

Visa's Irish Consumer Spending Index - October 2019

Compiled by IHS Markit on behalf of Visa

13 November 2019

October sees further reduction in consumer spending

Headline Findings:



Household spending falls for second month running (-1.4% year-on-year)



Face-to-Face expenditure leads the downturn (-2.6%)



Recreation & Culture posts drop in expenditure for first time in six months (-2.0%)

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 further reduction in spending during October. At -1.4% year-on-year, the decline was less marked than that seen in September (-2.1%). That said, expenditure has now fallen on a monthly basis in five of the past six months.

The slower overall decline in spend largely reflected a return to growth of online expenditure. ECommerce spending was up +0.7%, following a -0.9% reduction in September. That said, the rate of expansion was marginal and much weaker than the series average.

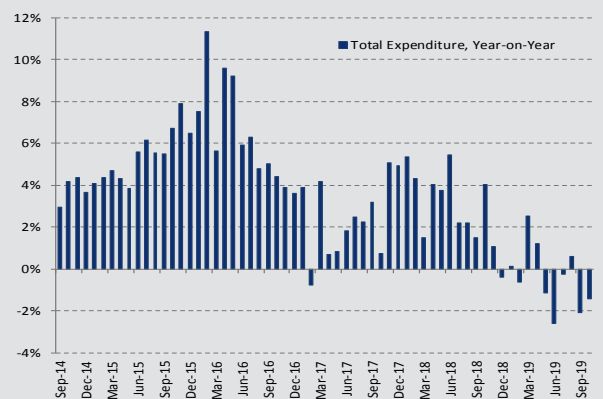
Meanwhile, Face-to-Face spending continued to fall at a solid pace. At -2.6% year-on-year, the rate of decline was broadly similar to that seen in the previous month (-2.8%). Expenditure on the high street has now decreased in five of the past six months.

(Continues overleaf)

Spending annual % change

	Aug'19	Sep'19	Oct'19
Overall spending	+0.6	-2.1	-1.4
Face-to-face	+0.4	-2.8	-2.6
eComm.	+0.8	-0.9	+0.7

Visa's Irish Consumer Spending Index Annual % Change



Philip Konopik, Ireland Country Manager, Visa said:

"Halloween failed to provide a boost this year, with the report indicating a slowdown in consumer spending during October, as half of the sectors monitored posted falls in expenditure. Recreation & Culture took a tumble for the first time in six months, while Clothing & Footwear's downward trend continued after recording a fall for the seventh consecutive month. The Irish retail community will be hoping for a change in fortune in the run-up to Christmas."

Andrew Harker, Associate Director at IHS Markit said:

"Spending trends remained subdued at the start of the final quarter of the year, with a lack of confidence among consumers leading them to rein in their spending. Retailers will be hoping that the upcoming Black Friday and Christmas periods can provide a shot in the arm to households and help support a recovery in spending."

Visa's Irish Consumer Spending Index

(Continued from page 1)

Half of the eight monitored sectors saw spending increase during October. Household Goods was the best performer, registering a +1.8% year-on-year expansion following a -1.1% fall in September.

Marginal increases in expenditure were recorded in the Hotels, Restaurants & Bars, Transport & Communication and Health & Education sectors.

Clothing & Footwear posted the sharpest fall in spending during October, seeing a -3.4% decline. Although this was a softer reduction than in the previous month, spend in the sector has contracted in each month since April.

Recreation & Culture spending decreased for the first time in six months, while further reductions were seen in Food & Drink and Miscellaneous Goods & Services.



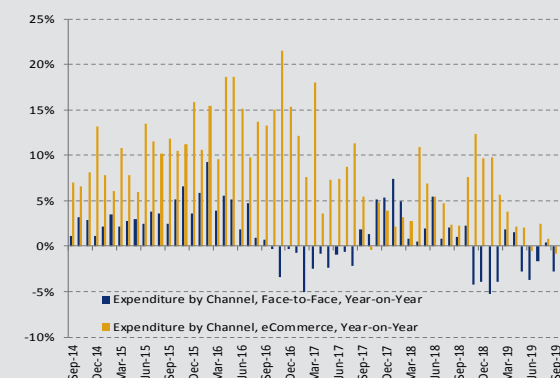
eCommerce and Face-to-Face Spend

Divergent trends were recorded between the two monitored channels. Spending returned to growth in eCommerce, but continued to fall across Face-to-Face.

The rate of decline in spending on the high street was little-changed from that seen in September (-2.6% in October from -2.8%). Meanwhile, the increase of +0.7% in online expenditure was only marginal.



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 August, September and October, which are not adjusted for seasonality and trading days, are provided in the table opposite.

Household Goods saw a return to growth of spending in October, with expenditure up a modest +1.8% year-on-year. Meanwhile, marginal increases were recorded in the Hotels, Restaurants & Bars, Transport & Communication and Health & Education categories.

The remaining four sectors all posted reductions in spend in October. The sharpest fall was in Clothing & Footwear (-3.4%), where expenditure was down for the seventh consecutive month.

Annual Growth Rates by Sector

Data not adjusted for seasonality and trading days

Broad Sector	Aug'19	Sep'19	Oct'19
Food, Beverages & Tobacco	+2.6%	-0.3%	-0.3%
Clothing & Footwear	-2.5%	-6.9%	-3.4%
Household Goods	+4.1%	-1.1%	+1.8%
Health & Education	+4.0%	-3.7%	+0.6%
Transport & Communication	+0.4%	-1.8%	+0.6%
Recreation & Culture	+1.2%	+2.6%	-2.0%
Hotels, Restaurants & Bars	+5.1%	+4.5%	+0.8%
Misc. Goods & Services	-5.7%	-7.9%	-3.3%

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.

Quarterly consumer spending data from the CSO is available up until Q2, with latest data signalling an easing in the rate of growth. At +2.6% year-on-year, the rise was solid but the joint-weakest for two years. Visa's CSI data suggest that the third quarter saw further muted growth, with this trend continuing at the start of Q4.

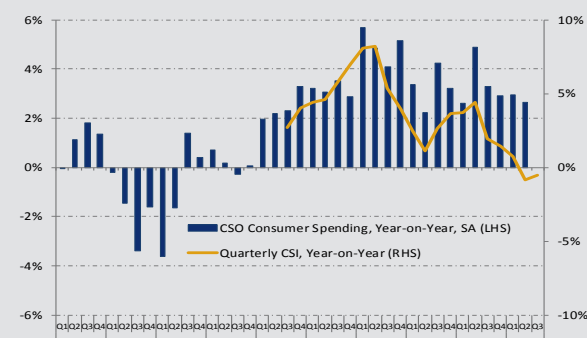
Monthly CSO data on retail sales signalled an improving picture in September, continuing a rebound from a marked decline in July. Visa's CSI data, however, suggest that this upturn is unlikely to be sustained.

Consumer confidence continued to fall in October, with the European Commission's measure dropping for the fourth month running to the lowest since June 2014. The unemployment rate remained relatively low, however, at 5.3% in September according to the CSO.

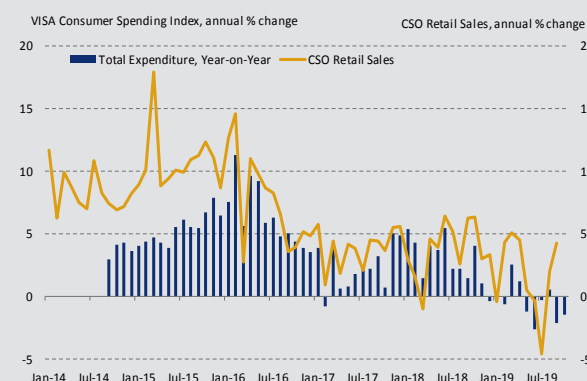
IHS Markit PMI data pointed to further weakness in demand conditions for businesses in Ireland. Output across the combined manufacturing and service sectors rose at the slowest pace in almost seven-and-a-half years in October.

Ireland Consumer Spending

Annual % Change

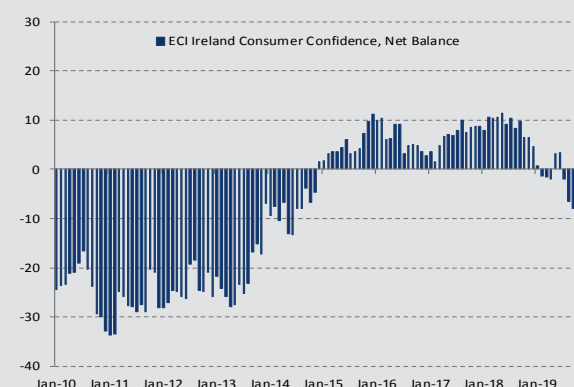


Visa CSI v Official Retail Sales Data



Ireland Consumer Confidence

Net Balance



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



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.

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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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