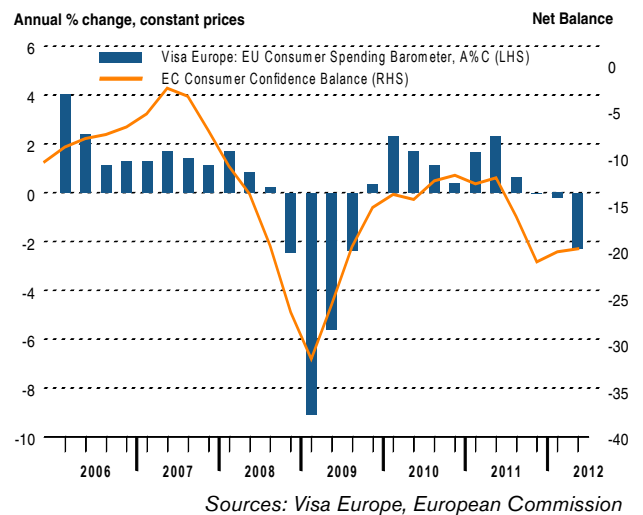
In contrast, the EU's biggest economy – Germany – registered a slight rise in spending (+0.4%), in line with its relatively better GDP performance in Q2 2012 compared to other countries.

Elsewhere, states most closely associated with the Eurozone crisis continued to register reductions in spending. Greece recorded a particularly severe drop in

**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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consumption, while Ireland and Portugal saw spending fall markedly over the quarter.

In line with recent EU Consumer Spending Barometer reports, the strongest performances in Q2 2012 tended to be found in Eastern Europe. Baltic states Latvia and Lithuania recorded double digit growth rates, as did Slovenia. Other notable rises in spending were found in Bulgaria, Estonia, Poland and Romania.

### Official Data

The general downturn in household consumption that has been evident in the EU Consumer Spending Barometer over the past year or so has largely matched a similar trend in EU GDP data from Eurostat. Preliminary figures for Q2 2012 showed GDP falling by -0.2% on the year, the first reduction for two-and-a-half years.

Although detailed data for the second quarter of 2012 are yet to be made available, household spending looks set to have fallen at an accelerated rate given the trends in GDP and the Barometer. Official data showed that spending fell at a rate of -0.6% year-on-year in both Q4 2011 and Q1 2012 as a number of economies within the region struggle to emerge from recession.

### 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.

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