

Visa's Irish Consumer Spending Index - February 2020

Compiled by IHS Markit on behalf of Visa

18 March 2020

Leap day supports increase in consumer spending

Headline Findings:



Household spending up at a solid pace in February **(+3.2% year-on-year)**



Overall growth centred on **Face-to-Face** transactions **(+5.5%)**



Food & Drink category leads growth **(+8.6%)**

Visa's Irish Consumer Spending Index, produced by IHS Markit, which measures expenditure across all payment types (cash, cheques and electronic payments), pointed to a return to growth of household spending in Ireland during February. Consumer expenditure was up +3.2% year-on-year, following a -0.9% fall in January.

The expansion was the second in the past three months, and the most marked since October 2018.

That said, the year-on-year comparisons will be flattered by the fact that 2020 is a leap year, thus resulting in an extra trading day this February compared to 2019.

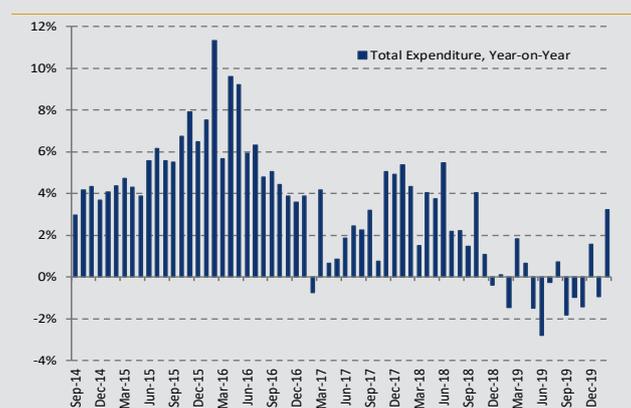
Channel data suggested that transactions on the high street were the main driver of overall growth during February as online spending dipped. The rise in Face-to-Face expenditure of +5.5% year-on-year was the strongest in just over two years.

(Continues overleaf)

Spending annual % change

| | Dec'19 | Jan'20 | Feb'20 |
|------------------|--------|--------|--------|
| Overall spending | +1.5 | -0.9 | +3.2 |
| Face-to-face | -0.8 | -1.0 | +5.5 |
| eComm. | +7.5 | -0.9 | -0.6 |

Visa's Irish Consumer Spending Index
Annual % Change



Philip Konopik, Ireland Country Manager, Visa said:

"Our February data is the first sign of the fluctuations we expect to see in next month's report, with a sharp rise in spending on Food & Drink – the increase of +8.6% is the fastest growth in 23 months. While Food & Drink will continue to rise next month, we expect to see sharp falls in other categories due to the COVID-19 restrictions that are currently being put in place such as pubs closing ahead of St Patrick's day, typically one of their busiest trading periods during the year."

Andrew Harker, Economics Director at IHS Markit said:

"While at first glance the solid expansion in household spending during February is a welcome sign, it is worth noting that the extra trading day in February 2020 compared to 2019 will flatter the year-on-year comparisons. Moreover, events in February have now been overtaken by the wider spread of COVID-19 in Europe. The impacts of the measures put in place to try and prevent further spread of the disease will therefore likely see Irish consumer spending falling during March."

Visa's Irish Consumer Spending Index

(Continued from page 1)

All eight monitored sectors recorded annual increases in spending during February, although again it is worth noting that the leap day in 2020 will have at least partly contributed to this.

Food & Drink posted the sharpest rise in expenditure, posting the fastest expansion since March 2018 (+8.6% year-on-year). Strong growth of household spending was also recorded in the Hotels, Restaurants & Bars categories.

Solid increases were seen in the Household Goods and Clothing & Footwear sectors, with more modest expansions registered elsewhere.

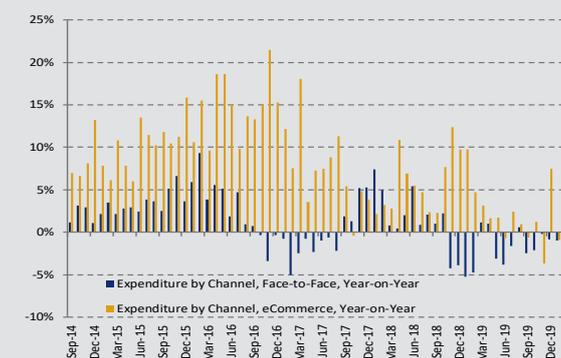


eCommerce and Face-to-Face Spend

Face-to-Face spending increased markedly year-on-year during February, with expenditure up +5.5%. This was the strongest expansion since January 2018.

In contrast to the picture on the high street, online spending took a step back in February. ECommerce expenditure was down -0.6% year-on-year, a broadly similar performance to the -0.9% reduction seen in January.

eCommerce vs Face-to-Face
Annual % Change



Spending by Sector

Visa's Irish Consumer Spending Index monitors eight broad sectors. Summary data for annual growth rates in December, January and February, which are not adjusted for seasonality and trading days, are provided in the table opposite.

Increases in household spending were recorded across all eight sectors covered by the report in February. The strongest expansions were seen in the Food & Drink (+8.6%) and Hotels, Restaurants & Bars (+8.2%) categories.

Both the Household Goods and Clothing & Footwear sectors registered solid increases in household spending on an annual basis in February. Meanwhile, more moderate rates of growth were seen in the remaining four sectors. The slowest rise was seen in the Miscellaneous Goods & Services category (+0.4%).

Annual Growth Rates by Sector

Data not adjusted for seasonality and trading days

| Broad Sector | Dec'19 | Jan '20 | Feb '20 |
|----------------------------|--------|---------|---------|
| Food, Beverages & Tobacco | -0.9% | -0.2% | +8.6% |
| Clothing & Footwear | +3.5% | -2.6% | +3.1% |
| Household Goods | +3.8% | -0.9% | +4.7% |
| Health & Education | +0.4% | -0.1% | +0.9% |
| Transport & Communication | +3.6% | -0.1% | +1.6% |
| Recreation & Culture | +4.0% | 0.0% | +1.3% |
| Hotels, Restaurants & Bars | +5.3% | +4.4% | +8.2% |
| Misc. Goods & Services | +0.8% | -2.4% | +0.4% |

Visa's Irish Consumer Spending Index



Visa's CSI can be used to give advanced signals of trends in official data series such as retail sales and consumer spending.

The CSO has recently released quarterly consumer spending data for the final quarter of 2019. The latest reading signalled continued growth, but at +2.2% year-on-year, the rate of expansion was the weakest since Q2 2017. Visa's CSI suggests a relatively subdued picture for household spend continued at the start of 2020.

Monthly retail sales data from the CSO meanwhile signalled a softening of growth during January. That said, sales volumes were still up +3.7% year-on-year in the opening month of 2020.

Data from the European Commission signalled broadly neutral consumer confidence in February, but this represented the strongest sentiment for eight months.

Average weekly earnings continued to rise solidly in the final quarter, according to the CSO, while their unemployment data signalled a stable unemployment rate of 4.8% in February.

IHS Markit PMI data pointed to an accelerated pace of output growth among businesses in Ireland, with the rate of expansion in February quickening to the fastest since September 2018.



Visa's Irish Consumer Spending Index uses card transaction data to provide a robust indicator of total consumer expenditure across all payment methods and is used by a range of stakeholders to gain insights into consumer spending. It is based on spending on all Visa debit, credit and prepaid cards which are used to make an average of over 110m transactions every quarter and account for €1 in €3 of all Irish spending. Working with IHS Markit, these card spending data figures are adjusted for a variety of factors such as card issuance, changing consumer preferences to pay by card rather than cash and inflation. These adjustments mean that these data are distinct from Visa's business performance and the Index reflects overall consumer spending, not just that on cards.



Further information:

Ian Burge, Visa

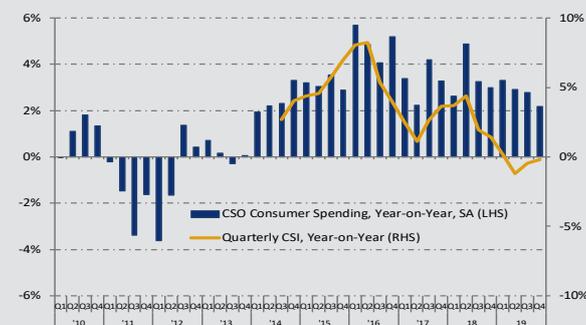
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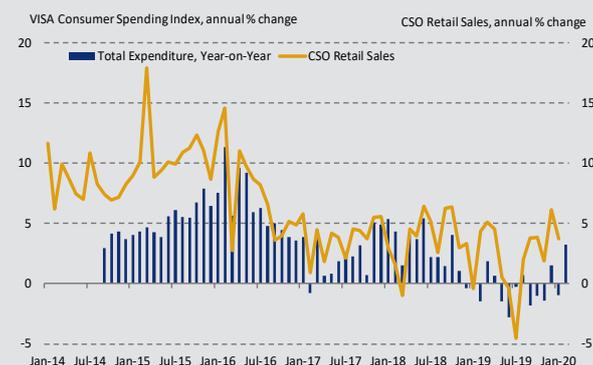
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Ireland Consumer Spending

Annual % Change

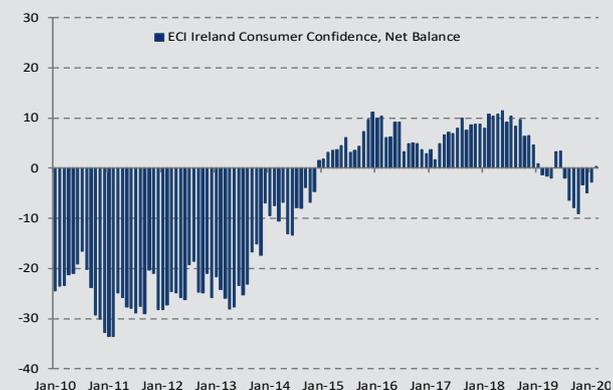


Visa CSI v Official Retail Sales Data



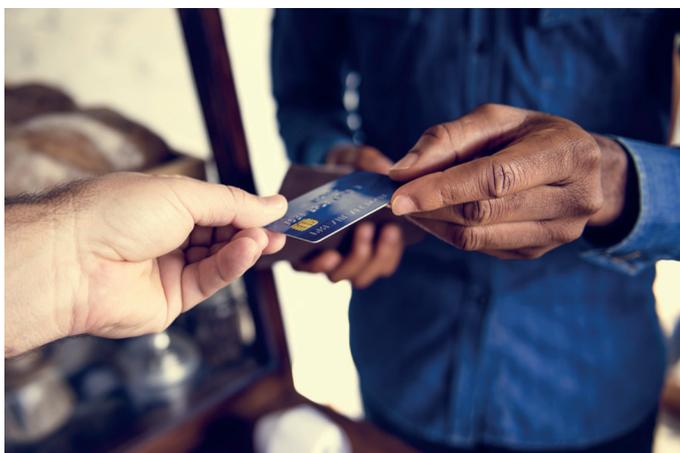
Ireland Consumer Confidence

Net Balance



Sources for Charts: Visa, CSO, European Commission
NSA: Non-Seasonally Adjusted, SA: Seasonally Adjusted

Notes and Further Information



Visa's Irish Consumer Spending Index is based on data for all Visa debit, credit and prepaid cards held by Irish cardholders, with a number of adjustments made to ensure an accurate indication of consumer spending trends is provided.

First, the data – which covers spending by cardholders at all Irish domestic-based merchants plus purchasing at a number of non-domiciled online retailers – are cleaned to remove any spending on items that are not ordinarily classified as consumer expenditure (such as spending on savings products or taxes). Moreover, refunds and cashback are also accounted for at this stage. Second, the data are deflated by changes in the number of active Visa cards in order to account for the expansion of Visa's card operations, particularly on the debit side. Thirdly, an adjustment is made to offset changing consumer preferences for card usage. This is based on data on payments at terminals and cash withdrawals sourced from a report published by the ECB. Fourthly, to account for inflation, the data are deflated by changes in the consumer price index to provide an indicator of real changes in household spending.

Visa's Consumer Spending Index product categories consist of the following standard Classification of Individual Consumption According to Purpose (COICOP) groups:

| | |
|---|--|
|  Food, Beverages & Tobacco Group 1,2 |  Communication & Transport Group 7,8 |
|  Clothing & Footwear Group 3 |  Recreation & Culture Group 9 |
|  Housing & Household Goods Group 4,5 |  Hotels & Restaurants Group 11 |
|  Health & Education Group 6,10 |  Miscellaneous Goods & Services Group 12 |

VISA

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Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second.

The company's relentless focus on innovation is a catalyst for the rapid growth of connected commerce on any device.

As the world moves from analogue to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce.

For more information, visit (www.visaeurope.com), the Visa Vision blog (vision.visaeurope.com), and @VisaInEurope



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